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U.S. BANKRUPTCY COURT
DISTRICT OF HAWAII

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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 FOR ORDER UNDER
28 U.S.C. § 156(c) APPROVING THE
EMPLOYMENT OF THE GARDEN
CITY GROUP, INC. AS CLAIMS AND**

**NOTICING AGENT FOR THE
DEBTOR; EXHIBITS A AND B;
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, hereby moves this Court for entry of an order approving the employment of The Garden City Group, Inc. ("GCG") as claims and noticing agent in this chapter 11 case pursuant to section 156(c) of title 28 of the United States Code (the "Application"). In support of the Application, the Debtor submits the declaration of Michael J. Sherin of GCG, attached hereto as Exhibit B (the "Sherin Declaration"), and respectfully represents as follows:

I. JURISDICTION

1. This Court has jurisdiction to consider the Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The basis for the relief requested herein is section 156(c) of title 28 of the United States Code (the "Judicial Code").

II. BACKGROUND

3. 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.

4. 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

5. 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.

6. 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.

7. 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

8. 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").

9. 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.

10. 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

11. 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

12. 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

13. 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.

14. 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.

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

16. 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.

17. 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

18. 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. REQUEST FOR APPOINTMENT OF CLAIMS AND NOTICING AGENT

19. The Debtor requests the entry of an order authorizing the retention and employment of GCG as the claims and noticing agent in this chapter 11 case to (i) maintain, process and docket claims filed in this chapter 11 case, (ii) transmit notices to appropriate parties as required by the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and (iii) assist the Debtor with the dissemination of solicitation materials relating to a plan of reorganization. The Debtor respectfully submits that the retention of GCG as the claims and noticing agent in this chapter 11 case would promote the economical and efficient administration of the Debtor's estate. Utilizing GCG as the claims and noticing agent would allow the Debtor to avoid the duplication of effort in claims administration and in providing notices to its creditors. Additionally, the large

number of creditors and other parties in interest involved in the Debtor's chapter 11 case³ may impose heavy administrative and other burdens upon the Court and the Office of the Clerk of the Court (the "Clerk's Office"). To relieve the Court and the Clerk's Office of these burdens, the Debtor proposes to engage GCG as the claims and noticing agent (the "Claims and Noticing Agent" or the "Agent") in this chapter 11 case.

20. GCG is a firm that specializes in claims processing, noticing and other administrative tasks in chapter 11 cases. The Debtor seeks to engage GCG to transmit certain designated notices and to maintain copies of all proofs of claim and proofs of interest filed in this chapter 11 case as well as the official claims register. The Debtor proposes to retain GCG on the terms and conditions set forth in an agreement substantially in the form attached hereto as Exhibit A and incorporated herein by reference (the "Agreement").

21. Under the Agreement, GCG, at the request of the Debtor or the Clerk's Office, will provide the following services as the Claims and Noticing Agent:

- (a) prepare and serve certain required notices in this chapter 11 case, including:
 - (i) notice of the commencement of this chapter 11 case and the initial meeting of creditors under section 341(a) of the Bankruptcy Code;

³ There are approximately 35,000 creditors and parties in interest in the Debtor's chapter 11 case. However, this estimate does not include the members of the Debtor's frequent flyer program, the HawaiianMiles Program.

- (ii) notice of the claims bar date;
 - (iii) notice of objections to claims;
 - (iv) notice of any hearings on a disclosure statement and confirmation of a plan of reorganization; and
 - (v) other miscellaneous notices to such entities as the Debtor or the Court may deem necessary or appropriate for an orderly administration of this chapter 11 case;
- (b) within ten (10) days after the mailing of a particular notice, file with the Clerk's Office a certificate or affidavit of service that includes a copy of the notice involved in a format acceptable to the Clerk's Office, a list of persons to whom the notice was mailed (in alphabetical order) and the date of mailing;
 - (c) maintain an official copy of the Debtor's schedules of assets and liabilities and statement of financial affairs (the "Schedules"), listing the Debtor's known creditors and the amounts owed thereto;
 - (d) notify all potential creditors of the existence and the amount of their respective claims as evidenced by the Debtor's books and records and as set forth in the Schedules;
 - (e) maintain copies of all proofs of claim and proofs of interest filed;
 - (f) maintain official claims registers by docketing all proofs of claim and proofs of interest on claims registers, including the following information:
 - (i) the name and address of the claimant and any agent thereof, if the proof of claim or proof of interest was filed by an agent;

