Boeing Capital Asks for Hawaiian Airlines Bankruptcy Trustee

Boeing Capital Corporation today filed a motion requesting that a bankruptcy trustee be appointed to replace Hawaiian Airlines' current management in overseeing Hawaiian's Chapter 11 bankruptcy proceedings.

The motion contends that after receiving more than $30 million in federal aviation stabilization funds in the aftermath of the September 11 attacks, Hawaiian's management paid out more than $25 million via a tender offer in July 2002 as a "reward" to shareholders. Members of Hawaiian's management and their affiliates received more than 69 percent of the payout, which occurred during a period of losses and a declining financial condition at the airline. Simultaneously with the payout, the airline was approaching Boeing Capital and other aircraft lessors seeking $20 million in cost reductions.

This motion is unprecedented for Boeing Capital, but the company believes that it is absolutely necessary, based on the past actions of the airline's management. Boeing Capital feels that the appointment of a trustee would ensure that the interests of creditors are appropriately protected. If Hawaiian continues to operate under current management and fails to recover the equity taken from it last year, Boeing Capital is concerned that Hawaiian will not be able to successfully reorganize.

Hawaiian Airlines and Boeing Capital have been discussing possible cost reductions since May 2002. Boeing Capital most recently offered Hawaiian $15 million in cash relief during 2003 and 2004, but airline management did not accept the offer. In an attempt to help the airline, Boeing Capital had deferred some of the aircraft rental payments due in January, February and March. The deferred payments totaled $10.3 million at the time of Hawaiian's bankruptcy filing.

Boeing Capital currently has 13 Boeing 717-200s and three Boeing 767-300ERs on lease to Hawaiian Airlines. An additional 767-300ER is scheduled for delivery to Hawaiian in April. As of March 31, the airline represented $546.3 million of Boeing Capital's portfolio.

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