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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 AN ORDER
PURSUANT TO SECTIONS 105 AND 365
OF THE BANKRUPTCY CODE (A)
AUTHORIZING THE DEBTOR TO
ASSUME EXECUTORY CONTRACTS**

**RELATING TO INTERLINE
AGREEMENTS, CLEARINGHOUSE
AGREEMENTS, THE ARC AGREEMENTS,
THE BSP AGREEMENTS, THE UATP
AGREEMENT, THE CODE SHARE
AGREEMENTS AND THE FREQUENT
FLYER AGREEMENTS AND (B)
AUTHORIZING, BUT NOT REQUIRING,
THE DEBTOR TO HONOR PREPETITION
OBLIGATIONS RELATED TO CODE
SHARE AGREEMENTS, GLOBAL
DISTRIBUTION SYSTEMS AGREEMENTS,
MULTIHOST AGREEMENT, TRAVEL
AGENCY AGREEMENTS, AND THE
ATPCO AGREEMENT, IN THE ORDINARY
COURSE OF BUSINESS; EXHIBIT 'A';
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 counsel, files this Motion For Entry Of An Order Pursuant To Sections 105 And 365 Of The Bankruptcy Code (A) Authorizing The Debtor To Assume Executory Contracts Relating To Interline Agreements, Clearinghouse Agreements, The ARC Agreements, The BSP Agreements, The UATP Agreement, Code Share Agreements and the Frequent Flyer Agreements And (B) Authorizing, But Not Requiring, The Debtor To Honor Prepetition Obligations Related To Code Share Agreements, Global Distribution Systems Agreements, Multihost Agreement, Travel Agency Agreements, and The ATPCO

Agreement, In The Ordinary Course Of Business (the “Motion”) and, in support thereof, the Debtor respectfully states as follows.

I. JURISDICTION

1. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and the Motion is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. The relief requested herein is available pursuant to 11 U.S.C. §§ 105 and 365.

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”), 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 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”). 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.”

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 reflecting 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. The airline business is an interdependent industry based upon a network of agreements that govern virtually all aspects of air travel and airline operations. Without agreements for coordination between airlines and airline services, efficient service by the airline industry to the traveling public would be virtually impossible. 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 between airlines. Certain services under these agreements, such as the clearinghouse functions and nationwide reservations services, are the equivalent of industry wide “utility” services for which there is no readily available alternative. The Debtor must take immediate, active steps to preserve its loyal customer base and essential relationships with its various tour operators and travel agents, clearinghouses, other airlines with whom it has various interline agreements, commercial and/or code sharing relationships and certain other business entities.

19. In light of the foregoing, by this Motion, the Debtor requests entry of an order, pursuant to section 365(a) of the Bankruptcy Code, to assume the

Interline Agreements, the Clearinghouse Agreements, the ARC Agreements, the BSPs, the UATP Agreement, the Code Share Agreements and the Frequent Flyer Agreements (all as defined herein and, collectively, the “Assumed Contracts”). The Debtor also requests authority to honor certain prepetition obligations and to continue honoring, performing, and exercising its respective rights and obligations (whether prepetition or postpetition) in the ordinary course of business, and in accordance with, the Code Share Agreements, the GD Systems Agreements, the Multihost Agreement, the Travel Agency Agreements, and the ATPCO Agreement (all as defined herein and, collectively, the “Prepetition Obligations”). Finally, because certain of the Assumed Contracts and the Prepetition Obligations provide for an ongoing mutual billing and settlement and adjustment process that necessarily entails continuing submission of billings to the Debtor and continuing setoffs of obligations owed to and obligations owed by the Debtor, the Debtor also requests that the Court modify the automatic stay of section 362(a) of the Bankruptcy Code to the extent (but only to the extent) necessary to enable the counterparties to participate in routine billings and settlements in accordance with certain of the Assumed Contracts.

A. The Debtor Should be Authorized to Assume the Interline Agreements, the Clearinghouse Agreements, the ARC Agreements, the BSPs, the UATP Agreement, the Code Share Agreements and the Frequent Flyer Agreements.

1. Interline Agreements, Clearinghouse Agreements, the ARC Agreements and the BSPs

20. Most major air carriers participate in some form of interline agreement with other air carriers because of the tremendous operating efficiencies obtained through their usage. Pursuant to interline agreements, airlines agree to accept each other's tickets for transportation over the other carrier's system. These agreements enable carriers and travel agents to issue a single ticket that can be utilized for travel on more than one airline. Interline agreements also provide customers with the comfort of knowing that if they miss a flight or if the flight they intended to take is late or is canceled, they can use their ticket with another carrier for a substitute flight.

21. Interline agreements also facilitate the purchase of tickets via travel agents, by allowing travel agents and airlines to write tickets with itineraries that involve more than one carrier. If an interline agreement is not in place, a traveler buying a ticket directly from a carrier will be issued a ticket only for those segments of the itinerary that involve that carrier even though the desired itinerary might necessitate the use of a second carrier. Similarly, if the traveler seeks to buy a ticket from a travel agent and no interline agreement is in place, the travel agent will be required to write two tickets, thus making it significantly less convenient for the travel agent to book flights on a carrier not part of the interline system.

22. Interline agreements are also the mechanism by which passengers' luggage is transferred from one airline to another. With no interline agreement in place, a passenger of the Debtor connecting to an American Airlines flight in Los Angeles, California would have to retrieve his luggage at the Debtor's terminal in Los Angeles, California, bring it to American Airlines' Los Angeles terminal and check it there. Obviously, this is an inefficient and time-consuming process for passengers. Interline agreements permit the airlines to accomplish the transfer of luggage without unduly burdening passengers.

23. Airlines also agree to provide ground handling, special maintenance, skycap and other services for each other pursuant to interline agreements. The reciprocal exchange of such services is efficient because airlines do not have to provide ground handling and special maintenance personnel and facilities at each airport to which the carrier flies.

24. In addition to these passenger services, airlines agree to provide cargo services for each other pursuant to interline agreements. These arrangements obviate extraneous cargo handling and the need to have separate personnel and facilities devoted to cargo at each airport to which the carrier services.

