avatar airlines

JULY 12, 2020

Air Carrier Fitness Division
US Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

RE: Avatar Airlines, Inc. Docket DOT-OST-2019-0164
Application Update

Notwithstanding the pendency of Avatar's petition for reconsideration of the Department's 4/28/2020 Order of Dismissal, this letter is intended to update the Department regarding Avatar's continuing progress.

I. <u>FAA Pre-Application Phase 1 Meeting</u>

On June 17, 2020 Avatar completed its FAA Pre-Application Phase 1 "in brief" meeting that was hosted by David Lusk, Assistant Manager, Certification and Evaluation Program Officer. Avatar continues to work on Phase 1 FAA requirements.

II. <u>Extension of Private Placement Memorandum Expiration Date Due To COVID-19</u>

COVID-19 has had an extraordinary impact on every facet of life and has devastated the domestic aviation industry. Although Avatar is still in the developmental stage, the consequences of COVID-19 have adversely affected the timing of its capital raise through its SEC Reg D 506(c) private placement offering ("PPM"). Accordingly, based on the express terms of Avatar's PPM, the offering expiration date has been extended up through October 1, 2020. Copy of current PPM is enclosed for your informational purposes.

20283 State Road 7 | Suite 400 Boca Raton FL 33498 | 561.344.7810

Avatar's Future 66,000' HQ & Training Center

III. Additional Information

Avatar continues to make inroads in alternative financing opportunities that are still being developed. Necessary executive positions are still being filled to comport with the Department's managerial competency requirements, and an additional update is expected to be filed over the next 30 days updating the Department with a list of Company's additional executives.

While we await disposition on Avatar's pending petition for reconsideration, should you have any questions or seek additional information pertaining to this submission, please contact the undersigned at your earliest convenience.

Very truly yours,

Glenn E. Wichinsky

Glenn E. Wichinsky
Vice President - Legal

Avatar Airlines, Inc.
www.avatarairlines.com

20283 State Road 7 | Suite 400 Boca Raton FL 33498 | 561.344.7810

Avatar's Future 66,000' HQ & Training Center avatar airlines

PRIVATE PLACEMENT MEMORANDUM

$300,000,000

20,000,000 Shares of Series A Convertible Preferred Stock

Offered at $15.00 per Share
Minimum Purchase of 5,000 Shares (or $75,000)

The date of this extended Memorandum is: **APRIL 1, 2020**[1]

Avatar Airlines, Inc.

20,000,000 Shares of Series A Convertible Preferred Stock
$15.00 per Share

Minimum Subscription 5,000 Shares ($75,000)

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[1] Original date of Memorandum was January 16, 2020 with an expiration date of July 15, 2020. The offering expressly reserved Company's right to unilaterally extend the offering. Due to circumstances involving COVID-19 Company voted to extend the within offering up through and including October 1, 2020.

From the Desk of our CEO

WHY AVATAR? *"A radical departure."*

Over the last decade, domestic airlines have continued to downsize. Their belief is that the *only* way to make a profit, is through the process of *reduction*. Large, wide body passenger aircraft exchanged for smaller, *less* expensive aircraft. *Less* passengers to achieve a full payload. But not without consequences. If you're flying coach, ***you've noticed them***. Every time you've had to *squeeze* past another passenger or snack cart. Polite but awkward "battles" for arm rests. Lack of leg room, *personal space*.

To achieve profitability, their operations still required *more* of "less." *A successful reduction in consumer expectation*. **Think about it**. They have succeeded. Why else would you pay for luggage that was *always* included in the cost of your ticket? Why would you pay for seat selection? Leg room? (The list goes on…) You *pay*, because your expectations have been lowered. Eroded, over a period of years. *Or* … **maybe you *don't* pay**. You "choose" to simply **suffer in silence**. (*That happens to be a very popular option too!*) It's just not a very *satisfying* option, *is it?* And yet their plan is as *complete* as it is "successful." So they have no reason to change it.

But what if I told you there was a better way? Better for passengers, investors and employees. Better for the industry, the economy, and *even the environment*. **"Air travel reimagined."** 581 passengers flying in comfortable 4-engine wide-body aircraft with one of the safest records, having flown 3 ½ billion passengers– the equivalent of more than half the world's population! Spacious seats, roomy overhead bins, no additional charge. *Bring your luggage*, no additional charge. Get up, walk around, you've got nearly *the length of a football field!* It feels like a radical departure, but you're in familiar territory. You're on board the **Boeing 747!**

Did I mention the price of the ticket? Predictable pricing 365 days a year, 30%-50% *lower* than the ordinary fares of our closest *would-be* competitors. For example, our regular one-way fares from **New York to Miami - $49, from LA to JFK - just $79**. By flying *only* to high-density markets, we believe we will achieve near-to-full load capacity. Avatar's multiple profit centers are expected to generate significant additional revenue from *strategic partners*. Purchase your tickets online, and while you're at it, order up a sumptuous meal.[2] *Eat like a King* – you're in good company! **Allow me to introduce your new "Queen of the Skies" - *Avatar Airlines.***

If you're a potential investor, we've put just as much thought into our *financial* plan as we have our *business* plan. Please review our offering. **Be sure to check out our "early incentives."**

See you on board!

BARRY MICHAELS
Founder and CEO

[2] Price of food not included.

NOTICE TO OFFEREES

This Private Placement Memorandum (the "Memorandum") relates to the private offer and sale (the "Offer") of up to 20,000,000 shares of Series A Convertible Preferred Stock (the "Shares" or the "Series A Preferred Stock") of Avatar Airlines, Inc., a Nevada corporation (the "Company" "Avatar Airlines" or "us" "we" or similar pronouns). All of the Shares will be sold pursuant to a Stock Purchase Agreement and this Offering is being conducted by the Company under Rule 506(c) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"). You must be an "accredited investor" as defined in Regulation D and meet the other suitability requirements set forth herein under the caption "Investor Suitability Standards" to purchase Shares in this offering. The Offering will terminate on **OCTOBER 1, 2020**; provided, however, that **the termination date may be extended** by Avatar Airlines in its sole and absolute discretion without further notice to offerees or purchasers. The minimum investment per purchaser is 5,000 Shares ($75,000). The Company intends to accept subscriptions at such time as it receives subscriptions acceptable to it.

The Shares offered hereby are speculative, involve a high degree of risk and should not be purchased by anyone who cannot afford the loss of their entire investment. You should read carefully this entire Memorandum, including the section captioned "Risk Factors" beginning on page 23 herein, before purchasing any Shares. There is no public market for the Shares (or for any other securities of Avatar Airlines, including the common stock into which the Shares may be converted) and no such market is expected to develop in the foreseeable future. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period.

THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS. NEITHER THE SECURITIES EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THESE SECURITIES OR THE TERMS OF THIS OFFERING; NOR HAS IT BEEN DETERMINED IF THIS MEMORANDUM IS TRUTHFUL OR COMPLETE. IT IS ILLEGAL FOR ANY PERSON TO TELL YOU OTHERWISE.

THE SHARES MAY NOT BE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL IN FORM AND SUBSTANCE ACCEPTABLE TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

Any estimates, projections and forward-looking statements with respect to future performance set forth in this Memorandum have been provided to assist you in your evaluation, and although they have been prepared on the basis of assumptions and hypotheses that management believes to be reasonable, should not be relied upon as an accurate representation of future results.

It is the recipient's obligation to conduct his/her or its own due diligence. No persons have been authorized to make any representations other than those contained in this Memorandum, and if given or made, such representations should not be considered as authorized.

Sales will only be made to persons who are sophisticated in business and financial matters, who have the knowledge and experience to evaluate the merits and risks of the investment, who have substantial income, who have no need for liquidity with respect to their investment, and who can bear the absence of illiquidity of the securities offered hereby, and who are otherwise "accredited" as such term is defined by SEC Rule 501 of Regulation D.

Statements in this Memorandum are made as of the date hereof unless stated otherwise and neither the delivery of this Memorandum at any time, nor any sale hereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to this date.

There is currently no public or other market for the shares, and we have no obligation and no intention to take any action whatsoever to cause or assist in causing any market to develop for the Preferred Stock or any other securities of Avatar Airlines and there can be no assurance that a public or other market will develop. Each prospective investor should proceed only on the assumption that such prospective investor may have to bear the economic risk of an investment in the shares offered hereby for an indefinite period of time.

We reserve the right to reject for any reason any subscription, in whole or in part, or to allot to any prospective investor less than the number of shares subscribed for by such prospective investor.

In making an investment decision, investors must rely on their own examination of Avatar Airlines and the terms of this Offering, including the merits and risks involved. Prospective investors should not construe the contents of this Memorandum as investment or legal advice. This Memorandum and the other documents delivered herewith, as well as the nature of an investment in the securities offered hereby, should be reviewed by each prospective investor and such investor's investment, tax, legal, accounting and other advisors.

The Shares offered by Avatar Airlines are subject to receipt and acceptance of subscriptions, the right to reject any subscription in whole or in part, withdrawal, cancellation or modification of the offer without notice to investors and certain other conditions. Unless otherwise required by applicable state law, subscribers will have no right to withdraw their subscriptions. See "Terms of the Offering."

NOTICE TO PROSPECTIVE PURCHASERS IN ALL STATES

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SHARES OFFERED HEREBY ARE HIGHLY SPECULATIVE, AND AN INVESTMENT IN SHARES INVOLVES A HIGH DEGREE OF RISK AND IMMEDIATE AND SUBSTANTIAL DILUTION FROM THE OFFERING PRICE. SEE "RISK FACTORS" AND "DILUTION."

NOTICE TO NON-U.S. PERSONS

THE SHARES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED, ASSIGNED, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE UNITED STATES OR TO U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND SUCH LAWS, OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND

SUCH LAWS WHICH, IN THE OPINION OF COUNSEL FOR THE HOLDER, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO COUNSEL FOR THE COMPANY, IS AVAILABLE.

THE DISTRIBUTION OF THIS MEMORANDUM AND THE OFFERING OF THE SHARES MAY BE RESTRICTED BY LAW IN CERTAIN JURISDICTIONS. PERSONS, INTO WHOSE POSSESSION THIS MEMORANDUM COMES, ARE REQUIRED BY THE COMPANY TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS. THIS MEMORANDUM DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR OR IN CONNECTION WITH, AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFERING OR SOLICITATION IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

NO ACTION HAS BEEN TAKEN BY THE COMPANY THAT WOULD PERMIT AN OFFERING OF THE SHARES OR THE CIRCULATION OR DISTRIBUTION OF THIS MEMORANDUM OR ANY OFFERING MATERIAL IN RELATION TO THE COMPANY OR THE UNITS IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED BY APPLICABLE LAW.

THE COMPANY WILL MAKE AVAILABLE TO ANY PROSPECTIVE INVESTOR, PRIOR TO SALE OF SHARES TO SUCH PERSON, THE OPPORTUNITY TO ASK QUESTIONS OF AND TO RECEIVE ANSWERS FROM REPRESENTATIVES OF THE COMPANY CONCERNING THE COMPANY OR THE TERMS AND CONDITIONS OF THE OFFERING AND TO OBTAIN ANY ADDITIONAL RELEVANT INFORMATION TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN OBTAIN IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. INVESTORS AGREE TO ADVISE THE COMPANY IN WRITING IF THEY ARE RELYING UPON ANY SUCH INFORMATION.

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK AND SHOULD NOT BE PURCHASED BY ANYONE WHO CANNOT AFFORD THE LOSS OF HIS ENTIRE INVESTMENT. SEE “RISK FACTORS.”

Inquiries concerning this Memorandum may be directed to Avatar Airlines at the following address:

Avatar Airlines, Inc.
20283 State Road 7
Suite 400
Boca Raton, FL 33498
Tel. No. (561) 344-7810

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SUMMARY

This summary does not set forth all the information that you should consider before investing in the Shares. You should carefully read this Memorandum and any exhibits attached hereto in their entirety. You should ask questions of the Company and request any additional information you deem necessary prior to deciding to invest in the Company. As used in this Memorandum, "Company," "we," "our," and "us" refer to Avatar Airlines, Inc., except where the context otherwise requires.

An investment in the Shares is speculative and involves a high degree of risk. Prospective investors should retain their own professional advisors to review and evaluate the economic, tax and other consequences of an investment in this private offering and are not to construe the contents of this Memorandum, or any other information furnished, as legal or tax advice.

Our Company

Avatar Airlines, Inc., was incorporated under the laws of the State of Nevada on January 27, 2004, under the name Family Airlines, Inc., to engage in any lawful activity. The Company changed its name to Avatar Airlines, Inc. on March 18, 2010. Avatar Airlines plans to operate ultra-low fare, non-stop flights to and from high density markets within the continental U.S. The Company intends to add Hawaii and international flights to its route system at an undetermined future date. We plan to acquire 14 Boeing 747-400 aircraft during our first year of operation, increasing that number to 30 by the beginning of the fourth year.

Our Business

Why the 747?

It's big, it's safe, it's cost effective and it's comfortable.

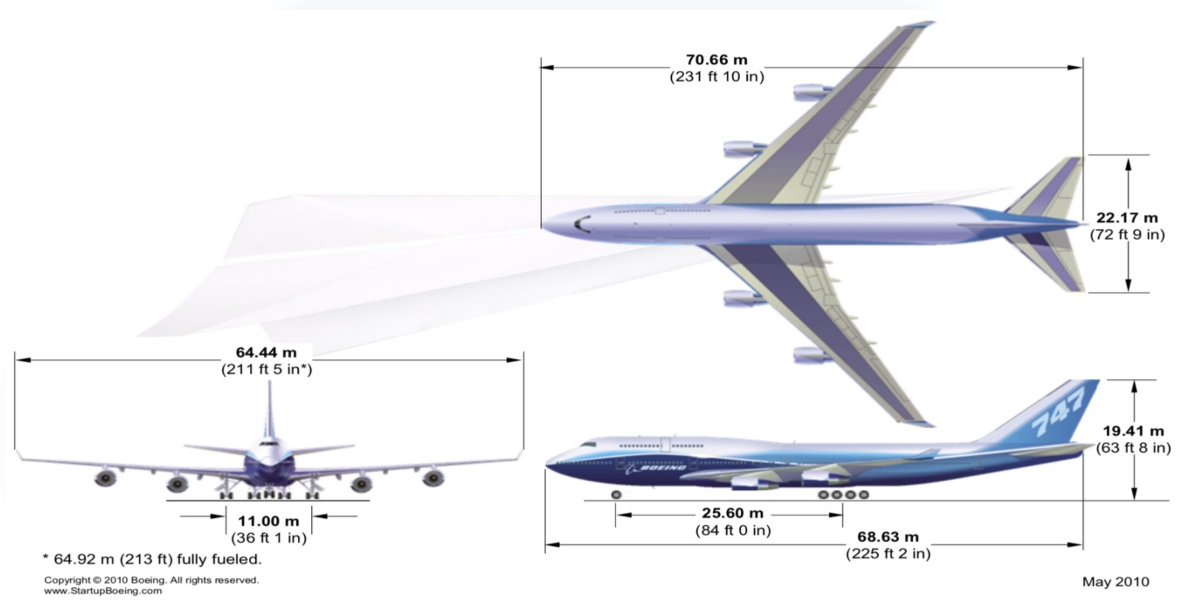
539 – Lower Deck Economy

42- Upper Deck Office Class

Each one of our 747 aircraft will be equipped alike, having 539 Economy Class seats on the lower deck and 42 Office Class seats on the upper deck, for a total number of 581 seats.

Avatar will offer *ultra-low* fares for every seat purchased at least 30 days in advance of departure: As an example: Los Angeles to New York, $79; Las Vegas to Los Angeles, $19; and New York to Miami, $49. All our fares are expected to be substantially *lower* than other "low-fare" airlines. Tickets will be available for purchase up to one year in advance.

We believe there is an "untapped" market to sell blocks of seats in advance to tour operators, cruise lines as well as our travel agent affiliates. All of these will be significant factors in driving up seat loads on any given flight.



We believe that we can achieve profits and sustainable growth in today's airline industry by having multiple revenue and profit centers, rather than relying *solely* on passenger revenue. Multiple profit centers will help keep our regular fares significantly *below* our competitors' regular fares. All revenue centers will be managed by an Executive Director who will have overall responsibility for profit and loss of their center(s) while working together with other staff members as a team to maximize revenue and profitability.

Availability of the 747

Over the last decade airlines have continued to downsize their aircraft eliminating the large wide body for less expensive smaller narrow body aircraft. In doing so, there has become an overabundance of 747's placed in storage. For a short time, they were in demand being converted from passenger aircraft to freighters, from there they were being scrapped for parts and now most are just stored in the desert waiting to fly again or be cut up for scrap. We believe this has created a buyer's market with over 60 aircraft currently in desert storage and we estimate our cost to purchase them including refurbishing will be from $15-25 mm per aircraft. We intend to purchase them for cash or equity swap.

Stored 747/400's

The Boeing 747/400 is big, it's roomy and passengers just love the fact that they can actually get up and walk around, as if they were in a large building. Passengers just love the idea of FOUR engines instead of two, the size, comfort and most of all the safety record of this airplane.

Our 747/400 vs. Their 737/A320's

Our 747/400		Cost Per Hour	Their 737/A320's		Cost Per Hour
Number of Aircraft	1		Number of Aircraft	4	
Cockpit Crew	2	$450	Cockpit Crew	8	$1,160
Flight Attendants	15	$525	Flight Attendants	12	420
Fuel Consumption	3000 USG	**$6,750**	Fuel Consumption	4800 USG	**$10,800**
Seating Capacity	581		Seating Capacity	556	
Total:		**$7,725**	**Total:**		**$ 12,380**

NOTE: **Data supplied for illustrative purposes only** and reflective of operational costs only, and should not be relied upon for any measure of exactitude. Actual costs will vary depending on a number of factors including but not limited to price of fuel, particular route/duration of flight, weight of aircraft on any given flight and actual salary paid to crew and attendants. Assumptions for this illustration include fuel at $2.25 USG; fuel consumption based on cruise speed (not takeoff or landing);

Economy of scale! With one plane (the 747) hauling 581 passengers to their destination we hire TWO pilots to fly it. Since many 737s or A320's hold just about 130 passengers, it would take four planes and 8 pilots to fly the same load. That means salaries, benefits, training costs, layovers etc., are ALL reduced, making it a much cheaper method to get the passengers from Point A to Point B!

From a pilot prospective, if a four-engine aircraft has an engine failure, the rules allow them to proceed to their destination. A twin-engine airplane has no choice but to land at the nearest SUITABLE airport, capable of landing that plane, whether repair services are available. You are not allowed to pick and choose a better place to land that is further away -- you MUST land at the nearest airport that you can safely land. Not so with a three or four engine plane!

