

FILED
U.S. BANKRUPTCY COURT
DISTRICT OF HAWAII
10/21/10
10/21/10

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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 AUTHORIZING THE
RETENTION AND EMPLOYMENT OF
WATSON WYATT & COMPANY AS**

ORIGINAL

**ACTUARIES; 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 Watson Wyatt & Company (“WWC”) as Actuaries (the “Application”). In support of the Application, the Debtor submits the Declaration of Betty Berni, the Managing Consultant of WWC's Honolulu office (the “Berni Declaration”), a copy of which is attached hereto as Exhibit A, and which is incorporated herein by reference. 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(a) and 328(a) of title 11 of the United States Code.

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

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

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”).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 re-fleeting 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 re-fleeting. 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.

18. For over 30 years, WWC has provided a number of consulting and actuarial services in the human resources area to Debtor, including serving as actuaries for the Debtor's retirement and postretirement medical plans, providing administration services for the Debtor's 401(k) plans, assistance with collective bargaining negotiations, and other services in the areas of employee benefits, compensation and human resources.

III. RELIEF REQUESTED

19. The Debtors desire to retain and employ WWC as their actuaries and human resources consultants, to continue to perform actuarial and other human resources services as described herein and consistent with the terms and conditions of the attached Engagement Letter and Fee Schedule. The Debtor has previously employed WWC as its actuary and consultants. On account of this previous

employment by the Debtor, WWC has considerable knowledge concerning the Debtor and is already familiar with the Debtor's business affairs to the extent necessary for the scope of the proposed and anticipated services. Such experience and knowledge will be valuable to the Debtor in its efforts to reorganize. Accordingly, the Debtor wishes to retain WWC to provide such services during these cases. The Debtor respectfully requests that the Court authorize WWC's retention as of the Petition Date.

WWC's Qualifications

20. WWC has significant qualifications and experience in performing the scope of work described below. The Debtor believes that WWC is well qualified and able to perform actuarial and consulting services for the Debtor in a cost-effective, efficient and timely manner.

Services to be Provided by WWC

21. The general nature and extent of services that WWC may perform for the Debtor include, as may be requested by the Debtor and as may be agreed to by WWC, the following:

- i. Annual recurring services for the Debtor's retirement, 401(k) and postretirement medical plans as summarized on Exhibit C to the Berni Declaration.

ii. Assistance with union negotiations under the Debtor's collective bargaining agreements.

iii. Actuarial forecast valuations for the Debtor's retirement and postretirement medical plans to project the estimated contributions required to fund the plans and/or the estimated expense, liabilities and similar items for the Debtor's financial statements.

iv. Assistance with plan drafting, preparing summary plan descriptions, other employee communications and similar work.

v. Assistance with the design, implementation, or communication of Debtor's compensation programs.

vi. Consultation and calculations with respect to any early retirement windows or early retirement incentive program designed to encourage employees who meet certain eligibility conditions to retire voluntarily.

vii. Calculations of severance or other special benefits for terminating employees.

viii. Asset liability modeling study for Debtor's retirement programs to determine asset portfolio mix, taking into account appropriate levels of risk and other related factors.

ix. Other actuarial and benefits, compensation and human resources consultation.

Payment of Fees and Expenses

22. Subject to the Court's approval and pursuant to the terms of the Berni Declaration, WWC intends to charge fees and seek reimbursement of expenses as set forth herein or in Exhibit C to the Berni Declaration.

23. WWC will charge fees for its actuarial services per Paragraph 11 of the Berni Declaration as described in its engagement letter and Exhibit C.

24. For services including, without limitation, services other than the work described in the Berni Declaration or if WWC is required to perform unanticipated work, WWC will provide a fee estimate to Debtor prior to commencing work and will charge fees as described in Paragraph 11 of the Berni declaration. The rates by classification are, at present:

<u>Level</u>	<u>Range of rates</u>
Senior actuaries and consultants	\$310 to \$490
Actuarial consultants and managerial support	\$215 to \$260
Administrative	\$130

These hourly rates differ based on, among other things, each professional's level of experience, and the complexity of the service being provided. In the normal course of business, WWC revises its hourly rates to reflect changes in responsibilities,

increased experience and increased costs of doing business. Accordingly, WWC requests that the aforementioned rates or any of its hourly rates for services provided for the Debtor be revised to the hourly rates that will be in effect from time to time. If charges are based on hourly rates, they will be noted on the invoices for the first time period in which the revised rates become effective. In addition, WWC's expenses, including but not limited to travel, and delivery services will be included in the total amount billed. WWC will maintain detailed, contemporaneous records of time incurred in connection with the fees where charged on hourly billing rates, by category and nature of the service rendered.