25. Interline agreements take two principal forms: multilateral and bilateral. The Debtor is a party to several multilateral agreements with the International Air Transport Association ("IATA"), including, but not limited to, the IATA Membership Agreement, the Interline Traffic Participation Agreement and

the IATA Multilateral Interline Traffic Agreement - Passenger and Cargo (collectively, the “IATA Agreements”). The IATA Agreements also include the IATA Currency Clearance Service, which allows IATA to exchange certain of the Debtor’s foreign currency balances into U.S. dollars. Additionally, the Debtor is a party to multilateral agreements that are administered by the Air Transport Association of America (“ATA” and the agreements administered by the ATA are the “ATA Agreements”). In contrast, under bilateral agreements, two carriers typically contract directly for interline and other services and provide for regular periodic settlement of their accounts, either through a clearinghouse or, in some cases, directly. Under the bilateral interline traffic agreements, each party, among other things, is authorized to issue tickets for transportation of passengers and baggage over the lines of the other party (the “Interline Tickets”). The bilateral traffic agreements typically continue automatically after their stated expiration date unless they are cancelled by the Debtor or a new agreement is executed.

26. The mutual payment obligations that arise under interline agreements are settled and adjusted through clearinghouses - the IATA Clearinghouse (the “ICH”) and Airline Clearing House, Inc. (“ACH”). ACH conducts settlements primarily for participating carriers based in the United States and other countries in the Western Hemisphere. The ICH conducts settlements primarily for carriers based in other countries. ACH and ICH are collectively referred to herein as the “Clearinghouses.” As a participant in both Clearinghouses, the Debtor settles

interline obligations with other ACH participants through ACH and settles interline obligations with other ICH participants through ICH.

27. The Debtor's business requires continued and uninterrupted participation and compliance with the ACH and ICH clearinghouse agreements, the IATA Agreements and the ATA Agreements (collectively, the "Clearinghouse Agreements").

28. The voluminous number of interline agreements in existence between the Debtor and other carriers has made it virtually impossible to identify each and every interline agreement to which the Debtor is a party. The Debtor, however, has attached hereto and incorporated herewith as Exhibit A a list of all, or most of, the Debtor's bilateral and multilateral interline agreements (the "Interline Agreements") and the Clearinghouse Agreements.

29. On a monthly basis, the Clearinghouses aggregate the amounts invoiced by other carriers to the Debtor, and by the Debtor to other carriers, and calculate a net balance. Amounts invoiced for any given month are generally submitted to the Clearinghouses during the immediately following month. Once the net balance is calculated, the Clearinghouses notify the Debtor of the result. For any given month, the Debtor may be required to make net payments to the other participants in the Clearinghouses or they may be entitled to receive net payments from the other participants in the Clearinghouses.

30. In addition to the foregoing, the Debtor also has Interline Agreements with a small number of carriers that do not settle accounts through either of the Clearinghouses. These airlines bill the Debtor and are billed by the Debtor directly each month.

31. From January, 2002 to January, 2003, the Debtor received cumulative net settlement interline payments of approximately \$27.9 Million and \$8.2 Million through ACH and ICH, respectively. The Debtor is typically a net creditor under the Clearinghouse Agreements because the Debtor and its agents issue fewer interline tickets providing for transportation on other airlines than other airlines and their agents issue for transportation on the Debtor's flights. Clearinghouse settlements, which occur monthly, are based on unaudited (and in some cases estimated) billings. As a result, billings that have been settled through the Clearinghouses remain subject to audit and adjustments under rejection/chargeback, rebilling and dispute resolution procedures set forth in applicable Clearinghouse rules.

32. The Debtor's Interline Agreements and Clearinghouse Agreements are critical to the Debtor's business operations. The Debtor's inability to preserve such agreements would render it impossible to serve ticketed passengers on other carriers where the trip was comprised of one or more segments not flown by the Debtor. Similarly, other carriers would be unable to ticket passengers on a segment flown only by the Debtor. It is essential to the Debtor's operations that it is assured

of uninterrupted participation under the Interline Agreements and Clearinghouse Agreements.

33. As noted above, the Debtor settles with other Clearinghouse participants on a monthly basis and is not in default under any of the Interline Agreements or Clearinghouse Agreements. By this Motion, the Debtor requests authority to assume the Interline Agreements and Clearinghouse Agreements and cure any defaults thereunder in the ordinary course of business, including permitting interline creditors to complete mutual pre- and postpetition offsets. To the extent any such defaults exist, the Debtor has provided adequate assurance of future performance under Section 365(b)(1)(C) of the Bankruptcy Code because the Debtor has met all of its obligations to these entities and expects to meet all such obligations in the future. Further, as a function of the clearinghouse relationship, ACH and ICH are, or will be, in possession of money owed to the Debtor. Finally, the Debtor has more than sufficient cash on hand to satisfy all of its ongoing obligations to such entities. As a result, the Debtor requests authority to assume the Interline Agreements and the Clearinghouse Agreements and cure any defaults.

34. The Debtor is also party to certain agreements involving Airlines Reporting Corporation (“ARC”). ARC is composed of an aggregation of two types of contractual agreements. The first is the Carrier Services Agreement, as amended (the “CSA”), which is an agreement between ARC and a participating

carrier. The second is the Agent Reporting Agreement (“ARA” and together with the CSA, the “ARC Agreements”), which is an agreement between ARC, the parties to the CSA and the travel agents. There are also parallel agreements concerning corporate travel departments and sovereign entities, which are collectively referred to as the “ARA.” The Debtor is a party to both the CSA and the ARA.

35. The Debtor is also a party to certain IATA Billing and Settlement Plans (the “BSPs”), which are similar to contracts with the ARC. BSPs are organized to facilitate sales by foreign travel agents of the Debtor’s transportation services and are the means by which payments for tickets sold by foreign travel agents are settled.

36. ARC and the BSPs serve as clearinghouses. They remit funds owing to carriers from travel agencies and corporate travel departments and offset against this amount the refund claims of, and commissions claimed by, any travel agency claiming to be owed net refunds and/or commissions, and they pay these amounts to the travel agencies seeking refunds and/or commissions. They also bill credit card transactions on behalf of the carriers.

37. The majority of travel agents located in the United States are members of ARC. ARC is the mechanism through which travel agents and airlines settle accounts for tickets sold, accepted for exchange, or refunded by travel agents. Under the ARC Agreements, all participating agents’ obligations to, and claims

against, the carriers are netted against one another, and the net amounts due to the airlines and from the travel agencies are paid in lump sums.