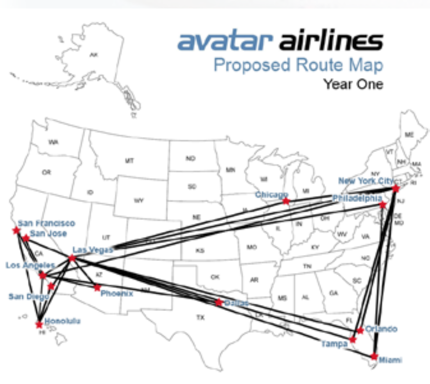
Passenger Revenue

Our initial startup route:

LAX - LAS - JFK - MIA
MIA - JFK - LAS – LAX

Proposed Routes

<u>1st Year</u> **<u>2nd Year</u>** **<u>3rd Year</u>**



By the beginning of our fourth year we expect to have 28 aircraft crisscrossing the country while at the same time adding a limited number of international routes.

<u>Using our JFK to MIA route as an example:</u>

Data provided for the following example is extracted from Avatar's financial model (*available upon request*). The Company believes that the assumptions made in the financial model are reasonably *conservative* (notwithstanding Company's belief that load factors and revenues will be more favorable than indicated). These estimates allow for a margin of error in *either* direction, since many of the data points rely on factors that change from day-to-day, *and from route-to-route*. Accordingly, we provide this information for *illustrative purposes only*, and it should not be relied upon for any measure of exactitude.

If seats are purchased at least 30 days prior to the day of flight, the projected one-way fare is $49 plus tax. Three higher-tier fares (Class "B, C & D") are charged if tickets are purchased *within* 30 days of the selected travel date.

We've used an **84% load factor** (as per NTSB), and project an average ticket price of **$64**[1] (plus tax) based on the following:

	Allocation	Sold	Each
Office Class		35	$179
Family Class A	85%	385	$49
Family Class B	5%	23	$69
Family Class C	5%	23	$89
Family Class D	5%	22	$119
		488	

Average ticket price **$64**[1]

(For simplicity, calculations are rounded to the nearest dollar:)

Passenger seat revenue only (488 seats @ $64) amounts to **$31,407**.[1]

Direct flight costs (*excluding depreciation and cargo* [2]) include but are not limited to an *average* airport fee (including *standard* luggage handling) across all potential airports (*not* specific to JFK or MIA) of $5,856; it also includes an average fuel cost of $12,301 [3] and various other direct flight costs of $11,311, amounting to an approximate total of **$29,468.** Please refer to our financial model for additional details of included costs (*model available upon request*).

The result is **a net flight income of $1,938 (JFK-MIA)**
(*not* including ancillary revenue, ancillary expenses or depreciation)

Although Company is utilizing an 84% load factor, Company believes that load factors up to 100% are achievable. Budget air travel is a *fare-driven* market no longer governed by "brand loyalty."

Please refer to our financial model for additional details of included costs (*model available upon request*).

Given that Avatar's *regular* fares will be substantially *lower* than its closest competitors' fares, most budget-conscious travelers will likely opt for a seat on Avatar as the more attractive alternative. Tickets may be purchased up to one year in advance. Avatar believes there is an "untapped" market to sell ticket-blocks as part of travel packages with popular cruise lines and travel agencies. All of these will be significant factors in driving up seat loads on any given Avatar flight.

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1 $64 weighted average is rounded from $64.358. $64.358 * 488 = $31,406.70 rounded to $31,407

2 Cargo is a separate profit center that will generate additional revenue not included in "Passenger Seat Revenue"

3 Fuel is estimated at 5 USG per mile, at a cost of $2.25 per USG (per International Air Transport Assoc (**IATA**)), for $11.25 per mile. Estimated mileage for JFK to MIA is 1,093.45 @ $11.25 per mile amounts to $12,301.31

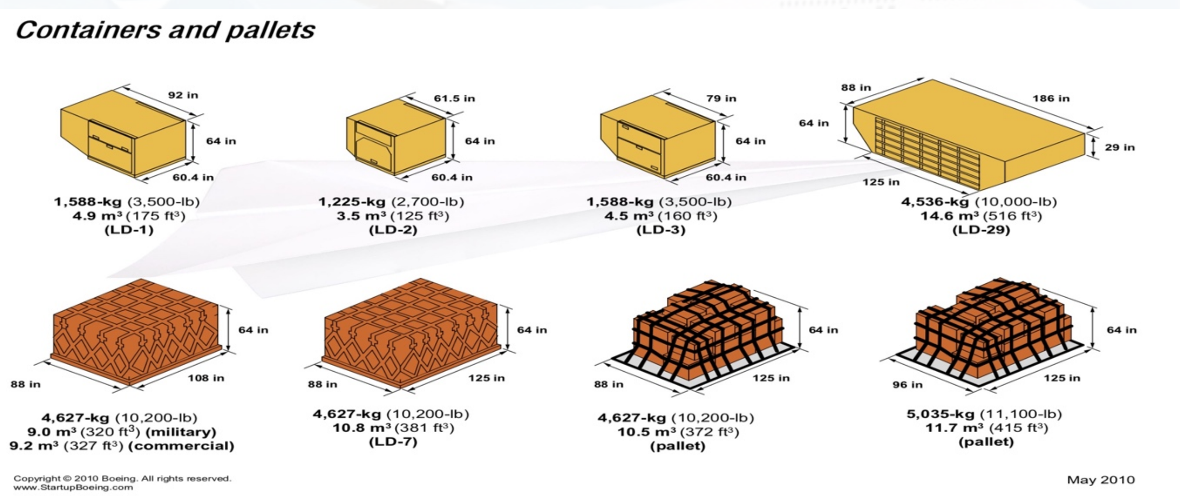
Ancillary Revenue

Cargo

Another important factor is not only can we haul 581 passengers, but at the same time carry an estimated 60,000 lbs. of cargo. Because of this, our cost per seat mile is projected to be the lowest in the industry. The cargo market among domestic passenger airlines in the United States has all but dried up, primarily because of downsizing of aircraft and increased passenger loads.

Avatar Airlines plans to fly the wide-body Boeing 747-400 aircraft exclusively with its capacity to transport 581 passengers along with a full load of freight. In many cases an aircraft with a full load of freight would not need to carry a single passenger to turn a profit.

Foreign airlines with wide-body aircraft continue to fly into this country but are forbidden by law to go beyond their port of entry. So, they must dismantle their pallets and containers and put them on trucks to their final destination. This would open the door to lucrative contracts through code sharing between these airlines and Avatar Airlines. In many cases Avatar can compete with trucking since its costs of transporting freight is projected to be covered by its passenger revenue.



Food & Beverage

Avatar believes offering unique types of food and beverage is another way of building customer loyalty through one's own pallet. We understand food and beverage sales represents a small revenue source, but we believe the experience will distinguish Avatar from its competition, literally gaining notoriety by "word of mouth."

Imagine a gastronomical experience unavailable anywhere else. Whether it's a *Chef of the Month* delight, a snack or just one of our creations, you're apt to find it available on an Avatar Airlines flight. We also expect to offer several different ethnic varieties and a full kosher menu. Availability of food items is exclusive to online pre-purchasing at time of ticketing.

(for illustration only)

Marketing & Free Flights

Our FOCUS Program allows a consumer to "**earn a free flight**" whether (s)he is already on one of our flights, or just sitting at home. By partnering with various marketing and manufacturing firms, participating members who meet certain demographic criteria for a survey may be selected to give their opinion on a wide array of questions pertaining to the particular subject matter. Upon satisfactory completion, the participant will be awarded a fully transferable certificate good for a free flight to any Avatar Airlines destination valid for a period of two years.
The Company earns a fee for each participant, and we expect the revenue that we receive for it to be worth significantly more than the price of the seat that we give away. It's truly a "win" for our Company, partners and passengers alike.

Avatar's Fly "Free" Club

By joining Avatar's **Fly "Free" Club** and paying a one-time registration fee of $49, plus $249 a year, you're set to fly "Free" on any available Avatar flight (*just pay the taxes*). Think of it as flying stand-by without a charge. Just check the Avatar website 72 hours prior to flight time and if there's an open seat you will be able to place your name on that seat. All available seats will be awarded on a first come first served basis to active Club members.

Branding & Media for Sales

Branding inside of public transportation is not new. Advertisements have been on buses, subways and taxicabs for years, but not on U.S. airlines. Avatar will make almost anything and everything available for purchase to its strategic partners for a multitude of branding possibilities, both inside and outside the aircraft. Whether it's an entire fuselage wrap, tray tables, overhead bins or even a video monitor on a bulkhead.

(*All product names, logos, and brands are for illustrative purposes only and remain property of their respective owners*)

(*All product names, logos, and brands are for illustrative purposes only and remain property of their respective owners*)

Avatar Vacations

Avatar expects to work with travel agents, but not in the old traditional way. Once registered as an affiliate, agencies will be able to log in and have access to purchase seats on any flight and will not have to put the passenger's name in until check-in time. In addition, they will have access to purchase tour packages at wholesale rates and charge their client(s) whatever they feel appropriate.

All affiliates will be listed as a *preferred provider* on our website with a hot link to their website and included in a fully searchable database by name and area. Our affiliates will receive periodic offers and promotions not offered to the general public. The number of agency affiliates will be limited.

Avatar will contract with major tour operators who will provide complete packages including hotel and rent-a-cars, as well as other local area promotions at wholesale prices. The general public will not have access to this portion of our website.

Insurance

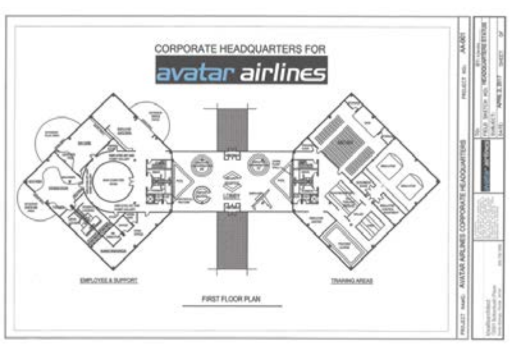
All of Avatar's passenger tickets are non-refundable and non-exchangeable, however, for a small fee a ticket becomes fully exchangeable. Since Avatar expects to self-insure, these fees represent a pure profit by allowing Avatar to resell that seat.

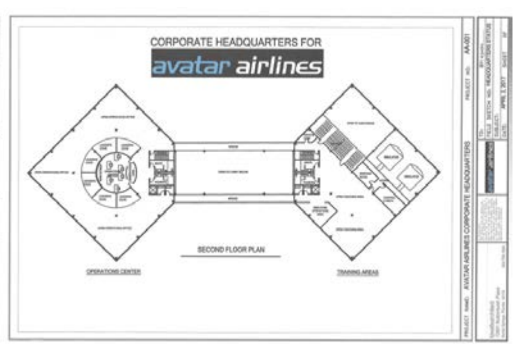
Looking Forward

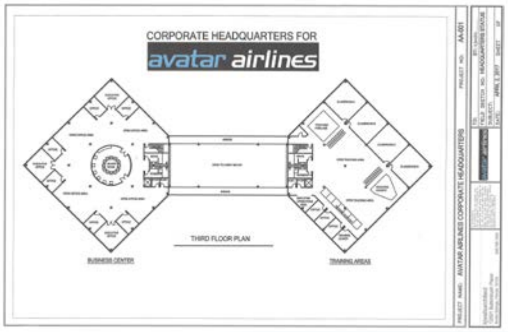
Our Corporate Headquarters

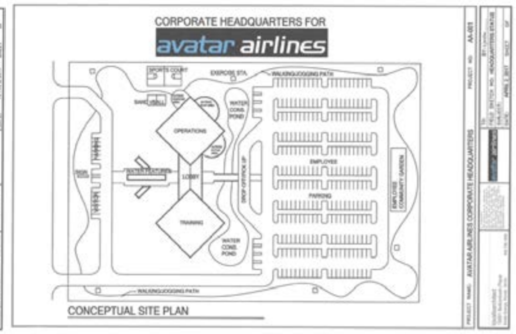
As part of its long-term construction plan, Avatar plans to begin by building its corporate headquarters consisting of a 66,000 ft. building with three floors and two separate wings, one for administration, the other for training, attached in the center by a central lobby. The final design will encompass Avatar's employee-friendly culture throughout its facilities.

Avatar Headquarters & Training Center (illustrative purposes only)









Artist rendition - for illustration only Estimated construction cost for the building shell (structure - footings, steel, etc., exterior walls including fenestrations, and roofing) and the interior finishes including walls, drywall, flooring, ceilings, etc. Assuming it is not real high-end finish materials (what we call "lawyer office finishes" and in these numbers not including such items as IT systems, training equipment (simulators, etc.), the following should be a good start - somewhat conservative but not extravagant.
Building Shell - 66,000 sf at $100/sf = $6,600,000, Interior Fit Up - 66,000 sf at $60/sf = $3,960,000 Total Cost: $10,560,000

Advanced employee corporate culture is an integral part of what we expect will set Avatar Airlines apart from others. Built-in benefits such as a childcare center, health spa and cafeteria are just a few of the benefits we envision awaiting members of the Avatar team.

Our Training Center

We expect the Avatar Training Center to be complete with multiple 747 simulators along with 747 aircraft cabin trainers used for flight attendant training. Additional revenue is expected from training contracts associated with small airlines.



(illustrative purposes only)

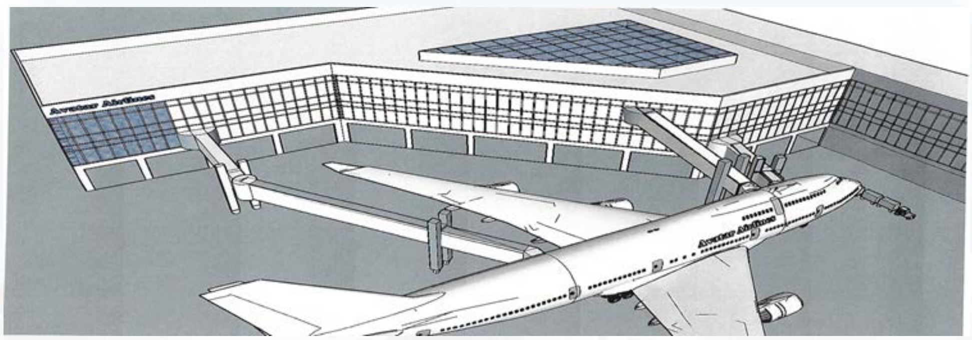
The Avatar 300-Room Hotel

On the same property as our headquarters we plan to build a 300-room hotel located adjacent to the airport Avatar decides to call home. An ideal place for visitors to its training facility as well as for general tourism. Although the hotel will be owned by Avatar, we expect it to be maintained and managed by one of Avatar’s hospitality partners.

Our Passenger Terminals

Turnaround time is an important issue when it comes to efficiency, since an aircraft on the ground does not generate revenue. Most aircraft load and unload from a single jetway, but some airports have gates with dual jetways for large body aircraft.

In order to increase aircraft utilization and decrease passenger loading time and with the cooperation of the airports served, Avatar intends to build its own passenger terminals. These will be designed and constructed to provide efficiency through the use of multiple (up to four) jetways necessary to load and unload the aircraft by providing extra-large gates accommodating as many as 1,200 awaiting passengers.



Artist rendition - for illustration only

Our terminals are expected to provide additional revenue with thousands of square feet of restaurant and retail spaces available for lease. Concessions would be located on both sides of security. The plan includes some concessions on the *landside* of the terminal to provide for "meet and greet" and some for deplaning passengers. Most of the concessions are planned for the *airside* of security for enplaning passengers. The average sales in the 1980's was about $3 per square foot. Today, it is closer to $9 to $10 per square foot for departing passengers. Based on this rate and a concessions area of 20,000 sq. ft., our sales would be about $200,000 monthly.

FAA Part 145 Repair Station

Avatar's future includes building its own airport hangar large enough to accommodate two 747's side by side. Recognized as one of its largest expenses, aircraft maintenance will eventually be provided by Avatar's own staff as an FAA 145 repair station. The location for this facility would be based primarily on job creation incentives provided by the airport and the surrounding municipalities.

(illustrative purposes only)

The 200,000 square-foot facility would have a 300’ clear span and 40’ sidewalls, culminating in a center height of 100’.

Initial Public Offering

Our plan is to go public within 3–5 years of flight operations to raise capital to purchase 30 new 747/8 aircraft from the Boeing Company. We expect that by such time, the Company will have significant brand recognition, will have greatly improved the perception of the low fare air travel experience, and will have a positive track record of revenue and earnings to justify an IPO. Please note that the Company cannot guarantee these events will happen or that they will in fact result in a successful IPO.

The 747/8 and Our Future Fleet

We believe our future lies with the state-of-the-art Boeing 747/8 passenger aircraft. This aircraft will allow Avatar to carry 50 more passengers on the upper deck and an additional amount of freight all at significant fuel savings. The aircraft is currently being offered by Boeing for approximately $380 million per aircraft. Although Boeing is currently producing the freighter model, upon information and belief it has no orders for the passenger version.

Avatar plans include the *initial* purchase of 30 of these in conjunction with the release of its Initial Public Offering (IPO) within 3–5 years at an estimated value exceeding $10 billion dollars.

Boeing 747-800

The 747-8 is the largest commercial aircraft manufactured and is more than 10 percent lighter per seat, consuming 11 percent less fuel per passenger than the A380, translating into a trip-cost reduction of 21 percent and a seat-mile cost reduction of over 6 percent. This aircraft will represent a tremendous savings in fuel cost over the 747/400, which is Avatar Airlines number one cost.

The 747-8 feature a fuselage stretch of 18.3 ft (5.6 m) over the 747-400, bringing the total length to 250 ft 2 in (76.25 m) and is currently the world's longest passenger aircraft.

TERMS OF THE OFFERING

The following is a summary of the basic terms and conditions on which Avatar Airlines proposes to sell shares of Series A Convertible Preferred Stock to certain accredited investors. This summary does not purport to describe all of the terms and provisions of the Series A Preferred Stock.

Issuer: Avatar Airlines, Inc. (the "Company"), a Nevada corporation.

Investors: Accredited investors and qualified institutional buyers in the United States and persons who are not U.S. persons as defined in Regulation S under the Securities Act. The Shares are being sold under Regulation D Rule 506(c) via a Private Placement Memorandum (the "Memorandum") exempt from registration under the Securities Act.

Securities Offered: A Maximum of 20,000,000 shares of Series A Convertible Preferred Stock, par value $0.001 per share (the "Shares" or the "Series A Preferred Stock"). The maximum total offering amount is $300,000,000.

