



**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

Assistant Secretary

400 Seventh St., S.W.  
Washington, D.C. 20590

March 7, 2005

Mr. Jonathan B. Hill  
Dow, Lohnes & Albertson, PLLC  
1200 New Hampshire Avenue, N.W.  
Suite 800  
Washington, D.C. 20036-6802

Dear Mr. Hill:

This letter conveys the conclusions of the Department of Transportation regarding the citizenship of Hawaiian Airlines, following its emergence from bankruptcy and reorganization as you have described it to us. Specifically, you have advised us that Hawaiian will, upon reorganization, (i) satisfy all the numerical statutory criteria related to citizenship, and (ii) demonstrate none of the indicia of foreign control that the Department has historically considered relevant, except that the beneficial owners of a portion of Hawaiian's total equity will ultimately be held by a diffuse array of passive offshore investment vehicles in which foreign citizens are investors. We conclude that Hawaiian will remain a citizen of the United States as required by Title 49 of the U.S. Code. As always in such cases, this reflects, and is predicated on the accuracy of, all the information that you have provided. Moreover, this finding depends on our satisfactory review of all final documents, including governance documents for all involved entities, which you must submit to us upon signature. There are, however, several specific elements in the proposed structure that we wish to emphasize as crucial to this positive outcome.

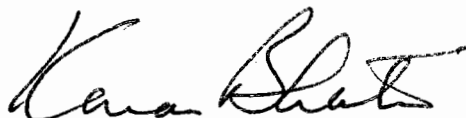
Quantifying foreign beneficial interests. When determining the percentage of total beneficial interest in Hawaiian ultimately held by foreign citizens, you have argued for "multiplying out" the foreign interests in each investor, to reflect the ultimate foreign ownership, rather than examining each entity in the hierarchy separately to determine its citizenship based on actual control. The results of such an analysis are presumably reflected in the chart you provided with your letter of January 21, showing that foreign citizens are collectively contributing less than half of the ultimate net investment. We are prepared to accept this approach in this case for two distinct and essential reasons: first, the foreign interests are genuinely passive (that is, none of the new investors demonstrates any incentive, or indicium of ability, to exercise actual control of the airline), and second, the interests are highly diffuse, with no single foreign investor holding more than a very small interest. Both elements are critical to our acceptance of the approach to quantifying the foreign interests in Hawaiian that you urge the Department to adopt.

US LLCs. You have proposed to interpose new, U.S.-citizen limited-liability companies, which will hold voting stock in Hawaiian's parent corporation, between that corporation and the existing offshore investment entities. Under this arrangement the U.S. managers of the existing offshore entities will own the voting stock of each new LLC reflecting a genuine financial interest therein, while the existing offshore entities will own only non-voting stock in the new LLCs. We can accept this approach if the U.S. managers are in fact independent decisionmakers and are not obliged to follow the dictates of the offshore entities that they manage with respect to Hawaiian, whether because of a fiduciary duty or for any other reason. Moreover, as you know, the Department treats LLCs on a *de facto* basis according to their structure: if structured like a partnership, an LLC must comply with the statutory requirements applicable to partnerships to be treated as a U.S. citizen and, if structured like a corporation, it must comply with the statutory requirements applicable to corporations. Accordingly, it is essential that the new LLCs be structured like corporations (as already suggested by your references to "stock" being held) rather than partnerships, to avoid a single foreign participant tainting the LLC as a foreign "partner." Each new LLC must meet the statutory requirements regarding corporations.

Conditions. We will require Hawaiian to report to us any increase in or consolidation of the foreign interests in Hawaiian; any alteration to the ownership structure discussed above; or any change in personnel or other circumstances affecting foreign involvement in the structure or capitalization of Hawaiian or its parent company, including new governance provisions (such as supermajority voting rights), changes to state law requiring that a foreign investor have voting rights, etc. Any change in these circumstances could well result in a different outcome.

Thank you for your attention and cooperation.

Sincerely,



Karan K. Bhatia  
Assistant Secretary

for Aviation and International Affairs