BALTIA AIR LINES INC
Form 10-Q
November 14, 2012
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2012

BALTIA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

New York	11-2989648
(State or other jurisdiction of	(IRS Employer
incorporation or organization)	Identification No.)

JFK International Airport

Building 151, Room 361, Jamaica, NY 11430

(Address of principal executive offices)

Issuer's telephone no: (718) 995 4130

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). |X| Yes | | No

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer |_| Accelerated Filer |_| Smaller reporting company |X|

Non Accelerated Filer |_| (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES |_| NO |X|

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:	Outstanding as of November 13, 2012
Class: Common Stock	2,405,704,717

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Baltia Air Lines, Inc.

Balance Sheet

(A Development Stage Company)

	Sept 30, 2012 (unaudited)	December 31, 2011
Assets		
Current Assets		
Cash	$136,631	$57,390
Prepaid expenses	0	0

Total current assets	136,631	57,390
Property & Equipment:		
equipment	1,762,179	3,513,526
accumulated depreciation	(124,268)	(109,268)
Net property & equipment	1,637,911	3,404,258
Other Assets:		
Security deposit and other	317,293	317,293
Total Assets	$2,091,835	$3,778,941
Liabilities & Equity		
Current Liabilities:		
Accounts payable	$95,286	$205,285
Accrued expenses	$189,750	$112,125
Total current liabilities	285,036	317,410
Long-term debt, net of discount	1,098,625	1,003,941
Equity:		
Preferred stock-2,500,000 authorized $0.01 par value		
66,500 issued & outstanding	665	665
Common stock-2,500,000,000 authorized $0.0001 par value		
2,367,318,050 issued & outstanding (1,863,937,020 in Dec)	236,732	186,394

Additional paid in capital	87,411,435	76,918,969
Deficit Accumulated During Development Stage	(86,940,658)	(74,648,438)
Total Equity	708,174	2,457,590
Total Liabilities & Equity	$2,091,835	$3,778,941

See notes to unaudited interim financial statements.

Baltia Air Lines, Inc.

Statement of Operations

(Unaudited)

(A Development Stage Company)

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,		8/29/89 (Inception) to
	2012	2011	2012	2011	9/30/2012
Revenue	$0	$0	$0	$0	$0
Costs & Expenses:					
General & administrative	2,535,848	5,899,459	10,217,051	20,649,544	79,865,271
FAA certification costs	93,560	155,432	280,677	391,786	2,804,824
Training	0	0	0	0	225,637

Depreciation	5,000	2,500	15,000	7,500	371,089
Other	0	0	0	0	568,245
Interest expense (income)	57,437	58,377	172,309	175,951	1,483,528
Loss on sale of assest	0		1,607,183	0	1,607,183
Total Costs & Expenses	2,691,845	6,115,768	12,292,220	21,224,781	86,925,777
Loss before income taxes	(2,691,845)	(6,115,768)	(12,292,220)	(21,224,781)	(86,925,777)
Income taxes	0	2,427	0	2,427	14,881
Deficit Accumulated During Development Stage	($2,691,845)	($6,118,195)	($12,292,220)	($21,227,208)	($86,940,658)
Per share amounts:					
Basic:					
Loss	($0.00)	($0.00)	($0.01)	($0.02)	
Weighted Average Shares Outstanding	2,256,143,384	1,528,939,640	2,056,748,91	1,337,537,800	

See notes to unaudited interim financial statements.

Baltia Air Lines, Inc.

Statement of Stockholders' Equity

(Unaudited)

(A Development Stage Company)

	Preferred		Common			Deficit
	Shares	Par Value	Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated During Development Stage
Balance at December 31, 2011	66,500	$665	1,863,937,020	$186,394	$76,918,968	($74,648,438)
Stock issued and issuable for cash			219,829,215	21,983	3,629,191	
Stock issued for services @$.024/share			283,551,815	28,355	6,863,275	
Net Loss						(12,292,220)
Balance at September 30, 2012	66,500	$665	2,367,318,050	$236,732	$87,411,434	($86,940,658)

See notes to unaudited interim financial statements.

Baltia Air Lines, Inc.