Price Per Share: $15.00 per Share.

Use of Proceeds: The net proceeds from this offering will be used for all start-up expenses including, but not limited to, all DOT requirements, the acquisition and refurbishing of aircraft, hull and liability insurance, a training facility, and initial employee salaries.

Broker Placement Fees and Expenses: Brokers' commission of approximately 7% will be payable only in the event that a licensed securities broker-dealer consummates sales of Shares on behalf of Avatar Airlines. As of the date of this Memorandum, Avatar Airlines has not executed any sales placement or other contracts with any placement agencies or any broker-dealer.

Liquidation Preference: Upon Avatar Airlines' liquidation, dissolution or winding up, the holders of the Series A Preferred Stock are entitled to receive, on a senior basis to the Common Stock of the Company, of $15.00 per share, an amount equal to the initial purchase price per Share (the "Liquidation Price") after the payment of all liabilities. If additional classes or series of preferred stock are issued by the Company in the future, the holders of Shares of Series A Preferred Stock may rank senior or junior in right of Payment of amounts in liquidation to holders of shares of other classes or series of the Company's preferred stock issued in the future. The relative priority of the Series A Preferred Stock and any other class or series of preferred stock which the Company may issue in the future will be determined at the time of any future issuance, and there is no provision in the Company's governing documents setting forth the terms and provisions of the Series A Preferred Stock that entitles the holders of the Series A Preferred Stock to priority of payment upon liquidation over any other class of the Company's shareholders other than priority over holders of the Company's Common Stock.

Capitalization: The following table sets forth, on an as if converted to Common Stock basis, of the outstanding capital stock of the Company on a fully diluted basis after giving effect to this Offering. For purposes of this chart, we have assumed a conversion price of $15.00 per share, and that all shares of Series A Preferred Stock offered hereby have been issued.

		Pre-Offering		**Post-Offering**
Security	**No. of Shares**	**%**	**No. of Shares**	**%** [1]
Series A Preferred Stock	0	0%	20,000,000	N/A
Common Stock Issuable Conversion of Series A Preferred Stock	--	--	20,000,000	42.11%
Common – Issued Options	--	--	--	--
Common – Available Options	--	--	--	--
Warrants [2]	--	--	--	--
Common Stock (pre-existing)	27,500,000	100%	27,500,000	57.89%
Plus Converted (this offering)	20,000,000	--	20,000,000	42.11%
Total	47,500,000	100%	47,500,000	100%

[1] Post-offering percentages have been calculated assuming the sale in this Offering of 20,000,000 shares of Series A Preferred Stock is converted on a one-to-one basis into Common Stock.

[2] ***As an added incentive to the first 25 investors or first $25 million in investments received by Company (whichever comes first)***, Company will issue one *call* warrant ("**Early Incentive Warrant**") for each share of Series "A" Preferred Stock purchased. The Early Incentive Warrant entitles the Holder thereof to acquire an *additional* share of Series "A" Preferred Stock from this offering for the sum of $5.00, which sum must be received by Company (subject to collection), along with Notice of Exercise, by **no later than 11:59 PM EST, of the 90th day following Company's receipt** of the purchase tender for the initial Preferred Stock purchased (the "**Exercise Expiration Date**"). Early Incentive Warrants will be deemed invalid and unenforceable *after* the Exercise Expiration Date. NOTWITHSTANDING COMPANY'S RECEIPT OF AN EXECUTED SUBSCRIPTION AGREEMENT AND RECEIPT OF PURCHASE TENDER FUNDS INTO ESCROW, IN NO EVENT IS COMPANY BOUND OR OBLIGATED TO ISSUE THE SERIES "A" PREFERRED STOCK OR EARLY INCENTIVE WARRANTS UNLESS AND UNTIL COMPANY HAS VERIFIED THAT POTENTIAL INVESTOR IS AN "**ACCREDITED INVESTOR**" AS SUCH TERM IS DEFINED UNDER SEC RULE 501 OF REGULATION D AND EVEN IN SUCH EVENT, COMPANY RESERVES THE RIGHT TO REJECT ANY POTENTIAL INVESTOR NOTWITHSTANDING SUCH VERIFICATION. Potential investor agrees to cooperate with company, its authorized agents and assigns, in taking reasonable steps to verify that potential investor is an accredited investor, which steps may include but not be limited to company's review of purchaser's relevant documentation such as W-2s, tax returns, bank and brokerage statements and credit reports, etc. IF POTENTIAL INVESTOR IS DISQUALIFIED OR REJECTED FROM THE OFFERING, COMPANY SHALL AUTHORIZE ESCROW AGENT TO MAKE A FULL REFUND TO POTENTIAL INVESTOR.

Discretionary Conversion: At any time after the date of issuance, the Board of Directors of Avatar Airlines may authorize an option to each shareholder of Series A Preferred Stock to convert such shares into Common Stock on a 1:1 basis.

Automatic Conversion: Each outstanding share of Series A Preferred Stock automatically converts into one share of Common Stock, subject to adjustment under certain circumstances, upon the closing of an underwritten public offering of Common Stock with aggregate net proceeds to the Company equal to or in excess of $300 million and at a price per share to the public of not less than two times the original offering price of the Series A Preferred Stock.

Voting Rights:	The holders of Series A Preferred Stock will vote as a separate class with respect to certain matters affecting solely the holders of the Series A Preferred Stock.
Limitations for Foreign Investors:	U.S. statutes limit the amount of voting securities of a U.S. air carrier that may be owned by non-citizens of the United States to 24.99%. The Company will accordingly limit the number of shares of Series A Preferred Stock that may be issued to investors who are not citizens of the United States, as determined under applicable law.

DETERMINATION OF OFFERING PRICE

The offering price for the Shares was determined on an arbitrary basis and such price bears no relationship to any established criteria for valuing the Shares. There is no relationship whatsoever between the offering price of the Shares and the Company's assets, earnings, book value or any other objective criteria of value. The offering price may not be indicative of the price at which the Company's Shares would trade if they were listed on an exchange or actively traded by brokers, nor of the proceeds that an investor would receive if Avatar Airlines were liquidated or dissolved.

CAPITALIZATION

As of the date hereof, the authorized capital stock of Avatar Airlines consists of 200,000,000 shares of capital stock, each with a par value of $0.001 per share, comprised of 150,000,000 shares of Common Stock and 50,000,000 shares of preferred stock, with 20,000,000 shares of the authorized preferred stock being designated as the Series A Preferred Stock and the remaining shares of preferred stock to have such terms, preferences and provisions as the Board of Directors may from time to time determine without any requirement of shareholder approval. As of the date of this Memorandum, the total number of shares outstanding is 27,500,000 shares of Common Stock and no shares of preferred stock.

NO REGISTRATION UNDER SECURITIES LAWS

The Shares offered hereby have not been registered under the Securities Act and, accordingly, the sale, transfer, assignment or other disposition of any of the Shares is restricted under the federal and state securities laws. A restrictive legend will be affixed to the stock certificates evidencing shares of the Series A Preferred Stock, substantially as follows:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED AND QUALIFIED PURSUANT TO THE RELEVANT PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS OR IF THE COMPANY IS PROVIDED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION AND QUALIFICATION UNDER FEDERAL AND STATE SECURITIES LAWS ARE NOT REQUIRED."

Upon any conversion of the Series A Preferred Stock into shares of Common Stock, the issuance of the Common Stock will also be in reliance upon an exemption from the registration requirements of the Securities Act and applicable state securities laws, and the certificates evidencing shares of Common Stock so issued will bear a similar restrictive legend.

LIQUIDITY, USE OF PROCEEDS AND FINANCING NEEDS

The net proceeds to be received by Avatar Airlines from the sale of all of the Shares offered hereby are estimated at $279,000,000 assuming that all such shares are sold through brokers and/or dealers at a commission rate of 7% (i.e., $21,000,000). Avatar Airlines has no other prospective source of capital other than from the sale of the Shares in this Offering.

Avatar Airlines anticipates that a portion of the net proceeds of this Offering will be used for start-up expenses prior to the commencement of revenue operations, including the following general categories of expenditures: (i) pre-operating expenses, including salaries and related costs, aircraft crew and ground support training, and advertising and marketing costs; (ii) insurance; (iii) capital expenditures for property and equipment; (iv) security deposits for office and airport facilities; (v) refurbishment and acquisition of Boeing 747 aircraft; and (vi) working capital and general corporate purposes.

To the extent there are any remaining proceeds of this offering after disbursements are made for the above expenses and costs, Avatar Airlines will invest those remaining proceeds in U.S. Treasury Bills, or any other secured, interest-bearing, low risk, short term investment(s). Avatar Airlines has not commenced revenue operations, and there exists the possibility of unforeseen events and changes in business conditions. The foregoing is an estimate of the allocation of the net proceeds of this Offering.

FORWARD - LOOKING STATEMENTS

This Memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act. These statements include the plans and objectives of management for future operations, including plans and objectives relating to Avatar Airlines' future growth. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties identified in this Memorandum. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond control. Words or phrases such as "anticipate," “believe,” “continue,” “ongoing,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Although the management of Avatar Airlines believes the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Memorandum will prove to be accurate. The Company’s actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the factors described in the section entitled “Risk Factors.” In light of the significant uncertainties inherent in the forward-looking statements included herein, which speak only as of the date of this Memorandum, the inclusion of such information should not be regarded as a representation by the Company, its management or any other person that its objectives and projections will be achieved.

Unless required by law, the Company and its management undertake no obligation to revise any forward-looking statement to reflect circumstances or events after the date of this Memorandum or to reflect the occurrence of unanticipated events.

INVESTOR SUITABILITY STANDARDS

The Shares are suitable for those investors whose business and investment experience, either alone or together with an experienced advisor, makes them capable of evaluating the merits and risks of their prospective investment and who can afford the loss of their entire investment in the Shares and have no need for liquidity in their investment. See “Risk Factors.”

The Shares are being offered and will be issued in reliance on certain exemptions from registration and qualification, which are available under federal and state securities laws for non-public offerings of securities. AVATAR AIRLINES intend to rely upon the exemption for non-public offerings provided by Rule 506(c) of Regulation D under the Securities Act, as well as appropriate exemptions under state securities laws and regulations.

Each investor purchasing Shares in this Offering shall, by signing and delivering a copy of Company’s Subscription Agreement, makes certain representations and warranties to the Company upon which the Company will rely in claiming an exemption from the registration requirements of the Securities Act, including, without limitation, the following:

1. The Investor understands that it must bear the economic risk of the investment for an indefinite period because no public market will exist for the Shares and none is expected to develop.

2. The Investor understands that the Shares will not be transferable under federal and state securities laws except under limited circumstances and in reliance upon an opinion of counsel satisfactory to the Company that the proposed transfer is exempt from the registration requirements of the Securities Act.

3. The Investor is acquiring the Shares for the Investor's own account for investment and is not acquiring any Shares with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act.

4. The Investor has received, read carefully and is familiar with this Memorandum, and the Company has, during the course of this offering and prior to the sale of the Shares to the Investor, afforded the Investor and its representative, if any, the opportunity to ask questions and receive answers from management concerning the terms and conditions of this offering and to obtain any additional information necessary to verify the accuracy of the information contained in this Memorandum.

5. The Investor understands the speculative nature of its investment in the Shares, has no need for liquidity with respect thereto, and is able to sustain a complete loss of the Investor's investment.

6. The Investor is an "accredited investor" as defined in Rule 501(a) of Regulation D.

7. The Investor has such knowledge and experience in finance, securities, investments and other business matters to be able to protect the Investor's interests in connection with an investment in the Shares.

8. The Investor is not a member of FINRA or other self-regulatory agency that would require prior approval of a purchase of the Shares.

9. Additional or more stringent requirements may apply to Investors residing in certain states.

ACCREDITED INVESTOR

An accredited investor is defined in Rule 501(a) of Regulation D promulgated under the Securities Act to include the following:

1. Any bank as defined in Section 3(a)(2) of the Securities Act whether acting in its individual or fiduciary capacity; insurance company as defined in Section 2(13) of the Securities Act; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of the Securities Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000;

2. Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940;

3. Any organization described in Section 501(c)(3) of the Internal Revenue Code, or any corporation, Massachusetts or similar Business trust, or Company, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

4. Any director or executive officer of the Company;

5. Any natural person whose individual net worth, or joint net worth with that person's spouse, in either case, at the time of his or her purchase exceeds $1,000,000, excluding the value of the primary residence of such person;

6. Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

7. Any trust, with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the securities offered, whose purpose is directed by a sophisticated person as described in Section 230.506(b)(2)(ii) of 17 CFR §230; or

8. Any entity in which all the equity owners are accredited investors.

A PROSPECTIVE INVESTOR IN THE SHARES MUST RELY ON THE INVESTOR'S PROFESSIONAL ADVISORS TO DETERMINE WHETHER THE SHARES ARE A SUITABLE INVESTMENT.

THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL TO, OR A SOLICITATION OF AN OFFER TO BUY FROM, ANY PERSON WHO DOES NOT MEET THE SUITABILITY STANDARDS SET FORTH ABOVE AND IN THE SUBSCRIPTION AGREEMENT.

Restriction imposed by the USA PATRIOT Act and Related Acts

The Shares may not be offered, sold, transferred or delivered, directly or indirectly, to any Unacceptable Investor. The term "Unacceptable Investor" means and includes the following:

1. A person or entity, who is a designated national, specially designated national, specifically designated terrorist, specially designated global terrorist organization, or blocked person within the definitions set forth in the Foreign Assets Control Regulations of the U.S. Treasury Department;

2. A person acting on behalf of or any entity owned or controlled by, any government against whom the U.S. maintains economic sanctions or embargoes under the Regulations of the U.S. Treasury Department;

3. A person or entity who is within the scope of executive Order 13224-Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001; or

4. A person or entity subject to additional restrictions imposed by the following statues or regulations and executive orders issued there under: the Trading with the Enemy Act, the Iraq Sanctions Act, the National Emergencies Act, the Antiterrorism and Effective Death Penalty Act of 1996, the International Emergency Economic Powers Act, the United Nations Participation Act, the International Security and Development Cooperation Act, the Nuclear Proliferation Prevention Act of 1994, the Foreign Narcotics Kingpin Designation Act, the Iran and Libya Sanctions Act of 1996, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act and the Foreign Operation, Export Financing and Related Programs Appropriations Act or any other law of similar import as to any non-U.S. country, as each such act or law has been or may be amended, adjusted, modified or reviewed from time to time.

SUBSCRIPTION PROCEDURES

1. To subscribe for the Shares, each prospective investor ("Subscriber") will be required to complete, execute and deliver to Avatar Airlines and/or its designated agents, a "Subscription Agreement," a "Subscriber Questionnaire" and documentary proof that Subscriber is an accredited investor, as further described and requested by Company or its designated agents.

2. A check for the purchase price tender, subject to collection and payable to the designated 3rd party Escrow Agent as set forth in the Subscription Agreement, in the amount of $15.00 per Share, multiplied by the number of Shares subscribed for (*or wire such amount pursuant to the wire instructions contained in the Subscription Agreement*). There is a minimum subscription of $75,000.00. Escrow Agent shall hold funds in Escrow, pending verification that Subscriber is an accredited investor. Upon such verification and upon Company's acceptance of the Subscription, Escrow Agent shall disburse said funds to Company and Company shall cause the issuance of the prescribed stock to Subscriber upon its books and records and furnish Subscriber with proof thereof. If Company rejects Subscriber for any reason, Escrow Agent shall be authorized to refund Subscriber's funds to Subscriber.

The subscription items shall either be electronically transmitted to Avatar Airlines, delivered at the following address, or transmitted/delivered to Avatar Airline's designated agent as otherwise set forth in writing:

Avatar Airlines, Inc.
c/o Law Offices of Michael E. Zapin
20283 State Road 7, Suite 400
Boca Raton, FL 33498

INVESTMENT IN SHARES BY TAX-EXEMPT ENTITIES AND ERISA CONSIDERATIONS

In considering an investment in the Shares of a portion of the assets of a Benefit Plan, as defined in the Employee Retirement Income Security Act ("ERISA"), the fiduciary of the Benefit Plan subject to ERISA should consider the provisions of the Code, ERISA and other applicable law. In this regard, IRAs, which are not sponsored or endorsed by an employer or by an employee organization and Keogh Plans (which are plans under which only partners or a sole proprietor are participants) generally are not subject to the provisions of ERISA; however, fiduciaries of such accounts should review carefully the matters discussed below.

In general, before investing in the Shares, the fiduciaries of an ERISA Benefit Plan should consider whether:

- an investment in the Shares is consistent with their fiduciary obligations under ERISA;

- an investment in the Shares is a prudent investment for the ERISA Benefit Plan in accordance with Section 404(a)(1)(B) of ERISA;

- an investment in the Shares complies with the requirements under Section 404(a)(1)(C) of ERISA that ERISA Benefit Plan investments be diversified so as to minimize the risk of large losses;

- an investment in the Shares is made in accordance with the documents and instruments governing the ERISA Benefit Plan, including the Plan's investment policy, and in accordance with the terms of any trust or other fund maintained in connection with the Plan;

- an investment in the Shares will constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code; and

- whether the investment in the Shares will result in unrelated business taxable income.

Minimum Distribution Requirements

Potential investors who intend to purchase Shares in their IRAs, and any trustee of an IRA or other fiduciary of a Benefit Plan considering an investment in Shares, should take into consideration the limited liquidity of an investment in the Shares as it relates to applicable minimum distribution requirements under the Code for the IRA or other Benefit Plan. If the Shares are still held in the IRA or Benefit Plan at such time as mandatory distributions are required to commence to the IRA beneficiary or plan participant, Section 401(a)(9) of the Code will likely require that a distribution in kind of the Shares be made to the IRA beneficiary or plan participant. Any such distribution in kind of Shares must be included in the taxable income of the IRA beneficiary or plan participant for the year in which the Shares are received at the then current fair market value of the Shares without any corresponding cash distributions with which to pay the income tax liability arising out of any such distribution. The fair market value of any such distribution in kind will be only an estimated value per Share and there can be no assurance that such estimated value could actually be realized by an investor because (1) estimates do not necessarily indicate the price at which Shares could be sold and (2) no public market for Shares exists or is likely to develop.

PROGRESS TO DATE

DOT APPLICATION: Avatar Airlines filed a certificate of Public Convenience and Necessity with the DOT.

FAR PART 121 CERTIFICATE: Avatar Airlines has filed a letter of intent with the FAA for issuance of a FAR (Federal Aviation Regulations, commonly called CFR) Part 121 Certificate. This certificate is required to be obtained to permit a scheduled air carrier to operate in the U.S.

