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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 - 00817
(Chapter 11)

**APPLICATION OF DEBTOR FOR ORDER
PURSUANT TO SECTION 327(e) OF THE
BANKRUPTCY CODE AUTHORIZING
THE RETENTION AND EMPLOYMENT**

**OF THOMPSON & CHAN AS SPECIAL
COUNSEL TO THE DEBTOR; EXHIBIT A;
PROPOSED ORDER**

Date: March 21, 2003
Time: 2:30 P.M.
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 Application for an Order Authorizing the Retention and Employment of Thompson & Chan as Special Counsel to the Debtor (the “Application”) pursuant to section 327(e) of title 11 of the United States Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). In support of the Application, the Debtor 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)(2). The Court possesses the requisite authority to grant the relief requested herein pursuant to section 327(e) of title 11 of the United States Code and Bankruptcy Rule 2014.

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

¹ Hawaiian Holdings holds 49.1% of the outstanding common stock of the Debtor directly. The remaining 50.9% of

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

the outstanding common stock of the Debtor is held by AIP, Inc. ("AIP"), a wholly-owned subsidiary of Hawaiian

("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

Holdings.

("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. By this Application, the Debtor respectfully requests entry of an order authorizing it to employ and retain Thompson & Chan as special counsel to the Debtor to provide services, to the extent necessary and as requested by the Debtor, with respect to issues that may arise during the chapter 11 case related to Debtor's employee benefit plans and employee compensation (the "Special Counsel Matters").

Basis for Relief Requested

19. The Debtor seeks to retain Thompson & Chan as special counsel to handle the Special Counsel Matters because of (a) Thompson & Chan's extensive experience and expertise with respect to Employee Retirement Income Security Act of 1974, as amended ("ERISA") issues, and (b) the general knowledge and

information that Thompson & Chan obtained regarding the Debtor and its business and operations as a result of Thompson & Chan's prepetition services to the Debtor.

20. Thompson & Chan has represented the Debtor on ERISA law issues since 1983. As a result of its efforts over the past 20 years, Thompson & Chan is intimately familiar with the complex legal issues that have arisen and are likely to arise in connection with the Debtor's ERISA issues.

21. The Debtor believes that both the interruption and the duplicative cost involved in obtaining substitute counsel to replace Thompson & Chan's unique role at this juncture would be extremely harmful to the Debtor, its estate and its creditors. Were the Debtor required to retain counsel other than Thompson & Chan in connection with the specific matters upon which ERISA advice is sought, the Debtor, its estate and all parties in interest would be unduly prejudiced by the time and expense necessary to replicate Thompson & Chan's ready familiarity with the intricacies of ERISA law and the Debtor's employee benefit plans, their interface with the Bankruptcy Code, and the specific issues confronting the Debtor. As such, the Debtor submits that Thompson & Chan is well qualified and uniquely able to provide the specialized legal advice sought by the Debtor on a going-forward basis in connection with the Special Counsel Matters, and Thompson &

Chan's retention as special counsel is in the best interest of the Debtor and its estate.

Scope of Proposed Retention

22. The Debtor currently seeks to retain Thompson & Chan subject to the oversight and orders of this Court, solely with respect to the Special Counsel Matters. Such retention is sought pursuant to section 327(e) of the Bankruptcy Code. Section 327(e) states:

The Trustee, with the court's approval, may employ, for a specified purpose, other than to represent the trustee in conducting the case, an attorney that has represented the debtor, if in the best interest of the estate, and if such attorney does not represent or hold any interest adverse to the debtor or to the estate with respect to the matter on which such attorney is to be employed.

Attorneys retained pursuant to section 327(e) are not required to meet the "disinterested" standard set forth in the Bankruptcy Code for retention of professionals under section 327(a). *See In re Hub Business Forms, Inc.*, 146 B.R. 315 (Bankr. D. Mass. 1992). However, special counsel retained pursuant to section 327(e) must not "hold or represent an interest adverse to the debtor or the estate with respect to the matter on which such attorney is to be employed." 11 U.S.C. § 327(e).

