BALTIA AIR LINES INC
Form 10-K
April 18, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Mark One

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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

For the transition period from to

Commission File Number: 001-14519

Date of Report: April 15, 2011

BALTIA AIR LINES, INC.
(Exact name of Registrant as specified in its charter)

NEW YORK	11-2989648
(State of Incorporation)	(IRS Employer Identification No.)

63-25 SAUNDERS STREET, SUITE 7 I, REGO PARK, NY 11374
(Address of principal executive offices)

Registrant's telephone number, including area code: (718) 275-5205

Title of each class	Name of each Exchange on which registered
-None-	-None-

Securities Registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, $.0001 Par Value
(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes [ ] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

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

Large accelerated filer [ ]   Accelerated filer [ ]

Non-accelerated filer [ ]   Smaller reporting company [X]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act of 1934).
Yes [ ] No [X]

The aggregate market value of the voting common equity held by non-affiliates as of June 30, 2010 is $20,913,294.

The number of shares of the registrant's common stock outstanding as of April 7, 2011 was 1,150,636,026.

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PART I

Item 1. Business.

Baltia Air Lines, Inc. (the "Company" or "Baltia" or "Baltia Air Lines") is the only Part 121 (heavy jet operator) start-up airline in the United States today that has received Government fitness approval. Baltia is currently conducting the FAA Air Carrier Certification. Baltia Air Lines, Inc. is a New York State corporation.

On December 19, 2008, the U.S. Department of Transportation (DOT) issued its Order to Show Cause, finding that Baltia Air Lines is fit, willing and able to engage in international air transport of persons, property and mail. Baltia was awarded the non-stop route from JFK International Airport, New York, New York to Pulkovo International Airport, St. Petersburg Russia. Baltia was also authorized for worldwide charter services. Baltia had filed its application with the DOT in October 2007.

On March 20, 2009 the DOT awarded Baltia Air Lines its initial frequencies for flights from JFK to St. Petersburg

On August 18, 2009, the Company purchased its first Boeing 747 aircraft from Logistic Air, Inc.

In the first quarter of 2010, we leased engines on a power by the hour basis from Logistic Air, Inc.

Baltia Air Line's operations are based at Terminal 4, JFK. We have made key operating arrangements at JFK and other service arrangements are in the process of being made.

In the first quarter of 2010, Baltia leased its station facilities from Pulkovo Airport, entered into a fuelling agreement with SOVEX (the exclusive fueling company at Pulkovo Airport), entered into agreement with Pulkovo Caro facility and customs for cargo processing, and entered into a ground servicing agreement with Pulkovo Airport.

In April of 2010, we received additional space at JFK, Terminal 4.

In the last quarter of 2010, we purchased our second Boeing 747 aircraft from Kalitta Air.

Baltia currently carries $500,000,000 aircraft liability insurance, and has placed $1.2 billion airline liability insurance through JLT Aerospace meeting the regulatory requirement in preparation for the commencement of revenue service.

Baltia is currently conducting the FAA Air Carrier Certification process under Part 121.

Upon completion of the Air Carrier Certification, Baltia intends to commence scheduled non-stop service from its Base of Operations at Terminal 4, JFK Int'l Airport in New York to Pulkovo II Int'l Airport of St. Petersburg.

Baltia Air Lines, Inc. was organized in the State of New York on August

24, 1989.

Following the commencement of service on the JFK-St. Petersburg route, Baltia's objective is to develop its route network to Russia, Latvia, Ukraine, and Belarus.

Baltia intends to provide full service, i.e. passenger, cargo and mail, and will not be dependent upon one or a few major customers. Baltia has two registered trademarks "BALTIA" and "VOYAGER CLASS" and five trademarks are subject to registration.

There is currently no non-stop service from JFK to St. Petersburg. Connecting service is provided mainly by foreign carriers. Finnair, Lufthansa and SAS are the leading competitors in the US-Russia market. KLM, British Airways, Air France, Austrian Airlines, and Swiss International also provide service. However, foreign carriers are required to have intermediate stops at transit airports in their respective countries (Helsinki, Frankfurt, Stockholm, Copenhagen, etc.) because they are "third nation" airlines and as such cannot fly directly between the US and Russia (only a US airline as well as a reciprocating Russian airline is eligible to fly nonstop). Delta and two Russian airlines, Aeroflot and Transaero, currently operate between JFK and Moscow. With the exception of the JFK-Moscow route, there exists no non-stop competitive air transportation service on the routes for which Baltia can reapply.

Baltia's objective is to establish itself as the leading non-stop carrier in the market niche over the North Atlantic with operations that are profitable and growing over time. In order to accomplish this objective, we intend to establish and maintain high quality service standards which we believe will be competitive with the European airlines currently providing connecting flights. Baltia does not expect to be in direct competition with deep discount airlines, including several East European airlines and the offspring of the former Soviet airline Aeroflot, which provide connecting flights.

Baltia intends to provide First, Business, and Voyager Class accommodations. Baltia's passenger market strategy is tailored to particular preferences of the various segments of its customer base, with marketing attention particularly focused on American business travelers with interests in Russia who require high quality, non-stop service from the US to Russia.

Baltia's initial marketing strategy is based on existing agencies specializing in the market, selected travel and business publications, supplemented by direct mailings to corporate travel planners, and individual American businesses that are currently involved in Russia. Soon after the inauguration of flight service, Baltia plans to implement its frequent flyer program. As the marketing matures, Baltia plans to advertise to the general public throughout the US, and in Russia. Baltia also plans to sponsor selected industry and trade events in the US and in St. Petersburg.

Baltia intends to provide customer service and reservations centers in New York and in St. Petersburg, to list Baltia's schedules and tariffs in the Official Airline Guide, and provide world-wide access to reservations on Baltia's flights through a major Computer Reservations and Ticketing System ("CRS").

The Company intends to activate its reservations service when the DOT issues its order authorizing Baltia to sell tickets (expected to be approximately 30 to 45 days before the inaugural flight).

Baltia has identified the following market segments in the U.S.-Russia market: (i) Business Travelers, (ii) General Tourism, (iii) Ethnic Travelers, (iv) Special Interest Groups, (v) Professional Exchanges, and (vi) Government and Diplomatic Travel.