In order to obtain the Part 121 Certificate, Avatar Airlines must have at least one aircraft identified, complete several tasks, and present certain operating manuals for FAA review and approval.

Avatar Airlines intends to have at least one such aircraft identified and is currently developing the required operating manuals for such things as maintenance, de-icing, general operations, flight manuals, handling hazardous materials, cargo loading, and emergency procedures.

Once working crews and ground staff are hired and trained, the FAA will run some desk top exercises to determine if employees can successfully utilize the manuals and procedures to handle typical situations. Finally, the FAA will likely seek to perform a mini-evacuation evaluation and eventually fly some proving flights between designated routes that Avatar Airlines intends to operate.

AIRCRAFT: Avatar Airlines is in the process of identifying available 747 aircraft and is presently engaging in preliminary discussions with several companies regarding pricing and/or conditions for acquisition.

MIRAMAR/ORLANDO FAA CMO OFFICE: Avatar Airlines expects to be working with either the FAA Miramar or Orlando Regional Office to obtain its Part 121 certification. Initial meetings have been held with FAA staff.

CONTRACT SERVICE PROVIDERS: Avatar Airlines has had preliminary discussions with providers of services for heavy maintenance, crew training, aircraft simulators, crew scheduling and dispatch consulting; however, Avatar does not believe it will be able to secure and enter into any binding contracts with such providers until such time that Avatar becomes adequately funded.

GROUND SERVICE AT DESTINATION AIRPORTS: Since much of the labor of running an airline is spread out among the destination airports, Avatar Airlines has identified and had initial contacts with providers of ground services at our intended airport destinations.

AIRPORT GATES: By operating a schedule when the gates are available, Avatar Airlines will share gates with other airlines and does not anticipate any difficulty obtaining them when needed.

CONTACT WITH AIRPORT OPERATORS: Avatar Airlines has had initial contact with all intended airports to determine gate space fees, landing fees, baggage handling, ticket counter, and passenger handling capabilities. Avatar does not believe it will be able to secure and enter into any binding contracts with such operators until such time that Avatar becomes adequately funded.

EMPLOYEE CONTRACTS; 1099 INDEPENDENT CONTRACTORS: Avatar Airlines intends to contract with qualified executives and employees ("**Executives**") at competitive salaries and benefits, once adequately funded. Executives will be required to sign employment contracts as a condition of employment. In the interim, Avatar has entered and will continue to enter Executive Agreements during Avatar's *earliest* phase of startup, that are, in essence, 1099 Independent Contractor Agreements. These earliest Executives will be paid retroactively based on hours worked and/or work products produced for the Company at the time Company raises $7,500,000.00, or such other time as reasonably approved by Avatar's Board of Directors. Company does not control time, place or manner of work of its earliest Executives, enabling them to work part-time for Avatar while maintaining other means of employment. These Executives will transition to conventional employment status once Avatar is adequately funded.

RISK FACTORS

Investment in the Shares offered involves a high degree of risk. In addition to the risks and investment considerations discussed elsewhere in this Memorandum, the following factors should be considered prior to purchasing the offered Shares.

Risks Related to the Company

We are an early stage business with limited working capital and no history of performance.

The Company was formed to operate an ultra-low fare airline. Although many of our managerial and supervisory personnel have had substantial airline industry experience, we have no operating history. There is no assurance that the Company will be profitable in the future. An investment in the Shares is highly speculative and is only a suitable investment for an investor who recognizes the significant level of risks involved, has no need for liquidity in the investment, and who can afford a total loss of his or her investment. We have not created any revenues and, as a result of the significant expenditures that we plan to make with the proceeds from this Offering, we may incur significant operating losses and have negative net cash flow from operations on both a quarterly and annual basis for the foreseeable future. For these and other reasons, there can be no assurance that we will ever achieve our goals or be able to sustain profitability.

Expense projections are estimations.

We believe that the forecasts prepared as to the capital requirements, personnel, equipment and facilities required for its proposed operations are reasonable. However, until we commence operations, it is not possible to determine the accuracy of such estimates. Capital requirements for our operations have been estimated based upon known and reasonably foreseeable costs, as well as limited contingency for unforeseen expenses. There is no assurance that actual expenditures will align with forecasts and that currently anticipated capital needs will be sufficient to accommodate operations. The Company has not had any operating experience to date and therefore has no reliable basis, other than management's opinion, on which to estimate the volume of traffic or the amount of revenues its planned operations will generate, or the costs to be incurred. Since we intend to offer substantially discounted airfares, our success will be dependent, in large part, upon our ability to fill aircraft, thus enabling us to operate at a higher revenue per mile than other airlines. There can be no assurance that the Company's proposed operations will be economically viable. We may incur substantial losses during the period prior to commencement of service. See "Business—Business Plan."

Our projections are speculative.

Our sales and revenue projections have been estimated by using approximations of the available and applicable market. Furthermore, they have been based upon assumptions of certain market penetration and market capture. There is no way to determine the amount of future actual sales and revenues, and there is no assurance that the amount will not be less than those anticipated. Additionally, there is no assurance we will capture the market share anticipated in the projected time period, or at all.

We have no liquidity and minimal net worth.

As of the date of the Memorandum, the Company has minimal net worth and accordingly, its ability to commence operations is dependent upon the success of this Offering. See "Use of Proceeds and Financing Needs."

There are uncertainties regarding the market for our proposed service.

In formulating its business plan, the Company has relied principally on the judgment of its management and available market information. No external market studies by third parties have been conducted concerning the demand for the specific services proposed to be offered by the Company or the particular routes over which the Company plans to operate, nor are any planned. While certain members of the Company's management have experience in commercial aviation, the Company itself has not had any direct operating experience and therefore has no basis, other than management's judgment based on research, industry data, and calculations on which to project the volume of traffic and the amount of revenues that its planned operations will generate or the operating and other expenses to be incurred.

We must obtain approval from multiple government agencies prior to commencing flight operations.

The Company will need to obtain approval from the FAA and DOT prior to commencing flight operations. The approval processes are rigorous, time consuming and expensive. The DOT is generally expected to analyze and determine that Avatar's over all fitness in management, finances and compliance disposition is satisfactory, before it will certify Avatar for flight operations. Although Avatar has hired several key executives with substantial managerial and aviation experience, Avatar must still hire additional, qualified executives. Avatar is actively soliciting potential candidates to fill required positions but anticipates certain positions will not be filled until funding is obtained that will enable Avatar to compensate those executives. Avatar believes that its plan to raise capital through this private placement memorandum will satisfy the DOT's financial fitness requirement provided Avatar achieves a reasonable level of success in raising capital. Although Avatar seeks to raise $300,000,000 in order to commence flight operations, Avatar could, for example, commence flight operations by leasing aircraft instead of purchasing aircraft, and could scale back its 3-year projection for aircraft acquisitions and flight routes within such time. If Avatar does lease aircraft instead of purchasing and/or scales back aircraft acquisition, flight routes and frequency of projected destinations, this will proportionally slow Avatar's projected profit margin.

As part of any new airline's regulatory review process, the FAA performs a comprehensive safety review and first examines all aspects of a new carrier's safety programs, operations manuals, training procedures, and personnel qualifications. It then uses tabletop operations exercises, aircraft evacuations, and actual flights to test the safety effectiveness of airline flight crews and management in simulated real-world scenarios ("proving runs"). The "proving run" flights are the final step in this Systems Safety and operational review process.

There is no guarantee that the FAA and/or DOT will provide the Company with the necessary approvals to commence operations. If the Company does not obtain such approvals the Company will not be able to commence operations and would be forced to liquidate itself causing economic loss to its investors.

Our limited number of aircraft will make us vulnerable to interruptions in service due to maintenance needs.

We intend to commence operations with four aircraft and assuming success in our initial plan of service, intends to operate up to a total of 14 aircraft within 12 months of its initial revenue flight. There is a risk that any interruption of service as a result of maintenance requirements or the loss of aircraft could materially and adversely affect our service and reputation. The limited number of aircraft and routes to be operated initially by us may involve financial risks not necessarily present for larger carriers. For example, the removal of a single aircraft from service would have a proportionately greater operational and economic impact on us as compared to a carrier with a larger fleet of aircraft. It is for this reason that we intend to have two spare aircraft (one each on the East and West Coasts) to remain available on short notice.

We may have difficulty acquiring enough aircraft to operate the business.

The Company believes that enough Boeing 747s are available at this time, for purchase, barter or lease. The Company's current plan is to purchase, barter or lease used aircraft. In the event the Company is not able to secure a sufficient supply of Boeing 747 aircraft to implement or expand revenue service in accordance with the Company's business plan, the Company may delay its planned start-up, or grow its fleet at a rate slower than presently anticipated.

Our ability to commence operations is dependent upon its ability to procure aircraft on commercially satisfactory terms. We are currently in preliminary discussions with several potential providers of Boeing aircraft. However, no assurances can be given that commitments for such aircraft will be obtained by Avatar Airlines, and we currently have no such commitments and no guarantee can be given that the Company will be able to purchase, barter or lease aircraft on satisfactory terms.

We may have difficulty securing airport gate access.

Airport gate access is essential to a successful airline operation. Today, most airport gates are leased either directly through the airport itself or through a third party, such as an airline or ground handler. Given that we will have a limited number of daily flights, it is management's intention to share gates (via contract) with other airlines whenever possible thereby conserving resources and limiting its costs.

Providing ultra-low fares should give the Company an advantage over most other airlines in the availability of gates because actual flight times are likely of less importance to the traveler than is the ultra-low fare. We intend to make it a priority to coordinate its flight schedules around availability of gates and will attempt to utilize dual jet ways whenever possible. Management has had preliminary discussions with a relatively large number of airport executives, most of whom are prepared to offer the Company incentives to provide additional service to their respective communities.

We plan to establish a limited number of routes initially. Any condition that would deny, limit or delay our access to the airports we intend to serve, or that diminishes the desire or ability of potential customers to travel between any of our contemplated destinations, may have a material adverse effect on the Company's business.

We will rely on third parties to provide our customers and us with facilities and services that are integral to our business.

We will be dependent upon other airlines and vendors to provide certain facilities and services required for its operations, including major aircraft maintenance, ground operations, baggage handling, catering and employee training. Such services are frequently contracted between airlines. Although we are engaged in discussions regarding these matters, we have not yet obtained any firm commitments or entered into any contracts for such facilities or services. Such reliance on others may cause us to incur higher costs than if it performed these services itself. The commencement of flight operations and any expansion of our operations will be subject to the availability and cost of such facilities and services. Further, our reliance on third parties to provide essential services on our behalf gives us less control over the costs, efficiency, timeliness and quality of those services. A contractor's negligence could compromise our aircraft or endanger passengers and crew. This could also have a material adverse effect on our business. We expect to be dependent on such agreements and as we commence operations, we will need to have similar agreements in place.

We will adjust our expenditures in consideration of our available resources and the tasks to be performed. Our management and our Board of Directors monitor our overall costs and expenses and, if necessary, will adjust our programs and planned expenditures to ensure we have sufficient operating capital. There can be no assurance that additional funding will be available on acceptable terms, if at all. Equity financing, if available, will result in substantial dilution to existing shareholders, including purchasers of the Shares, and may have rights, preferences and privileges senior to our Series A Preferred Stock. If we cannot obtain needed funds for operations, we may be forced to curtail or cease our activities.

Risks Related to the Business

We will operate in an extremely competitive industry.

The U.S. domestic airline industry is characterized by significant price competition. Airlines compete in the areas of pricing, scheduling (frequency and flight times), on-time performance, frequent flyer programs and other services. We will compete with other airlines on all our proposed routes. All our competitors will be larger and have greater resources and name recognition than us. Following entry into new markets or expansion of existing markets, some competitors may opt to add service or engage in extensive price competition with us. Shortfalls in expected revenues as a result of price competition or in the number of passengers carried could negatively impact our financial results. The extremely competitive nature of the airline industry could prevent us from attaining the level of passenger traffic or maintaining the level of fares required to maintain profitable operations and could impede our growth strategy.

We must constantly react to changes in prices and services offered by our competitors to remain competitive. The airline industry is highly susceptible to price discounting, particularly because airlines incur very low marginal costs for providing service to passengers occupying otherwise unsold seats. Carriers use discount fares to stimulate traffic during periods of lower demand to generate cash flow and to increase market share. Any lower fares offered by one airline are often matched by competing airlines, which often results in lower industry yields with little or no increase in traffic levels. Price competition among airlines in the future could lead to lower fares or passenger traffic on some or all our routes, which could negatively impact our profitability. We cannot assure you that any competitors will not undercut our fares or increase capacity on routes to increase their respective market shares. Although we intend to compete vigorously and to assert our rights against any predatory conduct, such activity by other airlines could reduce the level of fares or passenger traffic on our routes to the point where profitable levels of operations could not be maintained. Due to our smaller size and financial resources compared to several of our competitors, we may be less able to withstand aggressive marketing tactics or fare wars engaged in by our competitors should such events occur.

We lack marketing alliances.

We will also participate in marketing alliances, which generally provide for code- sharing, frequent flyer program reciprocity, coordinated flight schedules that provide for convenient connections and other joint marketing activities. These alliances also permit an airline to market flights operated by other alliance airlines as its own. The benefits of broad networks offered to customers could attract more customers to these networks. We may pursue such alliances and agreements with foreign airlines and/or domestic airlines.

We are exposed to increases in landing charges and other airport access fees and cannot be assured access to adequate facilities and landing rights necessary to achieve our expansion plans.

We must pay fees to airport operators for the use of their facilities. Any substantial increase in airport charges could have a material adverse impact on our results of operations. Passenger taxes and airport charges have also increased in recent years, sometimes substantially. We cannot assure you that the airports used by us will not impose, or further increase, passenger taxes and airport charges in the future, and any such increases could have an adverse effect on our financial condition and results of operations.

Certain airports that we will serve are subject to capacity constraints and impose slot restrictions during certain periods of the day. We cannot assure you that we will be able to obtain a sufficient number of slots, gates and other facilities at airports to expand our services as we are proposing to do. It is also possible that airports not currently subject to capacity constraints may become so in the future. In addition, an airline must use its slots on a regular and timely basis or risk having those slots re-allocated to others. Where slots or other airport resources are not available or their availability is restricted in some way, we may have to amend our schedules, change routes or reduce aircraft utilization. Any of these alternatives could have an adverse financial impact on us.

Some of the airports to which we will fly impose various restrictions, including limits on aircraft noise levels, limits on the number of average daily departures and curfews on runway use. In addition, we cannot assure you that airports at which there are no such restrictions may not implement restrictions in the future or that, where such restrictions exist, they may not become more onerous. Such restrictions may limit our ability to continue to provide or to increase services at such airports. At present, all the aircraft we contemplate will comply with Stage 4 noise abatement in effect at all the airports we intend to serve.

If we are unable to schedule off-peak flights in and out of John F. Kennedy International Airport, our business could be harmed.

We intend to operate flights into and out of John F. Kennedy International Airport ("JFK") in New York City. In January 2007, the High-Density Rule, established by the FAA in 1968 to limit the number of scheduled flights at JFK from 3:00 p.m. to 7:59 p.m., expired. As a result, like nearly every other airport, the number of flights at JFK was no longer regulated and airlines became able to schedule flights without restrictions. As a result of over-scheduling beyond the airport's hourly capacity, congestion and delays increased significantly in 2007.

In January 2008, the FAA placed temporary limits on scheduled operations at JFK to mitigate persistent congestion and delays at the airport. The FAA extended the January 18, 2008 Order placing temporary limits on scheduled operations at JFK on October 7, 2009, April 4, 2011, May 14, 2013, March 26, 2014, and May 24, 2016, as corrected June 21, 2016. As of the date of this offering, the FAA is extending the expiration date of the Order until October 24, 2020.

Under the Order, as amended, the FAA (1) maintains the current hourly limits of 81 scheduled operations at JFK during the peak period; (2) imposes an 80 percent minimum usage requirement for Operating Authorizations (OAs) with defined exceptions; (3) provides a mechanism for withdrawal of OAs for FAA operational reasons; (4) establishes procedures to allocate withdrawn, surrendered, or unallocated OAs; and (5) allows for trades and leases of OAs for consideration for the duration of the Order.

The reasons for issuing the Order have not changed appreciably since it was implemented. Demand for access to JFK remains high and the average weekday hourly flights in the busiest hours are generally at the limits under this Order.

In order to avoid the congestion and attendant delays that arise from scheduling flights during peak traffic periods, the Company will try to schedule its flights during off-peak hours. In the event the Company is unable to schedule off-peak flights, the Company may experience increased costs including but not limited to additional labor and fuel expenses. Such costs if any, would adversely affect the Company's profit on any given flight that is subject to such delays.

We will be subject to various environmental regulations and noise curfew limits.

Avatar Airlines will be subject to various federal, state and local laws administered by numerous state and federal agencies relating to the protection of the environment, including the discharge or disposal of materials and chemicals and the regulation of aircraft noise. The effects on the environment generally, and in particular the effect of carbon emissions produced during the flight operations of large jet aircraft, have recently gained increasing notice at both the federal and state levels in the U.S., with a result that the Company is likely to become subject to increased regulation in numerous areas affecting the environment. See "Risk Factors - we are subject to many forms of environmental regulations and may incur substantial costs as a result."

The Airport Noise and Capacity Act of 1990 recognizes the right of airport operators with special noise problems to implement local noise abatement procedures if those procedures do not interfere unreasonably with the interstate and foreign commerce of the national air transportation system. Certain airports, including San Diego and Long Beach, California, have established restrictions to limit noise, which can include limits on the number of hourly or daily operations and the time of such operations. These limitations serve to protect the local noise-sensitive communities surrounding the airport. Avatar Airlines' scheduled flights at such airports will need to follow the noise curfew limits, and on occasion due to operational requirements it may violate the curfews and be required to negotiate payment structures with the local municipal agencies for any violations.

We may not have any revenue from cargo operations.

Although all of Avatar Airlines' flights will have a large capacity to carry freight, there can be no assurances that any freight will be carried or that any revenue will be generated from such. The Company currently has no contracts or commitments with any entity to provide freight services to them.

Our business will be dependent on the availability of fuel

Our operations will be impacted by the availability of fuel. The availability of fuel is not only dependent on crude oil, but also refining capacity, and when even a small amount of the domestic or global oil refining capacity becomes unavailable; supply shortages can result for extended periods of time. The availability of fuel is also affected by demand for home heating oil, gasoline and other petroleum products, as well as crude oil reserves, dependence on imports of crude oil and potential hostilities in oil producing areas of the world. Because of the effects of these factors on the availability of fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty.

Although we believe we will be able to adequately increase our fares to offset the increases in fuel prices, continued fuel supply shortages could have a material adverse effect on our financial condition and results of operations.

