NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND
Form 486BPOS
May 09, 2016

As filed with the U.S. Securities and Exchange Commission on May 9, 2016

1933 Act File No. 333-186409

1940 Act File No. 811-09161

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-2

(Check appropriate box or boxes)

x **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

¨ **Pre-Effective Amendment No.**

x **Post-Effective Amendment No. 1**

and/or

x **REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940**

x **Amendment No. 12**

Nuveen California Dividend Advantage Municipal Fund

(Exact name of Registrant as Specified in Charter)

333 West Wacker Drive, Chicago, Illinois 60606

(Address of Principal Executive Offices)

(Number, Street, City, State, Zip Code)

(Registrant s Telephone Number, including Area Code): (800) 257-8787

Kevin J. McCarthy

Vice President and Secretary

333 West Wacker Drive

Chicago, Illinois 60606

Name and Address (Number, Street, City, State, Zip Code) of Agent for Service

Copies to:

Thomas S. Harman

Morgan, Lewis & Bockius LLP

1111 Pennsylvania Avenue, NW

Washington, DC 20004

Approximate Date of Proposed Public Offering:

As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. x

It is proposed that this filing will become effective (check appropriate box)

¨ When declared effective pursuant to section 8(c)

x Immediately upon filing pursuant to no-action relief granted to Registrant on June 26, 2013

May 9, 2016

PROSPECTUS

2.3 Million Common Shares

Nuveen California Dividend Advantage Municipal Fund

Nuveen California Dividend Advantage Municipal Fund (the Fund) is a diversified, closed-end management investment company. The Fund s seeks to provide current income exempt from both regular federal and California income taxes. The Fund s secondary investment objective is to enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal securities that Nuveen Asset Management, LLC (Nuveen Asset Management), the Fund s sub-adviser, believes are underrated or undervalued or that represent municipal market sectors that are undervalued. The Fund seeks to achieve its investment objectives by investing, under normal circumstances, at least 80% of its Managed Assets (as defined below under *Portfolio Contents*) in municipal securities and other related investments the income from which is exempt from regular federal and California income taxes. Under normal circumstances, the Fund invests at least 80% of its Managed Assets in municipal securities that, at the time of investment, are investment grade quality. The Fund may invest up to 20% of its Managed Assets in municipal securities that at the time of investment are rated below investment grade or are unrated but judged to be of comparable quality by Nuveen Asset Management. No more than 10% of the Fund s Managed Assets may be invested in municipal securities rated below B3/B- or that are unrated but judged to be of comparable quality by Nuveen Asset Management. The Fund cannot assure you that it will achieve its investment objectives.

Investing in the Fund s common shares involves certain risks that are described in the Risk Factors section of this prospectus (the Prospectus).

Neither the U.S. Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information dated May 9, 2016 (the SAI), containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the SAI, the table of contents of which is on the last page of this Prospectus, annual and semi-annual reports to shareholders and other information about the Fund, and make shareholder inquiries by calling (800) 257-8787, by writing to the Fund or from the Fund s website (http://www.nuveen.com). The information contained in, or that can be accessed through, the Fund s website is not part of this Prospectus. You also may obtain a copy of the SAI (and other information regarding the Fund) from the SEC s web site (http://www.sec.gov).

The Fund s common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

Portfolio Contents. As a fundamental policy, under normal circumstances, the Fund invests at least 80% of its Managed Assets (as defined below) in municipal securities and other related investments the income from which is exempt from regular federal and California income taxes. The Fund invests in tax-exempt municipal securities that Nuveen Asset Management believes are underrated or undervalued or that represent municipal market sectors that are undervalued. The Fund has not established any limit on the percentage of its portfolio that may be invested in municipal bonds subject to the alternative minimum tax provisions of federal tax law, and the Fund expects that a substantial portion of the income it produces will be includable in alternative minimum taxable income. As a non-fundamental policy, under normal circumstances, the Fund invests at least 80% of its Managed Assets in investment grade securities that at the time of investment are investment grade quality. The Fund will invest at least 80% of its net assets in investment grade quality municipal securities. Investment grade quality securities are those that are, at the time of investment, either (i) rated by one of the nationally recognized statistical rating organizations (NRSROs) that rate such securities within the four highest letter grades (by Standard & Poor s Corporation Ratings Group, a division of The McGraw-Hill Companies (S&P), Moody s Investors Services, Inc. (Moody s) or Fitch Ratings, Inc. (Fitch) (BBB- or better for S&P and Fitch and Baa3 or better for Moody s)), or (ii) unrated by any NRSRO but judged to be of comparable quality by Nuveen Asset Management. Investment grade securities may include securities that, at the time of investment, are rated below investment grade by S&P, Moody s or Fitch, so long as at least one NRSRO rates such securities within the four highest grades (such securities are commonly referred to as split-rated securities). Also as a non-fundamental policy, the Fund may invest up to 20% of its Managed Assets in municipal securities that at the time of investment are rated below investment grade or are unrated but judged to be of comparable quality by Nuveen Asset Management. Additionally, as a non-fundamental policy, no more than 10% of the Fund s Managed Assets may be invested in municipal securities rated below B3/B- or that are unrated but judged to be of comparable quality by Nuveen Asset Management. Municipal securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds. The Fund may invest up to approximately 15% of its Managed Assets in inverse floating rate securities. The Fund currently employs financial leverage primarily through its outstanding variable rate demand preferred shares (referred to herein as VRDP Shares). Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating leverage). Total assets for this purpose shall include assets attributable to the Fund s use of effective leverage (whether or not those assets are reflected in the Fund s financial statements for purposes of generally accepted accounting principles), such as, but not limited to, the portion of assets in special purpose trusts of which the Fund owns the inverse floater certificates that has been effectively financed by the trust s issuance of floating rate certificates.

Adviser and Sub-Adviser. Nuveen Fund Advisors, LLC, the Fund s investment adviser, is responsible for determining the Fund s overall investment strategies and their implementation. Nuveen Asset Management, LLC is the Fund s investment sub-adviser and oversees the day-to-day investment operations of the Fund.

The minimum price on any day at which common shares may be sold will not be less than the current net asset value per share plus the per share amount of the commission to be paid to the Fund s distributor, Nuveen Securities, LLC (Nuveen Securities). The Fund and Nuveen Securities will suspend the sale of common shares if the per share price of the shares is less than the minimum price. The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions. For information on how common shares may be sold, see the Plan of Distribution section of this Prospectus.

As of May 2, 2016, the Fund has not sold any Common Shares in this offering.

Common shares are listed on the New York Stock Exchange (the NYSE). The trading or ticker symbol of the Fund is NAC. The Fund s closing price on the NYSE on May 2, 2016 was $16.27.

The date of this Prospectus is May 9, 2016

TABLE OF CONTENTS

You should rely only on the information contained or incorporated by reference into this Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus. The Fund will update this Prospectus to reflect any material changes to the disclosures herein.

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this Prospectus and in the Statement of Additional Information (the SAI).

The Fund	Nuveen California Dividend Advantage Municipal Fund (the Fund) is a diversified, closed-end investment management company. See The Fund. The Fund s common shares, $0.01 par value (Common Shares), are traded on the New York Stock Exchange (the NYSE) under the symbol NAC. See Description of Common Shares. As of March 31, 2016, the Fund had 107,383,777 Common Shares outstanding, 6,996 of variable rate demand preferred shares (referred to herein as VRDP Shares) and net assets applicable to Common Shares of $1,738,415,612.
Investment Objectives and Policies	The Fund s investment objective is to provide current income exempt from regular federal and California income tax. The Fund s secondary investment objective is to enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal securities that Nuveen Asset Management (defined below under Sub-Adviser), the Fund s investment sub-adviser, believes are underrated or undervalued or that represent municipal market sectors that are undervalued. The Fund cannot assure you that it will achieve its investment objectives. As a fundamental investment policy, under normal circumstances, the Fund invests at least 80% of its Managed Assets in municipal securities and other related investments the income from which is exempt from regular federal and California income taxes (as used in this document, the term municipal securities refers to all such investments collectively). The Fund s investment objectives and certain investment policies identified as such are considered fundamental and may not be changed without shareholder approval. Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating leverage). Total assets for this purpose shall include assets attributable to the Fund s use of effective leverage (whether or not those assets are reflected in the Fund s financial statements for purposes of generally accepted accounting principles), such as, but not limited to, the portion of assets in special purpose trusts of which the Fund owns the inverse floater certificates that has been effectively financed by the trust s issuance of floating rate certificates. As a non-fundamental investment policy, under normal circumstances, the Fund invests at least 80% of its Managed Assets in investment grade securities that, at the time of investment are rated investment grade or are unrated but judged to be of comparable

quality by Nuveen Asset Management. Also as a non-fundamental investment policy, under normal circumstances, the Fund may invest up to 20% of its Managed Assets in municipal securities that at the time of investment are rated below investment grade or are unrated but judged to be of comparable quality by Nuveen Asset Management. Additionally, as a non-fundamental policy, no more than 10% of the Fund s Managed Assets may be invested in municipal securities rated below B3/B- or that are unrated but judged to be of comparable quality by Nuveen Asset Management.