25. According to WWC's books and records, during the ninety-day period prior to the Debtor's Petition Date, WWC received approximately \$194,000 from the Debtor for professional services performed and expenses incurred. WWC was paid approximately \$425,000 by the Debtor for its professional services and expenses incurred in calendar year 2002.

**Approval of WWC's Fee Structure Pursuant
to Section 328(a) of the Bankruptcy Code**

26. In accordance with the terms of this Application, the Berni Declaration and the Engagement Letter, the Debtor seeks approval of the fees described above (the "Fee Structure") pursuant to section 328(a) of the Bankruptcy Code. Section 328(a) provides, in relevant part, that a debtor "with the court's approval, may employ or authorize the employment of a professional person under

section 327 . . . on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, or on a contingent fee basis.” 11 U.S.C. §328(a). Section 328(a) therefore permits the Court to approve the proposed Fee Structure in connection with the Debtor’s retention of WWC.

27. The Debtor believes that the Fee Structure is fair and reasonable and should be approved under Section 328(a) of the Bankruptcy Code. The Fee Structure appropriately reflects the nature of the services to be provided by WWC and the fee structures typically utilized by professional services firms for similar work. In sum, therefore, the Debtor believes that the Fee Structure is fair and reasonable in light of (a) industry practice, (b) market rates charged for comparable services both in and out of the chapter 11 context, and (c) WWC’s experience with respect to these services.

28. Notwithstanding the approval of the Fee Structure requested herein, all of WWC’s fees in this case will be subject to approval of the Court upon proper application by WWC in accordance with Sections 330 and 331 of the Bankruptcy Code, Bankruptcy Rule 2016, fee and expense guidelines established by the U.S. Trustee and any applicable interim compensation order. Pursuant to Section 328 of the Bankruptcy Code, however, the Court may not subsequently allow WWC’s compensation on terms different from the approved Fee Structure unless such compensation “prove[s] to have been improvident in light of development not

capable of being anticipated at the time” the Fee Structure originally was approved.
11 U.S.C. §328(a).

Disclosure Concerning Possible Conflicts

29. To the best of Ms. Berni’s and WWC’s knowledge, after reasonable inquiry, other than in connection with this case, WWC has no connection with the Debtor, 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 described herein, in the Berni Declaration.

30. WWC is a large professional services firm and, as such, has relationships with many clients that may be creditors of, affiliates of, or potentially adverse to the Debtor or otherwise involved in this chapter 11 case. In the ordinary course of business, WWC has business relationships in unrelated matters with its principal competitors.

31. As described in the Berni Declaration, WWC has undertaken a detailed search to determine whether it has had any relationships with the following entities (collectively, the “Interested Parties”):

- i. the Debtor;
- ii. the directors and officers of Hawaiian Airlines, Inc.;
- iii. the significant unsecured creditors, noteholders and related parties;

- iv. the significant lessors;
- v. the significant secured lenders;
- vi. the issuer and beneficiaries of significant letters of credit;
- vii. the significant employee-related parties;
- viii. the significant spare parts vendors;
- ix. the parties to significant litigation;
- x. the significant equity security holders, as identified to WWC and other related parties; and
- xi. the significant professionals for the Debtors.

32. The identities of the Interested Parties were provided to WWC by the Debtor and are set forth on Exhibits A and C to the Berni Declaration. To the extent that WWC's research of its relationships with the Interested Parties indicated that WWC has provided services, or currently provides services to these entities in matters unrelated to this chapter 11 case or that WWC has other relationships with such partners, the identities of these entities are set forth in the Berni Declaration.

33. Despite the efforts described above to identify and disclose WWC's connections with parties in interest in this case, WWC is unable to state with certainty that every client relationship or other connection has been disclosed. If

WWC discovers additional information that it determines requires disclosure, WWC will file a supplemental disclosure with the Court promptly.

