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Proposed Counsel for Debtor
and Debtor in Possession

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF HAWAII**

In re

HAWAIIAN AIRLINES, INC.,
a Hawaii corporation,

Debtor.

Case No. 03 - _____
(Chapter 11)

**MOTION FOR ENTRY OF ORDER
AUTHORIZING DEBTOR TO HONOR
PREPETITION OBLIGATIONS TO**

**CUSTOMERS AND OTHERWISE
CONTINUE CUSTOMER PROGRAMS
AND PRACTICES IN ORDINARY COURSE
OF BUSINESS PURSUANT TO SECTIONS
105(a), 363(c), 1107(a) AND 1108 OF THE
BANKRUPTCY CODE; PROPOSED
ORDER**

Date: March 21, 2003

Time:

Judge: Hon. Robert J. Faris

Hawaiian Airlines, Inc., as debtor and debtor in possession (the “Debtor”), by and through its undersigned proposed co-counsel, files this Expedited Motion for Entry of Order Authorizing Debtor to Honor Prepetition Obligations to Customers and Otherwise Continue Customer Programs and Practices in Ordinary Course of Business Pursuant to Sections 105(a), 363(c), 1107 and 1108 of Chapter 11 of Title 11 of the United States Code (the “Motion”) and, in support thereof, respectfully represents as follows:

I. JURISDICTION

1. This Court has jurisdiction over the subject matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this District pursuant to 28 U.S.C. § 1409. The instant proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b). The Court possesses the requisite authority to grant the relief requested herein pursuant to 11 U.S.C. §§ 105(a), 363(c), 1107 and 1108.

II. BACKGROUND

2. On March 21, 2003 (the “Petition Date”), the Debtor filed a petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Hawaii (the “Bankruptcy Court”). Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtor is operating its businesses and managing its properties as a debtor in possession. No trustee, examiner or committee of creditors has been appointed in the Debtor’s chapter 11 case.

3. The Debtor was incorporated in January of 1929 under the laws of the Territory of Hawaii and is currently a subsidiary of Hawaiian Holdings, Inc. (“Hawaiian Holdings”),¹ a Delaware corporation whose common stock is traded on the American Stock Exchange and Pacific Exchange under the ticker symbol “HA.” As part of the regular Securities and Exchange Commission filings of Hawaiian Holdings, Hawaiian Holdings reports its financial and operating results with those of the Debtor on a consolidated basis.

The Debtor’s Business

4. The Debtor is engaged primarily in the scheduled transportation of passengers, cargo and mail. The Debtor’s passenger airline business is its chief source of revenue. Principally all of the Debtor’s flights either originate or end in

the state of Hawaii. The Debtor provides passenger and cargo service from Hawaii, predominately Honolulu, to the cities of Los Angeles, Ontario, Sacramento, San Diego and San Francisco, California; Seattle, Washington; Portland, Oregon; Phoenix, Arizona; and Las Vegas, Nevada (the “Transpacific Routes”). The Debtor also provides non-stop service between and among the six major islands of the state of Hawaii (the “Interisland Routes”) and weekly service to each of Pago Pago, American Samoa and Pepeeete, Tahiti in the South Pacific (the “South Pacific Routes”). Charter service is provided from Honolulu to Anchorage, Alaska (the “Charter Routes”). Based upon the Debtor’s operating revenues, the Debtor is the largest airline headquartered in Hawaii.

5. Based on its unaudited results, the Debtor had a net loss of approximately \$58 million for the twelve months ended December 31, 2002 (“Year 2002”) on operating revenue of approximately \$632 million for the same period. In comparison, for the twelve months ended December 31, 2001 (“Year 2001”), the Debtor reported net income of approximately \$5 million on operating revenue of approximately \$612 million for the same period. The Debtor’s assets and liabilities, as of December 31, 2002, were approximately \$256 million and \$399

¹ Hawaiian Holdings holds 49.1% of the outstanding common stock of the Debtor directly. The remaining 50.9% of the outstanding common stock of the Debtor is held by AIP, Inc. (“AIP”), a wholly-owned subsidiary of Hawaiian Holdings.

million, respectively. The Debtor's reported assets and liabilities, as of December 31, 2001, were approximately \$305 million and \$327 million, respectively.