As of March 31, 2016, the effective maturity of the Fund s portfolio was 20.84 years. The Fund will generally invest in municipal securities with a weighted average maturity of at least 15 years, but it may be lengthened or shortened depending on market conditions and on an assessment by the Fund s portfolio manager of which segments of the municipal securities market offer the most favorable relative investment values and opportunities for tax-exempt income and total return.

The Fund has not established any limit on the percentage of its portfolio that may be invested in municipal bonds subject to the alternative minimum tax provisions of federal tax law, and the Fund expects that a substantial portion of the income it produces will be includable in alternative minimum taxable income. For a discussion of how the federal alternative minimum tax may affect shareholders, see Tax Matters.

The Fund will invest at least 80% of its net assets in investment grade quality municipal securities. Investment grade quality securities are those that are, at the time of investment, either (i) rated by one of the nationally recognized statistical rating organizations (NRSROs) that rate such securities within the four highest letter grades (by Standard & Poor s Corporation Ratings Group, a division of The McGraw-Hill Companies (S&P), Moody s Investors Services, Inc. (Moody s) or Fitch Ratings, Inc. (Fitch) (BBB- or better for S&P and Fitch and Baa3 or better for Moody s)), or (ii) unrated by any NRSRO but judged to be of comparable quality by Nuveen Asset Management. Investment grade securities may include securities that, at the time of investment, are rated below investment grade by S&P, Moody s or Fitch, so long as at least one NRSRO rates such securities within the four highest grades (such securities are commonly referred to as split-rated securities). Municipal securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds.

As of February 29, 2016, approximately 88% of the Fund s total investment exposure was invested in municipal securities rated investment grade by an NRSRO (including S&P, Moody s and Fitch).

The relative percentages of the value of the investments attributable to investment grade municipal securities and to below investment grade municipal securities could change over time as a result of rebalancing the Fund s assets by Nuveen Asset Management, market value fluctuations, issuance of additional shares and other events.

During temporary defensive periods or in order to keep the Fund s cash fully invested, including during the period when the net proceeds of the offering of Common Stock are being invested, the Fund may deviate from its investment policies and objectives. During such periods, the Fund may invest up to 100% of its net assets in short-term investments, including high quality, short-term securities that may be either tax-exempt or taxable. The Fund intends to invest in taxable short-term investments only in the event that suitable tax-exempt short-term investments are not available at reasonable prices and yields. Investment in taxable short-term investments would result in a portion of your dividends being subject to regular federal income tax, and if the proportion of taxable investments exceeded 50% of the Fund s total assets as of the close of any quarter of the Fund s taxable year, the Fund would not satisfy the general eligibility test that would permit it to pay exempt-interest dividends for that taxable year. Such transactions will be used solely to reduce risk. There can be no assurance that such strategies will be successful. For a more complete discussion of the Fund s portfolio composition, see The Fund s Investments.

See The Fund s Investments and Risk Factors.

Investment Adviser

Nuveen Fund Advisors, LLC (NFALLC), the Fund s investment adviser, is responsible for determining the Fund s overall strategy and its implementation. NFALLC, a registered investment adviser, is a wholly-owned subsidiary of Nuveen Investments, Inc. (Nuveen Investments). Founded in 1898, Nuveen Investments and its affiliates had approximately $225 billion in assets as of December 31, 2015. See Management of the Fund Investment Adviser, Sub-Adviser and Portfolio Manager.

Nuveen Investments is a wholly-owned subsidiary of TIAA. TIAA is a national financial services organization with approximately $854 billion in assets under management as of December 31, 2015, and is the leading provider of retirement services in the academic, research, medical and cultural fields. Nuveen Investments operates as a separate subsidiary within TIAA s asset management business.

Sub-Adviser

Nuveen Asset Management, LLC (Nuveen Asset Management) serves as the Fund s sub-adviser. Nuveen Asset Management, a registered investment adviser, is a wholly-owned subsidiary of NFALLC. Nuveen Asset Management oversees the day-to-day investment operations of the Fund.

Nuveen Securities, LLC (Nuveen Securities), a registered broker-dealer affiliate of NFALLC and Nuveen Asset Management, is involved in the offering of the Fund s Common Shares. See Plan of Distribution Distribution Through At-The-Market Transactions.

Use of Leverage

The Fund currently employs financial leverage through its outstanding VRDP Shares and by investing in inverse floating rate securities that have the economic effect of leverage. The Fund may also use borrowings as a means of financial leverage. The combined economic effect of the total leverage used by the Fund is referred to herein as effective leverage. For the fiscal year ended February 29, 2016, the average liquidation preference of the VRDP Shares outstanding and the annual dividend rate on the VRDP Shares were $699.6 million and 0.12%, respectively. As of February 29, 2016, the Fund s effective leverage was approximately 35% of its Managed Assets. Preferred shares, including VRDP Shares, have seniority over Common Shares. Financial leverage is also created as a result of the Fund s investments in residual interest certificates of tender option bond trusts, also called inverse floating rate securities, because the Fund s investment exposure to the underlying bonds held by the trust have been effectively financed by the trust s issuance of floating rate certificates. See The Fund s Investments Municipal Securities Inverse Floating Rate Securities and Risk Factors Inverse Floating Rate Securities Risk.

Leverage involves special risks. See Risk Factors Leverage Risk. There is no assurance that the Fund s leveraging strategy will be successful. The Fund will seek to invest the proceeds of any future offerings in a manner consistent with the Fund s investment objectives and policies. See Use of Leverage.

The Fund pays a management fee to NFALLC (which in turn pays a portion of its fee to the Fund s sub-adviser, Nuveen Asset Management) based on a percentage of Managed Assets. Managed Assets include the proceeds realized and managed from the Fund s use of leverage as set forth in the Fund s investment management agreement. NFALLC and Nuveen Asset Management will be responsible for using leverage to pursue the Fund s investment objective, and will base their decision regarding whether and how much leverage to use for the Fund based on their assessment of whether such use of leverage will advance the Fund s investment objective. However, the fact that a decision to increase the Fund s leverage will have the effect, all other things being equal, of increasing Managed Assets and therefore NFALLC s and Nuveen Asset Management s fees means that NFALLC and Nuveen Asset Management may have a conflict of interest in determining whether to increase the Fund s use of leverage. NFALLC and Nuveen Asset Management will seek to manage that potential conflict by only increasing the Fund s use of leverage when they determine that such increase is consistent with the Fund s investment objective, and by periodically reviewing the Fund s performance and use of leverage with the Fund s Board of Trustees.

Given the current economic and debt market environment with historically low short-term to intermediate-term interest rates, the Fund intends to use derivatives such as interest rate swaps, with terms that may range from one to seven years, to fix the rate after expenses (commonly referred to as the all-in rate) paid on its revolving line of credit. The interest rate swap program, if implemented, will seek to achieve potentially lower leverage costs over an extended period. This strategy would enhance Common Shareholder returns if short-term interest rates were to rise over time to exceed on average the all-in fixed interest rate over the term of the swap. This strategy, however, will add to leverage costs immediately (because the swap costs are likely to be higher than current benchmark adjustable short-term rates) and would increase overall leverage costs over the entirety of any such time period, in the event that short-term interest rates do not rise sufficiently during that period to exceed on average the all-in fixed interest rate for that time period.

Offering Methods

The Fund may offer shares using one or more of the following methods: (i) at-the-market transactions through one or more broker-dealers that have entered into a selected dealer agreement with Nuveen Securities, one of the Fund s underwriters; (ii) through an underwriting syndicate; and (iii) through privately negotiated transactions between the Fund and specific investors. See Plan of Distribution.

Distribution Through At-The-Market Transactions. The Fund from time to time may issue and sell its Common Shares through Nuveen Securities, to certain broker-dealers that have entered into selected dealer agreements with Nuveen Securities. Currently, Nuveen Securities has entered into a selected dealer agreement with UBS Securities LLC (UBS) pursuant to which UBS will be acting as Nuveen Securities sub-placement agent with respect to at-the-market offerings of Common Shares. Common Shares will only be sold on such days as shall be agreed to by the Fund and Nuveen Securities. Common Shares will be sold at market prices, which shall be determined with reference to trades on the NYSE, subject to a minimum price to be established each day by the Nuveen Securities. The minimum price on any day will not be less than the current net asset value per share plus the per share amount of the commission to be paid to Nuveen Securities. The Fund and Nuveen Securities will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price.

The Fund will compensate Nuveen Securities with respect to sales of the Common Shares at a commission rate of up to 1.0% of the gross proceeds of the sale of Common Shares. Nuveen Securities will compensate broker-dealers participating in the offering at a rate of up to 0.8% of the gross sales proceeds of the sale of Common Shares sold by that broker-dealer.

Settlements of Common Share sales will occur on the third business day following the date of sale. In connection with the sale of the Common Shares on behalf of the Fund, Nuveen Securities may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the 1933 Act), and the compensation of Nuveen Securities may be deemed to be underwriting commissions or discounts. Unless otherwise indicated in a further Prospectus supplement, Nuveen Securities will act as underwriter on a reasonable efforts basis.