34. To the best of the Debtor's knowledge, information and belief, WWC represents no interest adverse to the Debtor or its respective estates in the matters for which WWC is proposed to be retained. Accordingly, the Debtor believes that WWC is a "disinterested person", as defined in Section 101(14) of the Bankruptcy Code and as required by Section 327(a) of the Bankruptcy Code. The Debtor submits that the employment of WWC would be in the best interest of the Debtor and its respective estates and creditors.

Interim and Final Approval

35. 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 WWC. If no objection is filed and received by the Debtor and WWC in such time, the Order shall be deemed final on the twenty-first (21st) day after the date of the Order and WWC's retention and employment on a permanent basis shall be made effective nunc pro tunc to the Petition Date.

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

Notice

37. 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.

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

WHEREFORE, the Debtor respectfully requests that the Court enter an order authorizing the retention and employment of WWC as actuaries for the

Debtor as of the Petition Date, 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.

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Proposed Counsel for Debtor and Debtor in
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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)

**DECLARATION OF BETTY BERNI IN
SUPPORT OF APPLICATION FOR
ORDER PURSUANT TO SECTION 327**

EXHIBIT A

**OF THE BANKRUPTCY CODE
AUTHORIZING EMPLOYMENT AND
RETENTION OF WATSON WYATT &
COMPANY AS ACTUARIES AND
CONSULTANTS**

Date: March 21, 2003

Time: *2:30 P.M.*

Judge: Hon. Robert J. Faris

I, Betty Berni, declare as follows:

1. I am the managing consultant of the Honolulu, Hawaii office of Watson Wyatt & Company (“WWC”) and I am authorized to execute this affidavit on behalf of WWC.

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 of the Bankruptcy Code Authorizing the Employment and Retention of WWC as actuaries and consultants for Debtor (the “Retention Application”), and sets forth the statement required under Rule 2014(a) of the Federal Rules of Bankruptcy Procedure.

4. WWC owns 900 shares of Hawaiian Holdings, Inc. but agrees to cancel its equity interest and return the shares to Hawaiian Holdings, Inc. if WWC is retained to provide services in bankruptcy. Other than such shares and except as specifically set forth on the attached Exhibit “A” and Exhibit “C”, neither I nor WWC as a 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. For over 30 years prior to the Petition Date, WWC represented the Debtor as consulting actuaries, which included providing actuarial and consulting services relating to the retirement plans, 401(k) plans, postretirement medical program, and other areas of benefits and compensation. As a result of this prior history of representation, WWC is intimately familiar with the complex issues that have arisen and are likely to arise in connection with the Debtor’s

benefits and human resources issues. 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, WWC is owed approximately \$10,000.

7. As part of its diverse practice, WWC and certain of its principals and employees have in the past represented, currently represent and may in the future represent entities that are claimants, equity interest holders, or other parties in interest in these cases in matters totally unrelated to the pending chapter 11 cases. In addition, WWC 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, WWC 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 employees of WWC 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, WWC will not provide any services to any of these entities in connection with any matter that arises in this Chapter 11 case. WWC 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 actuaries and consultants.

9. To check and clear potential conflicts of interest in this case, WWC researched its client database as well as its employees in Honolulu, Hawaii to determine whether they had any connection with the entities listed on Exhibit "B" attached hereto. Such connections are listed on Exhibit "C" attached hereto.

10. After performing such conflict checks, WWC has determined that it has not represented any creditors or affiliates in matters related or unrelated to these bankruptcy cases, except as set forth on Exhibit "A" attached hereto.

11. Subject to Court approval, and in accordance with sections 330(a) and 331 of the Bankruptcy Code, WWC will seek payment for services plus reimbursement of actual and necessary expenses. WWC's customary fees for services are determined taking into account factors that generally include the circumstances relevant to the particular engagement, the time required to perform the services, the novelty and difficulty of the work, the skill required, the experience and seniority of the associates who perform the services, any time limitations or other unusual conditions that may be applicable, and WWC's standard hourly rates in effect at the time services are performed. A late payment charge of 1% per month is payable on balances outstanding more than 30 days. Clients in Hawaii are also responsible for Hawaii excise tax, currently 4.166% of fees.