6. The Debtor is party to a network of agreements among airlines. Because of the interdependent nature of airline operations, coordination among airlines, provision of airline services, and efficient service by the airline industry to the traveling public, in general, would be virtually impossible without such agreements. Among other things, these agreements facilitate cooperation among airlines with respect to such critical activities as making reservations and transferring passengers, packages, baggage and mail among airlines.

The Debtor's Fleet

7. Beginning in the fourth quarter of 1999, the Debtor initiated a plan to replace its entire fleet of McDonnell Douglas DC-9 aircraft used to service its Interisland Routes. This effort was completed in the first quarter of 2002, with the Debtor taking delivery of thirteen Boeing 717-200 aircraft (the "717 Aircraft").

8. Similarly, in the fourth quarter of 2001, the Debtor initiated a plan to replace, by June 2003, its entire fleet of McDonnell Douglas DC-10 aircraft (the "DC-10 Aircraft") used to service the Transpacific Routes, South Pacific Routes and Charter Routes (the "Overseas Routes") with sixteen Boeing 767-300ER aircraft (the "767 Aircraft"). To date, the Debtor has taken delivery of ten new and four used Boeing 767-300ER aircraft and has returned eleven DC-10 Aircraft

leased from Continental Airlines, Inc. and a subsidiary of American Airlines, Inc (“American”). The Overseas Routes are currently serviced by fourteen Boeing 767-300ER aircraft.

9. All of the Debtor’s aircraft are leased from various lessors under either financing or operating leases. Three of the Debtor’s 767 Aircraft are leased under fifteen-year operating leases with a subsidiary of Ansett Worldwide Aviation Services, Inc. (“Ansett”) and were delivered to the Debtor in the fourth quarter of 2001. Four 767 Aircraft were delivered in 2002 under seven-year operating leases with International Lease Finance Corporation. Seven of the Debtor’s 767 Aircraft are leased under eighteen-year operating leases from Ansett and a subsidiary of Boeing Capital Corporation (“Boeing”). Each of the 717 Aircraft is leased under an eighteen-year leveraged financing lease with Boeing. The Debtor’s four remaining DC-10 Aircraft are leased under operating leases with American and B.C.I. Leasing.

Employees

10. The Debtor has approximately 3,200 active employees, approximately 2,600 of which are employed on a full time basis. The majority of the Debtor’s employees are covered by labor agreements with the International Association of Machinists and Aerospace Workers (AFL-CIO) (“IAM”); the Airline Pilots Association, International (“ALPA”); the Association of Flight Attendants

("AFA"); the Transport Workers Union ("TWU"); or the Employees of the Communications Section ("Communications Section"). Each of these labor agreements, other than the contract with the seven-member Communications Section, was renegotiated in 2000 or 2001, and will be subject to renegotiation again in 2004 or 2005.

Previous Restructurings

11. On September 21, 1993, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Bankruptcy Court (the "1993 Bankruptcy").² Following confirmation of the Debtor's plan of reorganization in the 1993 Bankruptcy on August 30, 1994, the Debtor successfully emerged from the 1993 Bankruptcy. Thereafter, on August 29, 2002, the Debtor was restructured from a public company into a wholly-owned subsidiary of Hawaiian Holdings and AIP (the "Restructuring"). As part of the Restructuring, the stockholders of the Debtor became stockholders of Hawaiian Holdings and Hawaiian Holdings assumed sponsorship of the Debtor's existing stock agreements. Prior to the Restructuring, the common stock of the Debtor was publicly traded on the American Stock Exchange and Pacific Exchange under Hawaiian Holdings' ticker symbol of "HA."

² United States Bankruptcy Court, District of Hawaii, Case No. 93-01074.

The Debtor's Current Financial Crisis

12. The Debtor's current financial crisis was precipitated by a confluence of factors relating, in large part, to the depressed economic conditions of both the United States and Japan. These factors include: (a) decreased fare revenue, (b) high aircraft lease costs, (c) high labor costs and (d) increased insurance, security and fuel costs. Although the terrorist attacks of September 11, 2001 are one of the most obvious and publicized reasons for the Debtor's current financial crisis, it is the significant, though related, decline in the economies of the United States and Japan that has most contributed to the necessity of the Debtor's chapter 11 filing.