The offering of Common Shares pursuant to the Distribution Agreement (defined below under Plan of Distribution Distribution Through At-The-Market Transactions) will terminate upon the earlier of (i) the sale of all Common Shares subject thereto or (ii) termination of the Distribution Agreement. The Fund and Nuveen Securities each have the right to terminate the Distribution Agreement in its discretion at any time. See Plan of Distribution Distribution Through At-The-Market Transactions. The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions.

UBS, its affiliates and their respective employees hold or may hold in the future, directly or indirectly, investment interests in Nuveen Investments and its funds. The interests held by employees of UBS or its affiliates are not attributable to, and no investment discretion is held by, UBS or its affiliates.

The Fund s closing price on the NYSE on May 2, 2016, was $16.27.

Distribution Through Underwriting Syndicates. The Fund from time to time may issue additional Common Shares through a syndicated secondary offering. In order to limit the impact on the market price of the Fund s Common Shares, underwriters will market and price the offering on an expedited basis (*e.g.*, overnight or similarly abbreviated offering period). The Fund will launch a syndicated offering on a day, and upon terms, mutually agreed upon between the Fund, Nuveen Securities and the underwriting syndicate.

The Fund will offer its shares at a price equal to a specified discount of up to 5% from the closing market price of the Fund s Common Shares on the day prior to the offering date. The applicable discount will be negotiated by the Fund and Nuveen Securities in consultation with the underwriting syndicate on a transaction-by-transaction basis. The Fund will compensate the underwriting syndicate out of the proceeds of the offering based upon a sales load of up to 4% of the gross proceeds of the sale of Common Shares. The minimum net proceeds per share to the Fund will not be less than the greater of

(i) the Fund s latest net asset value per share of Common Shares or (ii) 91% of the closing market price of the Fund s Common Shares on the day prior to the offering date. See Plan of Distribution Distribution Through Underwriting Syndicates.

Distribution Through Privately Negotiated Transactions. The Fund, through Nuveen Securities, from time to time may sell directly to, and solicit offers from, institutional and other sophisticated investors, who may be deemed to be underwriters as defined in the 1933 Act for any resale of Common Shares.

The terms of such privately negotiated transactions will be subject to the discretion of the management of the Fund. In determining whether to sell Common Shares through a privately negotiated transaction, the Fund will consider relevant factors including, but not limited to, the attractiveness of obtaining additional funds through the sale of Common Shares, the purchase price to apply to any such sale of Common Shares and the investor seeking to purchase the Common Shares.

Common Shares issued by the Fund through privately negotiated transactions will be issued at a price equal to the greater of (i) the net asset value per share of the Fund s Common Shares or (ii) at a discount ranging from 0% to 5% of the average daily closing market price of the Fund s Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. The applicable discount will be determined by the Fund on a transaction-by-transaction basis. See Plan of Distribution Distribution Through Privately Negotiated Transactions.

The principal business address of Nuveen Securities is 333 West Wacker Drive, Suite 3300, Chicago, Illinois 60606.

Special Risk Considerations

Investment in the Fund involves special risk considerations, which are summarized below. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program. See Risk Factors for a more complete discussion of the special risk considerations of an investment in the Fund.

Investment and Market Risk. An investment in the Fund s Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Shares represents an indirect investment in the municipal securities owned by the Fund, substantially all of which are traded on a national securities exchange or in the over-the-counter markets. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions. See Risk Factors Investment and Market Risk

Recent Market Circumstances. In the recent past, the debt and equity capital markets in the United States were negatively impacted by significant write-offs in the financial services sector relating to sub-prime mortgages and the re-pricing of credit risk in the broadly syndicated market, among other things. In addition, domestic and international markets have experienced acute turmoil due to a variety of factors, including economic unrest in Italy, Greece, Spain, Ireland, Portugal, other European Union countries and China. These events, along with the downgrade to the United States credit rating, deterioration of the housing market, the failure of major financial institutions and the resulting United States federal government actions (as well as the actions of many governments or quasi-governmental organizations throughout the world, which responded to the turmoil with a variety of significant fiscal and monetary policy changes) led in the recent past, and may lead in the future, to worsening general economic circumstances, which did, and could, materially and adversely impact the broader financial and credit markets and reduce the availability of debt and equity capital for the market as a whole and financial firms in particular. These events may increase the volatility of the value of securities owned by the Fund and/or result in sudden and significant valuation decreases in its portfolio. These events also may make it more difficult for the Fund to accurately value its securities or to sell its securities on a timely basis.

While the extreme volatility and disruption that U.S. and global markets experienced for an extended period of time beginning in 2007 and 2008 has generally subsided, uncertainty and periods of volatility remain, and risks to a robust resumption of growth persist. Federal Reserve policy, including with respect to certain interest rates as well as the decision to cease purchasing securities pursuant to quantitative easing, may cause interest rates to rise, and may adversely affect the value, volatility and liquidity of dividend and interest paying securities. Market volatility, rising interest rates and/or a return to unfavorable economic circumstances could impair the Fund s ability to achieve its investment objectives.

General market uncertainty and consequent re-pricing of risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of securities and significant and rapid value decline in certain instances. Additionally, periods of market volatility remain, and may continue to occur in the future, in response to various political, social and economic events both within and outside of the United States. These circumstances resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many securities remaining illiquid and of uncertain value. Such market circumstances may make valuation of some of the Fund s investments uncertain and/or result in sudden and significant valuation increases or declines in its holdings. If there is a significant decline in the value of the Fund s portfolio, this may impact the asset coverage levels for any outstanding leverage the Fund may have.

Legislation and Regulatory Risk. At any time after the date of this prospectus, legislation or additional regulations may be enacted that could negatively affect the assets of the Fund, securities held by the Fund or the issuers of such securities. Fund shareholders may incur increased costs resulting from such legislation or additional regulation. There can be no assurance that future legislation, regulation or deregulation will not have a material adverse effect on the Fund or will not impair the ability of the Fund to achieve its investment objectives.

Economic and Political Events Risk. The Fund may be more sensitive to adverse economic, business or political developments if it invests a substantial portion of its assets in the bonds of similar projects (such as those relating to the education, health care, housing, transportation, or utilities industries), industrial development bonds, or in particular types of municipal securities (such as general obligation bonds, private activity bonds or moral obligation bonds). Such developments may adversely affect a specific industry or local political and economic conditions, and thus may lead to declines in the bonds creditworthiness and value.

Market Discount from Net Asset Value. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. The Fund cannot predict whether Common Shares will trade at, above or below net asset value. This characteristic is a risk separate and distinct from the risk that the Fund s net asset value could decrease as a result of investment activities. Investors bear a risk of loss to the extent that the price at which they sell their shares is lower in relation to the Fund s net asset value than at the time of purchase, assuming a stable net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by shareholder transaction costs (if applicable, which vary depending on the offering method used). The net asset value per Common Share will be reduced by costs associated with any future issuances of common or preferred shares, including VRDP Shares. Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes. See Risk Factors Market Discount from Net Asset Value.

Credit and Below Investment Grade Risk. Credit risk is the risk that one or more municipal securities in the Fund s portfolio will decline in price, or the issuer thereof will fail to pay interest or principal when due, because the issuer experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates. The Fund may invest up to 20% (measured at the time of investment) of its Managed Assets in municipal securities that are rated below investment grade or that are unrated but judged to be of comparable quality by Nuveen Asset Management; provided, that no more than 10% of the Fund s

Managed Assets may be invested in municipal securities rated below B-/B3 or that are unrated but judged to be of comparable quality by Nuveen Asset Management. If a municipal security satisfies the rating requirements described above at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security. If a downgrade occurs, Nuveen Asset Management will consider what action, including the sale of the security, is in the best interests of the Fund and its shareholders. This means that the Fund may invest in municipal securities that are involved in bankruptcy or insolvency proceedings or are experiencing other financial difficulties at the time of acquisition (such securities are commonly referred to as distressed securities). Municipal securities of below investment grade quality are predominately speculative with respect to the issuer s capacity to pay interest and repay principal when due, and are susceptible to default or decline in market value due to adverse economic and business developments, and are commonly referred to as junk bonds. Also, to the extent that the rating assigned to a municipal security in the Fund s portfolio is downgraded by any NRSRO, the market price and liquidity of such security may be adversely affected. The market values for municipal securities of below investment grade quality tend to be volatile, and these securities are less liquid than investment grade municipal securities. For these reasons, an investment in the Fund compared with a portfolio consisting solely of investment grade securities, may experience the following:

- increased price sensitivity resulting from changing interest rates and/or a deteriorating economic environment;

- greater risk of loss due to default or declining credit quality;

- adverse issuer specific events that are more likely to render the issuer unable to make interest and/or principal payments; and

- the possibility that a negative perception of the below investment grade market develops, resulting in the price and liquidity of below investment grade securities becoming depressed, and this negative perception could last for a significant period of time.

See Risk Factors Credit and Below Investment Grade Risk.