WWC's fee schedule for the 2003 plan year includes ongoing recurring services as summarized in Exhibit "D." WWC will provide a fee estimate for approval by Debtor prior to commencing work for other services not outlined in the fee schedule. For those fees which are based on hourly rates, WWC's applicable rates for both bankruptcy and non-bankruptcy clients, subject to periodic adjustments to reflect economic and other conditions, are:

<u>Level</u>	<u>Range of rates</u>
Senior actuaries and consultants	\$310 to \$490
Actuarial consultants and managerial support	\$215 to \$260
Administrative	\$130

These hourly rates are customarily adjusted on July 1 each year.

12. In connection with the reimbursement of actual and necessary expenses, it is WWC's policy to charge its clients in all areas of practice for expenses incurred in connection with the client's representation. Itemized expense charges include, among other things, travel expenses, express mail and messenger charges, computerized legal and other research charges, and a 7% technical and administrative fee for computer services and technology, development of software, expenses related to photocopying, postage and long distance telephone calls and other administration. WWC 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 WWC 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. WWC has no agreement with any other entity to share with such entity any compensation received in connection with this chapter 11 case.

14. Based upon the information available to me, neither I, WWC, nor any employee 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 WWC seeks to be engaged. Accordingly, I believe that WWC is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code.

15. WWC represents that the foregoing, to the best of its knowledge, 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, WWC 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 WWC 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 21st day of March, 2003.



Betty Berni, F.S.A.
Watson Wyatt & Company

Watson Wyatt & Company Provides Services for These Employers on Conflicts Lists

	<u>or Possibly by This Name</u>
AIRLINE PILOTS ASSOCIATION	Canadian Airline Pilots Association?
ALOHA ISLAND AIR	Aloha Airlines, Inc; Island Air
ARDEN REALTY LIMITED PARTNERSHIP	ARDEN REALTY, INC. ?
BANK OF HAWAII	Pacific Century Financial
CITY OF LOS ANGELES	
COMPAQ COMPUTER	
DSI TECHNOLOGY	M & I DATA SERVICES/DSI ???
EL AL ISRAEL	EI Al Israel Airlines
EXXONMOBILE	
FORD MOTOR	FORD MOTOR (credit) FORD MOTOR (company)
GATEGOURMET	
GENERAL ELECTRIC CAPITAL CORPORATION	
GOODYEAR TIRE & RUBBER COMPANY	
GREAT LAKES AVIATION	FIDUCIE GREAT LAKES POWER, INC GREAT LAKES CHEMICAL GREAT LAKES LITHOGRAPH GREAT LAKES GAS TRANSMISSION LP MUNICH/GREAT LAKES MICHIGAN SUGAR-GREAT LAKES SUGAR
HEWLETT-PACKARD	
HONEYWELL	
HOLLAND AMERICA LINES	Holland American Wafer?
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS	
MITSUBISHI	
MITSUBISHI JISHO, INC.	BANK OF TOKYO-MITSUBISHI MITSUBISHI ELECTRIC AMERICA MITSUBISHI ELECTRONICS INDUST MITSUBISHI TRUST & BANKING MITSUBISHI ELECTRIC AMERICA, INC. MITSUBISHI ELECTRIC SALES CANADA MITSUBISHI ELECTRONICS INDUSTRY MITSUBISHI MOTOR SALES MITSUBISHI SILICON AMERICA MITSUBISHI TRUST & BANKING CORP.
NATCO	Natco Canada Limited?
NAVIGANT INTERNATIONAL	Navigant Consulting?
NORWEGIAN CRUISE LINE	
ORBITZ.COM	
PORT OF SEATTLE	
PRATT & WHITNEY	
STATE OF HAWAII	
VISA USA	
WELLS FARGO BANK	

HAL – ADDITIONAL CONFLICTS CHECK

HAWAIIAN AIRLINES, INC.

Shareholders

AIP, Inc.
Hawaiian Holdings, Inc.

Officers

John W. Berry
Karen A. Berry
H. Norman Davies
Christine R. Deister
Mark B. Dunkerley
Robert E. Glasgow
Paul Y. Kobayashi, Jr.
Blaine J. Miyasato
Glenn G. Taniguchi
John R. Wagner
Ruthann S. Yamanaka

Directors/Main Affiliations

John Adams
Smith Management
Gregory Anderson
Quality Car Solutions
Todd Cole
Cole & Wilds Associates
Robert Coo
Joseph Hoar
J.P. Hoar & Associates
Reno Morella
Airline Pilots Association
Samson Poomaihealni
International Association of Machinists and Aerospace Workers
Edward Safady
Spire Realty Group
Sharon L. Soper
Association of Flight Attendants
William Weisfield
UTLIX Corporation

HAWAIIAN HOLDINGS, INC.