- (ii) the date filed;
- (iii) the claim number assigned; and
- (iv) the asserted amount and classification of the claim;
- (g) image the proofs of claim or proofs of interest and provide both the claims docket and the image of each proofs of claim or proofs of interest on the Website, as defined below;
- (h) make changes in the claims registers pursuant to Court orders;
- (i) implement necessary security measures to ensure the completeness and integrity of the claims registers;
- (j) transmit to the Clerk's Office a copy of the claims registers in a format acceptable to the Clerk's Office and as frequently as requested by the Clerk's Office;
- (k) maintain the official mailing list for all entities that have filed a proof of claim or proof of interest, which list shall be available upon request of a party in interest or the Clerk's Office;
- (l) record all transfers of claims pursuant to Bankruptcy Rule 3001(e) and provide notice of such transfers as required by Bankruptcy Rule 3001(e);
- (m) comply with applicable federal, state, municipal and local statutes, ordinances, rules, regulations, orders and other requirements;
- (n) provide temporary employees to process claims, as necessary;
- (o) promptly comply with such further conditions and requirements as the Clerk's Office or the Court may at any time prescribe; and

- (p) assist with (a) the preparation of amendments to the master creditor list, (b) the reconciliation and resolution of claims, and (c) the preparation, mailing and tabulation of ballots for the purpose of voting to accept or reject a plan of reorganization;
- (q) thirty (30) days prior to the close of this chapter 11 case, an order dismissing GCG shall be submitted terminating the services of GCG upon completion of its duties and responsibilities in this chapter 11 case; and
- (r) at the close of the case, box and transport all original documents in proper format, as provided by the Clerk's Office, to the Federal Records Center or to the Clerk's Office, as directed by the Court.

22. GCG, as the Agent, will establish and maintain an independent, separately named website (the "Website"), which shall be accessible to the general public and the bar without the need for prior registration or payment of any fee, for the posting of certain information relating to this chapter 11 case such as: the Court's procedures, certain forms, instructions for completing such forms, information for mailing such forms to the Court, information about PACER and any documents requested by the Clerk's Office to be posted on the Website. GCG also will post on the Website the Debtor's chapter 11 petition, the Schedules, any disclosure statements and plans of reorganization filed and approved by the Court, the notice of commencement of this chapter 11 case and any amendments thereof. Documents will be posted within one business day of delivery to GCG of such

documents by the Clerk's Office. Further, GCG shall (i) post an updated claims register, (ii) image each proof of claim or proof of interest and all attachments thereof and (iii) link such image to each such proof of claim or proof of interest on the claims register.

23. On the Website, GCG shall prominently display the following disclaimer:

PLEASE TAKE NOTICE that this website has been established and is being maintained by Hawaiian Airlines, Inc. (the "Debtor") and The Garden City Group, Inc. the Debtor's claims and noticing agent (the "Agent"), as authorized by the United States Bankruptcy Court for the District of Hawaii (the "Bankruptcy Court"). This website, however, is not the website of the Bankruptcy Court. While every attempt is being made to ensure the accuracy of the information contained on this website, this website does not contain the Bankruptcy Court's official records, **with the following exception**. The Agent has been delegated and authorized by the Bankruptcy Court to create and maintain an official claims register in the Debtor's chapter 11 case. This claims register and the images of proofs of claim or proofs of interest that are linked to the claims register are required to be a correct summary and an exact duplicate of the proofs of claim or proofs of interest filed in this chapter 11 case. Any apparent error in the claims register or in the image of the filed proofs of claims or proofs of interest should be reported to the Agent at kenneth_freda@gardencitygroup.com and to the clerk of the Bankruptcy Court at mark@hib.uscourts.gov.