Interest Rate Risk. Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the municipal securities in the Fund s portfolio will decline in value because of increases in market interest rates. As interest rates decline, issuers of municipal securities may prepay principal earlier than scheduled, forcing the Fund to reinvest in lower-yielding securities and potentially reducing the Fund s income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund s value. Currently, market interest rates are at or near historically low levels. In typical market interest rate environments, the prices of longer-term municipal securities generally fluctuate more than prices of shorter-term municipal securities as interest rates change. In comparison to maturity (which is the date on which a debt instrument ceases and the issuer is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result of changes in market rates of interest, based on the weighted average timing of the instrument s expected principal and interest payments. Duration differs from maturity in that it considers a security s yield, coupon payments, principal payments and call features in addition to the amount of time until the security finally matures. As the value of a security changes over time, so will its duration.

Prices of securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. In general, a portfolio of securities with a longer duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter duration. For example, the price of a bond with an effective duration of two years will rise (fall) two percent for every one percent decrease (increase) in its yield, and the price of a five-year duration bond will rise (fall) five percent for a one percent decrease (increase) in its yield.

Yield curve risk is the associated with either a flattening or steepening of the yield curve, which is a result of changing yields among comparable bonds with different maturities. When market interest rates, or yields, increase, the price of a bond will decrease and vice versa. When the yield curve shifts, the price of the bond, which was initially priced based on the initial yield curve, will change in price. If the yield curve flattens, then the yield spread between long- and short-term interest rates narrows, and the price of the bond will change accordingly. If the bond is short-term and the yield decreases, the price of this bond will increase. If the yield curve steepens, this means that the spread between long- and short-term interest rates increases. Therefore, long-term bond prices, like the ones held by the Fund, will decrease relative to short-term bonds. Changes in the yield curve are based on bond risk premiums and expectations of future interest rates.

Because the Fund will invest primarily in long-term municipal securities, the Common Stock net asset value and market price per share will fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter-term municipal securities. Because the values of lower-rated and comparable unrated debt securities are affected both by credit risk and interest rate risk, the price movements of such lower grade securities in response to changes in interest rates typically have not been highly correlated to the fluctuations of the prices of investment grade quality securities in response to changes in market interest rates. The Fund s investments in interest rate floating securities, as described herein, will tend to increase Common Stock interest rate risk. See Risk Factors Interest Rate Risk.

Municipal Securities Market Risk. The amount of public information available about the municipal securities in the Fund s portfolio is generally less than that for corporate equities or bonds, and the investment performance of the Fund may therefore be more dependent on the analytical abilities of Nuveen Asset Management than if the Fund were a stock fund or taxable bond fund. The secondary market for municipal securities, particularly the below investment grade bonds in which the Fund may invest, also tends to be less well-developed or liquid than many other securities markets, which may adversely affect the Fund s ability to sell its bonds at attractive prices. See Risk Factors Municipal Securities Market Risk and Risk Factors Special Risks Related to Certain Municipal Obligations.

Concentration in California Issuers. The Fund s policy of investing in municipal securities of issuers located in California makes the Fund more susceptible to the adverse economic, political or regulatory occurrences affecting such issuers.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund s portfolio will decline if and when the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio s current earnings rate. A decline in income could affect the Common Share s market price or your overall returns. See Risk Factors Reinvestment Risk.

Tax Risk. To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, among other things, the Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources and satisfy a diversification test on a quarterly basis. If the Fund fails to satisfy the qualifying income or diversification requirements in any taxable year, the Fund may be eligible for relief provisions if the failures are due to reasonable cause and not willful neglect and if a penalty tax is paid with respect to each failure to satisfy the applicable requirements. Additionally, relief is provided for certain de minimis failures of the diversification requirements where the Fund corrects the failure within a specified period. In order to be eligible for the relief provisions with respect to a failure to meet the diversification requirements, the Fund may be required to dispose of certain assets. If these relief provisions were not available to the Fund and it were to fail to qualify for treatment as a regulated investment company for a taxable year, all of its taxable income (including its net capital gain) would be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and such distributions would be taxable as ordinary dividends to the extent of the Fund s current and accumulated earnings and profits.

To qualify to pay exempt-interest dividends, which are treated as items of interest excludable from gross income for federal income tax purposes, at least 50% of the value of the total assets of the Fund must consist of obligations exempt from regular income tax as of the close of each quarter of the Fund s taxable year. If the proportion of taxable investments held by the Fund exceeds 50% of the Fund s total assets as of the close of any quarter of any Fund taxable year, the Fund will not for that taxable year satisfy the general eligibility test that otherwise permits it to pay exempt-interest dividends.

The Fund may enter into various types of derivatives transactions, including credit default swap contracts and interest rate swap contracts, among others. The use of such derivatives may generate taxable income. The Fund s use of derivatives may also affect the amount, timing, and character of distributions to shareholders and, therefore, may increase the amount of taxes payable by shareholders.

The value of the Fund s investments and its net asset value may be adversely affected by changes in tax rates and policies. Because interest income from municipal securities is normally not subject to regular federal income taxation, the attractiveness of municipal securities in relation to other investment alternatives is affected by changes in federal income tax rates or changes in the tax-exempt status of interest income from municipal securities. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the demand for and supply, liquidity and marketability of municipal securities. This could in turn affect the Fund s net asset value and ability to acquire and dispose of municipal securities at desirable yield and price levels. Additionally, the Fund is not a suitable investment for individual retirement accounts, for other tax-exempt or tax-deferred accounts or for investors who are not sensitive to the federal income tax consequences of their investments.

Leverage Risk. The use of financial leverage created through the Fund s outstanding preferred shares, including VRDP Shares, or the use of tender option bonds creates an opportunity for increased Common Shares net income and returns, but also creates special risks for holders of Common Shares (Common Shareholders). There is no assurance that the Fund s leveraging strategy will be successful. The risk of loss attributable to the Fund s use of leverage is borne by Common Shareholders. The Fund s use of financial leverage can result in a greater decrease in net asset values in declining markets. The Fund s use of financial leverage similarly can magnify the impact of changing market conditions on Common Share market prices. See Risk Factors Inverse Floating Rate Securities Risk. Because the long-term municipal securities in which the Fund invests generally pay fixed rates of interest while the Fund s costs of leverage generally fluctuate with short- to intermediate-term yields, the incremental earnings from leverage will vary over time. However, the Fund may use derivatives, such as interest rate swaps, to fix the effective rate paid on all or a portion of the Fund s leverage, in an effort to lower leverage costs over an extended period. Accordingly, the Fund cannot assure you that the use of leverage will result in a higher yield or return to Common Shareholders. The income benefit from leverage will be reduced to the extent that the difference narrows between the net earnings on the Fund s portfolio securities and its cost of leverage. The income benefit from leverage will increase to the extent that the difference widens between the net earnings on the Fund s portfolio securities and its cost of leverage. If short- or intermediate-term rates rise, the Fund s cost of leverage could exceed the fixed rate of return on longer-term bonds held by the Fund that were acquired during periods of lower interest rates, reducing income and returns to Common Shareholders. This could occur even if short- or intermediate-term and long-term municipal rates rise. Because of the costs of leverage, the Fund may incur losses even if the Fund has positive returns if they are not sufficient to cover the costs of leverage. The Fund s cost of leverage includes dividends paid on VRDP Shares, or the interest expense attributable to tender option bonds (See Inverse Floating Rate Securities Risk), as well as any one-time costs (*e.g.*, issuance costs) and ongoing fees and expenses associated with such leverage.

The Fund is required to maintain certain regulatory and rating agency asset coverage requirements in connection with its use of leverage, in order to be able to maintain the ability to declare and pay Common Share distributions and to maintain the VRDP Shares rating. An NRSRO could downgrade its ratings on the Fund s outstanding preferred shares, including VRDP Shares. A ratings downgrade of the Fund s preferred shares may result in higher dividend rates and may also force the redemption of such preferred shares at what might be an inopportune time in the market. These factors may result in reduced net earnings or returns to Common Shareholders.

In order to maintain required asset coverage levels, the Fund may be required to alter the composition of its investment portfolio or take other actions, such as redeeming preferred shares or reducing leverage levels with the proceeds from portfolio transactions, at what might be an inopportune time in the market. Such actions could reduce the net earnings or returns to Common Shareholders over time.

Furthermore, the amount of fees paid to NFALLC (which in turn pays a portion of its fees to Nuveen Asset Management) for investment advisory services will be higher if the Fund uses leverage because the fees will be calculated based on the Fund s Managed Assets this may create an incentive for NFALLC and Nuveen Asset Management to leverage the Fund.

The Fund may invest in the securities of other investment companies, which may themselves be leveraged and therefore present similar risks to those described above and magnify the Fund s leverage risk.

See Risk Factors Leverage Risk and Use of Leverage.

Inverse Floating Rate Securities Risk. The Fund may invest in inverse floating rate securities. Typically, inverse floating rate securities represent beneficial interests in a special purpose trust (sometimes called a tender option bond trust) formed by a third party sponsor for the purpose of holding municipal bonds. See The Fund s Investments Municipal Securities Inverse Floating Rate Securities. In general, income on inverse floating rate securities will decrease when interest rates increase and increase when interest rates decrease. Thus, distributions paid to the Fund on its inverse floaters will be reduced or even eliminated as short-term municipal interest rates rise and will increase when short-term municipal rates fall. Inverse floating rate securities generally will underperform the market for fixed rate municipal bonds in a rising interest rate environment. Investments in inverse floating rate securities may subject the Fund to the risks of reduced or eliminated interest payments and losses of principal. In addition, because of the leveraged nature of such investments, inverse floating rate securities will increase or decrease in value at a greater rate than the underlying fixed rate municipal bonds held by the tender option bond. As a result, the market value of such securities generally is more volatile than that of fixed rate securities.