Significant Shareholders¹

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

Officers

John W. Adams
Ruthann S. Yamanaka
Christine R. Deister

Directors/Main Affiliations

Same as HAL

Real Property Lessors

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

¹ Needs to be updated.

Parties That Filed UCC Statements

The Woolson Spice Company
Lion Coffee
Sanwa Business Credit Corporation
Bank of America
IBM Credit Corporation
Holler Financial Leasing, Inc.
Transamerica Equipment Financial Service
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
Fortbrand Services
BCC Equipment Leasing Corporation
Bacon Universal Company, Inc.
Pacific Corporate Federal Credit Union
Hewlett-Packard

Hawaiian Airlines, Inc. – Connections with Entities and Persons Listed in Exhibit B

Connections between WWC and Entities Listed on Exhibit B

Hawaiian Holdings, Inc. – Currently WWC owns 900 shares but agrees to cancel its equity interest and return the shares to Hawaiian Holdings, Inc. provided that WWC is retained to provide services in bankruptcy.

Officers and Directors of Hawaiian Airlines, Inc. – WWC routinely works with the officers (and on occasion Directors) in our ongoing actuarial consulting relationship.

Airline Pilots Association – WWC works with the Airline Pilots Association from time to time to assist in resolving issues, negotiations, and related matters between Debtor and its pilots.

International Association of Machinists and Aerospace Workers – WWC works with the International Association of Machinists and Aerospace Workers from time to time to assist in resolving issues, negotiations, and related matters between Debtor and IAM employees.

Association of Flight Attendants – WWC works with the Association of Flight Attendants from time to time to assist in resolving issues, negotiations, and related matters between Debtor and Flight Attendants.

Bank of Hawaii – Certain employees do their banking at the Bank of Hawaii. WWC also provides consulting services from time to time to Bank of Hawaii.

Bank of America – One of WWC's commercial bankers, providing the lead on both its revolving credit line as well as services for payroll and bill paying checking accounts.

Other Banks – WWC employees may do their banking at the other banks and financial institutions listed.

Connections between Honolulu Employees and Entities Listed on Exhibit B

1. US Department of Agriculture – Relative of employee periodically consults for the Department.
2. State of Hawaii – Immediate family members of employee work for the State. Relative of another employee also works for the State.
3. Marine Corps – Relative of employee works for the Marine Corps.
4. Bank of Hawaii – Relative of employee is a director of the Bank.
5. Starwood Hotels – Close personal friend of employee works at hotel owned by Starwood Hotels.

Hawaiian Airlines, Inc. — Defined Benefit Retirement Plans

	Estimated Fee for 2003		
	Pilots	IAM	Salaried
<p>Recurring Services</p> <p>(1) Actuarial Valuation: We will prepare the annual actuarial valuations and reports which, in general, will include the following information for the retirement plan:</p> <ul style="list-style-type: none"> ▪ Minimum required and maximum deductible contributions under ERISA for the plan year. ▪ Actuarial present value of accrued benefits in accordance with FASB Statement 35 for the purposes of the plan's financial accounting and reporting. ▪ Current status of the participant population including reconciliation to prior valuation. ▪ Summary of the trust fund assets including change in assets from prior year, development of asset gain/loss and development of the actuarial value of assets. ▪ A review of plan experience during the prior year. ▪ A summary of the plan provisions on which the valuation is based and the actuarial assumptions and cost methods used in the calculations. <p>Our report will provide sufficient detail for the users to be fully aware of the actuarial and financial condition of the plans. All calculations and procedures are done in conformity with generally accepted actuarial principles and practices, and the results presented comply with the requirements of the Internal Revenue Code and ERISA.</p> <p>A significant part of the valuation is reconciling, organizing and merging the participant data provided for the valuation.</p>	\$17,000	\$14,000	\$14,000

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Defined Benefit Retirement Plans