38. All transactions with standard commissions are processed through the ARC. The Debtor has “plating agreements” with each travel agent, which allows the travel agents to “plate” (i.e., issue tickets) on Hawaiian Airlines and receive any applicable commissions.

39. The Debtor must sustain the confidence of these travel agencies so that the agents will continue to sell the Debtor’s services to the traveling public. Assuming the ARC Agreements and the BSP agreements is essential to the Debtor’s continued conduct of business with travel agents. The sales revenue generated by these travel agents is far in excess of the aggregate prepetition claims related to the ARC Agreements and the BSPs.

40. If the Debtor is not allowed to assume its obligations under the ARC Agreements and the BSP agreements, ARC or the BSPs could attempt to suspend offsets of prepetition travel agency refund claims that have not been processed before the Petition Date, as was done in the Eastern Airlines bankruptcy case. As more specifically explained below, the Debtor requests that the Court modify the automatic stay to the extent necessary to permit ARC and the BSPs to follow its normal procedures for settling accounts.

41. Permitting these offsets will generate substantial additional travel agency remittances to the Debtor. The Debtor believes that in the context of a

bankruptcy, travel agents - even those who on the Petition Date are not owed any refunds - will not remit the full amount of their receipts from postpetition sales. They may do this because they wish, by self-help, to establish a reserve against the possibility that they will subsequently be asked by their customers to make refunds of prepetition tickets.

42. The Debtor is a net creditor of travel agents through ARC and the BSPs. The Debtor has consistently been owed more money through ARC and the BSPs than they have owed in respect of commissions and ticket refunds. The Debtor is not in default under any of those agreements.

43. By this Motion, the Debtor requests authority to assume the ARC Agreements, and the BSPs and cure any defaults thereunder in the ordinary course of business, including permitting the completion of any mutual offsets. Exhibit A, attached hereto contains a complete list, or most of, the ARC Agreements and BSP's that the Debtor seeks to assume by this Motion. To the extent any defaults exist in connection with the ARC Agreements, and the BSPs, the Debtor has provided adequate assurance of future performance under Section 365(b)(1)(C) of the Bankruptcy Code because the Debtor has met all of its obligations to these entities and expects to meet all such obligations in the future. Further, the Debtor has more than sufficient cash on hand to satisfy all of its ongoing obligations to such entities.

2. UATP Agreement

44. The Universal Air Travel Plan (the “UATP”) is a program under which participating “contractor” airlines, issue “Air Travel Cards” (the “UATP Cards”) to corporate subscribers, whose personnel can use the cards to pay for tickets and other travel services purchased through participating airlines (“ticketors”) and through travel agents. Under the Amended and Restated UATP Participation Agreement (the “UATP Agreement”), the Debtor honors UATP Cards (cards issued by other contractors). The Debtor does not issue its own UATP Cards.

45. Information on ticket purchases charged to the UATP Card is processed through the Air Travel Card Acquiring Network (“ATCAN”). ATCAN electronically gathers information on sales charged to the UATP card and consolidates the information for reporting to the respective UATP contractors.

46. UATP participants settle with one another through ACH and/or ICH. For example, when a passenger purchasing a ticket issued by Hawaiian Airlines charges the ticket on a UATP card issued by Delta, Hawaiian Airlines will bill and collect from Delta through ACH. The Debtor’s participation in UATP accounts for approximately 2% of all of the Debtor’s ticket sales paid for with credit cards.

47. The Debtor’s participation in UATP is a source of passengers and revenue for the Debtor. Therefore, by this Motion, the Debtor requests authority to

assume the UATP Agreement. No defaults exist under the UATP Agreement. The Debtor, however, has provided adequate assurance of future performance under section 365(b)(1)(C) of the Bankruptcy Code because the Debtor has met all of its obligations to these entities and expects to meet all such obligations in the future. Further, the Debtor have more than sufficient cash on hand to satisfy all of its ongoing obligations to such entities. As a result, the Debtor requests authority to assume the UATP Agreement and cure all defaults.

3. Code Share Agreements

48. The Debtor has a Code Share Agreement (as defined herein) with Alaska Airlines, America West Airlines, American Airlines, Continental Airlines and Northwest Airlines. The Code Share Agreements allow the airlines to code share and share efficiencies of lounges and frequent flyer loyalty. The Code Share Agreements contribute approximately \$16 million in incremental revenue each year.

49. By this Motion, the Debtor requests authority to assume the Code Share Agreements. A complete list of the Code Share Agreements is contained on Exhibit A hereto. No defaults exist under the Code Share Agreements. The Debtor, however, has provided adequate assurance of future performance under section 365(b)(1)(C) of the Bankruptcy Code because the Debtor has met all of its obligations to these entities and expects to meet all such obligations in the future.

Further, the Debtor has more than sufficient cash on hand to satisfy all of its ongoing obligations to such entities.

4. *Frequent Flyer Agreements*

50. The Debtor has entered into agreements with several other airlines in which the parties have agreed to honor and accept each others' frequent flyer programs (the "Frequent Flyer Agreements"). The Debtor has Frequent Flyer Agreements with Alaska Airlines, American Airlines, America West Airlines, Continental Airlines, Northwest Airlines, and Virgin Atlantic Airlines. When the Debtor's customers fly on any of these other airlines, they may earn miles under the Debtor's frequent flyer program, HawaiianMiles.¹ Consequently, assumption and continuation of the Frequent Flyer Agreements would permit the Debtor to offer better service and enables the Debtor and the other airlines to more effectively compete in the marketplace.

51. In addition to having obligations to honor and accept the other airlines' frequent flyer programs, the Frequent Flyer Agreements generally obligate the Debtor to market the other airlines' frequent flyer programs. However, the minimal expense of including the other airlines' frequent flyer programs in the Debtor's promotional materials is insignificant in comparison to the goodwill and

¹ Except on Continental and American, where the agreement only allows Hawaiian Airlines passengers to earn miles on Continental or American but not the other way around.

efficiency of service that the Frequent Flyer Agreements offer the Debtor's customers.