13. Following the events of September 11, 2001, the Debtor has seen a marked and dramatic reduction in the demand for travel to and within the islands of Hawaii. This reduced demand has been exacerbated by the flagging economies of the United States and Japan since that time. The demand for vacation travel, which historically has been the Debtor's greatest source of income, has been most affected by the economic decline. In order to attract passengers, airlines, including the Debtor, have been forced to lower their fares. The introduction of "low cost carriers," such as Jet Blue, has led to a further reduction in fare structure, as national airlines have been forced to reduce ticket prices to remain competitive. The combination of fewer ticket sales made at reduced fares continues to impact the Debtor's revenue and earnings negatively.

14. Beginning in late 1999, as discussed above, the Debtor began a refueling process under which its aging fleet of McDonnell Douglas DC-9 aircraft and DC-10 Aircraft would be completely replaced by the end of 2003. By July of 2001, the Debtor had entered into the last of its agreements with lessors that would provide the aircraft for this refueling. Although the terms of these agreements were considered to be fair and at market rates when agreed to, the subsequent and unforeseen decline in economic conditions in the United States and abroad have caused the terms of such leases to be highly unfavorable. Because its aircraft lease costs are grounded in economic assumptions that have failed to materialize, the Debtor has been forced to shoulder the crippling costs of over-market leases. For the Year 2002, expenses associated with the Debtor's aircraft leases made up 12% of its total operating expenses.

15. Similarly, because the Debtor's union agreements were renegotiated in 2000 and 2001, the Debtor's labor costs have not been in line with current economic conditions. Based upon market assumptions made in 2000 and pre-September 11, 2001, the Debtor's labor costs have exceeded what the Debtor could realistically maintain based upon its revenues. This relative increase in labor costs, as compared to revenue, has negatively impacted the Debtor's ability to remain a viable enterprise. For the Year 2002, the Debtor's labor costs made up 30% of its total operating expenses.

16. As a direct result of the events of September 11, 2001 and the long-standing international crises in the Middle East, the Debtor has seen increases in several of its cost centers. For instance, insurance rates associated with airline operations have increased substantially as compared to pre-September 11, 2001 rates. Because of increased airline security requirements, the Debtor also has been faced with increased security expenditures. Moreover, fuel costs, which made up approximately 14% of the Debtor's operating expenses for Year 2002, also have steadily increased during this period. These increased costs, in the face of declining revenues, have further weakened the Debtor's ability to succeed as a going-concern.

Prepetition Activities

17. The two largest controllable components of the Debtor's cost structure are labor and aircraft costs. These are, therefore, the two areas upon which the Debtor had focused prior to the Petition Date in trying to accomplish a successful out-of-court financial and operational restructuring. To that end, the Debtor has, particularly within the past year, been actively negotiating with both its aircraft lessors and labor unions to reduce its aircraft and labor costs, respectively. These negotiations have continued up until the Debtor's bankruptcy filing. On February 20, 2003, the Debtor's employees represented by IAM agreed to \$3.8 million in concessions. On March 6, 2003, the Debtor's employees represented by ALPA

reached an agreement with the Debtor with respect to approximately \$8 million in concessions. Similarly, on March 11, 2003, the Debtor's employees represented by AFA agreed to approximately \$3.5 million in concessions. Although the Debtor and its labor unions have made great progress in these negotiations, it now appears that the only practicable way for the Debtor to reorganize is under the protection afforded to it under the Bankruptcy Code, as the Debtor has not been successful in its attempts to negotiate significant concessions from its aircraft lessors.

III. RELIEF REQUESTED

18. Prepetition, in the ordinary course of its business, the Debtor offered and engaged in certain customer and other programs and practices to develop and sustain a positive reputation in the marketplace for its services and to engender customer loyalty (the "Customer Programs"). The Debtor's Customer Programs ensure customer satisfaction, generate goodwill and meet competitive pressures so that the Debtor can retain current customers, attract new ones, and ultimately enhance net revenue.