23. While certain aspects of the representations may necessarily involve joint efforts by one or more of the attorneys or law firms retained in this chapter 11 case, the Debtor believes that the services Thompson & Chan will provide will be

complimentary to, rather than duplicative of, the services to be performed by the other firms to be retained. Further, the Debtor is mindful of the need to avoid duplication of services, and appropriate procedures will be implemented to ensure minimal duplication of effort, if any, as a result of Thompson & Chan's role as special counsel.

No Adverse Interest

24. To the best of the Debtor's knowledge, and based upon the Declaration of Anthony S. Chan attached hereto as Exhibit A (the "Chan Declaration"), Thompson & Chan does not represent or hold any interest adverse to the Debtor or its estate with respect to the matters on which Thompson & Chan seeks to be employed. Further, to the best of the Debtor's knowledge and based upon the Chan Declaration, Thompson & Chan does not have any connection with any creditor or other parties in interest, or their respective attorneys or accountants, or the United States Trustee or any of its employees, except as set forth in the Chan Declaration.

Compensation

25. In accordance with sections 330 and 331 of the Bankruptcy Code, compensation will be payable to Thompson & Chan on an hourly basis, plus reimbursement of actual, necessary expenses incurred by Thompson & Chan. Thompson & Chan's hourly rates are set at a level designed to compensate it fairly

for the work of its attorneys and to cover fixed and routine overhead expenses. Hourly rates may be adjusted by Thompson & Chan from time to time.

26. Thompson & Chan's customary hourly rates as charged to both bankruptcy and non-bankruptcy clients are: Partners \$250 - \$400. (Thompson & Chan does not currently employ any associates or paralegals.) These hourly rates are adjusted from time to time.

27. Thompson & Chan will keep detailed time and expense records.

28. It is Thompson & Chan's policy to charge its clients in all areas of practice for all other expenses incurred in connection with a client's matter. The expenses charged to clients include, among other things, photocopying, witness fees, travel expenses, including certain secretarial and other overtime expenses, filing and recording fees, long distance telephone calls, postage, express mail and messenger charges, computerized legal research charges and other computer services, expenses for "working meals", and telecopier charges. Thompson & Chan will charge the Debtor for these expenses in a manner and at rates consistent with charges generally made to its other clients.

29. Thompson & Chan is owed approximately \$0 (the "Prepetition Claim") for prepetition services rendered. This is an unsecured claim. As Thompson & Chan is being retained as special counsel, Thompson & Chan is not required to waive its Prepetition Claim.

30. In the one-year prior to the Petition Date, Thompson & Chan was paid a total of \$75,263.52 consisting of \$75,132.41 for legal services provided to the Debtor relating to these matters and \$131.11 for related out-of-pocket expenses. None of this amount specifically related to this bankruptcy case. The Debtor and Thompson & Chan believe that these payments were in the ordinary course of the Debtor's business. However, to the extent that there is a determination otherwise, and to the extent that defenses do not apply, payments received in the 90 days prior to the Petition Date could be recoverable under 11 U.S.C. § 547. Because the Debtor does not seek to employ Thompson & Chan as general insolvency counsel, the potential preferential transfers do not affect the disinterestedness of Thompson & Chan as special counsel with respect to the matters for which it will be engaged. Thompson & Chan will have no involvement in decisions about who will be sued for recovery of preferences, claim objections or the prosecution of preference lawsuits. Thus, the Debtor does not believe that Thompson & Chan holds or represents an adverse interest with respect to the limited areas in which it will be engaged.

31. The Debtor's management believes that the attorneys at Thompson & Chan are well qualified to act on the Debtor's behalf given Thompson & Chan's extensive knowledge and expertise in the field of ERISA and tax law and related

areas. The Debtor further believes that the engagement of Thompson & Chan is essential to enable the Debtor to maximize the value of its estate.