52. Because of the importance of the Frequent Flyer Agreements to the Debtor's continued goodwill in the marketplace and ongoing business operations, the Debtor respectfully requests the authority to honor its prepetition obligations under the Frequent Flyer Agreements and assume the Frequent Flyer Agreements. A complete list of the Frequent Flyer Agreements that the Debtor seeks to assume is contained on Exhibit A hereto.

B. The Debtor Should be Authorized to Honor Certain Prepetition Obligations.

53. The Debtor is party to numerous code share agreements, global distribution systems agreements, multihost agreements, travel agency agreements, and airline publishing agreements (each as more fully described herein). Each of these agreements is essential to the Debtor's businesses. If the Debtor were to lose these relationships, its revenue would suffer and its ability to continue to operate within the airline industry and, thus, reorganize, would be in jeopardy. The Debtor believes that if it does not have the ability to pay the Prepetition Obligations relating to these agreements in the ordinary course of business, the counterparties may not have any incentive to continue to provide services to the Debtor or may attempt unilateral self-help measures to protect their interests. Regardless of whether such actions are legally proper, any disruption in the Debtor's businesses,

even for a short time, could be catastrophic. As a result, it is essential that the Debtor be given authority, but not the direction, to pay the Prepetition Obligations in the ordinary course of business.

1. Global Distribution Systems Agreements and Network Agreements

54. In the course of its business, the Debtor uses one or more global distribution systems (“GD Systems”), which are computer systems in travel agencies that store information about available passenger air transportation. The GD Systems enable travel agents to accept and record bookings of those services from remote locations. Carriers, including the Debtor, have agreements pursuant to which their flight schedules, fare information, and seat availability are included in the databases of the GD Systems (collectively, the “GD Systems Agreements”).

55. Sales made through travel agents comprise approximately 37% of the Debtor’s air passenger transportation sales. Essentially all travel agents in the United States employ GD Systems. The major domestic GD Systems include SABRE systems, Worldspan, L.P. and Galileo (including Apollo North America and Galileo International) Amadeus Marketing S.A.R.L. The major international GD Systems include Axxess, Infini and Topaz.

56. In addition to storing information, the GD Systems also allow travel agents to make and confirm reservations, print and issue tickets automatically and do the travel agencies’ internal accounting.

57. If an airline does not have the use of GD Systems in order to book travel on that airline, travel agents must either know about the flight or independently look it up, call the airline, write the ticket manually, and complete the related accounting unassisted. The amount of effort involved in completing such a reservation makes it unlikely that travel agents would use unlisted airlines. The Debtor pays an average of approximately \$300,000 per month relating to the GD Systems. The GD Systems are paid through the airline clearinghouses. Without the GD Systems, the Debtor would not be able to generate appreciable revenue from travel agencies. As a result, the continued use of GD Systems is essential to the Debtor's business operations. Accordingly, the Debtor seeks authority, but not direction, to pay prepetition obligations related to the GD Systems and to continue honoring the GD Systems Agreements in the ordinary course of business.

58. Additionally, in order to conduct the basic processes of the Debtor's business, it must provide reservations processing, ticketing, inventory, schedules, airport check-in and numerous other operational systems. These systems are supported through a multihost agreement (the "Multihost Agreement") with SABRE. Without the continuation of these services, it is unlikely that the airline would be able to operate. Currently, the Multihost Agreement has been averaging approximately \$350,000 per month and the billing cycle is generally one month in arrears. As a result of the Multihost Agreement, the Debtor is able to generate

approximately 35% of its revenue per year. Accordingly, the Debtor seeks authority, but not direction, to pay prepetition obligations to SABRE under the Multihost Agreement and to continue honoring the Multihost Agreement in the ordinary course of business.

2. *Travel Agency Agreements*

59. The continued support of travel agents is essential to the Debtor's successful reorganization. The Debtor is a party to additional agreements related to its travel agency network. Specifically, the Debtor is a member of or party to: (a) the standard commission agreements; (b) block seat agreements; (c) general sales agents override agreements; (d) travel agency incentive agreements; and (e) ticket broker consolidators agreements.

60. Travel agents deduct applicable commissions when they sell airline tickets (the "Standard Commission Agreements"). The travel agent then remits the balance to the Debtor (directly or indirectly through ARC) or, in the case of travel agents located outside of the United States, through the BSPs.

61. As stated above, ARC and the BSPs serve as clearinghouses. They remit monies owing to carriers from travel agents and offset against this amount the refund claims of any travel agent claiming to be owed net refunds. They also bill credit card transactions on behalf of the carriers.

62. Consistent with most other airlines, the Debtor sells its tickets directly and through travel agents. During the previous year, approximately 37% of all the Debtor's tickets sales were made by travel agents. On June 24, 2002, commissions were eliminated for all domestic and Canadian point-of-sale agencies, except certain internet agencies and wholesalers with specific arrangements with the Debtor. Currently, the international point-of-sale commissions range from 5% to 7%.

63. The Debtor also has agreements pursuant to which certain travel agencies have the right to sell blocks of the Debtor's seats on certain flights (the "Block Seat Agreements"). The travel agencies are then entitled to either utilize a negotiated fare or earn an incentive bonus based upon their sales pursuant to the Block Seat Agreements.

64. The Debtor has exclusive territory agreements with various persons known as general sales agents ("GSAs") under which the Debtor has made each GSA its exclusive sales agent in a certain geographic region (the "GSA Override Agreements"). The purpose of the GSA Override Agreements is to allow the Debtor to sell tickets in foreign locations that are not normally serviced by the Debtor. The services of the GSAs allow the Debtor to realize ticket sales through the issuance of multi-carrier itineraries. The revenue generated from the GSA Override Agreements from January 1, 2002 through December 31, 2002 was approximately \$1 million.

65. The Debtor also has travel agency incentive agreements (collectively, the “TAI Agreements”) -who earn additional compensation for reaching certain ticket sales goals, in addition to any standard commissions.

66. Travel agency incentive bonuses are generally payable on a quarterly basis and are paid directly by the Debtor to the travel agents. The Debtor estimates that accrued, but unpaid travel agency incentive bonuses, including incentive payments to GSAs, for 2002, are approximately \$4.2 million. However, the revenue generated from the travel agencies with TAI Agreements from January 1, 2002 through December 31, 2002 was approximately \$139 million.