If the Company fails to implement its growth strategy, its business could be harmed.

Avatar Airlines expects to commence operations to and from New York City, Miami, Las Vegas and Los Angeles. It expects to grow its business by expanding the number of markets served and this will depend on its ability to access suitable airports located in its targeted geographic markets in a manner that is consistent with its cost strategy and its ability to obtain additional gates and aircraft. Any condition that would deny, limit or delay its access to airports it may seek to serve in the future would constrain its ability to grow. Opening new markets requires Avatar Airlines to commit a substantial amount of resources, even before the new services commence. Expansion is also dependent upon its ability to maintain a safe and secure operation and requires additional personnel, equipment and facilities. An inability to hire and retain personnel, timely secure the required equipment and facilities in a cost-effective manner, efficiently operate expanded facilities, or obtain the necessary regulatory approvals may adversely affect its ability to achieve its growth strategy, which may harm its business.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs.

The domestic airlines business is labor intensive; with labor costs representing approximately one-fourth of most major air carrier's operating expenses. Avatar Airlines anticipates it will have a non-union workforce. The unionization of any of the Company's employees could result in demands that may increase operating expenses and adversely affect the Company's financial condition and results of operations. Any of the different classes of its employees could unionize at any time, which would require it to negotiate in good faith with the employee group's certified representative concerning a collective bargaining agreement. Ultimately, if Avatar Airlines and the representative were unable to reach agreement on the terms of a collective bargaining agreement and all the major dispute resolution processes of the Railway Labor Act were exhausted, it could be subject to work slowdowns or stoppages. Any of these events would be disruptive to its operations and would harm our business.

When the Company can accept payment for tickets, our liquidity could be adversely impacted in the event one or more of its credit card processors were to impose materially higher reserve requirements for credit card transactions.

We anticipate that, by the date it can first accept payments, it will have agreements with organizations that process credit card transactions arising from purchases of air travel tickets. Credit card processors have financial risk associated with tickets purchased for travel, which can occur several weeks after the purchase. We anticipate that, as is customary, its credit card processing agreements will provide for reserves to be held by the processor. Depending upon the terms of these agreements, particularly the terms relating to the amount and the timing of the release of these held funds, the impact on liquidity could be significant, which could materially adversely affect our business.

If we were to determine that our aircraft, parts or inventory were impaired, it would have a significant adverse effect on our operating results.

We will perform impairment reviews when there are particular risks of impairment or other indicators described in Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in order to determine whether we will need to reduce the carrying value of our aircraft and related assets with a related charge to our prospective earnings. In addition to the fact that the value of our fleet declines as it ages, the excess capacity that currently exists in the airline industry, airline bankruptcies and other factors beyond our control may further contribute to the decline of the fair market value of our aircraft and related routable parts and inventory. If such impairment does occur, we would be required under U.S. GAAP to write down these assets to their estimated fair market value through a charge to earnings. A significant charge to earnings would adversely affect our financial condition and operating results. In addition, in the event we incur indebtedness to acquire additional aircraft, the interest rates on and the availability of certain aircraft financing loans are tied to the value of the aircraft securing the loans. If those values were to decrease substantially, our interest rates may rise or the lenders under those loans may cease extending credit to us, either of which could have an adverse impact on our financial condition and results of operations.

We are dependent on key personnel.

Our success depends, to a significant extent, upon the efforts and abilities of our senior management team and key financial, commercial, and operating and maintenance personnel. Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect upon our business, operating results and financial condition.

If we are unable to attract and retain qualified personnel, our business could be harmed.

We will compete against the other U.S. airlines and air freight companies for pilots, mechanics and other skilled labor and some of them may offer wage and benefit packages that exceed its planned wage and benefits levels. We may be required to increase wages and/or benefits in order to attract and retain qualified personnel or risk considerable employee turnover. If we are unable to hire, train and retain qualified employees, its business could be harmed, and it could be unable to complete its growth plans.

Failure or disruption of automated systems could harm our business.

To operate our business, we will rely heavily on automated systems, including its computerized airline reservation system, flight operations systems, telecommunications systems, airport customer service kiosks and websites. Its website and reservation systems must be able to accommodate a high volume of traffic and deliver important flight information on a timely, accurate and reliable basis. Disruptions or failures of any of these automated systems would impair its operations, reduce the attractiveness of its services and would result in lost revenues and increased costs. In addition, these automated systems require periodic maintenance, upgrades and replacements, and its business could be harmed if it fails to properly maintain, upgrade or replace such systems.

In addition, we cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit existing vulnerabilities in its systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting the networks that access and store database information. Furthermore, there has been heightened legislative and regulatory focus on data security in the U.S. and abroad, including requirements for varying levels of customer notification in the event of a data breach. Finally, many of its commercial partners, including credit card companies, could impose data security standards that may be difficult or burdensome for it to meet.

Our quarterly results can fluctuate substantially.

The airline industry is by nature cyclical and seasonal, and our operating results may vary from quarter to quarter. We expect to experience the highest levels of traffic and revenue in July and August, with a smaller peak in traffic in March through May. In general, demand for air travel is highest in the third quarter because of the increase in vacation travel during these periods relative to the remainder of the year. We generally expect to experience our lowest levels of passenger traffic in January and February. Given our high proportion of fixed costs, seasonality can affect our profitability from quarter to quarter. Demand for air travel is also affected by factors such as economic conditions, war or the threat of war, terrorism or the threat of terrorism, fare levels and weather conditions.

Our reputation and financial results could be harmed in the event of an accident or incident involving our aircraft.

An accident or incident involving one of our aircraft could involve significant claims by injured passengers and others, as well as significant costs related to the repair or replacement of a damaged aircraft and its temporary or permanent loss from service. We are required to carry liability insurance and hull insurance, but the amount of such liability and hull insurance coverage may not be adequate and we may be forced to bear substantial losses in the event of any future accident. Our insurance premiums may also increase due to an accident or incident affecting one of our aircraft. Substantial claims resulting from an accident in excess of our related insurance coverage or increased premiums would harm our business and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause the public to perceive us as less safe or reliable than other airlines which could harm our business and results of operations. Our business would also be significantly harmed if the public were to avoid flying our Boeing 747 aircraft due to safety concerns or other problems, whether real or perceived.

SEC Regulation D Rule 506(e) "Felons and Other Bad Actors" Disclosure Statement

The SEC Amendment

The Securities and Exchange Commission ("SEC") adopted amendments to its rules to implement Section 926 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 926 required the SEC to adopt rules that disqualify securities offerings involving certain "felons and other 'bad actors'" from reliance on Rule 506 of Regulation D. The rules were required to be "substantially similar" to Rule 262 under the Securities Act, which contains the disqualification provisions of

Regulation A under the Securities Act, and had to also cover matters enumerated in Section 926 of the Dodd-Frank Act (including certain state regulatory orders and bars).

The effective date of the amendment was September 23, 2013.

In lieu of imposing disqualification for pre-existing triggering events, the rule amendments require written disclosure of matters that *would* have triggered disqualification, *except* that they occurred *before* the effective date of the new disqualification provisions.

Founder and CEO Barry Michaels

On May 6, 1998, Barry Michaels pleaded guilty to one count of securities fraud, in violation of 15 U.S.C. §§ 78j(b) and 78ff, and 17 U.S.C. §240.10b-5; and to one count of subscribing to a false tax return, in violation of 26 U.S.C. §7206(1). Judgment and Probation/Commitment Order, *United States v. Michaels*, No. 2:97-cr-00799 (C.D. Cal. May 11, 1998) Barry was sentenced to 2l months' imprisonment, and three years of supervised release, which was later reduced for good behavior to 15 months.

The within disclosure is required under Rule 506(e) since Mr. Michaels' historical offenses *would* have barred his participation in the within offering, *but for* Rule 506(e), by virtue of Section 926(2)(B) of the Dodd-Frank Act which provides for disqualification if any covered person "has been convicted of any felony or misdemeanor in connection with the purchase or sale of any security or involving the making of any false filing with the Commission" and by virtue of Section 926(2)(A)(ii) of the Dodd-Frank Act which provides that disqualification must result from final orders of the relevant regulators that are "based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct."

Purpose of Disclosure

According to the SEC, the Rule 506(e) disclosure provides a means for investors to make their own determination of the relevance and risks associated with past bad acts, including recidivism risk, and such investors can request additional information or elect not to pursue the investment opportunity based on the disclosure.

Risks Related to the Airline Industry

The airline industry is particularly sensitive to changes in economic condition.

Since 2005, the U.S. airline industry has experienced significant consolidation and liquidations. Current unfavorable general economic conditions, such as higher unemployment rates, a constrained credit market, housing-related pressures, and increased business operating costs can reduce spending for both leisure and business travel. Unfavorable economic conditions could also impact an airline's ability to raise fares to counteract increased fuel, labor, and other costs. It is foreseeable that further airline reorganizations, consolidations, bankruptcies or liquidations may occur in the current recessionary environment, the effects of which unable to be predicted. Avatar

Airlines cannot assure its shareholders that the occurrence of these events, or potential changes resulting from these events, will not harm its business or the industry.

A future act of terrorism, the threat of such acts or escalation of U.S. military involvement overseas could adversely affect the airline industry.

Even if not directed at the airline industry, a future act of terrorism, the threat of such acts or escalation of U.S. military involvement overseas could have an adverse effect on the airline industry. In the event of a terrorist attack, the industry would likely experience significantly reduced demand. Avatar Airlines cannot assure its shareholders that these actions, or consequences resulting from these actions, will not harm its business or the industry.

Changes in government regulations imposing additional requirements and restrictions on airline operations may restrict our growth or our operations or increase our costs.

Airlines are subject to extensive regulatory and legal requirements, both domestically and internationally, that involve significant compliance costs. In the last several years, Congress has passed laws, and the DOT, FAA and TSA have issued regulations relating to the operation of airlines that have required significant expenditures. For example, the DOT recently finalized a policy change that will permit airports to charge differentiated landing fees during congested periods, which could impact our ability to serve certain markets in the future. The new rule is being challenged in court by the industry. The FAA from time to time also issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. FAA requirements cover, among other things, collision avoidance systems, airborne wind shear avoidance systems, noise abatement and other environmental issues, and increased inspections and maintenance procedures to be conducted on older aircraft.

We will incur expenses in connection with complying with government regulations. Additional laws, regulations, taxes and charges have been proposed from time to time, including federal legislation on a “passenger’s bill of rights” that, if adopted, could significantly increase the cost of airline operations or reduce the demand for air travel. These measures could have the effect of raising ticket prices, reducing revenue and increasing costs if adopted. We cannot assure you that these and other laws or regulations enacted in the future will not harm its business.

The U.S. Government ceasing to provide adequate war risk insurance could increase operating costs and result in service delays and disruptions.

The U.S. Government currently provides insurance coverage for certain claims resulting from acts of terrorism, war or similar events. Should this coverage no longer be offered, the coverage that would be available to the Company through commercial aviation insurers may have substantially fewer desirable terms, result in higher costs and not be adequate to protect its risk, any of which could harm its business.

We are subject to many forms of environmental regulation and may incur substantial costs as a result.

We are subject to increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment, including those relating to emissions to the air, discharges to surface and subsurface waters, safe drinking water, and the management of hazardous substances, oils and waste materials. Compliance with all environmental laws and regulations can require significant expenditures.

Several U.S. airport authorities are actively engaged in efforts to limit discharges of de-icing fluid (glycol) to local groundwater, often by requiring airlines to participate in the building or reconfiguring of airport de-icing facilities. Such efforts are likely to impose additional costs and restrictions on airlines using those airports. Avatar does not believe, however, that such environmental developments will have a material impact on our capital expenditures or otherwise adversely affect our operations, operating costs or competitive position.

We are also subject to other environmental laws and regulations, including those that require us to remediate soil or groundwater to meet certain objectives. Under federal law, generators of waste materials, and owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Avatar Airlines has the liability for such costs at various sites, although the future costs associated with the remediation efforts are not currently expected to have a material adverse effect on our business.

Recently, climate change issues and greenhouse gas emission (including carbon) have attracted national and international regulatory interest that may result in the imposition of additional regulation on airlines. Any such regulatory activity in the future may adversely affect our business and financial results.

Finally, governmental authorities in the U.S. are also considering or have already implemented aircraft noise reduction programs, including the imposition of nighttime curfews and limitations on daytime takeoffs and landings. These regulations could impose additional costs on our operations.

Because the airline industry is characterized by high fixed costs and relatively elastic revenues, airlines cannot quickly reduce their costs to respond to shortfalls in expected revenue.

The airline industry is characterized by low gross profit margins, high fixed costs and revenues that generally exhibit substantially greater elasticity than costs. The operating costs of each flight do not vary significantly with the number of passengers flown and, therefore, a relatively small change in the number of passengers, fare pricing or traffic mix could have a significant effect on operating and financial results. These fixed costs cannot be adjusted quickly to respond to changes in revenues and a shortfall from expected revenue levels could have a material adverse effect on our net income.

Airline bankruptcies could adversely affect the industry.

In recent years, several air carriers have sought to reorganize under Chapter 11 of the United States Bankruptcy Code including some of our competitors. Successful completion of such reorganizations could present us with competitors with significantly lower operating costs derived from labor, supply and financing contracts renegotiated under the protection of the U.S. Bankruptcy Code. In addition, air carriers involved in reorganizations have historically undertaken substantial fare discounting in order to maintain cash flows and to enhance continued customer loyalty. Such fare discounting could further lower yields for all carriers, including us. Further, the market value of aircraft would likely be negatively impacted if several air carriers seek to reduce capacity by eliminating aircraft from their fleets.

Our business is subject to weather factors and seasonal variations in airline travel, which could cause our results to fluctuate.

Our operations are vulnerable to severe weather conditions in parts of the country where we will operate that could disrupt service, create air traffic control problems, or decrease revenue and increase costs, such as during hurricane season in the Caribbean and Southeast United States, snow and severe winters in the Northeast United States and thunderstorms in the Eastern United States. In addition, the air travel business historically fluctuates on a seasonal basis. Due to the greater demand for air and leisure travel during the summer months, revenues in the airline industry in the second and third quarters of the year tend to be greater than revenues in the first and fourth quarters of the year. Our results of operations will likely reflect weather factors and seasonality, and therefore quarterly results are not necessarily indicative of those for an entire year, and not necessarily indicative of our future results.

Risks Related to the Offering

There will not be a market for your shares and there will be restrictions placed on their transfer.

In order to satisfy the requirements of the exemptions from registration under the Securities Act and the various applicable state securities laws, each subscriber must acquire the Series A Preferred Stock (and, upon conversion of the Series A Preferred Stock to Common Stock) for investment purposes only and not with a view to distribution or resale. Consequently, certain conditions of federal and state securities laws must be satisfied prior to any disposition of the securities. Some of these conditions may include a minimum holding period, availability of certain reports, including financial statements from the Company, limitation on the percentage of the securities sold and the way securities are sold. We can prohibit any sale, transfer or other disposition unless it receives an opinion of counsel provided at the shareholder's expense, in a form satisfactory to us, stating that the proposed sale, transfer or other disposition will not result in a violation of the applicable federal and state securities laws and regulations or other applicable federal and state laws and regulations. It is uncertain whether Rule 144, which permits sales of unregistered securities under certain conditions, will be available to the Company's shareholders. No public market exists for our Shares or other securities and no assurances can be given that a market for the resale of the Series A Preferred Stock will develop. Hence, there can be no assurance that purchasers of the Shares will find a market for any Series A Preferred Stock or Common Stock they may own. Consequently, owners of the Series A Preferred Stock may have to hold such securities (and the Common Stock underlying the Shares) indefinitely and may not be able to liquidate their investment in the Company or pledge such securities as collateral for a loan in the event of an emergency.

Our management will have broad discretion in the application of funds raised from this Offering.

Although we have designated specific uses for the proceeds of this Offering, management will have wide discretion as to the exact priority and timing of the allocation of funds raised from this Offering and may allocate the proceeds differently than investors in this Offering would have preferred, or in a manner that does not increase the value of the Shares. The use of the proceeds of this Offering may vary significantly depending upon numerous factors and may be used disproportionately to that set forth in "Use of Proceeds and Financing Needs." Management may invest the proceeds from this Offering in ways in which not all the investors may agree.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS; PLAN OF OPERATION

Results of Operations

Our operations to date have been limited to organizational and start-up activities, as well as filing applications with the United States Department of Transportation and the Federal Aviation Administration for operating certificates and authority. We have no income to date and our limited expenditures thus far are therefore not indicative of anticipated revenues which may be attained or expenditures which may be incurred by us in future periods. The plan is to achieve profitable operations but is subject to the validity of its assumptions and to the various other uncertainties described under "Risk Factors" and elsewhere in this Memorandum.

Plan of Operation

Once adequately funded and certified, we plan to begin flight operations with two 747s flying in opposite directions between Los Angeles (LAX) to Las Vegas (LAS) to New York (JFK), on to Miami (MIA) and return. Avatar Airlines will also maintain two additional 747s in reserve, one on the East coast and another on the West coast, each with the possibility of flights of short duration. By the end of our first year, we intend to purchase, barter or lease a total of 14 aircraft. We intend to add non-stop flights to and from Los Angeles, Las Vegas, Orlando, Dallas, New York, Miami, Chicago, Tampa, San Jose, San Diego, San Francisco, Phoenix, Philadelphia and Honolulu during our first year of operations.

Our success will depend primarily on the extent to which its assumptions as to future financing revenues and expenses prove to be correct. Those assumptions are based on management's knowledge and experience and on historical industry data available from government sources. Airline revenues are primarily a function of the passenger load factor (i.e., the percentage of seats sold per flight), fares charged and other profit centers. Profitability is a function of revenues and expenses. Our business is expected to be characterized, as is true for the airline industry, by high cash expenditures in relation to revenues. Consequently, a shortfall in revenue from anticipated levels would require a quick reaction by us. See "Risk Factors."

The Company believes that an increase in passenger travel on its routes will occur due to its proposed ultra-low fares. Although the Company believes 100% load factors are feasible, its projected flight revenues are based on an 84% load factor.

We believe that because of the Company's ultra-low fares, notoriety and success will be driven through a variety of channels: use of public relations giving way to multimedia news casts, social media, internet advertising, television/radio commercials, print ads and traditional word-of-mouth. The initial launch will be driven by a very aggressive advertising and PR campaign to promote a one-day fare which may be as little as 99 cents (exclusive of taxes and fees) per flight. This marketing campaign will begin no less than thirty days prior to the Company's first revenue flight, but no earlier than when permission is granted by the DOT.