32. Thompson & Chan will submit interim and final applications for compensation in accordance with the Bankruptcy Rules, the local rules of this Court and such other and further orders as the Court may direct.

33. For the reasons set forth above, the Debtor believes that Thompson & Chan is well qualified to serve as its special counsel in the chapter 11 case. Moreover, the retention of Thompson & Chan is necessary and in the best interest of the Debtor and its estate.

Interim and Final Approval

34. The Debtor seeks approval of this Application on an interim basis; provided, however, that any party in interest shall have twenty (20) days from the date of entry of the order approving this Application (the "Order") to object to the Debtor's retention and employment of Thompson & Chan. If no objection is filed and received by the Debtor and Thompson & Chan in such time, the Order shall be deemed final on the twenty-first (21st) day after the date of the Order and Thompson & Chan's retention and employment on a permanent basis shall be made effective nunc pro tunc to the Petition Date.

35. If a timely objection is received, the Court will set a hearing date and provide notice of such hearing to the appropriate parties.

Notice

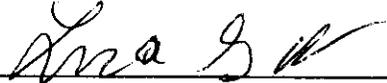
36. No trustee, examiner or creditors' committee has been appointed in the Debtor's chapter 11 case. Notice of this Application has been provided to: (i) the Office of the United States Trustee for District of Hawaii; (ii) parties appearing on the Debtor's list of creditors holding the twenty largest 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.

37. No previous request for the relief sought herein has been made to this Court or any other court.

WHEREFORE, the Debtor respectfully requests that the Court enter an order authorizing the retention and employment of Thompson & Chan as special

counsel for the Debtor, and grant such other and further relief as this Court may deem just and proper.

Dated: Honolulu, Hawaii, March 21, 2003

By: 

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

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Proposed Counsel for Debtor
and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF HAWAII**

In re) **Case No. 03 - 00817**
HAWAIIAN AIRLINES, INC.,) (Chapter 11)
A Hawaiian corporation,)
Debtor.) **DECLARATION OF ANTHONY S. CHAN IN SUPPORT**
) **OF APPLICATION FOR ORDER PURSUANT TO**
) **SECTION 327(e) OF THE BANKRUPTCY CODE**
) **AUTHORIZING EMPLOYMENT AND RETENTION**
) **OF THOMPSON & CHAN AS SPECIAL COUNSEL**
)
)
) Date: March 21, 2003
) Time: *2:30 P.M.*
) Judge: Hon. _____
)
_____)

EXHIBIT A

I, ANTHONY S. CHAN, declare as follows:

1. I am a partner in the law firm of Thompson & Chan, which firm maintains an office at 119 Merchant St., Ste. 300, Honolulu, HI 96813, and I am authorized to execute this declaration on behalf of Thompson & Chan.

2. On March 21, 2003 (the "Petition Date"), Hawaiian Airlines, Inc. (the "Debtor") filed a voluntary petition for relief under chapter 11, title 11 of the United States Code (the "Bankruptcy Code").

3. This Declaration is prepared in connection with the Debtor's Application for an Order Pursuant to Section 327(e) of the Bankruptcy Code Authorizing the Employment and Retention of Thompson & Chan as Special Counsel for Debtor (the "Retention Application"), in which the Debtor seeks authority to employ Thompson & Chan as its special counsel, and sets forth the statement required under Rule 2014(a) of the Federal Rules of Bankruptcy Procedure and section 329 of the Bankruptcy Code.

4. Except as specifically set forth herein, neither I nor Thompson & Chan as a law firm, to the best of my knowledge, have any connection with any creditor or other parties in interest, or their respective attorneys or accountants, or the United States Trustee or any of its employees.

5. In the 20 years prior to the Petition Date, Thompson & Chan represented the Debtor as special counsel, which included providing legal advice relating to Employee Retirement Income Security Act of 1974, as amended, ("ERISA") and tax law and legal counseling relating to employee benefit plans and employee compensation. As a result of this prior history of representation, Thompson & Chan is intimately familiar with the complex legal

issues that have arisen and are likely to arise in connection with the Debtor's employee benefit plans and employee compensation. Such prior experience will enable efficient and economic representation of the Debtor and will facilitate the completion of the Debtor's reorganization.