	Recurring Services	Estimated Fee for 2003		
		Pilots	IAM	Salaried
(2)	Preparation and Meeting: Review actuarial valuation reports with participant groups.	800	800	800
(3)	SFAS 87 Expense: We will provide calculations of the net periodic pension cost (plan expense information) as required under SFAS 87 and prepare a report summarizing our calculations. We work with you to determine the appropriate methodology and assumptions and prepare exhibits of our calculations of the SFAS 87 expense and related information.	\$7,000	\$5,500	\$5,000
(4)	Consultation Related to Disclosure: Assist in determining the appropriate economic assumptions, such as the discount rate, for use in retirement plan disclosure. This will vary depending upon the complications involved.	500 total for all plans		
(5)	SFAS 87/132 Disclosure: At the end of the fiscal year, we will provide the necessary disclosure information and applicable exhibits detailing the calculations required under SFAS 87 and 132. Again we will work with you to determine the appropriate assumptions and prepare exhibits showing calculation of results.	2,200	2,100	1,700
(6)	Response to Auditors' Request: The retirement plan is required to be audited each year. As part of this process, the auditors request the actuary to provide certain information regarding plan liabilities, participants, funded status and plan administration. We will compile this information in a letter to the auditors. Our goal is to work with your auditors to provide the required information as easily as possible.	950	700	700

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Defined Benefit Retirement Plans

		Estimated Fee for 2003		
		Pilots	IAM	Salaried
Recurring Services				
(7)	Schedule B Attachment to Form 5500: We will prepare the Schedule B, actuarial information return, attachment to IRS Form 5500. This form requires specific actuarial calculations and attachments required by the IRS.	\$900	\$900	\$900
(8)	PBGC Form 1: This form gives PBGC basic plan information and participant counts. Also includes cover letter with instructions for filing with the PBGC.	350	350	350
(9)	PBGC Schedule A: In addition to our regular calculations, we will also prepare the actuarial calculations needed on PBGC Schedule A, to determine the amount of any variable PBGC premiums.	800	800	800
(10)	PBGC Form 1-ES: Provides estimated counts and other information for PBGC premiums.	300	400	400
(11)	Participant Database: At the end of each valuation cycle, we will prepare a database of all plan participants, actives, retirees and terminated vested. The database will provide certain information needed in plan administration such as basic participant data, history of participants' covered pay, and related information (the database includes relevant data for active employees, vested terminated employees, and retirees). For the pilots, the database also includes an update to the Members' Accounts and to the accounts and benefits attributable to the old variable plan.	6,000	NA	NA

Above fees if calculation needed. Otherwise \$200 per plan to complete forms and provide instructions.

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Defined Benefit Retirement Plans

		Estimated Fee for 2003		
		Pilots	IAM	Salaried
Recurring Services				
(12)	Lump Sum Factors: Each year we will prepare the tables of factors, which can be used to determine lump sum benefits for participants who will be cashed out of the plan.	NA	200	200
(13)	Individual Benefit Calculations: Benefits need to be calculated for terminating and retiring participants. Calculations include not only the accrued benefits but also early retirement benefits and optional forms. Pilots' benefit calculations are especially complicated due to application of the minimum benefits, members' accounts, sick leave credits, vacation adjustments to final average earnings, children's and dependents' benefits, etc. Fees will be higher if related to a QDRO.	300 – 800	250	250
Fees based on per calculation				
(14)	Participant Benefit Statements: Preparation of benefit statements for each participant showing projected benefits at normal retirement estimated accrued benefits and estimated vested amounts. Also includes comprehensive data listing showing the information included on the benefit statements.	3,500	NA	NA
(15)	Maximum Benefit Limits: We will prepare a table showing the maximum benefit limits which can be paid out of a defined benefit plan. The pilots' calculations are especially complicated due to the special Internal Revenue Code provisions for airline pilots.	600	NA	NA

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Defined Benefit Retirement Plans

	Estimated Fee for 2003		
	Pilots	IAM	Salaried
<p>Recurring Services</p> <p>(16) PBGC Filing under ERISA 4010: We will determine whether the ERISA 4010 filing to PBGC is applicable and prepare the filing information and the calculations showing the required liabilities and related items on a plan termination basis as specified in ERISA and related regulations.</p>	1,000	1,000	1,000
<p>Above fees are for determination whether filing is required and preparation of letter and exhibits. If filing is required, an additional \$4,000 for the Pilots' Plan and \$3,000 for each of the other two plans to calculate the liabilities and prepare the filing materials.</p>			

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Defined Benefit Retirement Plans