67. Additionally, the Debtor’s tickets are sold through ticket brokerage consolidators and through on-line ticket brokerage consolidators, such as Priceline.com, Travelocity.com, Orbitz.com, Expedia and Travelscape.com (the “Ticket Brokerage Consolidators”). The Debtor’s agreements with the Ticket Brokerage Consolidators are “cleared” through ARC. The sales revenue generated by these agreements is far in excess of the aggregate prepetition claims related to the Ticket Brokerage Consolidators. Therefore, the Debtor seeks authority, but not direction, to honor the prepetition obligations to the Ticket Brokerage Consolidators and to continue to use the Ticket Brokerage Consolidators in the ordinary course of business.

68. Honoring prepetition obligations related to the Standard Commission Agreements, the Block Seat Agreements, the GSA Override Agreements, the TAI

Agreements and the Ticket Brokerage Consolidators (collectively, the “Travel Agency Agreements”) is essential to the Debtor’s continued conduct of business with travel agents. The Debtor must sustain the confidence of these travel agencies, so that the agents will continue to sell the Debtor’s services to the traveling public. The sales revenue generated by these travel agents is far in excess of the aggregate prepetition claims related to these agreements.

69. The Debtor, therefore, requests authority, but not direction, to honor prepetition obligations under the Travel Agency Agreements and to continue to honor the Travel Agency Agreements in the ordinary course of business.

3. ATPCO Agreement

70. Airline Tariff Publishing Company (“ATPCO”) facilitates the publication of airline tariff filings that are communicated by ATPCO to ticket vendors. The Debtor relies on ATPCO to distribute changes to the Debtor’s fares and rules to global distribution systems in a timely manner. This process is crucial to the Debtor’s marketing efforts and ability to sell tickets in the market place.

71. The Debtor’s cargo division also utilizes ATPCO to file domestic freight tariffs and rates. The publication of the tariff fulfills a vital function for the Debtor. The total amount owed to ATPCO was approximately \$51,000 as of January 1, 2003, and the ATPCO bills are one month in arrears. Given its function to assist the Debtor’s marketing and ticket sales, ATPCO is essential to the

Debtor's business. Therefore, the Debtor seeks authority, but not direction, to pay prepetition obligations to the ATPCO and to continue to use the ATPCO in the ordinary course of business.

72. Ground Handling Agreements, Into-Plane Service Agreements, and Security Services Agreements. The Debtor has agreements with Globe Ground North America, Northwest Airlines, Delta Airlines, United Airlines, Inc., Execair Maintenance Inc., America West Airlines and other parties to provide ground handling, into-plane services, and above and below wing services ("Ground Handling Agreements"). Additionally, the Debtor has agreements with Huntleigh USA Corp., Aviation Safeguards LAX, Sierra Aviation Group and other parties for security services ("Security Services Agreements"). These arrangements are essential to the Debtor's business because these parties issue tickets, check in passengers, board passengers, and perform other critical functions in locations where Debtor does not have employees that perform these functions. These arrangements are essential to the Debtor's business because these parties issue tickets, check-in passengers, board passengers, and perform other critical functions in locations where the Debtor's do not have employees that perform these functions. The Debtor also has contracts with certain hotels to provide lodging for its crews at negotiated favorable rates (the "Crew Hotel Agreements"). The Debtor seeks to insure that its flight attendants and pilots have a place to stay for their duty rest required by the regulatory agencies. In order to insure that its employees

continue to have access to these hotels and to preserve the savings to the Debtor that the discounted rates provide, the Debtor is seeking authorization, but not direction, to pay prepetition amounts due to the hotels in the ordinary course of business.

C. Honoring Checks and Fund Transfers Related to the Motion

73. The Debtor also requests 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 Petition Date; 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. BASIS FOR RELIEF

74. Section 365(a) of the Bankruptcy Code provides that a debtor in possession, "subject to the court's approval, may ... reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). The decision to assume or reject an executory contract or unexpired lease is a matter within the "business

judgment” of the debtor. *See, Durkin v. Bendor Corp. (In re G.I. Industries, Inc.)*, 204 F.3d 1276, 1282 (9th Cir. 2000); *National Labor Relations Board v. Bildisco (In re Bildisco)*, 682 F.2d 72, 79 (3d Cir. 1982) (“The usual test for rejection of an executory contract is simply whether rejection would benefit the estate, the ‘business judgment’ test.”) *aff’d sub nom*, 465 U.S. 513 (1984); *In re Hawaii Dimensions, Inc.*, 47 B.R. 425, 427 (D. Haw. 1985). This “business judgment” is not a strict standard; it merely requires a showing that either assumption or rejection of the lease or contract will benefit the debtor’s estate. *Borman’s, Inc. v. Allied Supermarkets, Inc.*, 706 F.2d 187, 189 (6th Cir. 1983).

75. It is clear that the Assumed Contracts are executory contracts under section 365 of the Bankruptcy Code because numerous parties have continuing obligations to perform under the Assumed Contracts. Because of the importance of the Assumed Contracts to the Debtor’s business, and because performance of the Assumed Contracts has and will be beneficial and profitable to the Debtor and its estate, the assumption of these contracts represents sound business judgment and, therefore, should be approved by the Court.

76. The Court has the authority to allow the Debtor to pay the Prepetition Obligations under the Court’s general equitable powers codified in section 105(a) of the Bankruptcy Code, which empowers the Court to “issue any Order, process, or judgment that is necessary to carry out the provisions of this title.” 11 U.S.C. § 105(a).

77. In addition, the Court may rely upon the “necessity of payment” doctrine to authorize the Debtor to honor the Prepetition Obligations. In further support of the Motion, the Debtor has filed with the Court a Consolidated Memorandum of Law in Support of Motions of Debtor for Orders Authorizing Payment of Certain Prepetition Claims.