The principal factors that the Company expects will affect future revenue include: the effectiveness of Avatar Airlines' marketing efforts; Avatar Airlines' ability to offer and maintain significantly lower fares than fares being charged by its competitors; the reaction of existing competitors to Avatar Airlines' commencement of revenue service, including changes in competitor's fare structure on routes served by Avatar Airlines and the competitor; the possible entry into the market of additional ultra-low fare airlines; and general economic conditions which historically may materially and adversely affect travel patterns of families and leisure travelers. Avatar Airlines' costs may be adversely affected by changes in general price levels, by the cost of aircraft maintenance, airport gates and other facilities and changes in the price of fuel.

BUSINESS

Avatar Airlines plans to operate ultra-low fare, non-stop flights to and from high density markets within the U.S., adding international flights at some later date. The Company plans to purchase, barter or lease the Boeing 747 jumbo jets and to refurbish and equip them with 539 Economy Class seats on their lower deck and 42 Office Class seats on their upper deck, for a total of 581 seats per aircraft. Avatar Airlines believes that the use of this aircraft will give it a distinct advantage over most other airlines because of the aircraft's size and capacity. The use of high density seating combined with the seating arrangement of this aircraft, along with other profit centers will give Avatar Airlines the ability to offer deeply discounted fares (for example, one-way economy fares from Los Angeles to New York of $79, Las Vegas to Los Angeles of $19, and New York to Miami of $49) that will apply to every Economy Class seat purchased 30 days or more in advance. It is Avatar Airlines' plan to service 14 of the largest cities in the U.S. by the end of its first year.

Overview

Passenger air transportation represents one of the largest and most important industries in the United States. The overwhelming majority of airline passengers who travel to, from and within the United States are transported by the major air carriers. Many U.S. airlines are electing to down-size, in part by utilizing smaller aircraft resulting in more and more flights to carry the same number of passengers -- all of which contribute to an ever-increasing cost per seat mile. The seat mile can be determined by taking the total cost of the flight, dividing it by the number of passengers and then dividing that amount by the number of miles flown. The Boeing 747 was chosen as an intricate part of the Avatar Airlines business plan because it has the lowest cost per available seat mile.

Avatar Airlines believes that its use of the Boeing 747 aircraft will give it an advantage over its competitors on domestic routes. Although Avatar's financial model only reflects an 84% load factor, Avatar Airlines believes that it will be able to achieve higher load factors, with many flights approaching 100% by offering everyday ultra-low fares. All Avatar Airlines economy class seats purchased on 30-day advance ticket sales will be deeply discounted as much as 50% below regular fares offered by competitive carriers, and all our tickets will be non-changeable, non-transferable and non-refundable, for any reason, except in cases in which Avatar Airlines has canceled the flight. Avatar Airlines believes that it can achieve and maintain profitability at its planned discounted fare levels due in large measure to its multiple profit centers adding to the reduction in its overall operational cost. Avatar Airlines currently estimates that its cost per seat mile ("CSM") will be less than $.06. The actual CSM that Avatar Airlines achieves during any period will depend upon many factors, several of which are outside of Avatar Airlines' control, particularly the cost of fuel, and maintenance costs on Avatar Airlines fleet of used aircraft.

Avatar Airlines has applied to the FAA for a Part 121 Operating Certificate and the DOT for a Section 401 Fitness Certificate. The issuance of both certificates by such regulatory agencies is required before Avatar Airlines can commence commercial operations. Avatar Airlines hopes to receive this operating authority within 12-18 months of funding and plans to commence commercial operations as soon as practicable following receipt of such operating authority. Prior to that date, Avatar Airlines will have to acquire the initial 4 aircraft to comprise its starting fleet, train flight crews and cabin personnel, and complete a myriad of operations including arranging gate access and baggage handling at airports, in-flight food and beverage service, reservations and customer service operations, and similar support operations.

Corporate Base

Avatar Airlines has not yet selected a location for its administrative offices. We will look for a location that offers the following: worldwide appeal, relatively low cost of housing and other living expenses, tax incentives (no state income tax), diverse economy, and a pro-business environment. Certainly, such areas as Florida (Orlando or Miami areas), Nevada (Las Vegas) and Texas (Houston or Dallas areas) offer most, if not all the criteria we are seeking. Avatar Airlines plans initially to lease approximately ten thousand square feet of office space to accommodate its corporate and general offices.

Southern Florida Operational Base

Avatar Airlines anticipates choosing a location in South or Central Florida for its operational base because of the abundance of available airline personnel, pilot training facilities, maintenance facilities, cargo forwarders and above all a team of experienced and supportive FAA inspectors.

The exact location will be based on incentives offered through individual municipalities and the total cost of operating such. Avatar Airlines plans initially to lease approximately ten thousand square feet for its flight operations, dispatch, maintenance, engineering and training departments. Florida does not have a state income tax and will be one of Avatar Airlines' largest markets served.

REVENUE*: Avatar Airlines' Profit Centers*

- Passenger Revenue
- Catering Revenue
- In-Flight Entertainment
- Cargo Revenue
- Branding/Advertising
- Avatar Vacations

Avatar Airlines believes profits and sustainable growth in today's airline industry can best be achieved by having multiple profit centers, rather than relying on passenger revenue alone.

Avatar Airlines' marketing strategy is to cater to travelers on budgets, families with children and those businesses, both small and large, which desire to conserve and stretch their travel dollars. Avatar Airlines plans to service only those markets (e.g., Los Angeles, Las Vegas, Orlando, Dallas, New York, Philadelphia, Miami, Chicago, San Jose, San Diego, San Francisco, Phoenix, and Honolulu) that it believes are large enough to sustain 84% load factors when coupled with ultra-low fares. Avatar Airlines believes that our low fares will not only attract a large passenger segment of the market but will increase the overall number of passengers in the market by attracting those who would not normally fly, if not for Avatar Airlines' ultra-low fares. We are currently exploring the possibilities of expanding its markets sometime in the future by offering seasonal and less than daily frequency to smaller markets which can handle the 747-400 aircraft. In the third year of operations Avatar Airlines intends to pursue International authority to service Cancun and Mexico City.

Avatar Airlines anticipates an average cost per seat mile of less than $.06 (although individual routes may vary), making it the lowest cost scheduled air carrier in the industry. In turn, this low cost makes possible Avatar Airlines' ultra-low fare structure. Unlike other airlines, our ultra-low fares will apply to every AVATAR economy class seat purchased 30 days or more in advance. As fuel costs and other expenses rise, so will our cost per seat mile; however, Avatar Airlines believes it will be able to offset part of the cost and expense increase by raising its fares for passenger tickets and its other profit centers.

The nature of the traditional airline reservation process is that a flight can be fully booked days or even weeks in advance and then have some of those bookings dissipate by departure time. Passengers originally holding reservations may have to change their plans at the last minute and either cancel their seats too late for it to be rebooked or simply become “no-shows.” The importance of this factor is indicated by the no-show rate, which at times has run as high as 20%. No-shows are partly offset by overbooking, which is an attempt by the airlines to allow for the mathematical probabilities of no-shows and to adjust the seat inventory accordingly. Since Avatar’s tickets will be non-refundable and non-cancellable, we do not believe that no-shows will have a significant impact on Avatar’s revenues. The Company also plans to offer its passengers an option to insure their tickets at a nominal cost.

The advent of the internet allows passengers to shop for the lowest fare on any route. No longer are they at the mercy of travel agents to locate the lowest airfare on any route. Most tickets sold in the United States for domestic scheduled air carriage are sold over the internet and are represented by an electronic or virtual, non-paper ticket. To help ensure profitability, Avatar Airlines will process all ticket sales online through its own website.

Avatar Airlines believes it will operate at costs significantly lower than those of other airlines.

Passenger Revenue

Avatar Airlines, by choosing its markets carefully and using the Boeing 747 jumbo jet (configured with 539 Economy Class seats on the main deck and 42 Office Class seats on the upper deck) believes it will have a distinct advantage over other carriers in terms of cost per available seat mile. Although the 747’s are less fuel efficient than newer jet aircraft operated by many domestic carriers, our modeling demonstrates that our costs per seat mile will be the lowest in the industry due to the large number of passengers and our multiple profit centers. No other carrier operates the 747 aircraft in the U.S. domestic market. Avatar believes that with its ultra-low fares to the largest domestic markets it will be able to maintain extremely high load factors which will drive its profitability.

Food & Beverage Revenue

Not only will the Avatar Airlines’ website provide for the purchase of tickets and printing boarding passes, it will also enable passengers to purchase in-flight food and beverages. The Company’s extensive on-line menu will consist of many different items, including salads, sandwiches, hot entrees, as well as a wide variety of beverages, all awaiting the passenger once on board. By choosing to operate its catering department in this manner, Avatar Airlines will achieve several advantages over other airlines such as: no standing inventory, better and fresher food and greater variety. Ticketed passengers with their confirmation number will be able to order any of these items online, up to 48 hours prior to flight departure time. Only snack packs and beverages will be available onboard for purchase at a reasonable cost, paid for by credit/debit card (no cash will be accepted on board).

In-Flight Entertainment

Avatar Airlines plans to make free Wi-Fi available to passengers in order to surf the web or view movies, by subsidizing the cost with strategic advertising partners that will in exchange, be able to promote relevant or targeted ads to passengers for the duration of each Wi-Fi session. Passengers wishing to avoid or “opt out” of the advertisements may do so by paying a low-cost rental or use charge.

Cargo

Avatar Airlines chose the 747 aircraft in part for its ability to carry a full load of containerized freight on each of its flight segments while still accommodating a full load of passengers. Avatar Airlines has had preliminary discussions with several freight forwarding companies regarding their interest in leasing the belly of the aircraft, in whole or in part, on a contract basis. Transporting cargo on a containerized basis could provide significant additional revenue to Avatar Airlines.

Branding/Advertising

Unlike other airlines, Avatar Airlines anticipates that its advertising and promotional sales will be a large and consistent source of revenue. The Company believes that nearly everything a passenger can see or touch should be available to would-be advertisers for a price. Since each of Avatar Airlines' flights will contain a captive audience, the Company believes there is a substantial number of advertisers who may want to present their brand to its passengers, both in local and national markets. Subject to FAA regulatory limitations, the interior as well as the exterior areas of each aircraft will be available to advertisers on a contractual basis, most on a yearly basis. Areas available include, but are not limited to the exterior hull, wing, tail, overhead bins, seat backs, lavatories, tray tables, free standing video screens, as well as the traditional in-flight entertainment magazine. Upon deplaning, passengers might receive an assortment of promotional items as a gift from an advertiser just for flying Avatar Airlines, provided Avatar can secure a fee from such advertiser(s) for administering the promotional items.

Avatar Vacations

Avatar Vacations will be poised to offer great deals and discounts on vacation packages, cruises, car rentals, group bookings, hotel entertainment packages and flights to resort destinations served by Avatar Airlines. Although these services will be available through the Avatar website they will be provided by a third-party vendor such as: Expedia, Orbitz, Travelocity Mark Travel, etc. via a "white label" site which will be linked to Avatar's website. All online payments will go directly to Avatar at the time of ticket purchase and those funds for additional services purchased will be transferred online (less Avatar's percentage) to the third-party vendor within 30 days or as agreed.

Avatar's management has had preliminary discussions with several such vendors all of whom are willing to provide these services for Avatar. Additional online marketing techniques will be utilized to educate the potential traveler of these additional services available. Avatar management believes these services will not only add value to the traveler but also provide substantial additional revenue and profits for the Company.

In addition to Avatar's current profit centers it will continue to seek out additional sources of ancillary revenue but believes any such revenue should not come at the expense of passenger comfort or convenience. Therefore, it does not intend to charge for such common areas charged for by most other airlines such as: bags, carry-on luggage, seat assignment, pre-boarding etc. Avatar believes most of its ancillary revenue needs to come from outside sponsors rather than its passengers.

Our Industry

The passenger airline industry in the United States has traditionally been dominated by the major U.S. air carriers, the largest of which are American (which merged with US Air), Delta, Northwest (now merged with Delta), Southwest, and United (now merged with Continental). The DOT defines a major airline as one with annual revenues greater than $1 billion. These airlines offer scheduled flights to most large cities within the United States and abroad and serve numerous smaller cities. The largest airlines, other than Southwest, have long ago adopted the traditional ―hub and spoke network route system, or traditional network. This type of system concentrates most of an airline's operations at a limited number of hub cities, serving most other destinations in the system by providing one-stop or connecting service through the hub. In many cases these airlines require several individual (feeder) flights to fill one direct flight, which management believes is partially responsible for their frequent lack of profitability.

We do not intend to operate a hub and spoke network system, but rather will focus on point-to-point non-stop flights between large metropolitan areas as well as major tourist destinations.

Regional airlines, such as SkyWest Airlines and Mesa Airlines, typically operate smaller aircraft on lower volume routes than do traditional airlines. These airlines typically enter relationships with one or more traditional network airlines under which the regional airline agrees to use its smaller aircraft to carry passengers booked and ticketed by the traditional network airline between their hubs and a smaller outlying city. We do not plan to enter into any feeder or similar arrangements with other U.S. carriers. However, we do intend to enter into agreements with foreign carriers regarding transporting their passengers and cargo to markets served by us.

Low-fare airlines largely developed in the wake of deregulation of the U.S. airline industry in 1978, which permitted competition on many routes for the first time. Southwest Airlines pioneered the low-cost model, which enabled it to offer fares that were significantly lower than those charged by traditional network airlines, but primarily served smaller underserved airports. Today Allegiant Air reports profitability, in part, by following the original Southwest Airlines business model using the MD-80 aircraft instead of the Boeing 737 and serving smaller communities in mainly rural areas within the continental U.S.

Following the September 11, 2001 terrorist attacks, low-fare airlines were able to fill a significant capacity void left by traditional network airline flight reductions. Lower fares and increased low-fare airline capacity created an unprofitable operating environment for the traditional network airlines. Since 2001, many traditional network airlines have undergone significant financial restructuring, including bankruptcies, mergers and consolidations. These restructurings have allowed them to reduce labor costs, restructure debt, terminate pension plans and generally reduce their cost structure, increase workforce flexibility and provide innovative offerings like those of the low-cost airlines, while still maintaining their expansive route networks, alliances and frequent flier programs. As a result of these restructurings, the difference in the cost structures, and the competitive advantage previously enjoyed by low-cost airlines have somewhat diminished. However, despite their restructuring, their costs still remain significantly higher than those of the new and smaller airlines.

Competition

The airline industry is highly competitive and has become more competitive since the enactment of the Deregulation Act in 1978. See "Business—Government Regulation." Avatar will face competition in every market, but believes its ultra-low fares combined with its availability will cause it to become the number one choice for those interested in saving their travel dollars. This factor along with the size of the markets being served is expected to achieve our anticipated high load factors.

Our no refund policy in connection with all tickets issued will most likely result in forfeiture of tickets by some passengers who fail to make their flights, but we believe that passengers will accept that risk in exchange for the ultra-low fares. Although the number of no shows is expected to be relatively small, they may add to our profitability since they may often be resold as last-minute standby fares. There are many airlines competing in the domestic market, but the Company believes none are capable of competing strictly on a cost/availability basis.

The Company intends to make its fares known to the public by using the latest high-tech online advertising techniques to draw potential travelers to its website. The Company will also make effective use of public relations with access to media. We believe competition will come from both established airlines trying to preserve market share and any new startups that choose to follow in our footsteps. Other competitive factors that directly affect which airline passengers book flights on include routes served, flight schedules, types of aircraft, safety record and reputation, code-sharing relationships, capacity, in-flight entertainment systems and frequent flyer programs.

Our competitors will include traditional network airlines, low-fare airlines, regional airlines and new entrant airlines, including a new business model known as the ―ultra low fare carrier, which most likely will be the category in which the Company will be grouped. During the past several years, the U.S. airline industry experienced significant consolidation and several airlines filed for bankruptcy protection. Further consolidation and liquidation occurred in 2008, largely as a result of high fuel costs and continued strong competition. At least eight airlines that operated from the U.S. ceased operations during 2008 and the merger of Delta and Northwest became final, creating the world's largest airline. In 2010 the consolidation continued with the merger of United Airlines and Continental Airlines. In December 2013 AMR Corporation (American Airlines) and US Airways Group (US Airways) completed their merger resulting in the formation of the largest airline in the world. Further industry consolidations or restructurings could result in competitors having a more rationalized route structure and lower operating costs, which could enable them to compete more aggressively.

Airlines also frequently participate in marketing alliances, which generally provide for code-sharing, frequent flyer program reciprocity, coordinated flight schedules that provide for convenient connections and other joint marketing activities. These alliances also permit an airline to market flights operated by other alliance airlines as its own. The benefits of broad networks offered to customers could attract more customers to these networks. At this time, we do not intend to enter into such marketing alliances and related agreements with other U.S. airlines but do intend to pursue foreign carriers with respect to such alliances and agreements, since foreign airline flights are limited to port of entry only, by federal law.

Our degree of success will depend on our ability to establish and maintain routes and low fares which in turn will build passenger volume and permit us to operate profitably. While it is expected that competing airlines will in some cases match our proposed fares at least for a limited number of seats, management believes that our cost structure will permit us to remain competitive and will discourage higher cost airlines from undercutting our fares to any material degree.

We believe that other carriers will attempt to counter our fare structure by marketing campaigns featuring factors such as: frequency and dependability of service, name recognition, convenient departure times, and airports served, reservations and ticketing, and the availability and convenience of other passenger services, such as the use of travel agents.

Fuel Cost

The cost of jet fuel, as is the case for all other airlines, is expected to be our largest operating expense. The future availability of fuel and the impact of fuel costs on us cannot be controlled with any certainty. Like other airlines, we can and will increase fares to offset higher fuel costs, with the amount of increases expected to be affected by both the amount of fuel cost increases and the competitive responses of other airlines to fuel cost changes. We anticipate that we will be able to keep up with the fuel cost increases by staying just below (or well below) the fares of other carriers primarily due to our additional profit centers, which we believe will allow us to raise revenues with less passenger resistance than legacy carriers have met with when they have attempted to increase their fares.

Team Members and Productivity

A significant reason for management's belief that Avatar Airlines will operate with relatively low costs is its expectation that Avatar Airlines will achieve higher levels of employee productivity than is customary in the airline industry. This productivity will be accomplished primarily through the cross-utilization of its personnel, a technique which, in management's opinion, has been successfully utilized by other low-fare regional carriers.

Avatar Airlines' management believes that high employee productivity can be achieved if management creates conditions conducive to employee support of Avatar Airlines' objectives. Cross-utilization and the related training in aspects of Avatar Airlines' business not involved with the individual's primary assignment (piloting, for example) is expected to increase the understanding and involvement of each employee in Avatar Airlines' performance and will itself provide an incentive and means for achieving high employee productivity.