19. By this Motion, the Debtor seeks entry of an order pursuant to sections 105(a), 363(c), 1107 and 1108 of the Bankruptcy Code authorizing but not directing the Debtor in its business judgment to perform and honor its prepetition obligations to its customers as the Debtor sees fit and to continue, renew, replace,

implement new, and/or terminate one or more of the Customer Programs as the Debtor sees fit, in the ordinary course of business, without further application to the Court.

20. The Debtor needs to continue its Customer Programs that were beneficial to its business and cost-effective during the prepetition period. The relief requested herein is necessary to preserve the Debtor's critical business relationships and goodwill for the benefit of the Debtor's creditors and its estate. The revenue generated by the Customer Programs exceeds the operational and administrative cost to implement and maintain them. Thus, it is in the best interests of the Debtor's, its creditors, and its estates to honor its prepetition obligations in connection with the Customer Programs and continue the Customer Programs in the ordinary course of its business.

The Debtor's Customer Programs Generally

21. Airlines routinely offer travel to many of the same locations as their competitors. This competition makes retaining loyal customers and attracting new customers critically important. Without winning and preserving the loyalty of its customers, the Debtor's business could not be maintained. It is essential, therefore, that the Debtor maintains its current customers through this difficult period and position itself to attract new customers. The Customer Programs accomplish this goal.

22. The filing of this chapter 11 case may negatively affect customers' attitudes and behavior toward the Debtor's services unless it can take the measures requested herein. In particular, the Debtor's goodwill and ongoing business relationships may erode if its customers perceive that the Debtor is unable or unwilling to fulfill the prepetition promises it made through the Customer Programs. The same would be true if customers perceive that the Debtor will no longer offer the types of services or quality of services they have come to expect and rely upon. Further, the Debtor's competitors will likely increase their efforts to lure away the Debtor's customers and to create doubts as to the Debtor's ability to successfully emerge from chapter 11.

23. In order to maintain the Debtor's goodwill and ongoing business relationships with its customers, the Debtor is seeking authority in this Motion (a) to honor all tickets that were purchased prepetition, (b) to honor the Debtor's obligations under its frequent flyer program HawaiianMiles and (c) to honor all prepetition barter arrangements the Debtor entered into for the sponsorship of corporate and sporting events and other promotional services.

Ticketholder Claims

24. The Debtor seeks authority to honor all tickets for airline travel that were purchased prepetition but have not yet been used (collective, the "Prepetition Tickets") by providing the agreed-upon air transportation.

25. Customer confidence and goodwill will be severely harmed if the Debtor is prevented from honoring the Prepetition Tickets. Moreover, the Debtor's prepetition ticketholders will likely have priority claims under 11 U.S.C. § 507(a)(6). Thus, to the extent individual claims do not exceed \$2,100, paying such claims would not be detrimental to the Debtor's general unsecured creditors. Such priority claims would have to be paid in full in any event before the Debtor's unsecured creditors could receive any distribution.

26. The Debtor also must be able to honor any and all prepetition transportation credit orders, miscellaneous charge orders, vouchers, coupons, travel certificates, upgrade certificates, and other authorizations for travel and other services. These authorizations are, from time to time, issued by the Debtor as (a) compensation for late, canceled or overbooked flights, (b) part of the Debtor's promotional programs, (c) part of a tour package and (d) in lieu of cash payments.

27. The Debtor also requests authority to issue refunds on tickets purchased prior to the Debtor's bankruptcy filing. To remain competitive with other carriers and to retain the goodwill and confidence of its customers and travel agents, it is extremely important that the Debtor's continue to issue refunds with respect to those tickets originally sold as refundable (collectively, the "Refundable

Tickets”).³ During 2002, the Debtor refunded approximately 12,000 ticket sales totaling \$7 million to customers. The average refund value for 2002 was \$583.

28. Maintaining the refundability of tickets purchased prepetition will demonstrate management’s confidence in the Debtor and enhance the public’s confidence in the Debtor’s continued reliability and operations. In that regard, the Debtor believes that any extra refunds occasioned by the chapter 11 case will be more than offset by the revenue from sales generated by the ticket refund policy that is in place. Moreover, most of the ticket refunds requested may be accorded priority in any event under section 507(a)(6) of the Bankruptcy Code.