The Fund may invest in inverse floating rate securities, issued by special purpose trusts that have recourse to the Fund. In Nuveen Asset Management s discretion, the Fund may enter into a separate shortfall and forbearance agreement with the third party sponsor of a special purpose trust. The Fund may enter into such recourse agreements (i) when the liquidity provider to the special purpose trust requires such an agreement because the level of leverage in the special purpose trust exceeds the level that the liquidity provider is willing to support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the special purpose trust in the event that the municipal obligation held in the trust has declined in value. Such an agreement would require the Fund to reimburse the third-party sponsor of the trust, upon termination of the trust issuing the inverse floater, the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate interests. In such instances, the Fund may be at risk of loss that exceeds its investment in the inverse floating rate securities.

The Fund s investments in inverse floating rate securities issued by special purpose trusts that have recourse to the Fund may be highly leveraged. The structure and degree to which the Fund s inverse floating rate securities are highly leveraged will vary based upon a number of factors, including the size of the trust itself and the terms of the underlying municipal security. An inverse floating rate security generally is considered highly leveraged if the principal amount of the short-term floating rate interests issued by the related special purpose trust is in excess of three times the principal amount of the inverse floating rate securities owned by the trust (the ratio of the principal amount of such short-term floating rate interests to the principal amount of the inverse floating rate securities is referred to as the gearing). In the event of a significant decline in the value of an underlying security, the Fund may suffer losses in excess of the amount of its investment (up to an amount equal to the value of the municipal securities underlying the inverse floating rate securities) as a result of liquidating special purpose trusts or other collateral required to maintain the Fund s anticipated effective leverage ratio.

The Fund s investment in inverse floating rate securities creates financial leverage that provides an opportunity for increased Common Share net income and returns, but also creates the risk that Common Share long-term returns will be reduced if the cost of leverage exceeds the net return on the Fund s investment portfolio.

Inverse floating rate securities have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a tender option bond trust. The market price of inverse floating rate securities is more volatile than the underlying securities due to leverage. The leverage attributable to such inverse floating rate securities may be called away on relatively short notice and therefore may be less permanent than more traditional forms of leverage. The Fund may be required to sell its inverse floating rate securities at less than favorable prices, or liquidate other Fund portfolio holdings in certain circumstances, including, but not limited to, the following:

If the Fund has a need for cash and the securities in a special purpose trust are not actively trading due to adverse market conditions;

If special purpose trust sponsors (as a collective group or individually) experience financial hardship and consequently seek to terminate their respective outstanding special purpose trusts; and

If the value of an underlying security declines significantly (to a level below the notional value of the floating rate securities issued by the trust) and if additional collateral has not been posted by the Fund.

See Risk Factors Inverse Floating Rate Securities Risk.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. See Risk Factors Inflation Risk.

Derivatives Risk, Including the Risk of Swaps. The Fund s use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. Whether the Fund s use of derivatives is successful will depend on, among other things, if NFALLC and Nuveen Asset Management correctly forecast market values, interest rates and other applicable factors. If NFALLC and Nuveen Asset Management incorrectly forecast these and other factors, the investment performance of the Fund will be unfavorably affected. In addition, the derivatives market is largely unregulated. It is possible that developments in the derivatives market could adversely affect the Fund s ability to successfully use derivative instruments.

The Fund may enter into various types of derivatives transactions, including futures, options, swaps (including credit default swaps, interest rate swaps and total return swaps), among others. Like most derivative instruments, the use of derivatives is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. In addition, the use of derivatives requires an understanding by Nuveen Asset Management not only of the referenced asset, rate or index, but also of the derivative contract itself and the markets in which they trade. Successful implementation of most hedging strategies would generate taxable income. The derivatives market is subject to a changing regulatory environment. It is possible that regulatory or other developments in the derivatives market could adversely affect the Fund s ability to successfully use derivative instruments. As of February 29, 2016, the Fund was not invested in derivatives. See Risk Factors Derivatives Risk, Risk Factors Counterparty Risk, Risk Factors Hedging Risk, Risk Factors Tax Risk and the SAI.

Counterparty Risk. Changes in the credit quality of the companies that serve as the Fund s counterparties with respect to derivatives, insured municipal securities or other transactions supported by another party s credit will affect the value of those instruments. Certain entities that have served as counterparties in the markets for these transactions have recently incurred significant financial hardships including bankruptcy and losses as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such hardships have reduced these entities capital and called into question their continued ability to perform their obligations under such transactions. By using such derivatives or other transactions, the Fund assumes the risk that its counterparties could experience similar financial hardships. See Risk Factors Counterparty Risk.

Hedging Risk. The Fund s use of derivatives or other transactions to reduce risks involves costs and will be subject to Nuveen Asset Management s ability to predict correctly changes in the relationships of such hedge instruments to the Fund s portfolio holdings or other factors. No assurance can be given that Nuveen Asset Management s judgment in this respect will be correct. In addition, no assurance can be given that the Fund will enter into hedging or other transactions at times or under circumstances in which it may be advisable to do so. See Risk Factors Hedging Risk.

See Risk Factors Recent Market Conditions Credit Crisis Liquidity and Volatility Risk and Risk Factors Municipal Securities Market Risk.

tions.

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 hierarchy as of March 31, 2009 (in millions).

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 626	$	$	$ 626
Restricted cash	142			142
Auction rate securities (ARS)			207	207
Put option related to ARS			14	14
	$ 768	$	$ 221	$ 989
Liabilities				
Aircraft fuel derivatives	$	$ 77	$	$ 77
Interest rate swap			15	15
	$	$ 77	$ 15	$ 92

The following tables reflect the activity for the major classes of our assets and liabilities measured at fair value using level 3 inputs (in millions) for the three months ended March 31, 2009:

	Auction Rate Securities	Put Option related to ARS	Interest Rate Swaps	Total
Balance as of December 31, 2008	$ 244	$ 14	$ (10)	$ 248
Transfers in				
Total gains or (losses), realized or unrealized				
Included in earnings	(8)			(8)
Included in comprehensive income			(5)	(5)
Purchases, issuances and settlements, net	(29)			(29)
Balance as of March 31, 2009	$ 207	$ 14	$ (15)	$ 206

Cash and cash equivalents: Our cash and cash equivalents include money market securities that 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.

Auction rate securities: At March 31, 2009, the fair values of our auction rate securities, or ARS, all of which are collateralized by student loan portfolios (substantially all of which are guaranteed by the United

States Government), were estimated through discounted cash flow models. Since these inputs were not observable, they are classified as level 3 inputs. For the three months ended March 31, 2009, we recorded an unrealized holding loss on our ARS of $8 million, based on the current fair value. We classify our ARS as trading securities and therefore measure at each reporting period with the resulting loss recognized in earnings. Our discounted cash flow analysis considered, among other things, the quality of the underlying collateral, the credit rating of the issuers, an estimate of when these securities are either expected to have a successful auction or otherwise return to par value and expected interest income to be received over this period. Because of the inherent subjectivity in valuing these securities, we also considered independent valuations obtained for each of our ARS as of March 31, 2009 in estimating their fair values. In February 2009, we sold certain ARS for $29 million, an amount which approximated their fair value as of December 31, 2008. The proceeds of these sales were used to reduce our line(s) of credit.

Put option related to ARS: We have elected to apply the fair value option under SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* to UBS s agreement to repurchase, at par, ARS brokered by them. The $14 million fair value of this put option is included in other long term assets in our consolidated balance sheets with the resultant loss included in other income/expense. The change in fair value during the three months ended March 31, 2009 was insignificant. The fair value of the put is determined by comparing the fair value of the related ARS, as described above, to their par values and also considers the credit risk associated with UBS. This put option will be adjusted on each balance sheet date based on its then fair value. The fair value of the put option is based on unobservable inputs and is therefore classified as level 3 in the hierarchy.

Interest Rate Swaps: The fair values of our interest rate swaps are initially based on inputs received from the counterparty. These values were corroborated by adjusting the active swap indications in quoted markets for similar terms (6 8 years) for the specific terms within our swap agreements. Since some of these inputs were not observable, they are classified as level 3 inputs in the hierarchy.

Aircraft fuel derivatives: Our heating oil swaps and heating oil collars are not traded on public exchanges. Their fair values are determined based on inputs that are readily available from public markets; therefore, they are classified as level 2 inputs.

Table of Contents

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

Outlook

The global economy continued to weaken throughout the first quarter of 2009, which has resulted in a softening in demand for domestic leisure and business air travel. The industry has become increasingly aggressive with fare sales, which adds to an already challenging pricing environment. Increased volatility and continued economic declines could have a negative impact on our business, and therefore we continue to monitor closely consumer demand in order to appropriately respond to changing environments. The response of domestic airlines, including us, has been to cut capacity. Recently the Federal Aviation Administration, or FAA, released projections that 2009 domestic airlines would see a 9% reduction in passengers. In response to the uncertain economic conditions, we continue to focus on cost discipline, careful management of our fleet, and taking a prudent approach to capacity.