24. As, and to the extent, provided in the Sherin Declaration, GCG represents, among other things, that:

(a) GCG will not consider itself employed by the United States government and shall not seek any compensation from the United States

government in its capacity as the Claims and Noticing Agent in this chapter 11 case;

(b) by accepting employment in this chapter 11 case, GCG waives any rights to receive compensation from the United States government;

(c) in its capacity as the Claims and Noticing Agent in this chapter 11 case, GCG will not be an agent of the United States and will not act on behalf of the United States;

(d) GCG will not employ any past or present employees of the Debtor in connection with its work as the Claims and Noticing Agent in this chapter 11 case;

(e) GCG is a “disinterested person” within the meaning of sections 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and holds no interest adverse to the Debtor and its estate for the matters for which GCG is to be employed; and

(f) No officer or professional personnel of GCG is related or connected to any United States Bankruptcy Judge or District Judge for the District of Hawaii, or any United States Trustee for the District of Hawaii.

25. The compensation to be provided by the Debtor to GCG for services rendered is set forth in the fee schedule included in Exhibit A attached hereto. The Debtor believes that such compensation is fair and reasonable. No fee application or other filing with this Court will be required.

26. Pursuant to section 156(c) of the Judicial Code, this Court is empowered to employ outside agents to provide services and facilities pertaining to the provision of notices, dockets, calendars, and other administrative information to parties in cases filed under the provisions of the Bankruptcy Code, provided that the Debtor's estate pay the cost of such services.⁴ Courts in this Circuit and other Circuits have routinely authorized debtors in possession to retain outside agents to provide services and facilities pertaining to the provision of notices, dockets, calendars, and other administrative information. See In re Liberty House, Inc., Case No. 98-01039 (LK) (Bankr. Haw. Aug. 3, 1998); In re AgriBioTech, Inc., Case No. 00-10533 (LBR) (Bankr. D. Nev. Jan. 26, 2000); In re Crown Vantage, Inc., Case No. 00-41584 (RJN) (Bankr. N.D. Cal. Apr. 5, 2000); In re Washington Group International, Inc., Case No. 01-31627 (GWZ) (Bankr. D. Nev. May 14, 2001); In re Fountain View, Inc., Case No. 01-39678 (BB) (Bankr. C.D. Cal. Dec. 14, 2001).

27. For all of the foregoing reasons, the Debtor believes that its employment of GCG as the Claims and Noticing Agent is in the best interest of the Debtor, its estate and creditors.

⁴ 28 U.S.C. § 156(c) provides that: "Any court may utilize facilities or services, either on or off the court's premises, which pertain to the provision of notices, dockets, calendars, and other administrative information to parties in cases filed under the provisions of title 11, United States Code, where the costs of such facilities or services are paid for out of the assets of the estate and are not charged to the United States. The utilization of such facilities or services shall be subject to such conditions and limitations as the pertinent circuit council may prescribe."

IV. NOTICE

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

V. NO PREVIOUS REQUEST

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

WHEREFORE, the Debtor requests entry of an order, substantially in the form attached hereto, granting the relief requested herein and such other and further relief the Court deems 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

BANKRUPTCY ADMINISTRATION AGREEMENT

This Bankruptcy Administration Agreement (the "Agreement"), dated as of February 19, 2003, is between The Garden City Group, Inc., a Delaware corporation (the "Company"), and Hawaiian Airlines, Inc., a Hawaiian corporation (the "Client").

The Client desires to retain the Company to perform certain noticing, claims processing and balloting administration services for the Client, and the Company desires to be so retained, in accordance with the terms and conditions of this Agreement.

In consideration of the mutual covenants herein contained, the parties hereby agree as follows:

1. Services. The Company agrees to provide the services necessary to perform the tasks specified in the Proposal of Tasks and Pricing that has been supplied to the Client and which has been attached hereto as Schedule A. Such services are hereinafter referred to as "Services."

2. Payment for Services; Expenses.

2.1 Compensation. Subject to Bankruptcy Court approval, as full compensation for the Services to be provided by the Company, the Client agrees to pay the Company its fees as outlined in Schedule A.

