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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 PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP AS SPECIAL CORPORATE 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. ("Hawaiian Airlines" or the "Debtor"), the above-captioned debtor and debtor in possession, by and through its undersigned proposed co-counsel, files this application (the "Application"), respectfully seeking entry of an order pursuant to sections 327(e) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code"), and Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), authorizing the Debtor to retain and employ Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul, Weiss") nunc pro tunc to the date of the commencement of this chapter 11 case, as special corporate counsel to the Debtor during the pendency of this chapter 11 case upon the terms and conditions set forth herein. In support of this Application, the Debtor relies on the Affidavit of Judith R. Thoyer, a member of Paul, Weiss (the "Thoyer Affidavit"), attached as Exhibit A. In further support of this Application, the Debtor submits 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.

<u>The Debtor's Business</u>

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 Pepeete, Tahiti in the South Pacific (the "South Pacific Routes"). Charter service is provided from Honolulu to

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.

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."

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,

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

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 refleeting 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 refleeting. 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 seeks to employ and retain Paul, Weiss as its special corporate counsel in connection with this chapter 11 case nunc pro tunc to the Petition Date. Accordingly, the Debtor respectfully requests entry of an order (in a form substantially similar to that attached as Exhibit B) under sections 327(e) and 328(a) of the Bankruptcy Code authorizing it to employ and retain Paul, Weiss as special corporate counsel to perform the specific legal services described more fully below.

19. Paul, Weiss has acquired extensive familiarity with the Debtor's business, capital structure and material contractual agreements through its representation of the Debtor in multiple corporate matters. The Debtor submits that its continued representation by Paul, Weiss remains in the best interest of the estate and will avoid the disruption of the Debtor's business and legal affairs. The

Debtor further submits that the employment of Paul, Weiss as special corporate counsel will not be duplicative of, but will augment the services of the Debtor's proposed general bankruptcy counsel. Paul, Weiss has indicated its willingness to serve as the Debtor's special corporate counsel on the basis set forth herein and in the Thoyer Affidavit and to render the services described herein.

<u>Services to be Rendered</u>

20. The Debtor has requested that Paul, Weiss render necessary services relating to the Debtor's corporate affairs during the pendency of this chapter 11 case. Specifically, the Debtor has asked Paul, Weiss to perform the following services:

(a) advising and assisting the Debtor with respect to the Debtor's general corporate transactions, including matters pertaining to any filings by its parent corporation (which filings are substantially related to the Debtor) with the Securities and Exchange Commission, the American Stock Exchange, the Pacific Exchange and/or similar exchanges as required from time to time;

(b) advising and counseling the Debtor in connection with any contemplated restructuring, including the drafting of appropriate corporate documents with respect thereto and counseling the Debtor in connection with the closing of such restructuring;

(c) advising and counseling the Debtor with respect to its general corporate matters arising in or outside of bankruptcy;

(d) since the Debtor currently does not employ a chief legal officer or general counsel, performing functions typically within the scope of such an officer's duties; and

(e) performing the full range of services normally associated with the above matters.

Other Professional Relationships

21. As more fully set forth in the Thoyer Affidavit, due to Paul, Weiss' extensive practice representing creditors and debtors in insolvency-related matters, as well as the transactional nature of its practice, Paul, Weiss has, in the past, provided legal services to certain of the Debtor's creditors, equity securityholders or other parties in interest -- in all instances in matters unrelated to, and having no effect upon or influence on this case.

22. To the best of the Debtor's knowledge, information, and belief, except as set forth herein and in the Thoyer Affidavit, Paul, Weiss has no connection with the Debtor, its creditors, equity security holders, or any other parties in interest or their respective attorneys.

23. To the best of the Debtor's knowledge, information and belief, neither Paul, Weiss nor any of its attorneys is a creditor, equity security holder, or an insider of the Debtor, except that Paul, Weiss previously rendered legal services to the Debtor for which it (i) was compensated, or (ii) holds a claim as set forth in Paragraph 19.