29. Bankruptcies that have attempted to adopt other programs instead of offering refunds have failed. In the Eastern Airlines bankruptcy case, the debtor adopted an elaborate procedure for allowing ticketholders to use prepetition tickets as consideration for travel on future flights. Even though ticketholders received more than dollar for dollar credit when they used their tickets, the program was unsuccessful in the Eastern Airlines bankruptcy case because ticketholders wanted the option of a refund. A similar program also failed in the Frontier Airlines bankruptcy case.

30. Nevertheless, to ensure that permitted refunds do not exceed reasonable expectations, the Debtor will maintain reports on a monthly basis,

³ Not all prepetition tickets issued by the Debtor are refundable. Moreover, some tickets are refundable only upon

which will be made available to the Office of the United States Trustee and to any official committee appointed in this chapter 11 case, listing the amount of refunds issued by the Debtor. The reports will include the amount of any refunds and the amount of new sales processed during the applicable reporting periods. If any party in interest believes that the refunds of prepetition tickets have become excessive, it may apply promptly to the Court to reconsider the relief granted by this Motion.

31. The Debtor also requests authority to make payments on or provide travel credits to passengers and cargo shippers that suffered losses because of a deficiency in prepetition service (the “Travel Credit Programs”). Authorizing such payment will demonstrate to the traveling public and customers that, although the Debtor is operating under the protection of the Bankruptcy Code, it continues to offer competitive travel.

32. To the extent the Debtor is unable to continue these Customer Programs, the Debtor risks alienating a large segment of its customers and possibly encouraging them to select competing airlines, to the detriment of the Debtor, its customers and its estate.

33. For the foregoing reasons, the Debtor seeks authority to honor the prepetition obligations related to the Customer Programs involving Prepetition

the payment of a meaningful penalty.

Ticket Sales, the Refundable Tickets, and the Travel Credit Programs (collectively, the “Ticketholder Claims”) and to continue honoring the Ticketholder Claims in the ordinary course of business.

HawaiianMiles

34. In 1993, the Debtor initiated a frequent flyer program to encourage and develop a customer loyalty base. The HawaiianMiles program allows passengers to earn mileage credits by flying on the Debtor and other carriers, Alaska Airlines, America West Airlines, Northwest Airlines, and Virgin Atlantic Airlines. The Debtor also credits members with mileage credits for patronage of other businesses (“Partners”), including hotels, car rental firms, credit cards and long distance telephone companies pursuant to partnership agreements. The Debtor also sells mileage credits to other companies participating in the HawaiianMiles program. Participants in HawaiianMiles may redeem mileage credits for airlines tickets or other various awards provided by the Partners participating in the HawaiianMiles program.

35. As part of its HawaiianMiles program, the Debtor offers a HawaiianMiles Premier Club membership (the “Premier Club”). The Premier Club has an annual membership requirement of \$125 or 15,000 miles. The Premier Club offers flyers an exclusive reservations line, express check-in, a Premier Club Lounge, priority boarding, and in-flight amenities.

36. In connection with its HawaiianMiles program, the Debtor offers a co-branded credit card pursuant to a Co-Branded Card Agreement as amended between Wells Fargo Bank Nevada, N.A. (“Wells Fargo”)⁴ and the Debtor, dated September 30, 1997 (the “Wells Fargo Agreement”). Under the Wells Fargo Agreement, the Debtor provides Wells Fargo with access to the Debtor’s list of HawaiianMiles members and allows Wells Fargo to make certain, limited use of the Debtor’s logos, trademarks, trade names and service marks (collectively, the “Hawaiian Airlines’ Marks”). The Debtor agrees to cooperate with Wells Fargo to promote and market the co-branded credit card program and provide Wells Fargo with the Debtor’s customer and marketing lists for use by Wells Fargo in solicitation of the co-branded credit card Wells Fargo Agreement Program. Pursuant to the Wells Fargo Agreement, Wells Fargo pays the Debtors on an agreed upon rate schedule each time cardholders are billed for annual fees, account activation, and miles earned. The term of the Wells Fargo Agreement will extend until the earlier of April 30, 2003 or the closing of the purchase by Bank of America of Wells Fargo’s portfolio of credit card customers.