78. Because the Interline Agreements, the Clearinghouse Agreements, the UATP Agreement, the ARC Agreements and the BSPs provide for an ongoing mutual billing and settlement and adjustment process that necessarily entails continuing submission of billings to the Debtor and continuing setoffs of obligations owed to and obligations owed by the Debtor, the Debtor also requests that the Court modify the automatic stay of section 362(a) of the Bankruptcy Code to the extent (but only to the extent) necessary to enable the counterparties to participate in routine billings and settlements in accordance with the Interline Agreements, the Clearinghouse Agreements, the UATP Agreement, the ARC Agreements and the BSPs. Under section 362(d) of the Bankruptcy Code, the Court is authorized to modify the automatic stay “for cause.” In this case, the cause for modifying the stay is a direct function of the Debtor’s assuming the Interline Agreements, the Clearinghouse Agreements, the UATP Agreement, the ARC Agreements and the BSPs. Reciprocal billing, setoffs and net settlement are an essential part of these agreements. Neither the Debtor nor the counterparties can perform under any of these agreements unless they can submit and settle their

mutual obligations as the agreements require. Thus, the automatic stay should be modified (as it has been in numerous chapter 11 cases involving air carriers as debtors) to the extent necessary to accommodate ordinary course billing and settlement under the Interline Agreements, the Clearinghouse Agreements, the UATP Agreement, the ARC Agreements and the BSPs.

79. Similar relief as requested herein has been granted in other airline cases. *See In re United Airlines Corp.*, Case No. 02-48191 (Bankr. N.D. Ill. Dec. 9, 2002); *In re U.S. Airways Group, Inc.*, Case No. 02-83984 (SSM) (Bankr. E.D. Va. Aug. 12, 2002 and Sep. 5, 2002); *In re Trans World Airlines, Inc.*, Case No. 01-00056 (PJW) (Bankr. D. Del. Jan. 10, 2001); *In re Trans World Airlines, Inc.*, Case No. 92-115 (Bankr. D. Del. Jan. 31, 1992); *In re America West Airlines, Inc.*, Case No. 91-07505-PHXRGGM (Bankr. D. Ariz. June 27, 1991); *In re Pan Am Corporation*, Case Nos. 91 B 10080-10087 (Bankr. S.D.N.Y. Jan. 29, 1991); *In re Continental Airlines, Inc.*, Case Nos. 90-932-980 (Bankr. D. Del. Dec. 28, 1990).

80. The Prepetition Obligations represent a small percentage of the Debtor's total prepetition claims and their satisfaction contributes greatly to the revenue-generating capability of the Debtor. Honoring the Prepetition Obligations will enable the Debtor to provide a high level of service and to retain the confidence and goodwill of travelers, travel agents and other service providers. Absent such relief, the value of the Debtor's estate will suffer.

V. NOTICE

81. 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.

VI. NO PRIOR REQUEST

82. No prior motion for the relief requested herein has been made to this Court or any other court.

WHEREFORE, the Debtor requests that the Court enter an Order, substantially in the form attached hereto, (a) authorizing it to assume the Assumed Contracts, (b) authorizing, but not directing, it to pay prepetition obligations and to continue honoring, performing, and exercising its rights and obligations (whether prepetition or postpetition) in the ordinary course of business to, and in accordance with, the Prepetition Obligations, (c) modifying the automatic stay of section 362(a) of the Bankruptcy Code to the extent (but only to the extent) necessary to enable the counterparties to participate in routine billings and settlements in accordance with the terms of those agreements, and (d) granting such further relief as is just and proper.

Respectfully submitted this 21st day of March, 2003.

By: Nicholas C. Dreher
NICHOLAS C. DREHER, ESQ.
THEODORE D.C. YOUNG, ESQ.
CADES SCHUTTE
A Limited Liability Law Company

and

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

Proposed Counsel for Debtor and Debtor in
Possession

EXHIBIT A

CONTRACTS TO BE ASSUMED

Interline Agreements:

1. **Aero California** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Aero California.
2. **Air Caledonie International** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Air Caledonie International.
3. **Air Canada** – Bilateral Prorate Agreement between Air Canada and Hawaiian Airlines, Inc.
4. **Air France** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Société Air France.
5. **Air Liberte** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Societe d-Exploitation AOM-Air Liberte.
6. **Air Marshall Islands** – Bilateral Cargo Prorate Agreement between Hawaiian Airlines, Inc. and Air Marshall Islands.
7. **Air New Zealand Limited and Ansett Australia** – Multilateral Prorate Agreement between Hawaiian Airlines, Inc. and Air New Zealand Limited and Ansett Australia.
8. **Air Pacific Ltd.** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Air Pacific Ltd.
9. **Air Tahiti Nui** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Air Tahiti Nui.
10. **Alaska Airlines, Inc.** – Multilateral Prorate Agreement between Hawaiian Airlines, Inc. and Alaska Airlines, Inc.
11. **Alaska Airlines Cargo** – Cargo Prorate Agreement between Hawaiian Airlines, Inc. and Alaska Airlines Cargo.
12. **Aloha Airlines Cargo** – Cargo Prorate Agreement between Hawaiian Airlines, Inc. and Aloha Airlines Cargo.
13. **All Nippon Airways Co., Ltd.** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and All Nippon Airways Co., Ltd.

14. **America West Airlines Cargo** – Cargo Interline Agreement between Hawaiian Airlines, Inc. and America West Airlines.
15. **America West Airlines, Inc.** – Bilateral Vusa Agreement between Hawaiian Airlines, Inc. and America West Airlines, Inc.
16. **American Airlines, Inc.** – Addendum to the Meeting, Convention and Incentive Group Travel Agreement between Hawaiian Airlines, Inc. and American Airlines, Inc.
17. **American Airlines, Inc.** – Bilateral Prorate Agreement for Domestic Joint Fares between Hawaiian Airlines, Inc. and American Airlines, Inc.
18. **American Airlines, Inc. and TWA, LLC** – Multi-Lateral Prorate Agreement between Hawaiian Airlines, Inc., American Airlines, Inc. and TWA, LLC.
19. **American Airlines, Inc.** – Interline Special Prorate Agreement – Cargo between American Airlines, Inc. and Hawaiian Airlines, Inc.
20. **Asiana Airlines, Inc.** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Asiana Airlines, Inc.
21. **Avianca, S.A.** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Avianca, S.A.
22. **Big Sky Airlines** – Standard Interline Agreement for Employee Reduced Fare Travel between Hawaiian Airlines, Inc. and Big Sky Airlines.
23. **China Airlines** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and China Airlines.
24. **Conair, Inc.** – Interline Traffic Agreement between Hawaiian Airlines, Inc. and Conair, Inc.
25. **Continental Airlines, Inc.** – Special Prorate Agreement between Hawaiian Airlines, Inc. and Continental Airlines, Inc.
26. **Compania Mexicana de Aviacion** – Prorate Agreement between Compania Mexicana de Aviacion and Hawaiian Airlines, Inc.
27. **Compania Panamena de Aviacion, S.A.** – Prorate Agreement between Hawaiian Airlines, Inc. and Compania Panamena de Aviacion, S.A.
28. **Delta Air Lines** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Delta Air Lines.
29. **Eagle Canyon Airlines, and Scenic Airlines** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Eagle Canyon Airlines, and Scenic Airlines.