Baltia believes that the direct non-stop service to be offered by it will be superior to the stop-over service currently offered by foreign airlines. A comparison between the two services with respect to passenger convenience and cargo transport efficiency is set forth below.

BALTIA - US flag, non-stop service:

With non-stop service, a passenger can fly from JFK to St. Petersburg in about 8 hours in a Boeing B747 wide body airplane. Cargo arrives containerized, palletized, and secure.

Foreign, stop-over journeys:

With stop-over service, it would take a passenger 10 to 18 hours to fly through Helsinki, Copenhagen, Moscow, or Frankfurt on a foreign carrier. In addition, passengers must change to narrow-body aircraft at a layover airport. Cargo is "broken up" and manually loaded onto narrow-body aircraft, or trucked from Helsinki.

Baltia plans to operate efficiently and provide consistent high quality service to passengers and cargo shippers alike in order to establish the Company as the preferred airline in the market in comparison to its competitors. The Company also plans to use targeted marketing of its service to maintain and grow its market share.

Because of the increased reliability and comfort of a non-stop flight, Baltia expects to capture a portion of the existing traffic. Further, US government traffic is required by law (Fly America Act) to fly on a US Flag carrier when service is available.

With the Boeing 747 true wide-body aircraft Baltia intends to provide cargo service from JFK to St. Petersburg, offering containers, pallets, and block space arrangements. Baltia expects to carry contract cargo for express shippers. Baltia also plans to market its own "Baltia Courier", "Baltia Express", and "Baltia Priority" express service for letters and packages. Baltia also expects revenues from diplomatic mail and cargo, under the Fly America Act.

Baltia has passenger service and ground service arrangements at JFK and at Pulkovo II Airport in St. Petersburg. As a US carrier flying into a foreign country, Baltia will be eligible to the same degree of priority that a foreign carrier receives when arriving in the US.

Baltia intends to start the JFK-St. Petersburg service with one round-trip flight per week, then increase the frequency to three round trips, and then to five round trips, within a four-month period.

Baltia has been preparing standards for service. The care taken in establishing high standards has implications beyond the launching of the JFK-St. Petersburg flight. Baltia plans to build operating modules and apply that know-how to develop new markets. Once established, Baltia plans to duplicate its JFK-St. Petersburg standards on flights on other transatlantic routes. By the end of year one, Baltia plans to introduce three additional aircraft.

Additional revenues from charter flying. In conjunction with its Part 121 air carrier certification ("Part 121"), (referring to a Federal Aviation Regulations' number, is an industry acronym used to describe a US airline operating heavy jet aircraft) for scheduled service, Baltia intends to seek certification for world wide charter service. Following certification, Baltia plans to utilize aircraft time available between scheduled service, to earn additional revenues from charters. We are also considering qualifying our aircraft for military contracts.

The Company will carry airline liability insurance as required for a US airline by DOT regulation.

As of December 31, 2010, Baltia had twenty full-time employees and fifteen part-time employees. Baltia's staff includes professionals who have extensive major US airline experience in aircraft maintenance, airline operations, airline regulatory compliance, reservation, info technology, passenger service, and administration.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 1B. Unresolved Staff Comments.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 2. Properties.

The Company rents space for its headquarters at 63-25 Saunders Street, Suite 7I, Rego Park, New York 11374, and leases operations space at Concourse A, Terminal 4, JFK International Airport, at monthly rents of $1,362 and $26,370, respectively. The Company believes its property is adequate to launch its services and the Company expects to increase space within the first few months of operations.

Item 3. Legal Proceedings.

None.

Item 4. Reserved

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The following table sets forth the high and low sales prices, as quoted by the OTCBB, for our common stock for each quarter during our two most recent fiscal years ended December 31, 2009 and 2010. These quotations reflect inter-dealers prices, without retail mark-ups, mark-downs or commissions, and may not represent actual transactions.

Fiscal Quarter Ended	High	Low
March 31, 2009	.06	.03
June 30, 2009	.04	.02
September 30, 2009	.04	.02
December 31, 2009	.11	.02

March 31, 2010	.09	.08
June 30, 2010	.08	.04
September 30, 2010	.08	.04
December 31, 2010	.05	.04

The Company currently estimates that there are approximately 1,000 holders of record of its common stock. Given its continuing need to retain any earnings to fund its future operations and desired growth, the Company has not declared or paid, nor does it currently anticipate declaring or paying for the foreseeable future, any dividends on the Company's common stock.

The Company currently has no equity compensation plans, no written purchase, savings, option, bonus, appreciation, profit sharing, thrift, incentive, pension or similar plan or written compensation contracts.

Item 6. Selected Financial Information.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion includes certain forward-looking statements within the meaning of the safe harbor protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that include words such as "believe," "expect," "should," intend," "may," "anticipate," "likely," "contingent," "could," "may," or other future-oriented statements, are forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding our business plans, strategies and objectives, and, in particular, statements referring to our expectations regarding our ability to continue as a going concern, generate increased market awareness of, and demand for, our service, realize profitability and positive cash flow, and timely obtain required financing. These forward-looking statements involve risks and uncertainties that could cause actual results to differ from anticipated results. The forward-looking statements are based on our current expectations and what we believe are reasonable assumptions given our knowledge of the markets; however, our actual performance, results and achievements could differ materially from those expressed in, or implied by, these forward-looking statements.

Our fiscal year ends on December 31. References to a fiscal year refer to the calendar year in which such fiscal year ends.

OVERVIEW

The Company was organized in the State of New York on August 24, 1989. Its objective is to provide scheduled air transportation from the U.S. to Russia, and former Soviet Union countries.

Baltia is currently conducting the FAA Air Carrier Certification process. Upon completion of the Air Carrier Certification, Baltia intends to commence scheduled non-stop service from its Base of Operations at Terminal 4, JFK Int'l Airport in New York to Pulkovo II Int'l Airport of St. Petersburg.

Baltia intends to provide full service, i.e. passenger, cargo and mail, and will not be dependent upon one or a few major customers. Baltia has two registered trademarks "BALTIA" and "VOYAGER CLASS" and five trademarks subject to registration.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has capital which management believes is sufficient to start revenue operations on the JFK-St. Petersburg route. The Company's operational success may be dependent upon its timely procuring significant external debt and/or equity financing to fund its immediate and nearer-term operations, and subsequently realizing operating cash flows from ticket sales sufficient to sustain its longer-term operations and growth initiatives.