Declining fuel prices have helped to offset the weaker demand environment. In the fourth quarter of 2008, we revised our fuel hedge program and effectively exited a majority of our 2009 hedges and prepaid our liability portion. As a result, we benefitted from the lower fuel prices throughout the first quarter. We will continue to closely monitor fuel prices and to take a prudent approach to fuel hedging.

During the first quarter, we sold two of our aircraft immediately after their delivery to us from their manufacturer. We currently expect our operating aircraft to consist of 109 Airbus A320 aircraft and 41 EMBRAER 190 aircraft at the end of 2009. We expect to return one aircraft upon its lease expiration later in 2009. We have one of the youngest and most fuel efficient fleets in the industry, with an average age of 3.7 years, which we believe gives us a competitive advantage.

We are growing our route network through the Caribbean and Latin America, markets which have historically matured more quickly and generate higher revenue than mainland flights of a comparable distance. By the end of 2009, we expect to have approximately 20% of our capacity in the Caribbean and Latin America. We commenced service to Bogota, Colombia in January 2009 and San Jose, Costa Rica in March 2009 and have announced plans to begin service to Montego Bay, Jamaica in May 2009. We have also recently applied for government approval to begin service to Barbados beginning in October 2009. In addition, we have announced our plans to begin service to Los Angeles, CA beginning in June 2009 and from Boston, MA to Baltimore, MD in September 2009. With the addition of this service, we will strengthen our position as the largest carrier at Boston s Logan International Airport in terms of destinations served.

Airlines serving the New York metropolitan area continue to face operational challenges. In an effort to try to reduce delays and modernize, the FAA and the Port Authority of New York and New Jersey, or PANYNJ, will be undertaking major construction work at John F. Kennedy International Airport, or JFK, including two major runway closures, one in April 2009 and one from March through June 2010.

While, ultimately, we believe the results of this project will help to alleviate some of the challenges of operating at JFK, during these runway closures, our operations may be adversely impacted.

We expect our full-year operating capacity to remain relatively flat, with growth between negative 1% to positive 1% over 2008 with the net addition of two Airbus A320 aircraft and six EMBRAER 190 aircraft to our operating fleet. We expect that the EMBRAER 190 aircraft will represent approximately 14% of our total 2009 operating capacity. Assuming fuel prices of $1.90 per gallon, net of effective hedges, our cost per available seat mile for 2009 is expected to decrease 8% to 10% over 2008. We expect our full year operating margin to be between 11% and 13% and our pre-tax margin to be between 4% and 6%.

Results of Operations

Our operating revenue per available seat mile for the quarter increased 3% over the same period in 2008. Our average fares for the quarter decreased 2% over 2008 to $133.39, while our load factor

16

Table of Contents

declined 2.2 points to 76.0% from a year ago. Our on-time performance, defined by the DOT, as arrival within 14 minutes of schedule, was 78.3% in the first quarter of 2009 compared to 71.8% for the same period in 2008, while our completion factor was 98.7% and 98.4% in 2009 and 2008, respectively.

Three Months Ended March 31, 2009 and 2008

We reported net income of $12 million for the three months ended March 31, 2009, compared to a net loss of $10 million for the three months ended March 31, 2008. Diluted earnings per share were $0.05 for the first quarter of 2009 compared to diluted loss per share of $0.05 for 2008. Our operating income for the three months ended March 31, 2009 was $73 million compared to $17 million for the same period last year, and our pre-tax margin increased 4.4 points from 2008.

Operating Revenues. Operating revenues decreased 3%, or $23 million, over the same period in 2008 primarily due to a 6%, or $42 million, decrease in passenger revenues. The decrease in passenger revenues was largely attributable to a 5% decrease in capacity offset by a 2% increase in yield over the first quarter of 2008 and the addition of our Even More Legroom optional upgrade product, which we introduced in mid-2008. Additionally, the shift of the Easter holiday from March to April in 2009 had an impact on our first quarter results more so than other airlines due to our strong leisure travel market.

Other revenue increased 29%, or $19 million, primarily due to higher change fee and excess baggage revenue resulting from increased change fee rates and the introduction of the second checked bag fee in the second quarter of 2008. Other revenue also increased due to additional LiveTV third party revenues, concessions at JFK airport, and rental income.

Operating Expenses. Operating expenses decreased 10%, or $79 million, over the same period in 2008, primarily due to lower fuel prices. Operating capacity decreased 5% to 7.94 billion available seat miles. Operating expenses per available seat mile decreased 5% to 9.06 cents for the three months ended March 31, 2009. Excluding fuel, our cost per available seat mile for the three months ended March 31, 2009 was 9% higher compared to the same period in 2008. In detail, operating costs per available seat mile were as follows (percent changes are based on unrounded numbers):

	Three Months Ended March 31,		Percent
	2009	2008	Change
	(in cents)		
Operating expenses:			
Aircraft fuel	2.70	3.67	(26.5)%
Salaries, wages and benefits	2.33	2.12	10.2%
Landing fees and other rents	.63	.61	4.0%
Depreciation and amortization	.69	.53	28.7%
Aircraft rent	.40	.38	5.0%
Sales and marketing	.46	.47	(1.9)%

Maintenance materials and repairs	.47	.39	18.7%
Other operating expenses	1.38	1.34	3.2%
Total operating expenses	9.06	9.51	(4.8)%

Aircraft fuel expense decreased 30%, or $94 million, due to a 26% decrease in average fuel cost per gallon, or $75 million after the impact of fuel hedging, and a decrease of seven million gallons of aircraft fuel consumed, resulting in $19 million less in fuel expense. Our average fuel cost per gallon was $1.96 for the first quarter of 2009 compared to $2.65 for the first quarter of 2008. Cost per available seat mile decreased 27% primarily due to the decrease in fuel price.

Table of Contents

Salaries, wages and benefits increased 4%, or $7 million, primarily due to a 6% increase in average wages per full-time equivalent. Cost per available seat mile increased 10% primarily due to inefficiencies associated with reductions in capacity.

Landing fees and other rents decreased 2%, or $1 million, due to lower airport rental rates offset by a slight increase in landing fee rates and a 1% increase in departures over 2008. Cost per available seat mile increased 4% due to rate changes and overall lower capacity.

Depreciation and amortization increased 22%, or $10 million, primarily due to $5 million in depreciation associated with Terminal 5 and having on average more owned and capital leased aircraft in 2009. Cost per available seat mile increased 29% due to increased depreciation and amortization.

Aircraft rent decreased 1%, remaining relatively flat. Cost per available seat mile increased 5% when compared to the same period in 2008, as a result of the year over year capacity reduction.

Sales and marketing expense decreased 7%, or $2 million, due to $1 million in lower credit card fees resulting from decreased passenger revenues and $1 million in lower advertising costs. The majority of our sales are booked through a combination of our website and our own reservation agents (76% and 10% in the first quarter of 2009, respectively). On a cost per available seat mile basis, sales and marketing expense increased 2% primarily due to the reduction in capacity.

Maintenance, materials, and repairs increased 12%, or $4 million, due to an average of six additional average operating aircraft in 2009, compared to the same period in 2008. Cost per available seat mile increased 19% primarily due to the gradual aging of our fleet, which results in the need for additional repairs over time. Maintenance expense is expected to increase significantly as our fleet ages.

Other operating expenses decreased 2%, or $3 million, primarily due to taxes associated with the decrease in fuel price. Other operating expenses include $1 million in gains on sales of aircraft in 2009, compared with no gain in 2008. The decrease was offset by $3 million in higher costs associated with a colder winter. Cost per available seat mile increased 3% primarily due to the reduction in capacity.

Other Income (Expense). Interest expense decreased 16%, or $10 million, primarily due to lower interest rates. Capitalized interest in 2008 included $9 million associated with the construction of our new terminal at JFK, which is no longer being capitalized and accounts for a majority of the decrease of $12 million.

Interest income and other decreased 153%, or $18 million, primarily due to $8 million in valuation adjustments related to our auction rate securities. Interest rates earned on investments were also lower, as were our average cash and investment balances, resulting in $9 million lower interest income. While accounting ineffectiveness on our crude and heating oil derivatives instruments classified as cash flow hedges in 2008 and 2009 was immaterial, we are unable to predict what the amount of ineffectiveness will be related to these instruments, or the potential loss of hedge accounting, which is determined on a derivative-by-derivative basis, due to the volatility in the forward markets for these commodities.