24. To the best of the Debtor's knowledge, information and belief, Paul, Weiss does not represent or hold any interest which is adverse to the Debtor or its estate with respect to the matters on which Paul, Weiss is to be employed.

25. The Debtor finds Paul, Weiss well-qualified to represent the Debtor in connection with the matters set forth herein and regards the retention of Paul, Weiss as necessary and in the best interests of the Debtor, its estate, and its creditors.

Compensation

26. Paul, Weiss intends to apply for compensation for professional services rendered in connection with this case, and for reimbursement of actual and necessary expenses incurred, in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the local rules and orders of this Court.

27. Paul, Weiss will charge the Debtor its customary hourly rates for services performed in this case. These rates constitute our customary hourly rates that Paul, Weiss charges its clients for services provided by each of its domestic and foreign offices:

Lawyers:		Hourly Rates
Partners:		\$525-\$725
Counsel:		\$495-\$525
Associates:	0 to 3 years 4 to 6 years 7 or more years	\$260 to \$390 \$420 to \$460 \$460 to \$485
Paralegals:		\$140 to \$195

Paul, Weiss generally adjusts its rates on an annual basis, and Paul, Weiss intends to charge the Debtor based on any such adjustments.

28. The following attorneys will have primary responsibility for representing the Debtor:

Judith R. Thoyer (Corporate)	36 years experience	\$725 per hour
Stephen J. Shimshak (Bankruptcy)	23 years experience	\$725 per hour
James H. Millar (Bankruptcy)	8 years experience	\$475 per hour
Denny O. Kwon (Corporate)	4 years experience	\$420 per hour

29. In addition to charges for its services based on hourly rates, Paul, Weiss charges its clients in all areas of practice for expenses incurred in connection with the client's case or matter. The expenses charged to clients include, among other things, telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, travel expenses, expenses for "working meals," computerized research, transcription costs, and non-ordinary overhead expenses

such as secretarial and other overtime. Paul, Weiss will charge the Debtor for these expenses in a manner and at rates consistent with charges made generally to its other clients.

30. Paul, Weiss has a prepetition claim against the Debtor in the approximate amount of $0 for unpaid services rendered in respect of the Debtor's corporate matters. The requirements for employment under section 327(e), however, prove less stringent than those under section 327(a); attorneys holding prepetitions claims for fees are not per se disqualified. Rather, an attorney will qualify for employment under section 327(e) provided the 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. Here, Paul, Weiss believes that it holds no interest adverse to the Debtor or to their estates with respect to the matters on which Paul, Weiss is to be employed. Paul, Weiss' interest in these matters is parallel to that of the Debtor; that is, to maximize recovery for the Debtor. Accordingly, Paul Weiss satisfies the standards for employment under section 327(e).

31. Within one year prior to the Commencement Date, the Debtor paid Paul, Weiss approximately $2,442,739.58 for services rendered and related expenses.

Notice

The Debtor has provided notice of this Motion 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 it need not provide any further notice.

WHEREFORE, the Debtor respectfully requests that the Court enter an order (i) authorizing the retention and employment of Paul, Weiss as special corporate counsel for the Debtor nunc pro tunc to the Petition Date, and (ii) granting the Debtor 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

UNITED STATES BANKRUPTCY COURT

DISTRICT OF HAWAII

In re HAWAIIAN AIRLINES, INC., a Hawaii corporation, Debtor.	**Case No. 03- 00817** **(Chapter 11)** **AFFIDAVIT OF JUDITH R. THOYER IN SUPPORT OF THE APPLICATION OF DEBTOR FOR ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT OF PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP AS SPECIAL CORPORATE COUNSEL TO THE DEBTOR** **Date: March 21, 2003** **Time: 2:30 p.m.** **Judge: Hon. Robert J. Faris**

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

JUDITH R. THOYER, being duly sworn, deposes and says:

1. I am an attorney at law admitted to practice in the State of New York. I am a member of Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul, Weiss"), which maintains offices at 1285 Avenue of the Americas, New York, New York 10019. I submit this affidavit in support of the proposed employment of Paul, Weiss by Hawaiian Airlines, Inc. (the "Debtor"), nunc pro tunc to the date of the commencement of the above-captioned chapter 11 case as its special corporate counsel in such case and in compliance with section 327(e) of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), as well as to provide the

EXHIBIT A

disclosure required under Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). Unless otherwise stated in this Affidavit, I have personal knowledge of the facts hereinafter set forth. To the extent that any information disclosed herein requires amendment or modification upon Paul, Weiss' completion of further analysis or as additional creditor information becomes available to it, the appropriate representative of Paul, Weiss will submit a supplemental affidavit to this Court disclosing such information.

Qualifications of Paul, Weiss

2. Paul, Weiss maintains its principal office at 1285 Avenue of the Americas, New York, New York 10019-6064. Paul, Weiss operates as a full-service law firm with a national practice. The firm includes more than 400 lawyers in seven offices located in major cities throughout the world. Paul, Weiss practices in every major substantive area of law and its regular clients comprise leading public companies in a variety of industries, smaller and privately-held businesses, major nonprofit organizations, and individuals.

Services to be Rendered

3. The Debtor has requested that Paul, Weiss render necessary services relating to the Debtor's corporate affairs during the pendency of this

chapter 11 case. Specifically, the Debtor has asked Paul, Weiss to perform the following:

(a) advising and assisting the Debtor with respect to the Debtor's general corporate transactions, including matters pertaining to filings by its parent corporation (which filings are substantially related to the Debtor) with the Securities and Exchange Commission, the American Stock Exchange, the Pacific Exchange, and/or similar exchanges as required from time to time;

(b) advising and counseling the Debtor in connection with any contemplated restructuring, including the drafting of appropriate corporate documents with respect thereto and counseling the Debtor in connection with the closing of such restructuring;

(c) advising and counseling the Debtor with respect to its general corporate matters arising in or outside of bankruptcy;

(d) since the Debtor currently does not employ a chief legal officer or general counsel, performing functions typically within the scope of such an officer's duties; and

(e) performing the full range of services normally associated with the above matters.

Paul, Weiss has agreed to serve as the Debtor's attorneys and to render the foregoing services upon the terms and conditions set forth herein and in the Application.

Paul, Weiss' Connection with the Debtor

4. Since August 1997, Paul, Weiss has provided extensive general legal and corporate advice and other professional services to the Debtor. If

authorized to do so by this Court, Paul, Weiss will act as special corporate counsel for the Debtor.

Paul, Weiss' Connections with
Parties in this Chapter 11 Case

5. In connection with the preparation of this Affidavit, I have either reviewed or caused to be reviewed computer-generated conflicts reports based on data provided by the Debtor to Paul, Weiss for, among others, the following individuals and entities: (i) Hawaiian Airlines and its affiliates, (ii) the officers and directors of the Debtor, (iii) the Debtor's major shareholders (5% or more), (iv) the Debtor's secured creditors, (v) the Debtor's thirty largest unsecured creditors, (vi) the parties to the Debtor's significant executory contracts and leases, (vii) the significant shareholders of Hawaiian Holdings, Inc., (viii) all substantial unsecured bondholders or lenders attorneys retained in connection with the chapter 11 proceeding, and (ix) any attorneys, accountants, financial consultants, and investment bankers who represent parties in interest in this case.

6. Paul, Weiss' connections with parties in interest in these chapter 11 cases include:

(a) Paul, Weiss represents and has represented certain affiliates and shareholders of the Debtor that may be considered adverse to the Debtor. However, none of these representations concern the matters upon which Paul, Weiss will be retained in this chapter 11 case.