PLAN OF OPERATION

We believe that we have sufficient capital to commence revenue flight operations. During 2010 and into 2011 we continued to finance our operations through the issuance of our common stock. Until revenue operations begin, our monthly expenditures for administrative and regulatory compliance can be controlled at about $100,000-$200,000. Based on current reserves we believe we have sufficient capital to support our development stage operations through the end of 2011.

In 2011 we plan to raise $3 to $5 mm in additional financing in order to support revenue flight operations. Based on our prior experience with certification and current preparations management believes that the launch budget, previously reviewed by the DOT, will be adequate to complete certification and to commence flight service. Approximately $1,500,000 is budgeted for certification tasks, and $500,000 for general and administrative expenses. At the time flight service is inaugurated the Company plans to have approximately 20 management and 45 staff personnel.

There can be no assurance that additional financing will be available on terms favorable to us or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to fund operations.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of our financial statements requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates, judgments and assumptions are continually re-evaluated based upon available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Areas in which significant judgment and estimates are used include, but are not limited to valuation of long lives assets and deferred income taxes.

Valuation of Long-Lived Assets: We review the recoverability of our long-lived assets, including buildings, equipment and intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Our primary measure of fair value is based on discounted cash flows. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

We amortize the costs of other intangibles (excluding goodwill) over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested for impairment, at least annually, and written down to fair value as required.

Stock-Based Compensation Plans: Stock-based awards are accounted for using the fair value method in accordance with SFAS No. 123R, Accounting for Stock-Based Compensation, and EITF Issue No. 96-18, Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services. Our primary type of share-based compensation consists of stock options. We use the Black-Scholes option pricing model in valuing options. The inputs for the valuation analysis of the options include the market value of the Company's common stock, the estimated volatility of the Company's common stock, the exercise price of the warrants and the risk free interest rate.

Year	Interest Rate	Dividend Yield	Expected Volatility	Expected Life in Years
2010	4.4	0.00	200	1
2009	4.4	0.00	200	5

Income Taxes: We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

Deferred income taxes are recorded in accordance with ASC 740, Accounting for Income Taxes. Under ASC 740, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of assets and liabilities using the tax rates and laws in effect when the differences are expected to reverse. SFAS 109 provides for the recognition of deferred tax assets if realization of such assets is more likely than not to occur. Realization of our net deferred tax assets is dependent upon our generating sufficient taxable income in future years in appropriate tax jurisdictions to realize benefit from the reversal of temporary differences and from net operating loss, or NOL, carry-forwards.

We have determined it more likely than not that these timing differences will not materialize and have provided a valuation allowance against substantially all of our net deferred tax asset. Management will continue to evaluate the realizability of the deferred tax asset and its related valuation allowance. If our assessment of the deferred tax assets or the corresponding valuation allowance were to change, we would record the related adjustment to income during the period in which we make the determination. Our tax rate may also vary based on our results and the mix of income or loss in domestic and foreign tax jurisdictions in which we operate.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and to the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we will reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We will record an additional charge in our provision for taxes in the period in which we determine that the recorded tax liability is less than we expect the ultimate assessment to be.

RESULTS OF OPERATIONS

We had no revenues during the fiscal years ended December 31, 2010 and 2009 because we do not fly any aircraft and cannot sell tickets.

Our general and administrative expenses increased $7,157,362 to $18,560,838 during fiscal year ended December 31, 2010 as compared to $11,403,476 during the fiscal year ended December 31, 2009. This increase is mainly the result of conducting air carrier certification.

Primarily as a result of the foregoing, we incurred a net loss of $19,391,684 during the fiscal year ended December 31, 2010 as compared to a net loss of $12,172,463 during the fiscal year ended December 31, 2009.

Our future ability to achieve profitability in any given future fiscal period remains highly contingent upon us beginning flight operations. Our ability to realize revenue from flight operations in any given future fiscal period remains highly contingent upon us obtaining significant equity infusions and/or long-term debt financing sufficient to fund initial operations. Even if we were to be successful in procuring such funding, there can be no assurance that we will be successful in commencing revenue operations or, if commenced, that such operations would be profitable.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have incurred substantial operating and net losses, as well as negative operating cash flows. As of December 31, 2010, we had cash of $52,840 and our stockholders' equity was $2,286,953. This reflects a decrease in cash and an increase in equity from December 31, 2009 when our cash was $1,439,897 and our stockholders' equity was $1,999,201.

Our operating activities utilized $4,408,364 in cash during the fiscal year ended December 31, 2010, an increase of $2,027,215 from the $2,381,149 in cash utilized during the fiscal year ended December 31, 2009.

Our financing activities provided $5,527,454 and $3,701,900 in cash during the fiscal year ended December 31, 2010 and 2009, respectively.

In the last quarter of 1010, Eastern Construction & Electric, Inc, a company operated by our Director Vick Luis Bolanos, lent us $1,150,000 to pay for the second B747 aircraft purchase to Kalitta Air. The loan is repayable in two years once we have earned $4,000,000 in operating profit or received same amount from investment in the open market.

We had no significant planned capital expenditures, budgeted or otherwise, as of December 31, 2010, except for an investment of approximately $350,000 in our aircraft avionics upgrades and approximately $800,000 in the aircraft's scheduled maintenance this year.

Off-Balance Sheet Arrangements: We do not have any off-balance sheet arrangements which have, or are reasonably likely to have, an effect on our financial condition, financial statements, revenues or expenses.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 8. Financial Statement Supplementary Data.

None.

Item 9. Changes in and Disagreements with Accountants on Accounting And Financial Disclosures

We have changed our accountants because our previously engaged registered accountant has been recently determined not to be independent within the terms of the applicable regulations. Due to this change, our financial statements have not been audited to date, and the Company will be filing an amended Annual Report when such audit is completed. Because of this, the financial statements are presented herein as the Company's best current information and should not be relied upon until said amended report is filed. The Company has had no disagreements with either the past or present registered accounting firms.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, we conducted an evaluation under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our management evaluated the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, our management used the COSO framework, an integrated framework for the evaluation of internal controls issued by the Committee of Sponsoring

Organizations of the Treadway Commission. Based on this evaluation, our management concluded that, as of December 31, 2010, our internal control over financial reporting was effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit the company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting. There was no change in our internal controls or in other factors that could affect these controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. While existing controls may be adequate at present, upon the commencement of flight revenue service we intend to implement controls appropriate for airline operations.