30. **Eva Airways Corporation** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Eva Airways Corporation.
31. **Eva Air** – Bilateral Cargo Prorate Agreement between Hawaiian Airlines, Inc. and Eva Air.
32. **Frontier Airlines , Inc.** – Cargo Prorate Agreement between Hawaiian Airlines, Inc. and Frontier Airlines, Inc.
33. **Gulf Air Company G.S.C.** – Special Prorate Agreement between Hawaiian Airlines, Inc. and Gulf Air Company G.S.C.
34. **Japan Airlines Company, Ltd. and Jalways Co. Ltd.** – Multilateral Prorate Agreement between Hawaiian Airlines, Inc. and Japan Airlines Company, Ltd. and Jalways Co. Ltd.
35. **Korean Air Lines Co. Ltd.** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Korean Air Lines Co. Ltd.
36. **Lanchile S.A.** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Lanchile S.A.
37. **Lufthansa Cargo** – Special Prorate Agreement for Cargo between Hawaiian Airlines, Inc. and Lufthansa Cargo.
38. **Lufthansa German Airlines** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Lufthansa German Airlines.
39. **Midwest Express Airlines, Inc.** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Midwest Express Airlines, Inc.
40. **National Airlines, Inc.** Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and National Airlines, Inc.
41. **KLM Royal Dutch Airlines and Northwest Airlines, Inc.** – Multilateral Prorate Agreement between Hawaiian Airlines, Inc., KLM Royal Dutch Airlines and Northwest Airlines, Inc.
42. **Pacific Wings** – Interline Traffic Agreement – Passenger between Hawaiian Airlines, Inc. and Pacific Wings.
43. **Philippine Airlines Inc.** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Philippine Airlines Inc.
44. **Polynesian Limited** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Polynesian Limited.
45. **Premier Trans Aire** – Cargo Interline Agreement between Hawaiian Airlines, Inc. and Premier Trans Aire.

46. **Qantas Airways Limited** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Qantas Airways Limited.
47. **Royal Tongan Airlines** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Royal Tongan Airlines.
48. **Singapore Airlines** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Singapore Airlines.
49. **Transair** – Cargo Prorate Agreement between Hawaiian Airlines, Inc. and Transair.
50. **United Airlines, Inc.** Passenger Prorate Agreement between Hawaiian Airlines, Inc. and United Airlines, Inc.
51. **US Airways, Inc.** – Cargo Carriage Agreement between Hawaiian Airlines, Inc. and US Airways, Inc.
52. **Virgin Atlantic Airways and Virgin Holidays** – Bilateral Prorate Agreement between Hawaiian Airlines, Inc. and Virgin Atlantic Airways and Virgin Holidays.

Clearinghouse Agreements:

52. **Airlines Clearing House, Inc.** – Agreement relating to the Settlement of Interline Accounts through Airlines Clearing House, Inc.
53. **Airlines Clearing House, Inc.** – Interline Traffic Agreement – Passenger/IATA Resolution 780, Attachment ‘A’.
54. **Airlines Clearing House, Inc.** – Interline Traffic Agreement – Cargo/IATA Resolution 660, Attachment ‘A’.
55. **International Air Transport Assn.** – Interline Cargo Handling Agreement between Hawaiian Airlines, Inc. and International Air Transport Assn.
56. **International Air Transport Assn.** – Interline Baggage Agreement between Hawaiian Airlines, Inc. and International Air Transport Assn.
57. **International Air Transport Assn.** – Interline Traffic Agreement between Hawaiian Airlines, Inc. and International Air Transport Assn.

ARC Agreements:

58. **Airlines Reporting Corporation** – Airlines Reporting Corporation Carrier Service Agreement between Hawaiian Airlines, Inc. and Airlines Reporting Corporation.

BSP's:

- 59. **Bank Settlement Plan Australia** – Application and Concurrence Form..
- 60. **International Air Transport Association** – Application by a Hawaiian Airlines, Inc. to Participate in the Standard Bank Settlement Plan/New Zealand.
- 61. **International Air Transport Association** – Counterindemnity Agreement Relating to the Operation of Bank Settlement Plan Bank Accounts by IATA.
- 62. **French Overseas Territories** - Form of Concurrence Agreement between Hawaiian Airlines, Inc. and French Overseas Territories.
- 63. **U.S./Papeete** - Form of Concurrence Agreement between Hawaiian Airlines, Inc. and U.S./Papeete.
- 64. **Banque of Tahiti** - Form of Concurrence Agreement between Hawaiian Airlines, Inc. and Banque of Tahiti.
- 65. **The Dai-Ichi Kangyo Bank, Ltd. of Tokyo, Japan and DKB Computer Service Limited of Tokyo, Japan** – BSP Airline/Clearing Bank Bilateral Agreement between Hawaiian Airlines, Inc. and The Dai-Ichi Kangyo Bank, Limited of Tokyo, Japan and DKB Computer Service Limited of Tokyo, Japan.

Universal Air Travel Plan:

- 66. **Universal Air Travel Plan** – Access Request Agreement and Application between Hawaiian Airlines, Inc. and Universal Air Travel Plan.

Code Share Agreements:

- 67. **Alaska Airlines, Inc.** – Code Share Agreement between Hawaiian Airlines, Inc. and Alaska Airlines, Inc.
- 68. **America West Airlines, Inc.** – Amended and Restated Commercial Cooperation Agreement between Hawaiian Airlines, Inc. and America West Airlines, Inc.
- 69. **American Airlines, Inc.** – Code Sharing Agreement between Hawaiian Airlines, Inc. and American Airlines, Inc.