Statement of Cash Flows

(Unaudited)

(A Development Stage Company)

	Nine Months Ended September 30,		8/29/89 (Inception) to
Statement of Cash Flows	2012	2011	9/30/2012
Cash flows from operating activities:			
Deficit Accumulated During Development Stage	($12,292,220)	($15,109,013)	($86,940,658)
Adjustments required to reconcile deficit accumulated			
development stage to cash used in operating activities:			
Depreciation	15,000	5,000	369,940
Amortization of loan discount	94,684	65,824	243,602
Expenses paid by issuance of common stock and options	6,891,630	10,859,194	56,354,786
Basis of sold or disposed assets	1,751,347	0	1,751,347
(Increase) decrease in prepaid expenses	0	50,160	400,301
Increase in accounts payable & accrued expenses	(32,374)	161,750	3,436,517
Cash flows used by operating activities:	(3,571,933)	(3,967,085)	(24,384,165)
Cash flows from investing activities:			
Purchase of equipment	0	(205,737)	(3,696,583)
Security deposits	(0)	(28,087)	(317,293)
Cash used in investing activities	(0)	(233,824)	(4,013,876)

Cash flows from financing activities:			
Proceeds from issuance of common stock	3,651,174	4,192,435	26,940,153
Proceeds from issuance of preferred stock	0	0	2,753
Loans from related parties	0	0	1,351,573
Repayment of related party loans	0	0	(368,890)
Proceeds of long-term debt	0	0	1,109,183
Acquisition of treasury stock	0	0	(500,100)
Cash generated by financing activities	3,651,174	4,192,435	28,534,672
Change in cash	79,241	(8,474)	136,631
Cash-beginning of period	57,390	52,840	0
Cash-end of period	$136,631	$44,366	$136,631

See notes to unaudited interim financial statements.

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

Notes To Unaudited Interim Financial Statements

September 30, 2012

1. Basis of Presentation

The Financial Statements presented herein have been prepared by us in accordance with the accounting policies described in our December 31, 2011 Annual Report on Form 10-KSB and should be read in conjunction with the notes to financial statements which appear in that report.

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on going basis, we evaluate our estimates, including those related to intangible assets, income taxes, insurance obligations and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates under different assumptions or conditions.

In the opinion of management, the information furnished in this Form 10-Q reflects all adjustments necessary for a fair statement of the financial position and results of operations and cash flows as of and for the three and nine-month periods ended September 30, 2012 and 2011. All such adjustments are of a normal recurring nature. The Financial Statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include some information and notes necessary to conform to annual reporting requirements.

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

Emerging Growth Company Critical Accounting Policy Disclosure: We qualify as an "emerging growth company" under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging growth company, we can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period.

2. Earnings/Loss Per 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 assumes 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. Due to the net losses reported, dilutive common equivalent shares were excluded from the computation of diluted loss per share, as inclusion would be anti-dilutive for the periods presented.

3. Stockholders' Equity

Stock Issued for Services

During the nine months ended September 30, 2012 we issued 283,551,815 shares of our common stock in exchange for services. The shares were valued at $ 3,651,000 or about $0.024 per share and reflected the share market value at the time of issuance. The shares are not registered and are subject to restrictions as to transferability

During the nine months ended September 30, 2011 we issued 284.6 million shares of our common stock in exchange for services. The shares were valued at $ 14.6 million or about $0.05 per share and reflected the share market value at the time of issuance. The shares are not registered and are subject to restrictions as to transferability.

Stock Issued for Cash

During the nine months ended September 30, 2012 we issued 219,829,215 shares of our common stock in exchange for cash. The shares sold for cash were subscribed at $ 3,650,000 or about $0.0167 weighted average per share.

During the nine months ended September 30, 2011 we issued 183.2 million shares of our common stock in exchange for cash. The shares sold for cash were subscribed at $ 6.5 million or about $0.035 weighted average per share.

ITEM 2 – 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

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, organized in the State of New York on August 24, 1989.

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 to St. Petersburg Russia. Baltia was also authorized for worldwide charter services. Baltia had filed its application with the DOT in October 2007.

On August 18, 2009, the Company purchase of Boeing 747 aircraft (N705BL). In 2010 the Company purchased a second Boeing 747 aircraft (N706BL). Baltia leased engines on a power-by-the-hour basis, which are installed on the aircraft. On January 11, 2012 Baltia sold Boeing 747 aircraft (N705BL).

In the third quarter of 2012, Baltia took steps to open an office in Ypsilanti, Michigan, where the company's crew members plan to conduct their training with 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 operations.

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 Swissair 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 intends to apply.

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 United States 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.

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. 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.

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, increase frequency to three round trips and then to five round trips per week.

Baltia plans to build operating modules and apply them in developing new markets. Once established, Baltia plans to duplicate its JFK-St. Petersburg standards on flights on other transatlantic routes.

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 worldwide 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.

In order to start revenue generating flight operations, the Company has to complete FAA Air Carrier Certification. During the past two and half years the Company has been participating in air carrier certification.