Item 9B. Other Information.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The following table summarizes certain information with respect to the executive officers and directors of the board :

Name	Age	Position
Igor Dmitrowsky	56	President, CEO, CFO, Chairman of the Board
Russell Thal	76	Executive Vice President
Barry Clare	52	Vice President Finance
Walter Kaplinsky . . .	73	Secretary, Director
Andris Rukmanis	49	Vice President Europe, Director
Vick Luis Bolanos ...	51	Director

Our directors serve until the next annual meeting and until their successors are elected and qualified. Our officers are appointed to serve for one year until the meeting of the board of directors following the annual meeting of stockholders and until their successors have been elected and qualified. There are no family relationships between any of our directors or officers.

Igor Dmitrowsky, President, Chief Executive Officer and CFO, founded the Company and served as Chairman of the Board from its inception in August 24, 1989 to date. Mr. Dmitrowsky, a US citizen, born in Riga, Latvia, attended the State University of Latvia from 1972 to 1974 and Queens College from 1976 through 1979. In 979, he founded American Kefir Corporation, a dairy distribution company, which completed a public offering in 1986, and from which he retired in 1987. Mr. Dmitrowsky has financed aircraft and automotive projects, speaks fluent Latvian and Russian, and has traveled extensively in the republics of the former Soviet Union. In 1990, he testified before the House Aviation Subcommittee on the implementation of United States' aviation authorities by US airlines.

Russell Thal, a US citizen, is the Company's Executive Vice President. Mr. Thal joined the Company in 2000. From 1981 to 2000 he was Chairman of Compuflight, Inc., an airline flight planning firm. From 1980 to 1981 he was Director of Stations for New York Air.

Barry Clare, a US citizen, is the Company's Vice President of Finance. Mr. Clare joined the Company in 2006. Mr. Clare has been instrumental in helping finance the Company From 2001 to 2004 has was Chief Operating Officer for Advance Plant Pharmaceuticals, Inc. From 1995 to 1997 Mr. Clare served as vice president of Intermediaries, Inc., an investment banking firm.

Walter Kaplinsky, a US citizen, has been with the Company since 1990. Mr. Kaplinsky has been corporate secretary since 1993. In 1979, together with Mr. Dmitrowsky, Mr. Kaplinsky was one of the co-founders of American Kefir Corporation, where from 1979 through 1982, Mr. Kaplinsky served as secretary and vice president.

Andris Rukmanis, a citizen of Latvia, is the Company's Vice President in Europe. Mr. Rukmanis joined the Company in 1989. In Latvia, Mr. Rukmanis has worked as an attorney specializing in business law. From 1988 through 1989, he was Senior Legal Counsel for the Town of Adazhi in Riga County, Latvia. From 1989 to 1990, he served as Deputy Mayor of Adazhi.

Vick Luis Bolanos, a US citizen, joined the Company's Board as a Director in 2009. Mr. Bolanos is President of Eastern Construction & Electric, Inc., since 1992.

Item 11. Executive Compensation.

No cash compensation has been paid to our executive officers during the fiscal years ended December 31, 2009 and 2010

During the fiscal year ended December 31, 2010, 100,000,000 options were granted to Igor Dmitrowsky.

During the fiscal year ended December 31, 2010, 80,000,000 common stock options were exercised by Igor Dmitrowsky.

EMPLOYMENT AGREEMENTS

The Company has no individual employment agreements with any of its executive officers or employees.

Future Compensation of Executive Officers

The board of directors approves salaries for the Company's executive officers as well as the Company's overall salary structure. For year one following the closing of financing sufficient to commence flight operations, the rate of compensation for the Company's executive officers is expected to be:(i) President $198,000, Executive Vice President $130,000, Vice President Finance $120,000, (ii) Vice President Marketing $110,000,and (iii) Vice President Europe $90,000. Board directors are not presently compensated and shall receive no compensation prior to commencement of revenue service.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

As of April 7, 2011, there were 1,150,636,026 shares of common stock, par value $0.0001 outstanding. The following table sets forth, as of December 31, 2010, the ownership of the Company's Common Stock by (i)each director and officers of the Company, (ii) all executive officers and directors of the Company as a group, and (iii) all other persons known to the Company to own more than 5 of the Company's Common Stock. Each person named in the table has or shares voting and investment power with respect to all shares shown as beneficially owned by such person.

Directors and Officers	Common Shares Beneficially Owned	Percent of Total Outstanding
Igor Dmitrowsky . . . . . . 63-26 Saunders St., Suite 7I Rego Park, NY 11374	339,422,825	40.39
Russell Thal . . . . 26 Ridge Drive Port Washington, NY 11050	11,150,000	1.32
Barry Clare . . . . 16 Birchwood Park Court Jericho, NY 11753	71,200,000	8.47
Vick Luis Bolanos ...... 633 Monroe St. Riverside, NJ 08075	72,000,000	8.57
Walter Kaplinsky . . . . . 2000 Quentin Rd. Brooklyn, NY 11229	9,717,294	1.15
Andris Rukmanis . . . . . . Kundzinsala, 8 Linija 9. Riga, Latvia LV-1005	4,768,750	0.56
Shares of all directors and executive officers as a group (5 persons)	508,258,869	60.49

Item 13. Certain Relationships and Related Transactions.

None.

Item 14. Principal Accountant Fees and Services.

In 2010, 2009 and 2008 the Company paid its independent accountant $7,000 for services in providing an audit of the previous year. All other Company accounting and tax preparations have been done in house.

PART IV.

Item 15. Exhibits and Financial Statements.

3.1 Certificate of Incorporation of Baltia Air Lines, Inc. (incorporated by reference to Exhibit 3.1 to Form 10-KSB filed on May 19, 2005)

3.2 Bylaws of Baltia Air Lines, Inc. (incorporated by reference to Exhibit 3.2 to Form S-8 filed on December 19, 2001).

31.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to Sarbanes-Oxley Section 302, provided herewith.

32.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S. C. Section 1350, provided herewith.