37. As part of its HawaiianMiles program, the Debtor also offers a co-branded credit card pursuant to a Co-Branded Check Card Agreement with the Bank of Hawaii (“BankOH”). The Debtor and BankOH issued a co-branded

⁴ Wells Fargo Bank (Arizona), N.A. assigned its rights and obligations under the Wells Fargo Agreement to Wells

HawaiianMiles Check Card program whereby BankOH issues a co-branded VISA check-card. The program provides cardholders with HawaiianMiles awards based on the mileage accrued through the use of the cards. The Debtor and BankOH both have marketing and solicitation requirements for the HawaiianMiles Check Card program. BankOH pays the Debtor for its participation in the co-branded credit card based on formulas set forth in the Co-Branded Check Card Agreement. The initial term of the BankOH Co-Branded Check Card Agreement continues until March 31, 2006.

38. Holders of the of the Debtor's co-branded credit cards are entitled to membership in one of two levels of membership in HawaiianMiles—Pualani Platinum and Pualani Gold. Pualani Platinum co-branded cards are entitled to a special ID card with associated special handling, 100% bonus HawaiianMiles on qualifying flights, a guaranteed interisland coach seat up to 48 hours prior to departure, free first class upgrades on interisland flights within 48 hours prior to departure, extra check-in luggage allowance, and all Premier Club privileges. Holders of the Wells Fargo's Pualani Gold co-branded cards are entitled to a special ID card with associated special handling, 50% bonus HawaiianMiles on qualifying flights, extra check-in luggage allowance, and all Premier Club privileges.

Fargo Bank Nevada, N.A. effective July 1, 1999.

39. Honoring the HawaiianMiles program will rarely involve any appreciable cash expense of the Debtor's estate. Rather, a majority of the HawaiianMiles participants who redeem mileage credits receive only air transportation from the Debtor on flights that would operate in any event. Most of the HawaiianMiles program miles are awarded for travel with inventory controls, which keeps displacement of revenue passengers at a minimum. The Debtor's costs of providing service to the award recipient, therefore, are limited to incremental costs, such as fuel, food and ticketing costs for what would otherwise be a vacant seat.

40. The Debtor seeks authorization to provide postpetition air transportation to travelers who attempt to redeem HawaiianMiles miles earned or sold prepetition. The Debtor simply cannot compete successfully against other major airlines unless it is able to maintain the integrity of its HawaiianMiles program. Failure to honor the obligations of HawaiianMiles will alienate the Debtor's best and most loyal customers and thereby severely harm the Debtor's competitive position and its reorganization efforts.

Barter Arrangements

41. The Debtor maintains barter arrangements with a number of organizations that provide varied services and support the Debtor's operations in return for the Debtor providing air transportation. The range of services provided

to the Debtor includes exclusive sponsorship of corporate and sporting events, advertising, sales promotion, public relations and other professional consulting services (collectively, the “Barter Arrangements”).

42. The Debtor seeks authority to continue to honor these Barter Arrangements. The Barter Arrangements are an important component of the Debtor’s promotional strategy. Conversely, the Debtor believes that the amount of unredeemed air transportation obligations related to Barter Arrangements as of the date of the Debtor’s bankruptcy filing is not substantial. Therefore, honoring the Barter Arrangements will enhance the value of the Debtor’s estate at little cost.

43. For the foregoing reasons, the Debtor requests authority to honor its obligations related to the Customer Programs involving Barter Arrangements.

Honoring of Payments Related to the Customer Programs

44. Finally, the Debtors request that all applicable banks and other financial institutions be authorized and directed to receive, process, honor and pay all checks presented for payment of, and to honor all fund transfer requests made by the Debtor related to, the claims that the Debtor requests authority to pay in this Motion, regardless of whether such checks were presented or fund transfer requests were submitted prior to or after the Debtor’s bankruptcy filing; provided, however, that (a) funds are available in the Debtor’s accounts to cover such checks and fund transfers; and (b) all such banks and other financial institutions are authorized to

rely on the Debtor's designation of any particular check as approved by the attached proposed Order.