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

As of September 30, 2011, Baltia had a staff of thirty which includes professionals who have extensive major US airline experience in aircraft maintenance, airline operations, airline regulatory compliance, reservation, info technology, passenger service and administration.

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.

On January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards (“SFAS”) 123R, “Share-Based Payment” (“SFAS 123(R)”), which requires that companies measure and recognize compensation expense at an amount equal to the fair value of share-based payments granted under compensation arrangements. Prior to January 1, 2006, we accounted for our stock-based compensation plans under the recognition and measurement principles of Accounting Principles Board (“APB”) Opinion 25, “Accounting for Stock Issued to Employees,” and related interpretations, and would typically recognize no compensation expense for stock option grants if options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

The Company adopted SFAS 123(R) using the “modified prospective” method, which results in no restatement of prior period amounts. Under this method, the provisions of SFAS 123(R) apply to all awards granted or modified after the date of adoption. In addition, compensation expense must be recognized for any unvested stock option awards outstanding as of the date of adoption on a straight-line basis over the remaining vesting period. The Company calculates the fair value of options using a Black-Scholes option pricing model. For the six months ended June 30, 2011, the Company’s recognized (2005 on a pro forma basis) no compensation expense related to stock option grants.

SFAS 123(R) also requires the benefits of tax deductions in excess of recognized compensation expense to be reported in the Statement of Cash Flows as a financing cash inflow rather than an operating cash inflow. In addition, SFAS 123(R) required a modification to the Company’s calculation of the dilutive effect of stock option awards on earnings per share. For companies that adopt SFAS 123(R) using the “modified prospective” method, disclosure of pro forma information for periods prior to adoption must continue to be made.

As of September 30, 2012, there was no unrecognized compensation cost related to non-vested options granted under the plan. The total fair value of shares vested during the nine-month period ended September 30, 2012 was $0.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections,” which replaces APB Opinion No. 20 “Accounting Changes,” and FASB Statement No. 3 “Reporting Accounting Changes in Interim Financial Statements,” and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. We do not believe that adoption of SFAS 154 will have a material impact on our financial statements.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (“SAB 108”). SAB 108 establishes an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the Company’s consolidated financial statements and the related financial statement disclosures. SAB 108 is effective for the year ending December 31, 2006. We are currently evaluating the effect that the adoption of SAB 108 will have on our results of operations and financial

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109 ("FIN 48"), which clarifies the accounting for uncertain tax positions. This Interpretation allows the tax effects from an uncertain tax position to be recognized in the Company's financial statements if the position is more likely than not to be sustained upon audit, based on the technical merits of the position. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We do not expect the adoption of FIN 48 to have a material impact on our financial statements.

RESULTS OF OPERATIONS

We had no revenues during the nine months ended September 30, 2012 because we do not fly any aircraft and cannot sell tickets.

Our general and administrative expenses decreased $3,363,611 to $2,535,848 in the nine months ended September 30, 2012 as compared to $5,899,459 in the nine months ended September 30, 2011. Primarily as a result of the foregoing, we incurred a net loss of $2,691,845 in the nine months ended September 30, 2012 as compared to a net loss of $6,115,768 in the nine months ended September 30, 2011.

Our future ability to achieve profitability in any given future fiscal period remains highly contingent upon us beginning flight operations. The management believes that the company has the necessary funding to commence revenue flight operations, subject to completion of the FAA Air Carrier Certification. If commenced, there can be no assurance 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 September 30, 2012, our working capital was ($227,646) and our stockholders' equity was $708,174. Our working capital increased $35,982 from ($263,446) on September 30, 2011 and our stockholders' equity decreased $1,749,416 from $2,457,590 on September 30, 2011.

Our operating activities utilized $3,571,933 in cash during the nine months ended September 30, 2012, a decrease of $395,152 from the $3,967,085 in cash utilized during the nine months ended September 30, 2011.

Our financing activities, from issuance of common stock, provided $3,651,174 and $4,192,435 in cash during the nine months ended September 30, 2012 and 2011, respectively.

As a result of the foregoing, our unrestricted cash increased to $136,631 as of September 30, 2012, as compared to $44,366 as of September 30, 2011.

We had no significant planned capital expenditures, budgeted or otherwise, as of September 30, 2012.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

None

Item 4T. Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer, based on evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, as of March 31, 2012, have concluded that our disclosure controls and procedures were effective in ensuring 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. Our Chief Executive Officer and Chief Financial Officer also concluded that, as of March 31, 2012 our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There was no change in our internal controls or in other factors that could affect these controls during the nine months ended September 30, 2012 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Baltia currently is not involved in any material legal proceedings as defined in 17 CFR 229.103 (Item 103) Regulation S-K

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the nine months ended September 30, 2012 we issued 283,551,815 shares of our common stock in exchange for services. The shares were valued at $0.024 per share and reflected the share market value at the time of issuance. The shares are not registered and are subject to restrictions as to transferability.