APPENDIX A.

Baltia Air Lines, Inc.
(A Development Stage Company)

Financial Statements
For the Years Ended December 31, 2010 and 2009 (UNAUDITED)

Table of Contents

F-1

Baltia Air Lines, Inc.
Balance Sheets
(Unaudited)
(A Development Stage Company)

	12/31/2010	12/31/2009
Assets		
Current Assets		
Cash	$ 52,840	$ 1,439,897
Prepaid Expenses	50,160	0
Total Current Assets	103,000	1,439,897
Property & Equipment:		
Equipment	3,011,308	745,161
Accumulated Depreciation	(92,782)	(85,858)

Net Property & Equipment	2,918,526	659,303
Other Assets:		
Security deposit on airplane engines	240,000	0
Total Assets	$ 3,261,526	$ 2,099,200
Liabilities & Equity		
Current Liabilities:		
Accounts Payable	$ 100,000	$100,000
Accrued Expenses	8,625	0
Current portion of long-term debt	0	0
Total current liabilities	108,625	100,000
Long-term debt	865,948	0
Equity:		
Preferred stock - 2,000,000 authorized $0.01 par value 66,500 issued & outstanding	665	665
Common Stock 1,500,000,000 authorized $0.0001 par value 1,118,814,994 issued & outstanding (743,580,039 in 2008)	111,881	74,358
Additional paid in capital	51,747,347	32,102,590
Deficit Accumulated During Development Stage	(49,572,940)	(30,178,413)
Total Equity	$ 2,286,953	$ 1,999,200
Total Liabilities & Equity	$ 3,261,526	$ 2,099,200

See Summary of Significant Accounting Policies and Notes to Financial Statements.

F-2

Baltia Air Lines, Inc.
Statements of Operations
(unaudited)
(A Development Stage Company)

	Years Ended 12/31/2010	12/31/2009	Inception to 12/31/2010
Revenue	$ 0	$ 0	$ 0
Costs & Expenses			
General & administrative	18,560,838	11,403,476	45,324,992
FAA certification costs	804,418	756,386	2,033,296
Training	0	0	225,637
Depreciation	6,924	13,072	339,603
Other	0	0	568,245

Interest	19,504	(471)	1,069,725
Total Costs & Expenses	19,391,684	12,172,463	49,561,498
Loss before income taxes	(19,391,684)	(12,172,463)	(49,561,498)
Income Taxes	2,843	3,087	11,442
Deficit Accumulated During Development Stage	$ (19,394,527)	$(12,175,550)	$(49,572,940)
Per share amounts:			
Basic:			
Loss	($0.02)	($0.03)	
Weighted Average	913,981,784	476,403,471	

See Summary of Significant Accounting Policies and Notes to Financial Statements.

F-3

Baltia Air Lines, Inc.
Statements of Cash Flows
(unaudited)
(A Development Stage Company)

	Years Ended		Inception
	12/31/2010	12/31/2009	12/31/201
Cash flows from operating activities:			
Deficit Accumulated During Development Stage	$(19,394,527)	$(12,175,550)	$(49,572,94
Adjustments required to reconcile deficit accumulated during development stage to cash used in operating activities:			
Depreciation	6,924	11,923	338,45
Amortization of loan discount	10,925	0	10,92
Expenses paid by issuance of common stock	15,009,850	9,697,478	32,024,26
(Increase) decrease in prepaid expenses	(50,160)	0	350,14
Increase in accounts payable & accrued expenses	8,625	85,000	3,260,10
Cash flows used by operating activities:	(4,408,364)	(2,381,149)	(13,589,05
Cash flows from investing activities:			
Purchase of equipment	(2,266,147)	(605,094)	3,194,36
Security deposits	(240,000)	0	(240,00
Cash used in investing activities	(2,506,147)	(605,094)	(3,434,36
Cash flows from financing activities:			
Proceeds from issuance of common stock	4,377,454	3,701,900	15,481,73
Proceeds from issuance of preferred stock	0	0	2,75
Loans from related parties	0	0	1,351,57
Repayment of related party loans	0	0	(368,89
Proceeds of long-term debt	1,150,000	0	1,109,18
Acquisition of treasury stock	0	0	(500,10
Cash generated by financing activities	5,527,454	3,701,900	17,076,25
Change in cash	(1,387,057)	715,657	52,84
Cash-beginning of period	1,439,897	724,240	

Cash-end of period	$ 52,840	$ 1,439,897	$ 52,84

See Summary of Significant Accounting Policies and Notes to Financial Statements

Baltia Air Lines, Inc.
Statement of Shareholders' Equity
(unaudited)
(A Development Stage Company)

	Preferred		Common			Deficit Accumulat During Developme Stage
	Shares	Par Value	Shares	Common Stock Amount	Additional Paid-In Capital	
Balance at December 31, 2006	66,500	665	122,394,909	12,240	10,486,192	(10,493,58
Exercise of Warrants and Options			58,000,000	5,800	239,700	
Shares issued and issuable for cash			60,670,637	6,067	2,450,438	
Shares issued for services			38,384,988	3,838	3,021,429	
Options issued for services					35,768	
Net Loss						(3,760,74
Balance at December 31, 2007	66,500	665	279,450,534	27,945	16,233,527	(14,254,32
Exercise of Warrants and Options			46,000,000	4,600	0	
Shares issued and issuable for cash			816,625	82	46,368	
Shares issued for services			29,500,000	2,950	673,000	
Options issued for services					1,764,099	
Net Loss						(3,748,53
Balance at December 31, 2008	66,500	665	355,767,159	35,577	18,716,994	(18,002,86
Exercise of Warrants and Options			32,000,000	3,200		0
Shares issued and issuable for cash			154,034,244	15,403	3,686,497	
Shares issued for services			200,778,636	20,078	9,430,413	
Options issued for services					243,787	
Stock issued to purchase airplane			1,000,000	100	24,900	
Net Loss						(12,175,55
Balance at December 31, 2009	66,500	665	743,580,039	74,358	32,102,591	(30,178,41
Shares issued and issuable for cash			115,776,464	11,578	4,365,876	
Shares issued for services			252,658,491	25,266	14,984,584	
Fair value of options issued as loan incentive					92,745	
Stock issued as loan incentive			6,800,000	680	201,552	
Net Loss						(19,394,57
Balance at December 31, 2010	66,500	665	1,118,814,994	111,881	51,747,348	(49,572,94

See Summary of Significant Accounting Policies and Notes to Financial Statements

BALTIA AIR LINES, INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2010

Basis of Presentation: The financial statements have been presented in a "development stage" format. Since inception, our primary activities have been raising of capital, obtaining financing and of obtaining route authority and approval from the DOT and the FAA. We have not commenced our principal revenue producing activities.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires our management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents: For financial statement presentation purposes, we consider those short-term, highly liquid investments with original maturities of three months or less to be cash or cash equivalents.