Avatar Airlines plans to pay its employee salaries commensurate with their contributions to the organization. It will start service with competitive wage levels for all employees, including senior management. Avatar Airlines expects to increase pay levels for all employee groups as their skills mature and their seniority increases, commensurate with Avatar Airlines' profitability.

Avatar Airlines also intends to offer employee benefit plans which will tie a portion of each employee's compensation to the success of Avatar Airlines. Specifically, Avatar Airlines intends to permit and encourage each employee to purchase stock in Avatar Airlines, through an anticipated company stock purchase program to be offered at a moderate discount from the then current market price, so that every employee is directly affected by the market value of Avatar Airlines Stock. In addition, Avatar Airlines intends to develop a profit-sharing plan under which a percentage of pre- tax profits will be contributed by Avatar Airlines on behalf of all participating employees. Avatar Airlines intends to also provide customary benefits to all employees, such as vacations, life, health, dental, and accident insurance.

The operation of an airline requires a substantial number of highly skilled employees with training in a variety of disciplines. Avatar Airlines expects to have as many as 500 employees hired before earning any revenue.

The Company believes that there is a substantial pool of qualified, licensed pilots and mechanics from which to fill its needs in the flight operations, maintenance, and quality control areas. Avatar Airlines expects to staff other positions with a mixture of experienced airline personnel and persons new to the industry.

Some training, both initial and recurrent, will be required for almost all employees. For the pilots and mechanics, Avatar Airlines expects to obtain training from other airlines and/or from manufacturers as part of its aircraft acquisition program. Pilots, flight attendants and ground service personnel will be trained by Avatar Airlines with the assistance of private vendors and consultants.

A substantial portion of the employees of most airlines are represented by labor unions. Avatar Airlines is unable to predict whether such representation would materially affect its operating costs. The development of work rules that would prevent Avatar Airlines from implementing and continuing successful cross-utilization of employees would have an adverse effect on its business.

Acquisition of Aircraft

Avatar Airlines expects that most or all its fleet will consist of previously flown (used) aircraft. In discussions and correspondence with Avatar Airlines, various suppliers have expressed a willingness to sell, barter or lease these aircraft together with spare parts. Based on such discussions and correspondence, Avatar Airlines believes that enough aircraft are available to meet its needs and that it can purchase and refurbish the aircraft at a price of $15,000,000 - $25,000,000 per aircraft. Avatar Airlines will evaluate purchase, barter or lease options along with financing structures when the need arises.

At the present time, Avatar Airlines does not have any firm commitments for the purchase or lease of aircraft. Although it believes there is sufficient flight equipment that can be obtained in a timely manner to begin operations, no assurance can be given that such aircraft will continue to be available or that the price at which any such aircraft are available will be within the range set forth above or that appropriate financing will be available. The inability of Avatar Airlines to obtain the requisite aircraft at approximately the anticipated price would adversely affect the ability of Avatar Airlines to commence and conduct its proposed operations.

Avatar Airlines intends to begin operations with four (4) aircraft and anticipates delivery of these aircraft approximately 30-90 days before its scheduled start-up date of commercial operations. Three (3) additional aircraft are expected to be added within three months after start-up of commercial operations.

Maintenance and Repairs

Avatar Airlines intends to employ a staff of maintenance personnel who will be responsible for routine daily maintenance and repair of Avatar Airlines' aircraft. Avatar Airlines intends to contract with others for the major repair and overhaul of its aircraft, components, and engines. Avatar Airlines has had discussion with potential suppliers of these services; including manufacturers, other airlines, and independent overhaul and repair facilities, and believes that it will be able to obtain the services required on terms that will generally conform to those prevailing in the industry. Because maintenance intervals are established in part on the basis of an air carrier's maintenance performance record, Avatar Airlines, as a new operator without any operating history, may be required to schedule major overhaul of its aircraft, engines, and other components more frequently than some established operators and, as a result, incur higher maintenance costs.

Government Regulation

General

Avatar Airlines is subject to regulations by the U.S. Department of Transportation ("DOT"), the Federal Aviation Administration ("FAA"), the Transportation Security Administration (the "TSA") and other governmental agencies. The DOT primarily regulates economic issues affecting air service, such as certification and fitness, insurance, consumer protection and competitive practices. The DOT has the authority to investigate and institute proceedings to enforce its economic regulations and may assess civil penalties, revoke operating authority (once issued) and seek criminal sanctions.

The FAA primarily regulates flight operations and matters affecting air safety, such as airworthiness requirements for aircraft, the licensing of pilots, mechanics and dispatchers, and the certification of flight attendants. The civil aviation security functions of the FAA were transferred to the TSA under the Aviation and Transportation Security Act. The FAA requires each airline to obtain an operating certificate authorizing the airline to operate at specific airports using specified equipment. Avatar Airlines has applied to the FAA for the necessary FAA authority to fly to all the cities that it currently intends to serve and will be required to seek certificates of airworthiness for all aircraft that are part of its fleet.

Like all U.S. certified carriers, Avatar Airlines will not be able to fly to new destinations without the prior authorization of the FAA. The FAA has the authority to modify, suspend temporarily, or revoke permanently our authority to provide air transportation or that of our licensed personnel, after providing notice and a hearing, for failure to comply with FAA regulations. The FAA can assess civil penalties for such failures or institute proceedings for the imposition and collection of monetary fines for the violation of certain FAA regulations. The FAA can revoke a carrier's authority to provide air transportation on an emergency basis, without providing notice and a hearing, where significant safety issues are involved. If we are issued an Air Carrier Operating Certificate by the FAA, the FAA will thereafter monitor our compliance with maintenance, flight operations and safety regulations, maintain onsite representatives and perform spot inspections of our aircraft, employees and records.

The FAA also has the authority to issue maintenance directives and other mandatory orders relating to, among other things, inspection of aircraft and engines, fire retardant and smoke detection devices, increased security precautions, collision and wind shear avoidance systems, noise abatement and the mandatory removal and replacement of aircraft parts that have failed or may fail in the future.

The TSA operates under the Department of Homeland Security and is responsible for all civil aviation security, including passenger and baggage screening, cargo security measures, airport security, assessment and distribution of intelligence, and security research and development. The TSA also has law enforcement powers and the authority to issue regulations, including cases of national emergency, without notice or comment period.

To date Avatar Airlines has not been issued any DOT, FAA or TSA operating and airworthiness authorizations or certificates. Should it fail to obtain any necessary authorizations or certificates, its business could be materially adversely affected. Avatar Airlines cannot offer any assurances that the DOT, FAA or TSA will issue all the necessary authorizations and certificates, nor can management assure when final action by those regulatory agencies will be taken.

Foreign Ownership

Under federal law and DOT regulations, Avatar Airlines must be owned and controlled by individuals or entities that are "citizens of the United States," as defined under applicable laws. In this regard, Avatar Airlines' President and at least two-thirds of its Board of Directors must be United States citizens and not more than 24.99% of the Company's outstanding voting securities may be owned by non-U.S. citizens.

During its review of our application, the DOT will examine our ownership structure to determine if the Company satisfies all statutory citizenship tests and is under the actual control of U.S. citizens. In determining actual control, the DOT will examine the facts of a situation to decide whether a foreign interest will have a substantial ability to influence the air carrier's activities. Some of the factors that the DOT considers include (but are not limited to):

- the total amount of voting stock and equity interest that a foreign interest can hold while the carrier is still considered a U.S. citizen. Generally, the DOT takes that position that the likelihood of foreign control increases when foreign interests hold a larger total percentage of equity;

- an examination of whether the foreign investments in the carrier are clearly passive and diffuse;

- an examination of whether the foreign interest has the power to veto or control the air carrier's management;

- whether or not foreign investors or investor groups had the right to name members of the board of directors or other key managers of the air carrier;

- whether there are provisions in any agreements that would permit the foreign interest to cause a reorganization of the air carrier; do corporate governance provisions or agreements among shareholders give undue influence to foreign interests;

- whether any the U.S. citizen stockholders functioning as nominees or agents for the foreign investors;

- whether any foreign investors have loaned funds of guaranteed loans for the carrier, or provided it with lines of credit; and

- whether there are other significant business relationships between the foreign investor and the air carrier.

Civil Reserve Air Fleet

Avatar Airlines may be asked or required to be a participant in the Civil Reserve Air Fleet Program which permits the United States Department of Defense to utilize an air carrier's aircraft during national emergencies when the need for military airlift exceeds the military's capability.

KEY MANAGEMENT

Executive Officers and Directors

The following is a brief biographical description of the individuals who presently provide services to Avatar on an uncompensated basis. The Company expects to begin compensating its executives retroactively, at such time as the Company has received proceeds from any source aggregating at least $7,500,000.00 (see additional information below under the caption "Executive Compensation Agreements and Other Compensatory and Obligations.")

Barry Michaels - CEO & Founder

Barry Michaels is the Founder and CEO of Avatar, a visionary with more than 40 years of entrepreneurial experience and more than 20 years of *in-depth* observation and study of the domestic air travel market, *particularly* with respect to "low-fare" carriers.

Barry created Avatar's unique plan to capitalize on the Boeing 747-400 in a high passenger configuration for domestic travel to densely populated markets. Taking advantage of that aircraft's jumbo size capacity, Barry intends to forge strategic third-party partnerships for cargo, in-flight entertainment and advertising, that will subsidize the costs for the average ticketed passenger and expects it to result in fares significantly lower those offered by competitors on a regular basis.

Barry earned his bachelor's and master's degrees from the University of Nevada at Las Vegas and earned a Doctor of Chiropractic degree from the New York College of Chiropractic. He ran for U.S. Congress in the 3rd District of Nevada in 2006, 2008, 2010 and 2014, and ran for U.S. Senator in the 2018 election(s). His platforms focused on uplifting the lower to middle class and spurring economic growth through programs that would have encouraged small business development.

Barry's infectious enthusiasm for Avatar Airlines, and his creation of its operating and business plan, has attracted talented executives with significant airline experience that share his vision and desire to positively change the flying experience for the average ticketed passenger.

Michael E. Zapin – Executive Vice President /Chief Legal Officer

Michael Zapin has been involved in Avatar Airlines for the past eight years, presently serving as Executive Vice President and Chief Legal Officer. Michael is admitted to practice law before the federal and state courts of New York and Florida, the Ninth Circuit Court of Appeals and the United States Supreme Court.

In his law practice, Michael is a staunch advocate of consumer and civil rights. A creative negotiator, litigator and transactional attorney, Michael has applied his skillset in helping to develop "win-win" scenarios for Avatar's future passengers, strategic partners and investors. Michael believes his "deal-making-*not*-deal-breaking" philosophy will help Avatar become a pioneering force in the new frontier of "*truly* low fare" air travel.

Ankur Kapoor – Chief Financial Officer

Ankur is a global airline finance and revenue management professional having worked in various airlines around the world. He has a passion for low cost carriers and the mechanisms implemented to result in cost savings. Ankur has worked for IndiGo airlines in India, Emirates airline in Dubai and Spirit airlines in USA. Ankur has also worked in ICF (erstwhile SH&E), a management consulting firm specializing in airlines.

Ankur has also worked on several business projects for start-up airlines and has also worked on the IPO of one airline. Ankur has a Bachelor's in Computer Engineering from the University of Texas El Paso and an MBA in Finance from the University of Texas Austin.

Daniel J. Eikleberry –VP of Flight Operations

Dan Eikleberry is a retired United Airlines B-747-400 captain with more than 20,000 hours of flight experience. He has flown for commercial airlines, United States military, private aviation, flight test and experimental aviation. He also has flight operations management experience with airline and FAA offices, including dispatch, load planning, customer and onboard services, and gate and cargo handling.

Dan received his BS from the United States Air Force Academy in 1968 with majors in Aeronautical Engineering, Astronautical Engineering, Computer Sciences, Physics, and Engineering Sciences; and an MBA from Embry Riddle Aeronautical University as Master of Aviation Management in 1985.

William Kelly - VP/ Director of Maintenance and Engineering

William Kelly brings a keen awareness of compliance issues and expertise with Boeing 747 systems to his latest position, which includes an integral role in Avatar's certification process with the FAA.

Bill's career experience includes United Airlines, where he held management positions as a maintenance training specialist, quality assurance auditor and line maintenance supervisor. Previously, he served as an aircraft systems technician for the U.S. Air Force, a line mechanic for the former Trans World Airlines (TWA), the Vertol Division of Boeing, a predecessor of Boeing Helicopters, and he was an aircraft contractor in Saudi Arabia.

Kevin Love – VP /Chief Inspector

Kevin brings 40 years of experience to Avatar Airlines. His diverse aviation experience includes attending Detroit Institute of Aeronautics and obtaining his Airframe and Powerplant FAA Certification and License. His experience includes being a Mechanic, Inspector, Project Manager, Inspection Foreman and Director of Quality Control (Chief Inspector). This experience also includes performing duties as a Quality Control Representative during heavy check after the acquiring of new aircraft and the induction of newly acquired aircraft into a new maintenance program. With this experience and an extensive background in Aviation, Kevin brings with him and holds the highest standard of quality in workmanship and ethics that is required in the aviation industry to ensure the Safety for employees and customers.

Thomas Thompson Jr. – Assistant Chief Pilot

Tommy Thompson has been flying heavy transport airplanes for over 35 years. Prior to commercial flying, he operated the C141 aircraft in the USAF for 10 years. He has accumulated over 15,000 flight hours with many airlines in regions throughout the world, of which 5000+ hours have been on the B747 aircraft as Flight Standards or Line Captain in both cargo and passenger operations. He has logged another 3000+ flight simulator hours of instruction and evaluation. With a strong background in Flight Standards in the USAF and with various Part 121 Air Carriers or Part 142 Training Centers, he has also formulated or revised operating manuals at many airlines, to include the addition of new aircraft at startup operations.

Kevin Walls – Sr. VP of Facilities

Kevin Walls is a licensed architect with substantial aviation design and construction experience during his 16 years with Ogden Corporation working directly with operations personnel finding creative solutions that increase productivity and increases customer satisfaction. Kevin was the Principal Architect at the world's busiest airport in Atlanta steering a $6 billion capital program including the new international terminal. Kevin has been involved in projects that support the aviation efforts in retail, dining, infrastructure and moving large amounts of people.

Kevin graduated with a Bachelor's in Architecture from the University of Nebraska with a major in Architecture and has been licensed to practice since 1979. He is NCARB certified and is a LEED Accredited Professional. He has been licensed in 22 states.

Randall Lumia – Vice President of Culture and Organizational Effectiveness

Randall "Randy" Lumia is a strategic, trusted, business-focused, and action-oriented business executive with over 35 years of experience in managing complex business issues with organization-wide and global implications. He has held leadership roles in privately held and publicly owned organizations experiencing change, whether through growth, transition, or strategy realignment. His broad and diverse background with demonstrated experience and successes in many facets of business activities, has been in domestic and foreign-owned multinational companies.

Randy's most recent role was as the President, COO and People and Business Strategy Practice Lead at Paradise Workplace Solutions, LLC based in Jupiter, Florida. There, he assisted companies with meeting their business goals through Business and Management Consulting and meeting the companies People and Business Strategy needs. He worked with business leaders using his inquisitive fact-finding, pragmatic problem-solving, and fiscal discipline skills in a collaborative, responsible and compliant manner. He has been applying both tactical and strategic business solutions to help business leaders and owners resolve unmet business needs.

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Brian Eichelhart – VP of Risk Management

Brian Eichelhart has combined experience in the legal and human resources and risk management fields. As an HR Consultant, Brian handled testing and evaluation for quality assurance and job satisfaction. He is well-versed and can educate in matters of safety improvement, customer service delivery, workplace harassment sensitivity training, bullying and violence. Brian has also conducted blind audits of random Performance Appraisals to assess results for organizational risks.

Brian has a situational awareness as to the kinds of conduct and circumstances in a workplace environment that can lead to unwanted legal consequences, and how best to avoid them in the first place. His knowledge and experiences will help Avatar to implement its employee handbook and other administrative policies on a company-wide basis. Brian will proactively lead the implementation of prevention-focused risk and safety programs, establish risk and safety objectives including sexual harassment prevention and professional development, develop and effectively communicate to leadership risk and safety strategies and interface with regulatory bodies (OSHA, DOT, Homeland Security) as well as State and local agencies.

Michael Belton – Fleet Manager

Michael Belton is a graduate of Florida Institute of Technology with a degree in Aviation Management / Flight Technology. He has a distinguished 28-year career in the aviation industry working for more than 6 different air carriers. The first half of his career was *passenger-focused*, managing the operating schedules for Trans World Express, FloridaGulf and Mesa Airlines (USAir Express Division). He transitioned to the cargo side of aviation working for Gemini Air Cargo, Atlas Air and National Airlines. At these companies, he worked in Planning and Scheduling, Sales & Marketing and Operations Control.

The most critical component of Avatar's business plan will be the availability and securing of Boeing 747-400 aircraft. Mr. Belton's initial responsibilities with the company will be focused on identifying such aircraft, engaging in preliminary negotiations for Avatar's acquisition of same, and meeting the time-sensitive supply of aircraft once Avatar becomes certified for flight operations. Mr. Belton will capably handle the robust, growth-oriented and revolving nature of Avatar's need for fleet inventory coming into service, once certified.

Brian Williamson – VP of Analytics & Business Intelligence

Brian Williamson has over 20 years of experience in strategy, leadership, customer relationship management and multi-channel marketing. He has served as a Senior Strategy Consultant for a subsidiary of AARP, creating data & analytic products/solutions and has technical expertise in the areas of: Database Marketing, Advanced Analytics, Multi-channel (Mail, Email, Targeted Display, Website Personalization, Social Media, SEO, & Mobile) platforms, and Agency Business Development

Mr. Williamson brings his professional skillset as Avatar's data and database expert, to manage Avatar's data with knowledge and application of relevant regulations with a goal of maximizing the value of Avatar's customer data.

Glenn Wichinsky – VP Legal

Glenn Wichinsky is a Gaming and Business Law Attorney based in Boca Raton, Florida. As a licensed attorney in the states of Florida and Nevada, his legal and business practice guides, assists, and advises domestic and international companies in their development and successful entry of their company and products into new markets of the global gaming industry.

Upon being conferred his Juris Doctor degree from the McGeorge School of Law, he decided to specialize his legal practice in the newly developing field of Gaming Law. Having a gaming business background as a second-generation Gaming Executive prior to entering law school, Glenn fashioned his practice to provide legal and business guidance to his clients who seek to expand their product market base and seek successful entry in new international markets while doing so in strict compliance with gaming laws and regulations which govern licensed land based and online gaming activities in targeted gaming and business jurisdictions.