During the nine months ended September 30, 2012 we issued 219,829,215 shares of our common stock in exchange for cash. The shares sold for cash were subscribed at $3,629,191 million or about $0.01651 weighted average per share. The options were exercised at par value.

All of the above issuances were deemed to be exempt under rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, business associates of Baltia or executive officers of Baltia, and transfer was restricted by Baltia in accordance with the requirements of the Securities Act of 1933, as amended. In addition to representations by the above-referenced persons, we have made independent determinations that all of the above-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the above-referenced persons were provided with access to our Securities and Exchange Commission filings.

Item 3. Default Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information.

None.

Item 6. Exhibits.

10.1. - Fuel supply Agreement between Joint Stock Company "SOVEX" and Baltia Air Lines, Inc. of January 1, 2012 with confidential portion omitted and filed separately with the Commission pursuant to a request for confidential treatment. Incorporated by reference to Exhibit 10.1 to Company's 10-Q for 1st quarter 2012 as filed May 15, 2012..

10.2 - Letter evidencing agreement that engines identified in Exhibit 10.3 below may be removed from N705BL and installed on N706BL. Incorporated by reference to Exhibit 10.5 to Company's 10-K/A for year 2010 as filed December 21, 2011.

10.3 - Product and Services Agreements between Navtech Systems Support Inc. and Baltia Airt Lines, Inc. Dated January 15, 2010 with confidential portion omitted and filed separately with the Commission pursuant to a request for confidential treatment. Incorporated by reference to Exhibit 10.7 to Company's 10-K/A for year 2010 as filed December 21, 2011.

10.4 - Ground Handling Agreement at Pulkovo Airport between ZAO Cargo Terminal Pulkovo and Baltia Air Lines, Inc. effective June 1, 2011 with confidential portion omitted and filed separately with the Commission pursuant to a request for confidential treatment. Incorporated by reference to Exhibit 10.9.2 to Company's 10-K/A for year 2010 as corrected and filed March 2, 2012.

10.5 - First Amendment to Product and Services Agreements between Navtech Systems Support Inc. and Baltia Air Lines, Inc. dated January 15, 2010. Incorporated by reference to Exhibit 10.10 to Company's 10-Q/A for 3rd quarter 2011, corrected and filed March 29, 2012.

10.6 Aircraft Bill of Sale for Boeing 747 aircraft N705BL. Incorporated by reference to Exhibit 10.9 to Company's 10-Q for 1st quarter 2012 as filed May 15, 2012.

10.7 JLT Certificate of Insurance BA-12-009 – Hull and Liability Incorporated by reference to Exhibit 10.10 to Company's 10-Q for 1st quarter 2012 as filed May 15, 2012.

10.8 JLT Insurance Binder – Hull, Spares and Liability. Incorporated by reference to Exhibit 10.11 to Company's 10-Q for 1st quarter 2012 as filed May 15, 2012.

10.9 JLT Insurance Binder – Airline Hull War and Allied Perils. Incorporated by reference to Exhibit 10.12 to Company's 10-Q for 1st quarter 2012 as filed May 15, 2012.

10.10 JLT Insurance Binder – Aviation Hull Deductible. Incorporated by reference to Exhibit 10.13 to Company's 10-Q for 1st quarter 2012 as filed May 15, 2012.

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.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned thereunto duly authorized.

DATED THIS 14th Day of November 2012

BALTIA AIR LINES, INC.

/s/ Igor Dmitrowsky

Igor Dmitrowsky

Chief Executive Officer and Chief Financial Officer (principal accounting officer)

EXHIBIT 3.1

BALTIA AIR LINES, INC. OFFICER'S CERTIFICATE PURSUANT TO SECTION 302

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

1. I have reviewed this quarterly report on Form 10-Q 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 small business issuer 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)) 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

(c) 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.

/s/ Igor Dmitrowsky Date: November 14, 2012

Igor Dmitrowsky

Chief Executive Officer and Chief Financial Officer (principal accounting officer)

EXHIBIT 3.2

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-Q for the period ended March 31, 2011 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.

/s/ Igor Dmitrowsky Date: November 14, 2012

Igor Dmitrowsky

Chief Executive Officer and Chief Financial Officer (principal accounting officer)