IV. APPLICABLE AUTHORITY

45. Sections 1107(a) and 1108 of the Bankruptcy Code authorize a debtor in possession to continue to operate its business. Section 363(c) of the Bankruptcy Code authorizes a debtor in possession operating its business pursuant to section 1108 to use property of the estate in the ordinary course of business without notice or a hearing. The Debtor submits that continuing, renewing, replacing, initiating and/or terminating its Customer Programs in the ordinary course of business is permitted by sections 363(c), 1107(a) and 1108 of the Bankruptcy Code without further application to the Court.

46. Section 105(a) of the Bankruptcy Code provides as follows:

The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title. No provision of this title providing for the raising of an issue by a party in interest shall be construed to preclude the court from, sua sponte, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent an abuse of process.

11 U.S.C. § 105(a). This section allows bankruptcy courts broad authority and discretion to enforce the provisions of the Bankruptcy Code either under specific statutory or equitable common law principles.

29. To authorize payment of the prepetition obligations that are sought herein, the Debtor has filed contemporaneously with this Motion a Memorandum of Law in support of the Motion.

30. Where retaining loyalty and patronage of customers is critical to a successful reorganization, courts have granted the relief similar to that requested here. *See In re UAL Corp.*, Case No. 02-48191 (Bankr. N.D. Ill. Dec. 9, 2002); *In re US Airways Group, Inc., et al.*, Case No. 02-83984 (SSM) (Bankr. E.D. Va. Aug. 11, 2002); *In re Kmart Corporation, et al.*, Case No. 02-02474 (SPS) (Bankr. N.D. Ill. Jan. 25, 2002); *In re Humpheys Inc.*, Case No. 01 B 13742 (REG) (Bankr. N.D. Ill. April 18, 2001) (order authorizing debtor to honor certain prepetition obligations to customers and to otherwise continue in the ordinary course of business Customer Programs and practices); *In re Linc Capital, Inc.*, Case No. 01 B 03320 (JBS) (Bankr. N.D. Ill. March 2, 2001) (same). Moreover, courts grant similar relief in airline reorganization cases. *See In re Trans World Airlines, et al.*, Case No. 01-00056 (PJW) (Bankr. D. Del. Jan. 10, 2001) (order authorizing debtors to honor prepetition obligations to ticketholders, frequent flyer miles, tour service claims and travel credits); *In re Continental Airlines, Inc., et al.*, Case Nos. 90-932-980 (Bankr. D. Del. Dec. 3, 1990) (order authorizing debtors to honor prepetition obligations to the ticketholders); *In re Ionosphere Clubs, Inc., et al.*,

Case Nos. 89B 10448-10449 (BRV) (Bankr. S.D. N.Y. Mar. 14, 1989) (order authorizing customer ticketholder refund program).

31. The relief requested by this Motion has also been granted by the Honorable Judge King in this District in *Liberty House, Inc.*, Case No. 98-01039 (LK) (Bankr. Haw. Mar. 3, 1998) and *HAL, Inc.*, Case No. 93-01074 (LK) (Bankr. Haw. Sept. 21, 1993).

32. The Debtor's creditors will benefit from the relief sought herein. If the Debtor is prohibited from honoring prepetition obligations and maintaining the Customer Programs consistent with its past business practices, then customers' lost confidence in the Debtor will damage the Debtor's business to an extent that far exceeds the cost associated with honoring prepetition obligations and continuing such practices. The order requested herein will protect the Debtor's good will during this critical time and enhance the Debtor's ability to generate revenue.

33. Accordingly, the Debtor requests that it be authorized, but not directed, in its business judgment to (a) perform and honor such of its prepetition obligations under the Customer Programs as it deems appropriate and (b) continue, renew, replace, implement new, and/or terminate such of the Customer Programs as it deems appropriate, in the ordinary course of business, without further application to the Court.