2.2 Expenses. Subject to Bankruptcy Court approval, in addition to the compensation set forth in Section 2.1, the Client shall reimburse the Company for all out-of-pocket expenses reasonably incurred by the Company in connection with the performance of the Services.

2.3 Billing and Payment. Subject to Bankruptcy Court approval, the Company shall bill the Client for its fees and expenses on a monthly basis, and the Client shall pay the Company within 30 days of its receipt of each such bill in the ordinary course of business. Upon the date of acceptance by the Client of the Agreement, Client agrees to pay the Company a retainer in the amount of \$10,000 (to be applied first to pre-petition fees) with any remainder applied to post-petition bills.

3. Term and Termination.

3.1 Term. The term of this Agreement shall commence on the date hereof and shall continue until performance in full of the Services, unless earlier terminated as set forth herein.

3.2 Termination.

(a) In the event of any material breach of this Agreement by the Client, the Company may apply to the Bankruptcy Court for an order allowing termination of the Agreement. Grounds for termination include: (i) failure to cure a material breach within thirty (30) days after receipt of the notice by the non-breaching party or (ii) in the case of any breach which requires more than thirty (30) days to effect a cure, failure to commence and continue in good faith efforts to cure such breach, provided that such cure shall be effected no later than ninety (90) days after receipt of such notice of such breach. Waiver of any such default or material breach by either party hereto shall not be construed as limiting any right of termination for a subsequent default or material breach.

(b) The Services may be terminated with or without cause by the Client at any time without liability or continuing obligation to the Company upon five (5) days' written notice.

(c) Subject to Bankruptcy Court approval, the Company shall be entitled to an administrative expense claim for all fees outstanding at the time of termination.

4. Independent Contractor. It is understood and agreed that the Company shall perform the Services as an independent contractor. Neither the Company nor any of its employees shall be deemed to be an employee of the Client. Neither the Company nor any of its employees shall be entitled to any benefits provided by the Client to its employees, and the Client will make no deductions from any of the payments due to the Company hereunder for state or federal tax purposes. The Company agrees that the Company shall be responsible for any and all taxes and other payments due on payments received hereunder by the Company from the Client. Nothing in this Agreement requires the Client to use the Company for any future work relating to the Services, and, in the event Client decides to use another party for such future work, the Company agrees to cooperate fully with the Client to ensure a smooth transition to the new party.

5. Accuracy of Client Supplied Information. Client is responsible for the accuracy of all data and other information it submits to the Company (including all information for schedule and statement preparation). The Company may undertake to place that data and information into certain systems and programs, including in connection with the generation of Schedules of Assets and Liabilities (“Schedules”) and Statements of Financial Affairs (“Statements”). The Company does not verify information provided by the Client and, with respect to Schedule and Statement preparation, all decisions are at the sole discretion and direction of the Client. All Schedules and Statements filed on behalf of, or by, the Client are reviewed and ultimately approved by the Client and the Company bears no responsibility for the accuracy or contents therein.

6. Confidential Information.

6.1 Confidentiality. In connection with this Agreement, each of the Client and the Company (as the case may be, the “disclosing party”) may disclose to the Company or the Client (as the case may be, the “receiving party”) certain information (a) that is marked or otherwise identified in writing as confidential or proprietary information of the disclosing party (“Confidential Information”) prior to or upon receipt by the receiving party; or (b) which the receiving party reasonably should recognize from the circumstances surrounding the disclosure to be Confidential Information. The receiving party (x) shall hold all Confidential Information in confidence and will use such information only for the purposes of fulfilling the receiving party’s obligations hereunder and for no other purpose, and (y) shall not disclose, provide, disseminate or otherwise make available any Confidential Information to any third party other than for the purposes of fulfilling the receiving party’s obligations hereunder, in either case without the express prior written permission of the disclosing party.