Fair Value of Financial Instruments: FASB ASC 825, "Financial Instruments," requires entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value. FASB ASC 825 defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. At December 31, 2010 and 2009, the carrying value of certain financial instruments (cash and cash equivalents, accounts payable and accrued expenses.) approximates fair value due to the short-term nature of the instruments or interest rates, which are comparable with current rates.

Fair Value Measurements: FASB ASC 820 defines fair value and establishes a framework for measuring fair value and establishes a fair value hierarchy which prioritizes the inputs to the inputs to the valuation techniques. Fair value is the price that would be received to sell an asset or amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

Fair Value Hierarchy
FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs), or reflect the Company's own assumptions of market participant valuation (unobservable inputs). In accordance with FASB ASC 820, these two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

FASB ASC 820 requires the use of observable market data if such data is available without undue cost and effort.

Measurement of Fair Value
The Company measures fair value as an exit price using the procedures described below for all assets and liabilities measured at fair value. When available, the Company uses unadjusted quoted market prices to measure fair value and classifies such items within Level 1. If quoted market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based or independently-sourced market parameters such as interest rates and currency rates. Items valued using internally generated models are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be inputs that are readily observable. If quoted market prices are not available, the valuation model used generally depends on the specific asset or liability being valued. The determination of fair value considers various factors including interest rate yield curves and time value underlying the financial instruments.

Property and Equipment: Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5-15 years. Expenditures for renewals and betterments are capitalized. Expenditures for minor items, repairs and maintenance are charged to operations as incurred. Gain or loss upon sale or retirement due to obsolescence is reflected in the operating results in the period the event takes place.

Valuation of Long-Lived Assets: We review the recoverability of our long-lived assets, including buildings, equipment and intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Our primary measure of fair value is based on discounted cash flows. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

We amortize the costs of other intangibles (excluding goodwill) over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested for impairment, at least annually, and written down to fair value as required.

Comprehensive Income: Comprehensive income is defined as changes in the equity of an enterprise except those resulting from shareholder transactions. The amounts shown on our statement of stockholders' equity relate to the cumulative effect of minimum pension liabilities, translation adjustments, and unrealized gain or loss on securities.

Stock-Based Compensation Plans: Stock-based awards are accounted for using the fair value method in accordance with ASC 718, Share-Based Payments, and EITF Issue No. 96-18, Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services. Our primary type of share-based compensation consists of stock options. We use the Black-Scholes option pricing model in valuing options. The inputs for the valuation analysis of the options include the market value of the Company's common stock, the estimated volatility of the Company's common stock, the exercise price of the warrants and the risk free interest rate.

Year	Interest Rate	Dividend Yield	Expected Volatility	Expected Life in Years
2010	4.4	0.00	200	1
2009	4.4	0.00	200	5

Accounting For Obligations And Instruments Potentially To Be Settled In The Company's Own Stock We account for obligations and instruments potentially to be settled in the Company's stock in accordance with EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled In a Company's Own Stock. This issue addresses the initial balance sheet classification and measurement of contracts that are indexed to, and potentially settled in, the Company's own stock.
Under EITF Issue No. 00-19 contracts are initially classified as equity or as either assets or liabilities, in the following situations:

Equity
- Contracts that require physical settlement or net-share settlement; and
- Contracts that give the company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement), assuming that all the criteria for equity classification have been met.

Assets or Liabilities
- Contracts that require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside the control of the company); and
- Contracts that give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement).

All contracts are initially measured at fair value and subsequently accounted for based on the current classification. Contracts initially classified as equity do not recognize subsequent changes in fair value as long as the contracts continue to be classified as equity. For contracts classified as assets or liabilities, the Company reports changes in fair value in earnings and discloses these changes in the financial statements as long as the contracts remain classified as assets or liabilities. If contracts classified as assets or liabilities are ultimately settled in shares, any previously reported gains or losses on those contracts continue to be included in earnings. The classification of a contract is reassessed at each balance sheet date.

In accordance with EITF Issue No. 00-19, a transaction which includes a potential for net-cash settlement, including liquidated damages, requires that derivative financial instruments, including warrants and additional investment rights, initially be recorded at fair value as an asset or liability and subsequent changes in fair value be reflected in the statement of operations. The recorded value of the liability for such derivatives can fluctuate significantly based on fluctuations in the market value of the underlying common stock of the issuer of the derivative instruments, as well as in the volatility of the stock price during the term used for observation and the remaining term.

Warrant Derivative Liabilities: We have adopted the provisions of ASC 260, Earning per Share. ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

Earnings per Common Share: Basic earnings per share is computed by dividing income available to common shareholders (the numerator) by the weighted-average number of common shares outstanding (the denominator) for the period. Diluted earnings per share assume that any dilutive convertible securities outstanding were converted, with related preferred stock dividend requirements and outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of those stock options for which market price exceeds the exercise price, less shares which could have been purchased by us with the related proceeds. In periods of losses, diluted loss per share is computed on the same basis as basic loss per share as the inclusion of any other potential shares outstanding would be anti-dilutive.

Income Taxes: We have adopted ASC 740, Accounting for Income Taxes. Pursuant to ASC 740, we are required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of assets and liabilities using the tax rates and laws in effect when the differences are expected to reverse. ASC 740 provides for the recognition of deferred tax assets if realization of such assets is more likely than not to occur. Realization of our net deferred tax assets is dependent upon our generating sufficient taxable income in future years in appropriate tax jurisdictions to realize benefit from the reversal of temporary differences and from net operating loss, or NOL, carryforwards. We have determined it more likely than not that these timing differences will not materialize and have provided a valuation allowance against substantially all of our net deferred tax asset. Management will continue to evaluate the realizability of the deferred tax asset and its related valuation allowance. If our assessment of the deferred tax assets or the corresponding valuation allowance were to change, we would record the related adjustment to income during the period in which we make the determination. Our tax rate may also vary based on our results and the mix of income or loss in domestic and foreign tax jurisdictions in which we operate.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and to the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we will reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We will record an additional charge in our provision for taxes in the period in which we determine that the recorded tax liability is less than we expect the ultimate assessment to be.