	Estimated Fee for 2003		
	Pilots	IAM	Salaried
<p align="center">Special Projects</p> <p>(1) Forecast of Future Plan Contributions: For effective planning of financial resources, plan sponsors frequently need an idea of expected contributions over the next several years. At your request Watson Wyatt will project liabilities and assets to determine the costs. Includes cover letter explaining results and exhibits.</p> <ul style="list-style-type: none"> ▪ First projection year ▪ Additional projection years 	<p>\$2,500</p> <p>1,400</p>	<p>\$1,800</p> <p>1,000</p>	<p>\$1,800</p> <p>1,000</p>
		For each scenario	
<p>(2) Forecast the Future FAS 87 Expense and Disclosure Showing Other Comprehensive Income: Similar to forecasting plan contributions, plan sponsors need pension expense calculations for financial planning. Watson Wyatt will project out pension expense and disclosure, including other comprehensive income, over the next several years. Includes cover letter explaining calculations and exhibits. Fees assume that the contributions have already been forecasted (they are needed to determine the level of plan assets each projection year).</p> <ul style="list-style-type: none"> ▪ First projection year ▪ Additional projection years 	<p>2,500</p> <p>1,400</p>	<p>1,800</p> <p>1,000</p>	<p>1,800</p> <p>1,000</p>
		For each scenario	

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Defined Benefit Retirement Plans

Special Projects	Estimated Fee for 2003		
	Pilots	IAM	Salaried
<p>(3) Month by Month Cash Flow Projection: We will prepare exhibits at your request outlining the estimated cash flow requirements on a monthly basis, taking into account quarterly contribution requirements, legal requirements, and special cash flow requirements under the Pilots' contract.</p> <ul style="list-style-type: none"> ▪ First projection year ▪ Additional projection years 	<p>800 600</p>	<p>400 300</p>	<p>400 300</p>
<p>(4) Forecast of Future PBGC Premiums: Determine estimated PBGC variable premiums over the next several years, including calculations under the optional PBGC methodology allowed for such premium determinations.</p> <ul style="list-style-type: none"> ▪ First projection year ▪ Additional projection years 	<p>600 400</p>	<p>600 400</p>	<p>600 400</p>
<p>(5) Electronic Benefit Calculation Worksheet: Preparation of electronic workbook for pilots' retirement plan for automated benefit calculations. Includes automated calculations of final average pay and adjusted pay for vacation, determination of benefit under regular formula, maximum benefit limits, old fixed and variable plan minimum benefits, fixed and variable minimum benefit ceilings, sick leave conversion to credited service, early retirement benefit, and benefit under the various options provided by the plan. Also included is an update to the member's contribution account.</p>	<p>310/hr.*</p>	<p>NA</p>	<p>NA</p>

* Subject to possible adjustment on July 1, 2003

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Postretirement Benefit Plans *

Services	Estimated Fee for 2003 (Total for all plans)
<p>(1) SFAS 106 Expense: We will provide calculations of the net periodic postretirement benefit cost (plan expense information) as required under SFAS 106 and prepare a report summarizing our calculations. We will work with you to determine the appropriate methodology and assumptions and prepare exhibits of our calculations of the expense and related information.</p>	<p>\$20,000</p>
<p>(2) Consultation and Analyses Related to Healthcare Trend Assumptions: Assist in determining the appropriate health care cost trend rate assumptions for use in postretirement benefit plan disclosure at the end of the fiscal year, which is also to be used for expense projections for the coming year.</p>	<p>2,500</p>
<p>(3) SFAS 106/132 Disclosure: At the end of the fiscal year we will provide the necessary disclosure information and applicable exhibits detailing the calculations required under SFAS 106 and 132. Includes the impact of a one percentage point increase and one percentage point decrease in the health care cost trend rate. We will work with you to determine appropriate assumptions and prepare exhibits showing calculations of results.</p>	<p>5,000</p>

* Includes:

- Pilots Medical
- Pilots Dental
- Pilots Life Insurance
- IAM Medical
- Salaried Medical
- Flight Attendants Medical

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Postretirement Benefit Plans *