6.2 Protection of Intellectual Property. The Client acknowledges that the Company’s intellectual property, including, without limitation, the Company’s inventions (whether or not patentable), processes, trade secrets and know how are of ultimate importance to the Company. Accordingly, the Client agrees to use its commercially reasonable best efforts to protect such intellectual property, and shall not, either during the term of this Agreement or subsequent to its termination, utilize, reveal or disclose any of such intellectual property.

6.3 Scope. The foregoing obligations in sections 6.1 and 6.2 shall not apply to (a) information that is or becomes generally known or available by publication, commercial use or otherwise through no fault of the receiving party; (b) information that is known by the receiving party prior to the time of disclosure by the disclosing party to the receiving party; (c) information that is obtained from a third party who, to the receiving party's knowledge, has the right to make such disclosure without restriction; (d) any disclosure required by applicable law; or (e) information that is released for publication by the disclosing party in writing. The obligations set forth under sections 6.1 and 6.2 of the Agreement shall survive the termination of this Agreement.

7. Return of Client Property. On termination of this Agreement, or at any time the Client so requests, the Company will deliver immediately to the Client all property belonging to the Client and all material constituting or containing Confidential Information, including any copies in the Company's possession.

8. Limitation on Damages. The Company shall be without liability to the Client with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant hereto, if done in good faith and without negligence or willful or wanton misconduct. In no event shall liability to the Client for any losses or damages, whether direct or indirect, arising out of this Agreement exceed the total amount billed or billable to the Client for the portion of the particular work which gave rise to the loss or damage; provided, however, that the limitation set forth in this sentence shall not apply in the case of the Company's gross negligence or willful or wanton misconduct. In no event shall the Company be liable for any indirect, special or consequential damages such as loss of anticipated profits or other economic loss in connection with or arising out of the Services; provided, however, that the limitation set forth in this sentence shall not apply in the case of the Company's gross negligence or willful or wanton misconduct.

9. Jurisdiction. This Agreement is subject to the approval of the United States Bankruptcy Court for the District of Hawaii and such Court shall retain jurisdiction over all matters regarding this Agreement.

10. Force Majeure. Whenever performance by the Company of any of its obligations hereunder is substantially prevented by reason of any act of God,

strike, lock-out or other industrial or transportation disturbance, fire, lack of materials, law, regulation or ordinance, war or war conditions, or by reason of any other matter beyond the Company's reasonable control, then such performance shall be excused and this Agreement shall be deemed suspended during the continuation of such prevention and for a reasonable time thereafter.

11. Notice. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, or sent by registered mail, postage prepaid, or overnight courier. Any such notice shall be deemed given when so delivered personally, or, if mailed, five days after the date of deposit in the United States mail, or, if sent by overnight courier, one business day after delivery to such courier, as follows: if to the Company, to The Garden City Group, Inc., 105 Maxess Road, Melville, New York 11747-3836, Attention: David Isaac, President; and if to the Client, to Hawaiian Airlines, Inc., 3375 Koapaka Street, Suite G-350, Honolulu, Hawaii 96819, Attention: Christine Deister, Chief Financial Officer, with a copy to Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, New York, NY 10022 (Attn: Lisa G. Beckerman, Esq.).

12. Governing Law. This contract will be governed by and construed in accordance with the laws of the State of New York (without reference to its conflict of laws provisions).

13. Severability. All clauses and covenants contained in this Agreement are severable and in the event any of them are held to be invalid by any court, such clause or covenant shall be valid and enforced to the maximum extent as to which it may be valid and enforceable, and this Agreement will be interpreted as if such invalid clauses or covenants were not contained herein.

14. Assignment. This Agreement and the rights and obligations of the Company and the Client hereunder shall bind and inure to the benefit of any successor or successors thereto.

15. General. This Agreement supersedes and replaces any existing agreement entered into by the Company and the Client relating generally to the same subject matter, and may be modified only in a writing signed by the Company and the Client. Failure to enforce any provision of this Agreement shall not constitute a waiver of any term hereof. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof. This

Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument. The client shall file an application in the Bankruptcy Court seeking approval of this Agreement (the "Application"). If an order is entered approving such Application (the "Order"), any discrepancies between this Agreement, the Application and the Order shall be controlled by the Application and Order.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth above.