34. Nothing contained herein is intended or should be construed as an admission as to the validity of any claim against the Debtor, a waiver of the Debtor's rights to dispute any claim, or an approval or assumption of any agreement, contract or lease under section 365 of the Bankruptcy Code. Likewise, if this Court grants the relief sought herein, any payment made pursuant to the Court's order granting the Motion is not intended and should not be construed as an admission as to the validity of any claim or a waiver of the Debtor's rights to subsequently dispute such claim.

V. NO PRIOR REQUESTS

35. The relief requested in this Motion has not previously been requested from this Court or any other court.

VI. NOTICE

36. Notice of this Motion has been provided to: (i) the Office of the United States Trustee for District of Hawaii; (ii) parties appearing on the Debtor's list of creditors holding the twenty largest unsecured claims; (iii) the Securities and Exchange Commission; and (iv) the Internal Revenue Service. Given the circumstances, the Debtor submits that no other or further notice need be given.

WHEREFORE, the Debtor respectfully requests that the Court enter an Order granting the relief requested herein and such other and further relief as is just.

Dated: Honolulu, Hawaii, March 21, 2003

By: Nicholas C. Dreher
NICHOLAS C. DREHER, ESQ.
THEODORE D.C. YOUNG, ESQ.
CADES SCHUTTE LLC

and

LISA G. BECKERMAN, ESQ.
DAVID SIMONDS, ESQ.
AKIN GUMP STRAUSS HAUER & FELD LLP

Proposed Counsel for Debtor and Debtor in
Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF HAWAII

In re) **Case No. 03 - _____**
) (Chapter 11)
HAWAIIAN AIRLINES, INC.,)
a Hawaii corporation,) **ORDER AUTHORIZING DEBTOR TO HONOR**
) **PREPETITION OBLIGATIONS TO**
Debtor.) **CUSTOMERS AND OTHERWISE CONTINUE**
) **CUSTOMER PROGRAMS AND PRACTICES**
) **IN ORDINARY COURSE OF BUSINESS**
) **PURSUANT TO SECTIONS 105(a), 363(c),**
) **1107(a) AND 1108 OF THE BANKRUPTCY**
) **CODE**
)
) Date: March 21, 2003
) Time:
) Judge: Hon. Robert J. Faris
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_____)

Upon the motion of Hawaiian Airlines, Inc. (the “Debtor”), debtor and debtor in possession in the above-captioned chapter 11 case, for an order pursuant to sections 105(a), 363(c) 1107 and 1108 of the Bankruptcy Code authorizing the Debtor to honor prepetition obligations to customers and otherwise continue customer programs and practices in the ordinary course of business (the “Motion”)¹; the Court finds that (i) it has jurisdiction over the

¹ Capitalized terms not defined herein shall have the meaning ascribed to such terms in the Motion.

matters raised in the Motion pursuant to 28 U.S.C. §§ 157 and 1334; (ii) this is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2); (iii) the relief requested in the Motion is in the best interests of the Debtor, its estate and its creditors; (iv) proper and adequate notice of the Motion and the hearing thereon has been given and that no other or further notice is necessary; and (v) upon the record herein after due deliberation thereon good and sufficient cause exists for the granting of the relief as set forth herein,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED in its entirety.
2. The Debtor is hereby authorized, but not directed, in its business judgment to (a) perform its obligations under the Customer Programs as it deems appropriate, and (b) continue, renew, replace, implement new, and/or terminate such of the Customer Programs as it deems appropriate, in the ordinary course of business, without further application to the Court.
3. Nothing contained in this order shall be deemed to constitute an assumption or rejection of any executory contract or agreement between the Debtor and any third party.

Dated: Honolulu, Hawaii, _____, 2003.

UNITED STATES BANKRUPTCY JUDGE

In re Hawaiian Airlines, Inc., Chapter 11, Case No. 03-_____;
ORDER AUTHORIZING DEBTOR TO HONOR PREPETITION
OBLIGATIONS TO CUSTOMERS AND OTHERWISE CONTINUE
CUSTOMER PROGRAMS AND PRACTICES IN ORDINARY COURSE OF
BUSINESS PURSUANT TO SECTIONS 105(a), 363(c), 1107(a) AND 1108
OF THE BANKRUPTCY CODE