Executive Compensation Agreements and Other Compensatory Obligations

Avatar has entered and will continue to enter Executive Agreements during Avatar's earliest phase of startup, that are essentially 1099 Independent Contractor Agreements. These earliest Executives will be paid retroactively based on hours worked and/or work products produced for the Company at the time Company raises $7.5 million, or such other time as reasonably approved by Avatar's Board of Directors. Company does not control time, place or manner of work of its earliest Executives, enabling them to work part-time for Avatar while maintaining other means of employment. These Executives will transition to conventional employment status once the Company is adequately funded.

Airline Management Services, LLC

The Company is a party to a 4/10/2013 consulting agreement (the "Agreement") with Airline Management Services, LLC ("AMS"), a Nevada company which is solely owned by Barry Michaels. The Agreement was entered at a time when Mr. Michaels had resigned from the position of CEO, and began service as a consultant to the Company under the auspices of AMS. Under the Agreement, AMS was providing a wide range of consulting services associated with the Company's pre-flight operations (i.e., marketing, resourcing, strategic guidance, etc.) intended to move the Company towards commercial air carrier operations. As of May 6, 2019, the Company's former CEO, Mark Ryan, resigned and Mr. Michaels resumed the role of CEO. An executive agreement for Mr. Michaels as CEO has not yet been entered, but is expected to replace the AMS Agreement.

Airline Pubs, LLC

Company has a written consulting agreement with Airline Pubs, LLC ("APL"), a company principally owned by George Folden. APL has provided Company with a full set of FAA-required flight manuals necessary for Company to obtain FAA Part 121 certification. Company will edit the manuals and provide those edits to APL for updating.

SHAREHOLDERS

The following table sets forth the names of major holders of the Common Stock currently outstanding. The Common Stock is the only class of the Company's stock currently outstanding.

Shareholders Before this Offering	**Number of Shares**	**Percentage prior to Conversion**	**Percentage after Conversion**
Barry Michaels, LLC	16,500,000	59.99%	34.72%
Airline Management Services, LLC*	3,500,000	12.73%	7.37%
Michael E Zapin** and Eileen Guarnera**, Ttees of the Irving Zapinsky Living Trust	720,000	2.62%	1.52%
Guarnera Family	680,000	2.47%	1.43%
(*Estate of*) Richard H. Keelor	500,000	1.83%	1.05%
Dan Eikleberry**	500,000	1.83%	1.05%
Stephen Leseten**, Ttee of the Leseten Family	500,000	1.83%	1.05%
Michael Zapin**	1,000,000	3.64%	2.11%
Nathaniel W. Adams	250,000	.90%	.53%
Tommy Thompson	250,000	.90%	.53%
William Kelly	250,000	.90%	.53%
Alvin Levine	250,000	.90%	.53%
R. Christian Anderson	250,000	.90%	.53%
Other Officers /Shareholders, etc. Reserve***	2,350,000	8.56%	4.94%
Total - Existing Shareholders	**27,500,000**	**100.00%**	57.89%
New Shareholders	20,000,000		42.11%
Total Existing Shareholders After Conversion	**47,500,000**		**100.00%**

* Airline Management Services, LLC. On April 8, 2013, the Company [Avatar] entered into a consulting agreement with Airline Management Services, LLC (AMS). See Executive Compensation Agreements and Other Compensatory Obligations
** Directors/Officers
*******This share reserve is utilized to provide compensation/incentives for executives and certain third parties aiding the Company in its early startup phase. Some executives were issued warrants against a portion of such shares as a benefit of their compensation agreement, subject to exercise at any time prior to certification. All such shares are accounted for within the reserve.

DESCRIPTION OF CAPITAL STOCK

Avatar Airlines is authorized to issue 200,000,000 shares of capital stock, comprised of 150,000,000 shares of Common Stock, par value $0.001 per share, and 50,000,000 shares of Preferred Stock. As of the date hereof, there are no shares of Preferred Stock issued.

Common Stock

Holders of the Common Stock are entitled to receive dividends as and when declared by the Board of Directors out of funds legally available, therefore. Upon liquidation, dissolution or winding up of Avatar Airlines, holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and the Preferred Stock liquidation preference, if any. The Common Stock is not subject to redemption or to liability for further calls, and the outstanding shares of Common Stock are fully paid and non-assessable. The holders of Common Stock have no conversion, preemptive or other subscription rights.

Preferred Stock-General

In addition to the Preferred Stock contemplated in this offering other classes of Preferred Stock may be issued from time to time in series having such designated preferences and rights, qualifications and limitations that the Board of Directors may determine without shareholder approval. Other Preferred Stock could be given voting and conversion rights that would dilute the voting power and equity of holders of Common Stock and could have preference over Common Stock with respect to dividend and liquidation rights. Prior to the issuance of the Shares of the Series A Preferred Stock in connection with this Offering, there have been no shares of preferred stock of the Company that has been authorized or issued.

Foreign Ownership Limitations

For limitations on foreign ownership of Avatar Airlines shares, see “Business—Government Regulation.”

Control Share Acquisitions

Section 78.3791 of the Nevada Revised Statutes applies to any acquisition of outstanding voting securities of a Nevada corporation which has 200 shareholders, at least 100 of which are Nevada residents, and conducts business in Nevada (an “Issuing Corporation”) (other than pursuant to the laws of descent and distribution, the enforcement of a judgment, the satisfaction of a security interest or in connection with certain mergers of reorganizations) resulting in ownership of one of the following categories of an Issuing Corporation‘s then outstanding voting securities: (i) 20% or more but less than 33%; (ii) 33% or more but less than 50%; or (iii) 50% or more. The securities acquired in such acquisition are denied voting rights unless a majority of the security holders approve the granting of such voting rights. Unless an Issuing Corporation’s Articles of Incorporation or Bylaws then in effect provide otherwise, (i) voting securities acquired are also redeemable in part or in whole by an Issuing Corporation at the average price paid for the securities within 30 days if the acquiring person has not given a timely information statement to an Issuing Corporation or if the shareholders voted not to grant voting rights to the acquiring person’s securities, and (ii) if the acquiring person acquired securities with 50% or more of the voting power of an Issuing Corporation’s outstanding securities and the security holders granted voting rights to such acquiring person, then any security holder who voted against granting voting rights to the acquiring person may demand the purchase from an Issuing Corporation, for fair value, of all or any portion of his securities.

Limitation of Liability and Indemnification of Directors

The right of the shareholders to sue any director for misconduct in conducting the affairs of Avatar Airlines is limited by Article 4, Section 3 of Avatar Airlines Articles of Incorporation and Nevada statutory law to cases for damages resulting from breaches of fiduciary duties involving acts or omissions involving intentional misconduct, fraud, knowing violations of the law or the unlawful payment of dividends. Ordinary negligence is not a ground for such a suit. The statute does not limit the liability of directors or officers for monetary damages under the Federal securities laws. In addition, the Company intends to purchase Director and Officer Insurance.

Dividend Policy

As of the date of this Memorandum, Avatar Airlines has not paid any cash dividends. Holders of the Series A Preferred stock are not entitled to any dividends. It is the intention of management to reinvest remaining earnings, if any, in Avatar Airlines' expansion plans.

FINANCIAL STATEMENTS

The most recent pro forma Financial Statements of Avatar Airlines are attached.

AVAILABLE INFORMATION

Avatar Airlines will make available to each potential investor the opportunity to ask questions of and receive answers from the Officers concerning this offering, its business plan, or any other matters relevant to a potential investment in the Company, and obtain any additional information, including its financial model, to the extent that such information can be acquired without unreasonable effort or expense, necessary to verify the accuracy of the information set forth in this Memorandum.

AVATAR AIRLINES
FORWARD LOOKING STATEMENT OF INCOME

	For the year ended		
	Year 1	**Year 2**	**Year 3**
ROUTE REVENUE			
Passenger Revenue	$394,326,629	$ 964,070,618	$1,292,031,818
Cargo	$ 16,235,430	$ 39,693,239	$ 53,196,236
Food & Beverage	$ 145,973	$ 547,068	$ 1,042,278
Entertainment Sales	$ -	$ -	$ -
Ticket Insurance	$ 486,576	$ 1,215,708	$ 1,737,130
Avatar Vacations	$ 182,500	$ 273,750	$ 365,000
Advertising & Promotions	$ 997,000	$ 2,491,000	$ 3,559,400
Total Revenues	**$412,374,108**	**$1,008,291,383**	**$1,351,931,861**
LESS DIRECT FLIGHT COSTS			
Airport Fees	$ 64,857,145	$ 158,566,182	$ 212,507,827
Fuel	$156,918,482	$ 383,642,613	$ 514,151,612
Maintenance - Routine	$ 6,168,960	$ 15,082,200	$ 20,212,920
Maintenance - Reserves	$ 52,436,160	$ 128,198,700	$ 171,809,820
Distribution Costs	$ -	$ -	$ -
Credit Card Fees	$ 9,858,166	$ 24,101,765	$ 32,300,795
Aircraft insurance, registration, return, induction	$ 3,712,500	$ 9,029,167	$ 12,100,000
Call centre costs	$ 9,858,166	$ 24,101,765	$ 32,300,795
Commissions	$ 17,744,698	$ 43,383,178	$ 58,141,432
Crew Lodging & Meals	$ 3,304,800	$ 8,079,750	$ 10,828,350
Crew Salary & Benefits	$ 30,073,680	$ 73,525,725	$ 98,537,985
Crew Training expense	$ 1,200,000	$ 1,200,000	$ 1,200,000
Booking Fees	$ 2,702,381	$ 6,606,924	$ 8,854,493
Cargo handling	$ 1,623,543	$ 3,969,324	$ 5,319,624
Aircraft Leasing	$ -	$ -	$ -
Food & Beverage and Entertainment	$ -	$ -	$ -
Avatar Vacations	$ -	$ -	$ -
Total Direct Costs	**360,458,681**	**879,487,293**	**1,178,265,653**
Gross Profit (Loss)	**51,915,426**	**128,804,090**	**173,666,208**
SALES, GENERAL & ADMINISTRATIVE EXPENSES			
Employee Development and Training	$ 300,000	$ 315,000	$ 330,750
Employee Uniforms	$ 60,000	$ 75,000	$ 93,750
Employee Relocation	$ 345,000	$ 315,000	$ 330,750
Payroll	$ 14,220,120	$ 20,430,139	$ 23,667,070
Advertising & Promotion	$ 11,095,100	$ 6,298,560	$ 5,038,848
Professional fees	$ 2,915,000	$ 2,223,000	$ 2,289,150
Consulting	$ 3,671,215	$ 9,199,868	$ 13,184,813
Insurance	$ 3,800,000	$ 6,300,000	$ 6,615,000
Licenses & Permits	$ 60,000	$ 60,250	$ 60,250
Miscellaneous	$ 1,254,000	$ 1,512,000	$ 1,587,600
Rent	$ 600,000	$ 645,000	$ 693,750
Travel	$ 285,000	$ 378,000	$ 396,900
Utilities	$ 320,000	$ 567,000	$ 595,350
Vehicles (leased)	$ 300,000	$ 315,000	$ 330,750
Web Site Operation	$ 850,000	$ 630,000	$ 661,500
Total S, G & A	**40,075,435**	**49,263,817**	**55,876,232**
EBITDA	**11,839,992**	**79,540,273**	**117,789,976**
Aircraft Depreciation	$ (35,000,000)	$ (73,666,667)	$ (96,000,000)
Other Depreciation	$ (672,771)	$ (799,959)	$ (899,417)
Interest Income	$ 351,845	$ 1,237,859	$ 1,387,430
Less interest expense	$ -	$ -	$ -
INCOME BEFORE TAXES	**(23,480,934)**	**6,311,507**	**22,277,989**
Less income tax expense (benefit)	$ (9,392,373)	$ 2,524,603	$ 8,911,196
INCOME FROM CONTINUING OPERATIONS	**$ (14,088,561)**	**$ 3,786,904**	**$ 13,366,793**

AVATAR AIRLINES
FORWARD LOOKING BALANCE SHEET

	For the year ended		
	Year 1	**Year 2**	**Year 3**
ASSETS			
Current Assets:			
Cash	$ 1,000,000	$ 3,000,000	$ 4,000,000
Short term investments	$ 94,947,054	$ 534,152,032	$ 543,864,736
Accounts receivable (credit card holdbacks)	$ 59,786,876	$ 90,946,411	$ 140,063,272
Inventory	$ -	$ -	$ -
Prepaid expenses	$ 153,931	$ 276,437	$ 496,441
Total Current Assets	$ 155,887,861	$ 628,374,880	$ 688,424,449
Long Term Assets:			
Long-term investments	$ -	$ -	$ -
Fixed assets at cost-			
Aircraft	$ 280,000,000	$ 420,000,000	$ 580,000,000
Furniture & fixtures	$ 55,000	$ 110,000	$ 115,500
Office equipment	$ 10,000	$ 20,000	$ 21,000
Reservation System and IT Hardware	$ 3,625,292	$ 4,085,070	$ 4,603,159
Total Cost	$ 283,690,292	$ 424,215,070	$ 584,739,659
Less accumulated depreciation	$ (35,672,771)	$ (110,139,397)	$ (207,038,813)
Net fixed assets	$ 248,017,521	$ 314,075,673	$ 377,700,845
Deferred income tax benefits			
Loans	$ -	$ -	$ -
Other LT Assets	$ 94,069	$ 168,934	$ 303,381
Total long term assets	$ 248,111,590	$ 314,244,607	$ 378,004,226
TOTAL ASSETS	**$ 403,999,450**	**$ 942,619,487**	**$ 1,066,428,675**
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 40,349,539	$ 63,634,046	$ 90,210,584
Income taxes payable (receivable)	$ (1,116,029)	$ 979,026	$ 2,961,142
Accrued salaries and wages	$ 189,708	$ 210,720	$ 233,026
Dividends Payable	$ -	$ -	$ -
Unearned revenue (advance purchases)	$ 99,644,793	$ 151,577,352	$ 233,438,787
Subtotal	$ 139,068,011	$ 216,401,143	$ 326,843,539
Short term debt	$ -	$ -	$ -
Current portion of LTD	$ -	$ -	$ -
Total Current Liabilities	$ 139,068,011	$ 216,401,143	$ 326,843,539
Long Term Liabilities:			
Long term debt	$ -	$ -	$ -
Deferred income tax	$ -	$ -	$ -
Other	$ 20,000	$ 20,000	$ 20,000
Total Long Term Liabilities	$ 20,000	$ 20,000	$ 20,000
TOTAL LIABILITIES	**$ 139,088,011**	**$ 216,421,143**	**$ 326,863,539**
SHAREHOLDERS' EQUITY			
Owners' equity	$ 286,500,000	$ 744,000,000	$ 744,000,000
Retained earnings-			
Balance - opening	$ (7,500,000)	$ (21,588,561)	$ (17,801,657)
Net income	$ (14,088,561)	$ 3,786,904	$ 13,366,793
Less dividends	$ -	$ -	$ -
Balance - ending	$ (21,588,561)	$ (17,801,657)	$ (4,434,864)
TOTAL SHAREHOLDERS' EQUITY	**$ 264,911,439**	**$ 726,198,343**	**$ 739,565,136**
LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 403,999,450**	**$ 942,619,487**	**$ 1,066,428,675**

NOTE: Opening retained deficit in year 1 is for pre-flight operations expenditures. Capital raised for preflight operations is included in Shareholder's Equity

AVATAR AIRLINES
FORWARD LOOKING STATEMENT OF CASH FLOW

	For the year ended		
	Year 1	**Year 2**	**Year 3**
CASH - Beginning	$ -	$ 1,000,000	$ 3,000,000
OPERATIONS			
Cash Receipts from customers:			
Sales	$ 412,374,108	$ 1,008,291,383	$ 1,351,931,861
Changes in accounts receivable	$ (59,786,876)	$ (31,159,536)	$ (49,116,861)
Cash receipts from customers	$ 352,587,232	$ 977,131,848	$ 1,302,815,000
Cash paid for:			
Inventory, net	$ -	$ -	$ -
Total Direct Costs	$ (360,458,681)	$ (879,487,293)	$ (1,178,265,653)
General operating and administrative expenses	$ (25,855,315)	$ (28,833,678)	$ (32,209,161)
Payroll, commissions and related expenses	$ (14,220,120)	$ (20,430,139)	$ (23,667,070)
Prepaid expenses	$ (153,931)	$ (122,507)	$ (220,004)
Interest expense	$ -	$ -	$ -
Income tax (expense) benefit	$ 9,392,373	$ (2,524,603)	$ (8,911,196)
Net Cash Flow from Operations	$ (38,708,442)	$ 45,733,628	$ 59,541,915
INVESTING ACTIVITIES			
Cash receipts from:			
Increase (decrease) in accounts payable and other	$ 139,068,011	$ 77,333,132	$ 110,442,395
Sale of property and equipment	$ -	$ -	$ -
Collection of principal on loans	$ -	$ -	$ -
Sale of short term investments	$ 156,432,229	$ 67,325,428	$ 34,672,251
Sale of long term investments	$ -	$ -	$ -
Interest Income	$ 351,845	$ 1,237,859	$ 1,387,430
Cash paid for:			
Purchase of property and equipment (incl aircraft)	$ (283,690,292)	$ (140,524,778)	$ (160,524,589)
Making loans	$ -	$ -	$ -
Purchase of short term investments	$ (251,379,283)	$ (506,530,405)	$ (44,384,955)
Purchase of long term investments	$ -	$ -	$ -
Net Cash Flow from Investing Activities	$ (239,217,490)	$ (501,158,763)	$ (58,407,468)
FINANCING ACTIVITIES			
Cash receipts from:			
Net Proceeds from the Issuance of stock	$ 279,000,000	$ 457,500,000	$ -
Borrowings- long and short term	$ -	$ -	$ -
Increases in other long term liabilities	$ 20,000	$ -	$ -
Cash paid for:			
Repurchase of stock (treasury stock)	$ -	$ -	$ -
Repayment of loans - long and short term	$ -	$ -	$ -
Dividends Paid	$ -	$ -	$ -
Decreases of deferred income taxes and other	$ (94,069)	$ (74,865)	$ (134,447)
Net Cash Flow from Financing Activities	$ 278,925,931	$ 457,425,135	$ (134,447)
NON OPERATING ACTIVITIES			
Extraordinary items	$ -	$ -	$ -
Other	$ -	$ -	$ -
Net Cash Flow from Non Operating Items	$ -	$ -	$ -
Net Increase (Decrease) in Cash	$ 1,000,000	$ 2,000,000	$ 1,000,000
CASH - Ending	$ 1,000,000	$ 3,000,000	$ 4,000,000