6. For prepetition services rendered, Thompson & Chan is owed approximately \$0.00.

7. As part of its diverse practice, Thompson & Chan appears in cases, proceedings, and transactions involving many different professionals, including attorneys, accountants, financial consultants, and investment bankers, some of which may represent claimants and parties in interest in the Debtor's chapter 11 case. In addition, Thompson & Chan may have in the past or may currently be representing other professionals involved in this case in matters unrelated to this case. Based on our current knowledge of the professionals involved, and to the best of my knowledge, Thompson & Chan does not represent or have a relationship with any attorneys, accountants, financial consultants, or investment bankers which would be adverse to the Debtor or its estate.

8. Certain partners, counsel, and associates of Thompson & Chan have in the past represented, presently represent, and likely in the future will represent corporate entities and individuals that are either creditors or affiliates of the Debtor in matters unrelated to this case. However, Thompson & Chan will not provide any legal services to any of these entities in connection with any matter that arises in this chapter 11 case. Thompson & Chan believes that its representation of such creditors or equity security holders in such unrelated matters will not affect its representation of the Debtor in this proceeding as special counsel. If there is any matter related to this case for which such persons or corporate affiliates require representation, unrelated outside counsel will be retained.

9. To check and clear potential conflicts of interest in this case, Thompson & Chan researched its client database to determine whether it had any connection with the entities listed on Exhibit "A" attached hereto.

10. After performing such conflict checks, Thompson & Chan has determined that it has not represented any creditors or affiliates in matters related or unrelated to this chapter 11 case, except as set forth on Exhibit "B" attached hereto.

11. Subject to Court approval, and in accordance with sections 330(a) and 331 of the Bankruptcy Code, Thompson & Chan will seek payment for compensation on an hourly basis, plus reimbursement of actual and necessary expenses. Thompson & Chan's customary hourly rates charged to both bankruptcy and non-bankruptcy clients, subject to periodic adjustments to reflect economic and other conditions, are: Partners \$250 - \$400. (Thompson & Chan does not currently employ any associates or paralegals.) These hourly rates are adjusted from time to time.

12. In connection with the reimbursement of actual and necessary expenses, it is Thompson & Chan's policy to charge its clients in all areas of practice for expenses incurred in connection with the client's representation. These expenses and charges include, among other things, photocopying, witness fees, travel expenses, certain secretarial and other overtime expenses, filing and recording fees, long distance telephone calls, postage, express mail and messenger charges, computerized legal research charges and other computer services, expenses for "working meals," and telecopier charges. Thompson & Chan will charge the Debtor for these expenses in a manner and at rates consistent with charges generally made to its other clients.

13. No promises have been received by Thompson & Chan nor any partner, counsel, or associate thereof as to compensation or payment in connection with these cases other than in accordance with the provisions of the Bankruptcy Code. Thompson & Chan has no agreement with any other entity to share with such entity any compensation received by it in connection with this chapter 11 case.

14. Based upon the information available to me, neither I, Thompson & Chan, nor any partner, counsel, or associate thereof, insofar as I have been able to ascertain, holds or represents any interest adverse to the Debtor or its estate in the matters for which Thompson & Chan seeks to be engaged.

15. Thompson & Chan represents that the foregoing constitutes a complete and full disclosure of all prior and current representation of clients which have any connection to this case, and that it has made an effort to discover any conflicts. However, Thompson & Chan reserves the right to supplement and amend this declaration should it discover further pertinent relationships that require disclosure in this case.

16. The retention of Thompson & Chan to perform the services described in the Retention Application is in the best interests of the Debtor and the Debtor's estate.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on the 20th day of March, 2003.