HAWAIIAN AIRLINES, INC.

THE GARDEN CITY GROUP, INC.

By: /s/ Christine R. Deister
Name: Christine R. Deister
Title: Exec. V.P., CFO & Treasurer

By: /s/ Karen Shaer
Name: Karen Shear
Title: Sr. VP, Managing Director

SCHEDULE A

SUPPORTING TASKS	PRICING
SET-UP CREDITOR FILE <ul style="list-style-type: none"> • Set-up fee • Create creditor file from electronic transfer of data • Data entry of names submitted by brokerage firms for inclusion in mailing database • Manual entry of creditor data not electronically available • Produce Schedules and SoFAs 	<ul style="list-style-type: none"> • Waived • Average rate, \$160 per hour • \$.50 per name • \$45 per hour • \$125-250 per hour
NOTICE PRINTING AND MAILING <ul style="list-style-type: none"> • Set-up • Personalized Notice, includes folding, insertion and envelopes • Acknowledgement Card • Mailing charges and postage • Legal Notice publication 	<ul style="list-style-type: none"> • Waived • \$.18 per first image, \$.12 per each additional image, single duplex page \$.23/each (postage at cost) • \$.12 per card • At cost • Quote
CLAIMS PROCESSING & DOCKETING <ul style="list-style-type: none"> • Including data entry of claim form information, docketing, changes made, and claim verification 	<ul style="list-style-type: none"> • \$60 per hour
DOCUMENT MANAGEMENT, IMAGING, STORAGE <ul style="list-style-type: none"> • Mail sorting and scanning prep. • Document scanning and claims association • Document management (incl. pick-up of POCs from court, delivery of claims register to court as requested, handling of admin. mail, etc.) • Document storage (paper) • Document storage (electronic) 	<ul style="list-style-type: none"> • Waived • \$.15 per image • \$35 - 75 per hour • \$1.50 per box (est. 100 claims per box) • \$.02 per image per month
SYSTEM SUPPORT <ul style="list-style-type: none"> • Set-up of Bankruptcy Administration System • System Customization: <ul style="list-style-type: none"> - Programmer - Senior Programmer • Remote web-based access - Downloading claims and supporting documents - Running reports 	<ul style="list-style-type: none"> • Waived • <ul style="list-style-type: none"> - \$125-150 per hour - \$150-175 per hour • \$1,500 per month (includes 3 users; additional users at \$250/month) - Included in access fee - At cost per creation
REPORTING <ul style="list-style-type: none"> • Standard and Customized Reports: 	<ul style="list-style-type: none"> • \$65 per creation

Service Lists, Claims Register, Claims by Amount and Classification, Unmatched Claims, Associated Claims, Late Claims, Transferred Claims, Variance Between Scheduled and Claimed Amounts Liability Estimates	
GENERAL PROJECT MANAGEMENT⁵	
<ul style="list-style-type: none"> • Clerical • Supervisor • Senior Supervisor/Bankruptcy Paralegal/Project Manager • Senior Project Manager • Director • Quality Assurance • Senior VP Systems and Managing Director 	<ul style="list-style-type: none"> • \$40-60 per hour • \$75-95 per hour • \$95 per hour • \$125 per hour • \$175 per hour • Average rate, \$165 per hour • \$250 per hour
VOTING AND TABULATION	
<ul style="list-style-type: none"> • Printing and mailing ballots, turn-around document • Processing ballots • Set up, tabulation and verification 	<ul style="list-style-type: none"> • \$.18 per image (<i>min. \$.45 per creditor</i>) Postage at cost • \$60 per hour • Hourly Project Mgt Rates
DISBURSEMENTS	
<ul style="list-style-type: none"> • Issuance of check, including stub, and any necessary tax reporting • Per record to transfer agent 	<ul style="list-style-type: none"> • Quote prior to distribution • \$.25 each
TELEPHONE SUPPORT	
<ul style="list-style-type: none"> • Initial design, programming and implementation fee • Monthly maintenance fee • Interactive platform, recorded message, FAQs, options for selection by caller, including recording change of address, call-back request, etc. • Operator support with database access for individualized caller handling • Management oversight, script preparation and recording, troubleshooting, call-backs and forwarding, operator training and supervision, 	<ul style="list-style-type: none"> • \$1000 • \$50 per month • \$.49 per automated minute; \$.95 per transcription • \$55 per hour plus toll charges • \$100-150 per hour