18

Table of Contents

The following table sets forth our operating statistics for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31, 2009	2008	Percent Change
Operating Statistics:			
Revenue passengers (thousands)	5,291	5,518	(4.1)
Revenue passenger miles (millions)	6,040	6,563	(8.0)
Available seat miles (ASMs) (millions)	7,942	8,395	(5.4)
Load factor	76.0%	78.2%	(2.2) pts.
Breakeven load factor (1)	75.6%	82.2%	(6.6) pts.
Aircraft utilization (hours per day)	12.0	12.9	(7.2)
Average fare	$133.39	$135.64	(1.7)
Yield per passenger mile (cents)	11.69	11.40	2.5
Passenger revenue per ASM (cents)	8.89	8.92	(0.3)
Operating revenue per ASM (cents)	9.98	9.72	2.7
Operating expense per ASM (cents)	9.06	9.51	(4.8)
Operating expense per ASM, excluding fuel (cents)	6.36	5.84	8.9
Airline operating expense per ASM (cents) (1)	8.83	9.37	(5.8)
Departures	53,014	52,265	1.4
Average stage length (miles)	1,064	1,131	(5.9)
Average number of operating aircraft during period	142.3	136.3	4.4
Average fuel cost per gallon	$ 1.96	$ 2.65	(25.9)
Fuel gallons consumed (millions)	109	117	(6.1)
Percent of sales through jetblue.com during period	76.0%	76.7%	(0.7) pts.
Full-time equivalent employees at period end (1)	10,047	10,165	(1.2)

(1) Excludes operating expenses and employees of LiveTV, LLC,

which are unrelated to our airline operations.

Liquidity and Capital Resources

At March 31, 2009, we had unrestricted cash and cash equivalents of $634 million compared to cash and cash equivalents of $561 million at December 31, 2008. Cash flows from operating activities were $124 million for the three months ended March 31, 2009 compared to $49 million for the three months ended March 31, 2008. The increase in operating cash flows includes the impact of the 26% lower price of fuel in 2009 compared to 2008. We rely primarily on operating cash flows to provide working capital. At March 31, 2009, we had one short-term borrowing facility for certain aircraft predelivery deposits and two lines of credit totaling $136 million, which lines of credit are secured by all of our auction rate securities.

Investing Activities. During the three months ended March 31, 2009, capital expenditures related to our purchase of flight equipment included expenditures of $200 million for 7 aircraft and 1 spare engine, $7 million for flight equipment deposits and $4 million for spare part purchases. Capital expenditures for other property and equipment, including ground equipment purchases and facilities improvements, were $3 million. Proceeds from the sale of two aircraft were $58 million. Investing activities also included $29 million in proceeds from the sale of certain auction rate securities.

During the three months ended March 31, 2008, capital expenditures related to our purchase of flight equipment included expenditures of $181 million for six aircraft and one spare engine, $30 million for flight equipment deposits and $3 million for spare part purchases. Capital expenditures for other property and equipment, including ground equipment purchases and facilities improvements, were $16 million. Net

Table of Contents

cash provided by the purchase and sale of available-for-sale securities was $316 million. Investing activities also included $15 million in deposits received related to our scheduled aircraft sales.

Financing Activities. Financing activities for the three months ended March 31, 2009 consisted of (1) our issuance of $47 million in fixed equipment notes to banks and $102 million in floating rate equipment notes to banks secured by three Airbus A320 and two EMBRAER 190 aircraft, (2) paying down $38 million on our lines of credit collateralized by our ARS, (3) scheduled maturities of $32 million of debt and capital lease obligations, and (4) reimbursement of construction costs incurred for Terminal 5 of $15 million.

We currently have an automatic shelf registration statement on file with the SEC relating to our sale, from time to time, of one or more public offerings of debt securities, pass-through certificates, common stock, preferred stock and/or other securities. The net proceeds of any securities we sell under this registration statement may be used to fund working capital and capital expenditures, including the purchase of aircraft and construction of facilities on or near airports. Through March 31, 2009, we had issued a total of $635 million in securities under this registration statement.

Financing activities for the three months ended March 31, 2008 consisted of (1) the issuance of approximately 42.6 million shares of common stock, representing approximately 19% of our then total outstanding shares of common stock, to Deutsche Lufthansa AG for approximately $301 million, net of transaction costs, (2) the sale-leaseback over 18 years of one EMBRAER 190 aircraft for $26 million by a U.S. leasing institution, (3) our issuance of $102 million in 12-year floating rate equipment notes to European banks secured by three Airbus A320 aircraft, (4) our issuance of $45 million in 12-year floating rate equipments notes to European banks secured by two EMBRAER 190 aircraft, (5) scheduled maturities of $97 million of debt and capital lease obligations, and (6) reimbursement of construction costs incurred for our new terminal at JFK of $41 million.

Working Capital. We had a working capital deficit of $35 million and $119 million at March 31, 2009 and December 31, 2008, respectively. A working capital deficit is customary for airlines since air traffic liability is classified as a current liability. Our working capital includes the fair value of our fuel hedge derivatives, which was a liability of $77 million and $128 million at March 31, 2009 and December 31, 2008, respectively.

At December 31, 2008, we had $244 million invested in ARS, which were included in long-term investments. As a result of the continued illiquidity in the market for auction rate securities and the related auction failures, we have recorded an unrealized holding loss of $8 million through income related to the ARS we hold, bringing the carrying value at March 31, 2009 to $207 million. Since we are unable to predict when liquidity will return to the ARS market, or whether issuers will call their securities, we classified all of our ARS as long term investments to match the contractual maturities of the underlying securities and the assumptions used to estimate their fair values at March 31, 2009. We do not presently believe we are at risk of default for our ARS due to the nature and guarantees of the underlying collateral; however, we will continue to evaluate the market factors in subsequent periods. In February 2009, we sold certain ARS for $29 million, an amount which approximated their fair value as of December 31, 2008. The proceeds of these sales were used to reduce our line of credit.

We expect to meet our obligations as they become due through available cash, investment securities and internally generated funds, supplemented as necessary by debt and/or equity financings. We expect to generate positive working capital through our operations. Assuming that we utilize the predelivery short-term borrowing facility available to us as well as our ARS collateralized lines of credit, we believe that our working capital will be sufficient to meet our cash requirements for at least the next 12 months. However,

Table of Contents

we cannot predict what the effect on our business might be from the extremely competitive environment we are operating in or from events that are beyond our control, such as volatile fuel prices, the economic recession, the global credit and liquidity crisis, weather-related disruptions, the impact of airline bankruptcies or consolidations, U.S. military actions or acts of terrorism.

Contractual Obligations

Our noncancelable contractual obligations at March 31, 2009, include the following (in millions):

	Payments due in						
	Total	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**
Long-term debt and capital lease obligations (1)	$ 4,103	$ 229	$ 534	$ 297	$ 290	$ 479	$ 2,274
Lease commitments	1,961	168	203	188	168	139	1,095
Flight equipment obligations	4,685	130	215	470	1,010	960	1,900
Short-term borrowings	84	10	74				
Financing obligations and other (2)	3,635	139	153	157	191	206	2,789
Total	$ 14,468	$ 676	$ 1,179	$ 1,112	$ 1,659	$ 1,784	$ 8,058

(1) Includes actual interest and estimated interest for floating-rate debt based on March 31, 2009 rates.

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

There have been no material changes in the terms of our debt instruments from the information provided in Item 7. Management s

Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources included in our 2008 Form 10-K. We are not subject to any financial covenants in any of our debt obligations, except for the requirement to maintain $300 million in cash and cash equivalents related to our line of credit agreement with Citigroup Global Markets collateralized by our ARS entered into in July 2008, as refinanced in April 2009. We have $114 million of restricted cash pledged under standby letters of credit related to certain of our leases, credit card processors and other business partners.

As of March 31, 2009, we operated a fleet of 110 Airbus A320 aircraft and 37 EMBRAER 190 aircraft, of which 88 were owned, 55 were leased under operating leases and 4 were leased under capital leases. The average age of our operating fleet was 3.7 years at March 31, 2009. In February 2009, we amended our EMBRAER purchase agreement, cancelling the exercise of two options originally scheduled for delivery in 2015. Additionally, in March 2009, we deferred delivery of 3 aircraft originally scheduled for delivery in 2010 to 2012. As of March 31, 2009, we had on order 55 Airbus A320 aircraft and 64 EMBRAER 190 aircraft, with options to acquire 21 additional Airbus A320 aircraft and 83 additional EMBRAER 190 aircraft as follows:

Table of Contents

	Firm			Option		
	Airbus	EMBRAER		Airbus	EMBRAER	
Year	A320	190	Total	A320	190	Total
Remainder of 2009		4	4			
2010	3		3		5	5
2011	5	4	9	2	11	13
2012	13	13	26	4	12	16
2013	13	12	25	7	14	21
2014	12	12	24	4	21	25
2015	9	9	18	4	20	24
2016		10	10			
	55	64	119	21	83	104

Committed expenditures for our 119 firm aircraft and 20 spare engines include estimated amounts for contractual price escalations and predelivery deposits. Debt financing has been arranged for all of our remaining aircraft deliveries scheduled for 2009. Although we believe that debt and/or lease financing should be available for our remaining aircraft deliveries, we cannot give assurance that we will be able to secure financing on terms attractive to us, if at all, which may require us to modify our aircraft acquisition plans. Capital expenditures for facility improvements, spare parts, and ground purchases are expected to be approximately $130 million for the remainder of 2009.

In November 2005, we executed a 30-year lease agreement with The Port Authority of New York and New Jersey, or the PANYNJ, for the construction and operation of a new terminal at JFK, which we began to operate in October 2008. For financial reporting purposes only, this lease is being accounted for as a financing obligation because we do not believe we qualify for sale-leaseback accounting due to our continuing involvement in the property following the construction period. JetBlue has committed to rental payments under the lease, including ground rents for the new terminal site, which began on lease execution and are included as part of lease commitments in the contractual obligations table above. Facility rents commenced upon the date of our beneficial occupancy of the new terminal and are included as part of financing obligations and other in the contractual obligations table above.