ASC 740 which requires recognition of estimated income taxes payable or refundable on income tax returns for the current year and for the estimated future tax effect attributable to temporary differences and carry-forwards. Measurement of deferred income tax is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized.

Uncertain Tax Positions

The Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, Accounting for Income Taxes" ("FIN No. 48") which was effective for the Company on January 1, 2007. FIN No. 48 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN No. 48, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements.

Our federal and state income tax returns are open for fiscal years ending on or after December 31, 2006. We are not under examination by any jurisdiction for any tax year. At December 31, 2009 we had no material unrecognized tax benefits and no adjustments to liabilities or operations were required under FIN 48.

Recent Accounting Pronouncements:

Recently Adopted Standards

In January 2010, the FASB issued an amendment to ASC 820, Fair Value Measurements and Disclosure, to require reporting entities to separately disclose the amounts and business rationale for significant transfers in and out of Level 1 and Level 2 fair value measurements and separately present information regarding purchase, sale, issuance, and settlement of Level 3 fair value measures on a gross basis. This standard, for which the Company is currently assessing the impact, is effective for interim and annual reporting periods beginning after December 15, 2009 with the exception of disclosures regarding the purchase, sale, issuance, and settlement of Level 3 fair value measures which are effective for fiscal years beginning after December 15, 2010.

In January 2010, the FASB issued an amendment to ASC 505, Equity, where entities that declare dividends to shareholders that may be paid in cash or shares at the election of the shareholders are considered to be a share issuance that is reflected prospectively in EPS, and is not accounted for as a stock dividend. This standard is effective for interim and annual periods ending on or after December 15, 2009 and is to be applied on a retrospective basis. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

In December 2010, the FASB issued ASU 2010-28 (Topic 350) When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. The amendments in ASU 2010-28 modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. ASU 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010 for public entities. Early adoption is not permitted. The Company will apply the provisions of ASU 2010-29 on a prospective basis.

BALTIA AIR LINES, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
DECEMBER 31, 2010

Note 1 - Organization and Operations

The Company was formed as a U.S. airline on August 24, 1989 in the State of New York. Our objective is to provide scheduled air transportation from the U.S. to Russia, the Baltic States and Ukraine. In 1991, the Department of Transportation (DOT) granted the Company routes to provide non-stop passenger, cargo and mail service from JFK to St. Petersburg and from JFK to Riga, with online service to Minsk, Kiev and Tbilisi as well as back up service to Moscow. We have two registered trademarks "BALTIA" and "VOYAGER CLASS," and five trademarks subject to registration. Our activities to date have been devoted principally to raising capital, obtaining route authority and approval from the DOT and the FAA, training crews, and conducting market research to develop the Company's marketing strategy.

Regulatory Compliance
We intend to operate as a Part 121 carrier, a heavy jet operator. As such, following certification we will be required to maintain our air carrier standards as prescribed by DOT and FAA regulation and as specified in the FAA approved Company manuals. As part of its regulatory compliance we will be required to submit periodic reports of our operations to the DOT.

Note 2 - Property and Equipment

A summary of property & equipment is as follows:

	Estimated Useful Life	2010	2009
Airplanes (2)	10-15 years	$2,851,347	$590,524
Office equipment and other	5-7 years	159,961	154,637
Less accumulated depreciation		(92,782)	(85,858)
net		2,918,526	659,303
current depreciation expense		$6,924	$11,923

Note 3 - Stockholders' Equity

Description of Securities

Common Stock: We have been authorized 1,500,000,000 shares of Common Stock at $.0001 par value per share. As of December 31, 2010, a total of 1,118,814,994 shares of Common Stock were issued and outstanding and held by over 500 shareholders. In addition, we have granted options and warrants to issue up to approximately 133,800,000 more shares of our common stock. Holders of Common Stock are entitled to receive dividends, when and if declared by the board of directors, subject to prior rights of holders of any Preferred Stock then outstanding and to share ratably in the net assets of the company upon liquidation. Holders of Common Stock do not have preemptive or other rights to subscribe for additional shares. The Certificate of Incorporation does not provide for cumulative voting. Shares of Common Stock have equal voting, dividend, liquidation and other rights, and have no preference, exchange or appraisal rights.

Preferred Stock: We are authorized to issue up to a maximum of 2 million shares (66,500 shares outstanding) of Preferred Stock. We can issue these shares as our board of directors shall from time to time fix by resolution. Our Preferred Stock is not entitled to share in any dividends declared on the Common Stock and has no voting rights. Each share is convertible in to 3 shares of Common. The liquidation preference is set by this conversion formula and results in a pro rata claim on the Company's assets based upon the underlying common shares issuable (199,500) upon conversion.

Recent Issuance of Unregistered/Registered Securities

2010:
Stock Issued for Cash
We issued 115,776,464 shares of our common stock in exchange for receiving a total of $4,377,454 in cash net of offering expenses of. The shares are registered and not subject to restrictions as to transferability.

Stock Issued for Services
We issued 252,658,491 shares of our common stock in exchange for services. The shares were valued at $15,009,850 or about $0.059 per share which reflected the weighted average market value at the time of issuance. 149,000,000 of the shares valued at approximately $8.8 million were issued to Igor Dmitrowsky our president. We also issued 6.8 million shares valued at $202,000 as a debt incentive.

2009:

Stock Issued for Cash

We issued 154,034,244 shares of our common stock in exchange for receiving a total of $3,701,900 in cash net of offering expenses of $576,000. The shares are not registered and subject to restrictions as to transferability.

Stock Issued for Services

We issued 200,738,636 shares of our common stock in exchange for services. The shares were valued at $9,450,000 or about $0.047 per share which reflected the weighted average market value at the time of issuance. 116,000,000 of the shares valued at approximately $5.4 million were issued to Igor Dmitrowsky our president. We also issued 1,000,000 shares valued at $25,000 as a component of the total consideration paid to acquire a Boeing 747 airplane. All such shares are not registered and are subject to restrictions as to transferability.