70. **Continental Airlines, Inc.** – Alliance Agreement between Hawaiian Airlines, Inc. and Continental Airlines, Inc.
71. **Northwest Airlines, Inc.** – Cooperative Marketing Agreement between Hawaiian Airlines, Inc. and Northwest Airlines, Inc.

Frequent Flyer Agreements:

74. **Alaska Airlines, Inc.** – Hawaiian Miles Participating Carrier Agreement between Alaska Airlines, Inc. and Hawaiian Airlines, Inc.
75. **American Airlines, Inc.** – AAdvantage Participating Carrier Agreement between Hawaiian Airlines, Inc. and American Airlines, Inc.
76. **America West Airlines** – Frequent Flyer Participation Agreement between Hawaiian Airlines, Inc. and America West Airlines.
77. **Continental Airlines, Inc.** – One Pass Agreement between Hawaiian Airlines, Inc. and Continental Airlines, Inc.
78. **Northwest Airlines, Inc.** – World Perks Program Partner Agreement between Northwest Airlines, Inc. and Hawaiian Airlines, Inc.
79. **Virgin Atlantic Airways Limited** – Participant Contract between Virgin Atlantic Airways Limited and Hawaiian Airlines, Inc.
80. **Virgin Atlantic Airways Limited** – Accrual & Award Agreement between Hawaiian Airlines, Inc. and Virgin Atlantic Airways Limited.

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)
)
) **ORDER GRANTING DEBTOR'S**
) **MOTION FOR ENTRY OF AN ORDER**
) **PURSUANT TO SECTIONS 105 AND 365**
) **OF THE BANKRUPTCY CODE (A)**
) **AUTHORIZING THE DEBTOR TO**
) **ASSUME EXECUTORY CONTRACTS**
) **RELATING TO INTERLINE**
) **AGREEMENTS, CLEARINGHOUSE**
) **AGREEMENTS, THE ARC**
) **AGREEMENTS, THE BSP**
) **AGREEMENTS, THE UATP**
) **AGREEMENT, THE CODE SHARE**
) **AGREEMENTS AND THE FREQUENT**
) **FLYER AGREEMENTS AND (B)**
) **AUTHORIZING, BUT NOT**
) **REQUIRING, THE DEBTOR TO**
) **HONOR PREPETITION OBLIGATIONS**
) **RELATED TO CODE SHARE**
) **AGREEMENTS, GLOBAL**
) **DISTRIBUTION SYSTEMS**
) **AGREEMENTS, MULTIHOST**
) **AGREEMENT, TRAVEL AGENCY**
) **AGREEMENTS, AND THE ATPCO**
) **AGREEMENT, IN THE ORDINARY**
) **COURSE OF BUSINESS**
)
) Date: March 21, 2003
) Time:
) Judge: Hon. Robert J. Faris
)

Upon the motion of Hawaiian Airlines, Inc. (the “Debtor”), the debtor and debtor in possession in the above-captioned chapter 11 case, for entry of an order pursuant to sections 105 and 365 of the Bankruptcy Code (A) authorizing the debtor to assume executory contracts relating to Interline Agreements, Clearinghouse Agreements, the ARC Agreements, the BSP Agreements, the UATP Agreement, Code Share Agreements and the Frequent Flyer Agreements and (B) authorizing, but not requiring, the Debtor to honor prepetition obligations related to Code Share Agreements, Global Distribution Systems Agreements, Multihost Agreement, Travel Agency Agreements, and the ATPCO Agreement, in the ordinary course of business; the Court finds that (i) it has jurisdiction over the 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,

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is GRANTED in its entirety.

2. The Assumed Contracts are assumed by the Debtor effective as of the date of this Order.

3. The Debtor shall cure any defaults under the Assumed Contracts, and shall pay any other amounts necessary to assume the Assumed Contracts in the ordinary course of business.

4. The Debtor has provided adequate assurance of future performance under the Assumed Contracts as required under section 365(b) of the Bankruptcy Code, without requiring any further action.

5. The Debtor is authorized, but not directed, to pay prepetition obligations and to continue honoring, performing, and exercising its rights and obligations (whether prepetition or postpetition) in the ordinary course of business to, and in accordance with, its Prepetition Obligations.

6. The automatic stay of section 362(a) of the Bankruptcy Code is hereby modified to the extent (but only to the extent) necessary to enable the counterparties to the Interline Agreements, the Clearinghouse Agreements, the UATP Agreement, the ARC Agreements and the BSPs to participate in routine billings and settlements in accordance with the terms of those agreements.

7. In accordance with this Order and any other order of this Court, each of the banks and financial institutions at which the Debtor maintains its accounts relating to the payment of the claims that the Debtor requests authority

to pay in the Motion, is authorized and directed to honor checks presented for payment, and to honor all fund transfer requests made by the Debtor related thereto, to the extent that sufficient funds are on deposit in such accounts.

8. This Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

9. Notwithstanding the possible applicability of Bankruptcy Rules 6004(g), 6006(d), 7062, 9014, or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

Dated: Honolulu, Hawaii, _____, 2003.

UNITED STATES BANKRUPTCY JUDGE

In re Hawaiian Airlines, Inc., Chapter 11, Case No. 03-_____;
ORDER GRANTING DEBTOR'S MOTION FOR ENTRY OF AN ORDER
PURSUANT TO SECTIONS 105 AND 365 OF THE BANKRUPTCY CODE
(A) AUTHORIZING THE DEBTOR TO ASSUME EXECUTORY
CONTRACTS RELATING TO INTERLINE AGREEMENTS,
CLEARINGHOUSE AGREEMENTS, THE ARC AGREEMENTS, THE BSP
AGREEMENTS, THE UATP AGREEMENT, THE CODE SHARE
AGREEMENTS AND THE FREQUENT FLYER AGREEMENTS AND (B)
AUTHORIZING, BUT NOT REQUIRING, THE DEBTOR TO HONOR
PREPETITION OBLIGATIONS RELATED TO CODE SHARE
AGREEMENTS, GLOBAL DISTRIBUTION SYSTEMS AGREEMENTS,
MULTIHOST AGREEMENT, TRAVEL AGENCY AGREEMENTS, AND THE
ATPCO AGREEMENT, IN THE ORDINARY COURSE OF BUSINESS