JetBlue utilizes several credit card companies to process ticket sales. Although our credit card processing agreements do not contain any financial covenants, they do allow for the processors to maintain cash reserves or other collateral until air travel is provided. We currently maintain $55 million in reserves with one of our primary processors in the form of a letter of credit. Should our credit card processors require additional reserves, the negative impact on our liquidity, depending on the amount of required additional reserves, could be significant, which could adversely affect our business.

Off-Balance Sheet Arrangements

None of our operating lease obligations are reflected on our balance sheet. Although some of our aircraft lease arrangements are variable interest entities, as defined by FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, or FIN 46, none of them require consolidation in our financial statements. The 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 option and a consideration of our liquidity requirements. 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.

Table of Contents

We have determined that we hold a variable interest in, but are not the primary beneficiary of, certain pass-through trusts which are the purchasers of equipment notes issued by us to finance the acquisition of new aircraft and are held by such pass-through trusts. These pass-through trusts 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. The liquidity providers for the Series 2004-1 certificates and the spare parts certificates are Landesbank Hessen-Thüringen Girozentrale and Morgan Stanley Capital Services Inc. The liquidity providers for the Series 2004-2 certificates are Landesbank Baden-Württemberg and Citibank, N.A.

We utilize a policy provider to provide credit support on the Class G-1 and Class G-2 certificates. The policy provider has unconditionally guaranteed the payment of interest on the certificates when due and the payment of principal on the certificates no later than 18 months after the final expected regular distribution date. The policy provider is MBIA Insurance Corporation (a subsidiary of MBIA, Inc.). Financial information for the parent company of the policy provider is available at the SEC s website at *http://www.sec.gov* or at the SEC s public reference room at 100 F Street N.E., Washington, D.C.

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 2008 Form 10-K.

New Accounting Standards

Effective January 1, 2009, we adopted the provisions of FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, which applies to all convertible debt instruments that have a net settlement feature ; that is, by their terms, they may be settled either wholly or partially in cash upon conversion. FSP APB 14-1 requires issuers of convertible debt instruments that may be settled wholly or partially in cash upon conversion to separately account for the liability and equity components in a manner reflective of the issuer s nonconvertible debt borrowing rate. Previous guidance provided for accounting for this type of convertible debt instrument entirely as debt. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We have retrospectively applied this change in accounting to affected accounts for all periods presented.

Since our 3.75% convertible unsecured debentures due 2035, or 3.75% Debentures, have an option to be settled in cash, they qualify for treatment under this new accounting standard. Our effective borrowing rate for nonconvertible debt at the time of issuance of the 3.75% Debentures was estimated to be 9%, which resulted in $52 million of the $250 million aggregate principal amount of debentures issued, or $31 million after taxes, being attributable to equity. This treatment resulted in $10 million and $11 million higher interest expense in 2008 and 2007, respectively. As of December 31, 2008, there was $10 million of the initial $52 million debt discount which remained unamortized. We recognized $2 million and $3 million of additional interest expense in each of the three months ended March 31, 2009 and 2008, respectively.

Table of Contents

Other Information

Organizational Changes. On April 16, 2009, Russell Chew, our President and Chief Operating Officer since 2007, announced that he would be resigning as an officer effective June 1, 2009. Mr. Chew will continue to serve the Company in an advisory position until April 30, 2010 to assist with the smooth transition of the Company s operational leadership responsibilities. Upon the effective date of Mr. Chew s resignation, Mr. David Barger, the Company s Chief Executive Officer, will serve as the Company s President. Mr. Robert Maruster, the Company s Senior Vice President, Customer Services, has been promoted to Chief Operating Officer, such promotion to be effective on June 1, 2009. Mr. Barger will continue to serve as the Company s Chief Executive Officer.

Forward-Looking Information. This report contains forward-looking statements relating to future events and our future performance, including, without limitation, statements regarding financial forecasts or projections, our expectations, beliefs, intentions or future strategies, that are signified by the words "expects , "anticipates , "intends , "believes , "plans or similar language. Our actual results and the timing of certain events could differ materially from those expressed in the forward-looking statements. All forward-looking statements included in this report are based on information available to us on the date of this report. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections, beliefs and assumptions upon which we base our expectations may change prior to the end of each quarter or year. Although these expectations may change, we may not inform you if they do.

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; increases in fuel prices, maintenance costs and interest rates; our ability to profitably implement our growth strategy, including the ability to operate reliably the EMBRAER 190 aircraft and our new terminal at JFK; our significant fixed obligations; 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 metropolitan market; our reliance on automated systems and technology; our subjectivity to potential unionization; our reliance on a limited number of suppliers; changes in or additional government regulation; changes in our industry due to other airlines financial condition; a continuance of the economic recessionary conditions in the U.S. or a further economic downturn leading to a continuing or accelerated decrease in demand for domestic and business air travel; and external geopolitical events and conditions.

Additional information concerning these and other factors is contained in our SEC filings, including but not limited to, our 2008 Form 10-K.

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 2008 Form 10-K, except as follows:

Aircraft Fuel. As of March 31, 2009, we had hedged approximately 8% of our expected remaining 2009 fuel requirements using heating oil collars. Our results of operations are affected by changes in the

Table of Contents

price and availability of aircraft fuel. Market risk is estimated as a hypothetical 10% increase in the March 31, 2009, cost per gallon of fuel, including the effects of our fuel hedges. Based on our projected twelve month fuel consumption, such an increase would result in an increase to aircraft fuel expense of approximately $65 million, compared to an estimated $148 million for 2008 measured as of March 31, 2008. See Note 8 to our unaudited condensed consolidated financial statements for additional information.

Fixed Rate Debt. On March 31, 2009, our $293 million aggregate principal amount of convertible debt had an estimated fair value of $266 million, based on quoted market prices.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or 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 as 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 our disclosure controls and procedures as of March 31, 2009. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2009.

Remediation of Material Weakness in Internal Control

As reported in our 2008 Form 10-K, we did not maintain effective controls to timely monitor and review the performance of our physical inventory observations and/or cycle counting procedures including a programming error that caused certain inventory items to be undervalued, resulting in errors in the recorded inventory balances. During the quarter ended March 31, 2009, we reinstated enhanced routine cycle count procedures, performed related training to staff to ensure these procedures are properly performed, and corrected the inherent programming error within our inventory management system to ensure inventory items are properly valued.

We believe we have taken the steps necessary to remediate this material weakness; however, we cannot confirm the effectiveness of our enhanced internal controls until we have conducted sufficient testing, expected to be completed by June 30, 2009. Accordingly, we will continue to monitor vigorously the effectiveness of these processes, procedures and controls, and will make any further changes as management determines appropriate.

Changes in Internal Control Over Financial Reporting

Other than as expressly noted above in this Item 4, there were no changes in our internal control over financial reporting identified in connection with the evaluation of our controls performed during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

25

Table of Contents

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

Item 1A. Risk Factors.

The following is an update to Item 1A Risk Factors contained in our 2008 Form 10-K. For additional risk factors that could cause actual results to differ materially from those anticipated, please refer to our 2008 Form 10-K.

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

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

In an effort to try to reduce delays and modernize the airport, the FAA and the Port Authority of New York and New Jersey, or PANYNJ, will be undertaking major construction work at JFK. Their plans include the creation of new taxiways and holding pads, runway widening and rehabilitation, as well as the installation of new ground radar, lighting and other navigation equipment. Most significantly, the project will include two major runway closures, one in April 2009 and one from March through June 2010. While we believe the results of this project may ultimately help to alleviate some of the challenges of operating at JFK, our operations may be adversely impacted during these runway closures.

Any non-performance of the building s critical systems at Terminal 5, such as baggage sortation, information technology, or customer notification systems, could negatively affect our operations and harm our business.

On October 10, 2008, the DOT issued its final Congestion Management Rule for JFK and Newark International Airport imposing caps on operations and slot authority requirements and confiscation measures through an auction process. We are participating in the litigation challenging the rule, which if ultimately successful and the auctions are permitted to proceed, we would likely lose a portion of our operating capacity at JFK, which would negatively impact our ability to fully utilize our new terminal and may result in increased competition, which could harm our business.

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.

Table of Contents

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, 2009	By:	/s/ EDWARD BARNES *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer and Principal Accounting Officer)*

EXHIBIT INDEX

Exhibit Number	Exhibit
10.3(q)*	Side Letter No. 26 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated January 27, 2009.
10.17(f)*	Amendment No. 6 to Purchase Agreement DCT-025/2003, dated as of February 17, 2009, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation.
10.18(g)*	Amendment No. 7 to Letter Agreement DCT-026/2003, dated as of February 17, 2009, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation.
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	13a-14(a)/15d-14(a) Certification of the Chief Executive Officer, furnished herewith.
31.2	13a-14(a)/15d-14(a) Certification of the Chief Financial Officer, furnished herewith.
32	Certification Pursuant to Section 1350, furnished herewith.

* Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request filed with the SEC.