ANTHONY S. CHAN

Exhibit A

Creditors holding 20 largest unsecured claims

Bank of America
Panda Travel
American Airlines, Inc.
Aviation Insurance Services Pacific, Inc.
Tesoro Hawaii Corporation
Starr Seigle McCombs
GateGourmet
General Electric Capital Corporation
Rolls Royce Deutschland GmbH
Sabre, Inc.
RRPF Engine Leasing (US) LLC
Honeywell
Pratt & Whitney
Delta Airlines, Inc.
State of Hawaii, Department of Transportation, Airports Division
Transamerica Equipment Financial Services Corp.
Fortbrand Services, Inc.
Flight Safety Boeing
SBI and Company
Hawaii Dental Service

Other potential creditors

AIP LLC
Airline Investors Partnership
Dimensional Fund Advisors, Inc.
Amber Arbitrage LDC
Vanguard Fiduciary Trust Company
Association of Flight Attendants
International Association of Machinists and Aerospace Workers
Air Line Pilots Association
AIPA Properties LLC
City of Los Angeles
Port of Seattle
City of San Francisco
County of San Francisco
Clark County
Arden Realty Limited Partnership
Kurusu & Fergus
Sears & Roebuck & Co.
Howard Investment Co.
City of Phoenix

State of Alaska
State of Hawaii
Port of Portland
Mitsubishi Jisho, Inc.
American Samoa Government
Societe Polynesienne de Developement Touristique
Societe de Equipment de Tahiti des Izes
The Woolson Spice Company
Lion Coffee
Sanwa Business Credit Corporation
IBM Credit Corporation
Holler Financial Leasing, Inc.
Bank of Hawaii
Paradise Beverages, Inc.
First Security Bank
The Navigator Group, LLC
Wells Fargo Bank
Coast Business Credit
Southern Pacific Bank
North Fork Bank
Heller Financial Leasing, Inc.
RRPF Engine Leasing
Rolls-Royce
BCC Equipment Leasing Corporation
Bacon Universal Company, Inc.
Pacific Corporate Federal Credit Union
Hewlett-Packard
Aer Lingus
Aero California
Aero Nova, Inc.
Aerosim Technologies, Inc.
Aerotech
Agentware, Inc.
Air Caledone
Air India
Air Jamaica
Air Lanka
Air Marshall Islands
Air Nevada
Air Niugini
Air Pacific
Air Wisconsin
Airline Enterprises
Airline Planning Group
Airlines Clearing House, Inc
Airlines Pilots Association

Airport Industrial Park Association
Alaska International Airport Systems
All Island Porter Service
Alm Antlillean Airways
Aloha Island Air
Aluminum Shake Roofing, Inc.
Amadeus Global Travel Distribution S.A.
Ansett
ARCO Transportation
Argenbright Security, Inc.
ARNV
Asiana Airlines, Inc.
Aslana Airlines
Atlantic Coast Airlines
Atlantic Southeast Airlines
Atlantic/Sosnoff Capital Corporation
Aton Hotels
AUPA Properties
AVGroup
AWMS
Bahamas Air
BBA Aviation\BBI and Company
BBC Equipment Leasing Corp.
BCI Aircraft
Big Sky Airlines
BJ Communications, Inc.
Boston Partners
Boyd Travel, Inc.
BP Exploration & Oil, Inc.
BP Wet
Brian Lyons
Brink's International
British Airways
Budget Holidays
Buganvilla Tours, Inc.
Business Incentives
Cahn-Cook & Services
Cap Systems
Casablanca Express
Cascade Promotions
Cathedral Village
CBX Valuation, Inc.
Chartwell Investment Partners
ChaseMellon Shareholders Services
Collins Aviation Services
Comair, Inc.