⁵ Any additional professional services not covered by this proposal will be charged at GCG hourly rates including any outsourced data input services performed under GCG supervision and controls. Premium rates apply for after hours and weekend requirements.

monitoring call volume and adjusting staffing needs, tracking and reporting statistics	
MISCELLANEOUS EXPENSES <ul style="list-style-type: none"> • Travel, postage, courier, etc. • Copying • Facsimile 	<ul style="list-style-type: none"> • At cost • \$.15 per image • \$.10 per page incoming & outgoing

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF HAWAII**

In re

HAWAIIAN AIRLINES, INC.
a Hawaiian corporation,

Debtor.

} **Case No. 03 -
(Chapter 11)**

} **DECLARATION IN SUPPORT OF
ORDER UNDER 28 U.S.C. § 156(c)
APPROVING THE EMPLOYMENT
OF THE GARDEN CITY GROUP, INC.
AS CLAIMS AND NOTICING AGENT
FOR THE DEBTOR**

Michael J. Sherin, under penalty of perjury, hereby declares as follows:

1. I am the Chairman of The Garden City Group, Inc. (“GCG”), a company specializing in the administration of large bankruptcy cases with offices located at 105 Maxess Road, Melville, New York 11747. I make this declaration on behalf of GCG and in support of the Application⁶ of the above-referenced debtor, for an order authorizing the employment and retention of GCG as claims and noticing agent in this Chapter 11 case, pursuant to the terms and conditions set forth in the Application and the agreement attached to the Application as Exhibit A

⁶ All terms not otherwise defined herein shall have the meaning ascribed to them in the Application for an Order under 28 U.S.C. § 156(c) Approving the Employment of the Garden City Group, Inc. as Claims and Noticing Agent for the Debtor.

(the "Agreement"). Except as otherwise noted, I have personal knowledge of the matters set forth herein.

2. GCG is one of the country's leading Chapter 11 administrators with expertise in noticing, claims processing, claims reconciliation and distribution. GCG is well qualified to provide the Debtor experienced services as claims and noticing agent in connection with this chapter 11 case. Among some of the large chapter 11 cases in which GCG has served, or currently is serving, as claims and noticing agent to debtors are the following: In re HMG Worldwide Corporation, Case No. 01-42642 (SMB), In re Nations Flooring, Inc., Case No. 01-16342 (CB), In re Galey & Lord, Inc., Case No. 02-40445 (ALG), In re PSINet Consulting Solutions Holdings, Case No. 01-14916 (REG), In re NTL, Case No. 02-41316 (ALG), and In re Regus Business Centre Corp., Case No. 03-20026 (ASH), which chapter 11 cases were filed in the Southern District of New York. GCG was also claims and noticing agent in In re HQ Global Holdings, Inc., Case No. 02-10760 (MFW), Federal-Mogul, Case No. 01-10578 (AMW), and In re AC&S, Inc., Case No. 02-12687 (RJR), which chapter 11 cases are pending in the District of Delaware. GCG has also been retained as claims and noticing agent in In re CyberRebate.com, Inc., Case No. 01-16534 (CEC), pending in the Eastern District of New York, and in In re AremisSoft Corporation, Case No. 02-32621 (RG), which was filed in the District of New Jersey.

3. The compensation arrangement provided for in the fee schedule included in Exhibit A to the Application is consistent with and typical of arrangements entered into by GCG and other such firms with respect to rendering similar services for clients such as the Debtor.

4. The Debtor will pay GCG fees and expenses upon the submission of monthly invoices by GCG to the Debtor summarizing, in reasonable detail, the services for which compensation is sought.