(b) Paul, Weiss represents and has represented and likely will represent in the future certain creditors of the Debtor and other parties in interest in matters unrelated to the Debtor's reorganization case. A review of the entities as previously set forth in paragraph 5 hereof, indicates that Paul, Weiss currently represents or has represented the following entities (or in some cases, their affiliates):

(i) Professionals: Akin Gump Strauss Hauer & Feld LLP; Ernst & Young; Lazard Freres & Co., LLC

(ii) Unsecured Creditors: Bank of America; American Airlines, Inc.; GE Capital Corporation; Transamerica Equipment Services Corp.; Honeywell; Pratt & Whitney; United States Department of Transportation; Delta Airlines, Inc.; The Boeing Company

(iii) Secured Creditors: Sanwa Business Credit Corporation; Bank of America; Hewlett-Packard; Rolls-Royce; IBM Credit Corporation; Wells Fargo Bank, N.A.

(iv) Unions: Air Line Pilots Association

(v) Parties to the Debtor's Significant Executory Contracts and Leases: American Airlines, Inc.; GE Capital; Transamerica Financial; Pratt and Whitney; US Bank; Honeywell

(vi) Major Shareholders, Affiliates, Directors and Officers: Hawaiian Holdings, Inc.; AIP, Inc.; Airline Investors Partnership, LP; AIP LLC; Smith Management Company; Airline Pilots Association; Vanguard Fiduciary Trust Company

7. Many of the representations noted above consist of isolated transactional matters and/or matters that Paul, Weiss closed years ago, rather than on-going relationships. Paul, Weiss' representation of the above entities will not affect its representation of the Debtor in the proposed engagement. Paul, Weiss remains qualified in all respects to serve as special counsel to the Debtor pursuant to section 327(e) of the Bankruptcy Code.

8. To the best of my knowledge, information and belief (insofar as I have been able to ascertain), neither Paul, Weiss nor any of its attorneys is a creditor or an insider of the Debtor, except that Paul, Weiss previously rendered legal services to the Debtor for which it was compensated.

9. Neither Paul, Weiss nor any member or associate thereof (insofar as I have been able to ascertain) including myself, is or was an investment banker for any outstanding security of the Debtor.

10. Neither Paul, Weiss nor any member or associate thereof, including myself (insofar as I have been able to ascertain) functions, or within three years before filing of the Debtor's chapter 11 cases functioned, as an investment banker for any security of the Debtor, or an attorney for an investment banker in connection with the offer, sale or issuance of any security of the Debtor.

11. Neither Paul, Weiss nor any member or associate thereof, including myself (insofar as I have been able to ascertain) serves or has served within two years before the Petition Date, as a director, officer, or employee of the Debtor or of an investment banker of the Debtor.

12. Paul, Weiss does not have an interest materially adverse to the interests of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with or interest in the Debtor or an investment banker employed by the Debtor, with respect to the matters on which Paul, Weiss will be retained.

13. Based upon the foregoing and, to the best of my knowledge, information and belief, neither Paul, Weiss nor any member or associate thereof, including myself, (insofar as I have been able to ascertain) represents or holds any interest adverse to the Debtor or its estate in the matters upon which Paul, Weiss is to be employed. Nothing contained in paragraph 3 should cause Paul, Weiss to pursue any interests on behalf of any of the entities or individuals listed above adverse to the Debtor. To the extent that Paul, Weiss discovers any facts bearing on matters described herein or its representation of the Debtor during the period of its employment, Paul, Weiss will supplement the information contained in this Affidavit.

14. The foregoing statements constitute a summary of connections between Paul, Weiss and any possible party in interest, as required by Bankruptcy Rule 2014(a).