Compania Mexicana de Aviacion
Compania Panamena de Aviacion S.A.
Compaq Computer
Compar, Inc.
Concierge Services
Confidential Express
Connectivity Systems
Consolidated Resorts
Contiki Holidays
Cooking Kitchen, Inc.
CR Dispatch Service, Inc
Dajhic Kangyo Bank
Dean Investment Associates
Desert Air Spaces
Diners Club
Driftwood Vacations
Driftwood Ventures, Inc.
DSI Technology
Dunc, LLC
Eagle Canyon
Eagle Jet Charter, Inc.
El Al Israel
Etrade
Eve & Wol, Inc.
Express Airlines
ExxonMobile
Fiji Travel
Financial Management Advisors
Financial Services Vehicle Trust
First Bank National Association
First Los Angeles Bank
Fisher Investments, Inc.
Ford Motor
Froley Revy Investment
FTD Com, Inc.
Galileo
Galuterwbohne
Garuda Indonesia
Gavok International, Inc.
Gemni Group
GMI
Goldcoast Aviation
Goldenware
Golf Holidays International
Goodyear Tire & Rubber Company
Gordin Besch, Inc.

Government of Tahiti
Graham Builders
Grand Canyon/Papilion Helicopters
Great Lakes Aviation
GSA International
Gulf Air
GUS, Inc.
Haight Gardner
Hawaii Insurance Consultants
Hawaiian Hotels
Heller Financial
Heller Healthcare
HLO Porter Service
Holland America Lines
Honolulu Clean Water Committee
Immigration & Nationalization Service
Indian Air
Information Systems Support, Inc.
Integrity Services, Inc.
International Association of Machinists
International Lease Finance Corp.
Inter-Canadian
ITA Group
ITALIC
JAL Delivery Service
JCB International Credit Card, Co.
Jeppesen Sanderson, Inc.
Jet Blue Airlines
Jet Wash
John Levin & Company
Kauai Baggage Service
Kauai Lagoons
Kessler Financial
King County International Airport
Klursus & Fergus
KOHA Industries
Lacsa Airlines
LAPSA Air Paraguay
Leasmart, Inc.
Leisure Company
Liberty GoGo
Liebert Global Services
Life Insurance Co. of North America
Linea Aerea Nacional de Chile
LSG Sky Chefs
Lufthansa German Airlines

Marine Corps
Markiar Express
Martin Gray
Martin Travel
Martinair Holland
Meetings at Rosenbltuh
Mesaba Aviation
Metcom Online
Metropolitan West
Mexicana Airlines
Mitsubishi
Moore North Corp
My Favorite Things
NATCO
Navigant International
Navigator Group
Norwegian Cruise Line
Olympia Airlines
Online Holidays
Orbitz.com
Oregon Public Employees Retirement Fund
Orzard Aircraft Systems
Paradise Media
Philippine Airlines
Phinion and Associates
Port of Moses Lake
Premire Trans Aire
Prince Resorts
Princess Cruises
Quantas Airways
Qwest Wireless
R & C Tours
Root Leasing, Inc.
Royal Adventure Travel
Royal Linen
Runyon Saltzman and Einhorn
Salus Capital Management
San Diego International Airport
San Diego United Port District
San Diego-SAS
Saudi Arabian Airlines
Scenic Airlines
Schuler Homes, Inc.
Seattle Westcoast Gateway Hotel
Servicemaster of Kauai, Inc.
Servicios Aeros

Shata Tours
Singapore Airlines
SITA Advanced Travel Solutions
Site 59
Sky West Airlines
Smith Kline Becham
Societe Air France
Societe D'Equipment
Societe D'Exploitation
Societe Polynesienne
South Pacific Essential
Southeast Airlines
Southern Pacific Resources, Inc.
Spirit Airline
Starwood Hotels
Statistical Sciences, Inc.
Supreme Travel
ACA International Airlines
Tap Air Portugal
Tasman Pacific Airlines
Telecheck Services, Inc.
Tesoro Refining
The Boeing Company
Thia Airways
Ticket Plus
Tiger Cruise Travel
Tow Masters, Inc.
Transamerica Equipment
Trans Hawaiian Services, Inc.
Travel Design Associates
Tresorene Generale
TWA Airlines
Two Rivers Group
Universal Air Travel
US Bank, NA
US Department of Agriculture
US Department of Commerce
US Department of Justice
Virgin Atlantic Airways
Virgin Atlantic Holidays Ltd.
Visa USA
Walker Travel and Cruises
Weil & Associates, Inc.
US Bank