5. To the best of my knowledge and belief, and except as described herein, neither I nor any professional of GCG has any connection or relationship with the Debtor, its creditors, or any other parties in interest in this case that would conflict with the scope of GCG's retention or would create any interest adverse to the Debtor, its creditors, the Debtor's estate, or any other parties in interest. GCG has and will continue to represent clients in matters unrelated to this case and has had and will continue to have relationships in the ordinary course of its business with certain professionals in connection with matters unrelated to this case. This includes vendor relationships as well as cases where GCG serves in a neutral capacity as a class action settlement claims administrator and/or provides expertise in the design and dissemination of legal notice and other administrative functions in class actions. In addition, GCG's personnel may have relationships

with some of the Debtor's creditors; however, such relationships are of a personal financial nature and completely unrelated to this chapter 11 case.

6. Based on the information available to me, I believe that GCG is a "disinterested person" within the meaning of sections 101(14) and 1107(b) of the Bankruptcy Code and holds no interest adverse to the Debtor and its estate for the matters for which GCG is to be employed.

7. I am not related or connected to and, to the best of my knowledge, no other professional of GCG is related or connected to any United States Bankruptcy Judge or District Judge for the District of Hawaii or any United States Trustee for the District of Hawaii.

8. Since 1999, GCG has been a wholly owned subsidiary of Crawford & Company, an insurance risk-adjusting firm. I am advised that Crawford & Company has no material relationship with the Debtor, and while it may have rendered services to certain creditors of the Debtor, or have a vendor relationship with some creditors of the Debtor, such relationships were (or are) in no way connected to GCG's representation of the Debtor in this chapter 11 case.

9. GCG has received \$10,000 from the Debtor in connection with GCG's prepetition assistance, including the preparation of a creditor matrix and certain "first day" motions that were filed, as well as with designing a web site and setting up a telephone call center. A portion of this payment has been applied to

outstanding balances; the remainder will constitute a general retainer. GCG will return any unused portion of the retainer, if any exists, after its services are terminated.

10. There is no agreement or understanding between GCG and any other person or entity for sharing compensation received or to be received for services rendered by GCG in connection with this chapter 11 case.

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

Executed on February 26, 2003

/s/ Michael J. Sherin

EXHIBIT C

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF HAWAII**

In re

HAWAIIAN AIRLINES, INC.
a Hawaii corporation,

Debtor.

} **Case No. 03 -
(Chapter 11)**

} **ORDER UNDER 28 U.S.C. § 156(c)
APPROVING THE EMPLOYMENT
OF THE GARDEN CITY GROUP, INC.
AS CLAIMS AND NOTICING AGENT
FOR THE DEBTOR**

This matter coming before the Court on the Application for an Order Authorizing the Employment of The Garden City Group, Inc. (“GCG”) as Claims and Noticing Agent (the “Application”),⁷ filed by the above-captioned debtor and debtor in possession (the “Debtor”); the Court finding that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), (c) venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409, and (d) proper and adequate notice of the Application and the hearing thereon has been given and that no other or further notice is necessary; and the Court having considered the Declaration of Christine R. Deister in Support of First-Day Motions and Applications; and the Court having considered all evidence and oral arguments of counsel in support of the Application; and the Court having determined that the legal and factual basis set

⁷ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Application.

forth in the Application establish just cause for the relief granted herein and the Court having determined that the relief sought in the Application is in the best interest of the Debtor and its estate; and after due deliberation and sufficient cause appearing therefor,

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Application is GRANTED in its entirety.
2. The Debtor is hereby authorized to retain GCG as the Claims and Noticing Agent in this chapter 11 case pursuant to section 156(c) of the Judicial Code on the terms and conditions set forth in the Agreement and the Application.
3. GCG shall not be required to file with this Court any fee applications in connection with services rendered to the Debtor.
4. Nothing contained herein or in the Application shall limit the Debtor's ability to dispute the amount of any invoice submitted by GCG in this chapter 11 case.
5. This Court shall retain jurisdiction over any and all issues arising from or related to the implementation and interpretation of this Order.

Dated: _____, 2003

UNITED STATES BANKRUPTCY JUDGE