Professional Compensation

15. Paul, Weiss will charge the Debtor its customary hourly rates for services performed in this case. These rates constitute our customary hourly rates that Paul, Weiss charges its clients for services provided by each of its domestic and foreign offices:

Lawyers:		Hourly Rates
Partners:		$525-$725
Counsel:		$495-$525
Associates:	0 to 3 years 4 to 6 years 7 or more years	$260 to $390 $420 to $460 $460 to $485
Paralegals:		$140 to $195

Paul, Weiss generally adjusts its rates on an annual basis, and Paul, Weiss intends to charge the Debtor based on any such adjustments.

16. The following attorneys will have primary responsibility for representing the Debtor:

Judith R. Thoyer (Corporate)	36 years experience	$725 per hour
Stephen J. Shimshak (Bankruptcy)	23 years experience	$725 per hour
James H. Millar (Bankruptcy)	8 years experience	$475 per hour
Denny O. Kwon (Corporate)	4 years experience	$420 per hour

17. In addition to charges for its services based on hourly rates, Paul, Weiss charges its clients in all areas of practice for expenses incurred in connection with the client's case or matter. The expenses charged to clients include, among other things, telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, travel expenses, expenses for "working meals," computerized research, transcription costs, and non-ordinary overhead expenses such as secretarial and other overtime. Paul, Weiss will charge the Debtor for these expenses in a manner and at rates consistent with charges made generally to its other clients.

18. Paul, Weiss intends to apply for compensation for professional services rendered in connection with this case, and for reimbursement of actual and necessary expenses incurred, in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the local rules and orders of this Court.

19. No party has made any promise as to payment or compensation in connection with these cases to Paul, Weiss other than in accordance with the provisions of the Bankruptcy Code. Paul, Weiss has not made any agreement with any other entity to share with such entity any compensation received by Paul, Weiss, except as permitted under section 504(b)(1) of the Bankruptcy Code.

20. Within one year prior to the Petition Date, the Debtor paid Paul Weiss approximately $2,442,739.58 for services rendered and related expenses.

21. The foregoing constitutes the statement of Paul, Weiss pursuant to sections 329 and 504 of the Bankruptcy Code and Rules 2014(a) and 2016 of the Bankruptcy Rules.

Judith R. Thoyer

Sworn to before me
this 19th day of March, 2003.

Notary Public

HERMAN M. WINKELS JR.
Notary Public, State of New York
No. 01WI5049365
Qualified in New York County
Commission Expires September 18, 2005

IN THE UNITED STATES BANKRUPTCY COURT

DISTRICT OF HAWAII

In re HAWAIIAN AIRLINES, INC., a Hawaii corporation, Debtor.	**Case No. 03 -** 00817 (Chapter 11) **INTERIM ORDER, PURSUANT TO SECTION 327(e) OF THE BANKRUPTCY CODE, AUTHORIZING THE RETENTION AND EMPLOYMENT OF PAUL, WEISS, RIFKIND, WHARTON & GARRISON, LLP, AS SPECIAL CORPORATE COUNSEL TO THE DEBTOR** 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 sections 327(e) and 328(a) of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") authorizing and approving the retention and employment of Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul, Weiss") as special corporate 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 Affidavit of Judith R. Thoyer (the "Thoyer Affidavit"), a member of Paul, Weiss in support of the Application; and the Court being satisfied, based on the representations made in the Application and the Thoyer Affidavit 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 Paul, Weiss 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 Paul, Weiss. If no objection is filed and received by the Debtor and Paul, Weiss in such time, this Order shall be deemed final on the twenty-first (21^{st}) 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 Paul, Weiss'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 Paul, Weiss's retention and employment on a permanent basis shall be made effective <u>nunc</u> <u>pro</u> <u>tunc</u> 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 sections 327(e) and 328(a) of the Bankruptcy Code, and Rules 2014 and 2016 of the Bankruptcy Rules, the Debtor is hereby authorized to employ and retain Paul, Weiss as special counsel, effective as the commencement of this chapter 11 case in accordance with Paul, Weiss'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 Paul, Weiss 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.

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UNITED STATES BANKRUPTCY JUDGE