Virgin Atlantic Holidays Ltd.
Visa USA
Walker Travel and Cruises
Weil & Associates, Inc.
US Bank

Exhibit B

Hawaii Dental Service
Aloha Island Air
Prince Resorts

IN THE UNITED STATES BANKRUPTCY COURT

DISTRICT OF HAWAII

In re) **Case No. 03 - 00817**
) (Chapter 11)
HAWAIIAN AIRLINES, INC.,)
a Hawaii corporation,) **INTERIM ORDER PURSUANT TO**
) **SECTION 327(e) OF THE BANKRUPTCY**
Debtor.) **CODE, AUTHORIZING THE RETENTION**
) **AND EMPLOYMENT OF THOMPSON &**
) **CHAN AS SPECIAL COUNSEL TO THE**
) **DEBTOR**
)
) Date: March 21, 2003
) Time: 2:32 p.m.
) Judge: Hon. Robert J. Faris
)
_____)

Upon consideration of the application dated March 21, 2003 (the "Application") of Hawaiian Airlines, Inc., as debtor and debtor in possession (the "Debtor"), seeking an order pursuant to section 327(e) of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") authorizing and approving the retention and employment of Thompson & Chan as special counsel to the Debtor, effective as of the commencement of the Debtor's chapter 11 case, all as more fully set forth in the Application; and upon consideration of the Declaration of Anthony S. Chan, a member of the firm of Thompson & Chan (the "Chan Declaration"); and the Court being satisfied, based on the representations made in the Application and the Chan Declaration that said attorneys represent no interest

adverse to the Debtor's estate with respect to the matters upon which they are to be engaged, and that the Debtor's employment of Thompson & Chan is necessary and would be in the best interests of the Debtor and its estate; and it appearing that adequate and sufficient notice of the Application has been given; and sufficient cause appearing therefore, it is

ORDERED that the Application is approved upon the terms set forth herein; provided, however, that any party in interest shall have twenty (20) days from the date hereof to object to the Debtor's retention and employment of Thompson & Chan. If no objection is filed and received by the Debtor and Thompson & Chan in such time, this Order shall be deemed final on the twenty-first (21st) day after the date hereof. If a timely objection is received, the Court will set a hearing date and provide notice of such hearing to the appropriate parties; and it is further

ORDERED that if no objections to Thompson & Chan's retention and employment on a permanent basis are timely filed, served and received in accordance with this Order, this Court may enter a final order without further notice or hearing, and the Application shall be granted in its entirety, and Thompson & Chan's retention and employment on a permanent basis shall be made effective nunc pro tunc to the date of the commencement of this chapter 11 case; and it is further

ORDERED that notice of the Application as provided therein shall be deemed good and sufficient notice of such Application; and it is further

ORDERED that, in accordance with section 327(e) of the Bankruptcy Code, the Debtor is hereby authorized to employ and retain Thompson & Chan as special counsel, effective as the commencement of this chapter 11 case in accordance with Thompson & Chan's normal hourly rates and expense reimbursement policies as set forth in the Application upon the terms and conditions set forth in the Application; and it is further

ORDERED that Thompson & Chan may apply for compensation and reimbursement in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code and applicable Federal Rules of Bankruptcy Procedure, the Bankruptcy Rules, the Local Rules for the District of Hawaii, and further orders of this Court.

Dated: Honolulu, Hawaii, _____, 2003.

UNITED STATES BANKRUPTCY JUDGE

In re Hawaiian Airlines, Inc., Chapter 11, Case No. 03-00817 ;
INTERIM ORDER PURSUANT TO SECTION 327(e) OF THE BANKRUPTCY
CODE, AUTHORIZING THE RETENTION AND EMPLOYMENT OF
THOMPSON & CHAN AS SPECIAL COUNSEL TO THE DEBTOR