Stock Issued Due to Exercise of Warrants & Options

During 2009 Mr. Dmitrowsky exercised 32,000,000 warrants to acquire a like amount of shares of Common Stock. The options were exercised at the $0.0001 strike price. The exercise price was offset against accrued compensation of $3,200.

Summary of Option Activity

The following table provides summary information on options issued by our company in unapproved equity compensation plans; the warrants exercised to date; the warrants that are presently exercisable and the current exercise prices of such warrants.

All Plan & Non-Plan Compensatory Type Options

	Shares	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value*
Options outstanding at December 31, 2008	61,492,500	$0.02		
Granted	2,776,818	$0.10		
Exercised	(32,000,000)	Nil		
Lapsed	(3,290,000)	$0.00		
Options outstanding at December 31, 2009	28,979,318	$0.03	2.7	$1,727,949
Granted	3,400,000	$0.01		
Exercised	0	$0.00		
Lapsed	0	$0.00		
Options outstanding at December 31, 2010	32,379,318	$0.03	1.6	$661,076
Options exercisable at December 31, 2010	32,379,318	$0.03	1.6	$661,076

* Amount by which the fair value of the stock at the balance sheet date exceeds the exercise price

The following table summarizes the status of the Company's aggregate warrants as of December 31, 2010:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Shares	weighteD average exercise price	Weighted average remaining life in months	shares	weighted average exercise price
$ 0.01-$ 0.05	29,149,318	$0.02	16.4	29,149,318	$0.02
$ 0.06-$ .25	3,230,000	$0.15	43.3	3,230,000	$0.15
Total Shares	32,379,318			32,379,318	

Note 4 - Income Taxes

The Company has approximately $ 11.6 million in available net operating loss carryovers available to reduce future income taxes. These carryovers expire at various dates through the year 2031. The Company has adopted ASC 740 which provides for the recognition of a deferred tax asset based upon the value the loss carry-forwards will have to reduce future income taxes and management's estimate of the probability of the realization of these tax benefits. We have determined it more likely than not that these timing differences will not materialize and have provided a valuation allowance against our entire net deferred tax asset of approximately $3.8 million.

Utilization of federal and state NOL and tax credit carry-forwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of NOL and tax credit carry-forwards before full utilization.

Note 5 - Commitments and Contingencies

Facilities: The Company leases office space for its administrative offices, under three month to month agreements, at a combined monthly rental of approximately $32,000. In 2010 and 2009 expense was $387,898 and $131,895 respectively.

Note 6   Long-Term Debt-Related Party

On December 1, 2010, the Company entered into a loan arrangement with a company owned or controlled by one of our directors for a total amount of $1,150,000. The Company issued a note bearing interest at 9 percent per annum payable quarterly and a maturity date of March 31, 2013. The Company will be obligated to repay the note prior to the maturity date upon raising $4 million or from the proceeds of operating revenue. As a loan inducement the Company issued 6.8 million shares of common stock and 3.4 million warrants. A placement fee of $50,000 was paid from the proceeds of this loan. The note is secured by both aircraft up to a limit of $2.9 million.

The Company recorded the relative fair value of the shares and warrants of $294,297 as additional paid-in capital and established a discount on the debt. The discount is being amortized over the life of the note (27 months) at an effective rate of 14.98. The note is carried net of the discount. Future accretion of the carrying value of the note is expected as follows:

Face amount of note	$1,150,000
Amortization of discount through 2011	(125,566)
Amortization of discount through 2012	(158,597)
Current carrying value	$865,837

Note 6 - Supplementary Cash Flow Disclosure

	2010	2009
Fair Value of equity instruments issued as partial plane payment to acquire a Boeing 747-200 airplane	$0	$25,000
Fair Value of equity instruments issued as loan incentives	$294,297	$0

Note 7 - Management's Plan of Operation

We believe we currently have sufficient capital to commence revenue flight operations and to maintain our current level of operations. During 2010 and into 2011 we continued to finance our operations through the issuance of our common stock and the continued exercise of warrants. Until revenue operations begin, our monthly expenditures for administrative and regulatory compliance can be controlled at about $180,000-$200,000. Based on current reserves we have sufficient capital to support our development stage operations through the most of 2011.

In 2010 we raised $4.4 mm in a private placement in order to start revenue flight operations. Based on our prior experience with certification and current preparations the management believes that the launch budget, previously reviewed by the DOT, will be adequate to complete certification and to commence flight service. Approximately $300,000 is budgeted for aircraft, $450,000 for certification tasks, and $300,000 for general and administrative expenses. At the time flight service is inaugurated the company plans to have approximately 15 management and 45 staff personnel.

There can be no assurance that additional financing will be available on terms favorable to us or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to fund expansion.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Baltia Air Lines, Inc.

Date: 04-15-2011

/s/ Igor Dmitrowsky
By: Igor Dmitrowsky, President, CEO and CFO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Igor Dmitrowsky Igor Dmitrowsky	Chairman, CEO and CFO (Principal Executive Officer and Principal Accounting Officer)	April 15, 2011
/s/ Walter Kaplinsky Walter Kaplinsky	Secretary and Director	April 15, 2001
/s/ Andris Rukmanis Andris Rukmanis	V.P. Europe and Director	April 15, 2011
/s/ Vick Luis Bolanos Vick Luis Bolanos	Director	April 15, 2011

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Igor Dmitrowsky, the Chief Executive Officer and Chief Financial Officer of Baltia Air Lines, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Baltia Air Lines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2011

/s/ Igor Dmitrowsky
Igor Dmitrowsky
Chief Executive Officer and Chief Financial Officer
(principal accounting officer)

EXHIBIT 32.1

BALTIA AIR LINES, INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report Baltia Air Lines, Inc. (the "Company") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Igor Dmitrowsky, Chief Executive Officer and Chief Financial Officer (principal accounting officer) of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Baltia Air Lines, Inc. and will be retained by Baltia Air Lines, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: April 15, 2011

/s/ Igor Dmitrowsky
Igor Dmitrowsky
Chief Executive Officer and Chief Financial Officer
(principal accounting officer)