Services	Estimated Fee for 2003 (Total for all plans)
<p>(4) Response to Auditor's Request: The auditor's often request the actuary to provide certain information regarding plan liabilities, calculations of expense, update of items from one year to the next, and similar information. We will compile this information in a letter to the auditors, as requested.</p>	<p>700</p>
<p>(5) SFAS 106 Expense Projections: We will provide calculations of the net periodic pension cost (plan expense information) as required under SFAS 106 and prepare a report summarizing our calculations. We work with you to determine the appropriate methodology and assumptions and prepare exhibits of our calculations of the SFAS 106 expense and related information.</p> <ul style="list-style-type: none"> ▪ First projection year ▪ Additional projection years 	<p>3,500 2,000</p> <p>For each scenario</p>

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Pilots' Excess Plan

	Services	Estimated Fee for 2003
(1)	<p>SFAS 87 Expense: We will provide calculations of the net periodic pension cost (plan expense information) as required under SFAS 87. We will work with you to determine the appropriate methodology and assumptions and prepare exhibits of our calculations of the expense and related information.</p>	<p>\$ 2,000</p>
(2)	<p>SFAS 87/132 Disclosure: At the end of the fiscal year we will provide the necessary disclosure information and applicable exhibits detailing the calculations required under SFAS 87 and 132. We will work with you to determine appropriate assumptions and prepare exhibits showing calculations of results.</p>	<p>1,000</p>
(3)	<p>Response to Auditor's Request: The auditor's often request the actuary to provide certain information regarding plan liabilities, calculations of expense, update of items from one year to the next, and similar information. We will compile this information in a letter to the auditors, as requested.</p>	<p>500</p>
(4)	<p>Forecast the Future FAS 87 Expense and Disclosure Showing Other Comprehensive Income: Similar to forecasting plan contributions, plan sponsors need pension expense calculations for financial planning. Wyatt will project out pension expense and disclosure, including other comprehensive income, over the next several years. Includes cover letter explaining calculations and exhibits.</p> <ul style="list-style-type: none"> ▪ First projection year ▪ Additional projection years 	<p>900 600</p>

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

Hawaiian Airlines, Inc. — Deferred Compensation and Stock Option Plans *

Services	Estimated Fee for 2003
<p>(1) <u>Stock Allocation:</u> Test pilots' stock allocation under Code Section 415(c) for the maximum allowable amount. Prepare reports and send data file to Vanguard. Note: Final stock allocation has been completed. This service is applicable only if there are future stock allocations. Fee is estimated based on prior stock allocations.</p>	<p>\$3,000 (Per allocation if needed)</p>
<p>(2) <u>Nondiscrimination Testing and Compliance</u> Includes calculations of the actual deferral percentage test for 401(k) plans, maximum contributions under Code Section 402(g), maximum annual additions under Section 415, and any nondiscrimination pay testing needed.</p>	<p>Pilots \$4,800 FA 4,800 Others 4,800</p>

* Includes the following plans:

- Pilots
- Flight Attendants
- All other employees

Note: In addition to the above fees, we will add a 7% technology and administrative fee and 4.166% Hawaii state excise tax.

IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF HAWAII

In re	) Case No. 03 -0817
	) (Chapter 11)
HAWAIIAN AIRLINES, INC., a Hawaii corporation,	) INTERIM ORDER, PURSUANT TO
Debtor.	) SECTIONS 327(a) AND 328(a) OF THE
	) BANKRUPTCY CODE, AUTHORIZING
	) THE RETENTION AND EMPLOYMENT
	) OF WATSON WYATT & COMPANY AS
	) ACTUARIES
)
)
	) Date: March 21, 2003
	) Time: 2:30 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(a) and section 328(a) of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) authorizing and approving the retention and employment of Watson Wyatt & Company (“WWC”) as actuaries 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 Betty Berni, a managing consultant of the firm of WWC (the “Berni Declaration”); and the Court being satisfied, based on the representations made in the Application and the Berni Declaration that said

firm represents no interest adverse to the Debtor's estate with respect to the matters upon which it is to be engaged, that it is a "disinterested person," as that term is defined under section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and that the Debtor's employment of WWC 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 WWC. If no objection is filed and received by the Debtor and WWC 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 WWC'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 WWC'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(a) and section 328(a) of the Bankruptcy Code, the Debtor is hereby authorized to employ and retain WWC as actuaries to the Debtor, effective as the commencement of this chapter 11 case in accordance with WWC'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 WWC 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 SECTIONS 327(a) AND 328(a) OF THE
BANKRUPTCY CODE, AUTHORIZING THE RETENTION AND
EMPLOYMENT OF WATSON WYATT & COMPANY AS ACTUARIES