

HAWAIIAN HOLDINGS INC
Form PRE 14A
May 02, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Hawaiian Holdings, Inc.
(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
Fee paid previously with preliminary materials.
Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
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Lawrence S. Hershfield
Chairman of the Board of Directors

Hawaiian Holdings, Inc.
12730 High Bluff Drive, Suite 180
San Diego, California 92130

May 13, 2005

To Our Stockholders:

You are cordially invited to attend the 2005 Annual Meeting of Stockholders (the "Annual Meeting") of Hawaiian Holdings, Inc. (the "Company") to be held at The Hawaii Prince Hotel Waikiki, 100 Holomoana Street, Honolulu, HI, 96815, on Wednesday, June 8, 2005, at 10:00 AM, local time.

The purpose of the meeting is to (i) amend the Company's charter to increase the number of authorized shares of capital stock from 62,000,000 shares to 120,000,000 shares, (ii) approve the establishment of the 2005 Stock Incentive Plan and (iii) re-elect six nominees to the board of directors. Information about these proposals is contained in the enclosed proxy statement.

Only stockholders of record of our outstanding common stock and special preferred stock at the close of business on April 29, 2005 will be entitled to notice of and to vote at the Annual Meeting.

Your vote, regardless of the number of shares you own, is important. Whether or not you plan to attend the annual meeting, I hope you will vote as soon as possible. Please note that in order for your vote to be counted, you must complete and return the stockholder questionnaire, described in the Proxy Statement under "Restriction on Foreign Ownership of Voting Stock" and attached thereto as Appendix A. You may vote over the Internet, by telephone or by mailing a proxy card. Voting over the Internet, by telephone or by written proxy will ensure your representation at the annual meeting if you do not attend in person. Please review the instructions on the proxy card regarding each of these voting options.

Thank you for your ongoing support of and continued interest in Hawaiian Holdings, Inc.

Sincerely,
Lawrence S. Hershfield
Chairman of the Board of Directors

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HAWAIIAN HOLDINGS, INC.
12730 High Bluff Drive, Suite 180
San Diego, California 92130
(858) 523-0219

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Our Stockholders:

The Annual Meeting of Stockholders of Hawaiian Holdings, Inc. will be held at The Hawaii Prince Hotel Waikiki, 100 Holomoana Street, Honolulu, HI, 96815 on Wednesday, June 8, 2005, at 10:00 AM, local time to consider and act upon the following matters:

1. The amendment of the Company's charter to increase the number of authorized shares of capital stock from 62,000,000 shares to 120,000,000 shares;
2. The approval of the 2005 Stock Incentive Plan;
3. The re-election of six directors to serve for one-year terms and until their successors are duly elected and qualified. The proxy statement accompanying this notice includes the names of the nominees to be presented by the Board of Directors for election; and
4. Such other business as may properly come before the Annual Meeting of Stockholders, or any and all adjournments thereof.

Only stockholders of record of our outstanding common stock and special preferred stock at the close of business on April 29, 2005, the record date, will be entitled to vote at the Annual Meeting. Please note that in order for your vote to be counted, you must complete and return the stockholder questionnaire, described in the Proxy Statement under "Restriction on Foreign Ownership of Voting Stock" and attached thereto as Appendix A.

Management desires to have maximum representation of stockholders at the Annual Meeting. You may vote over the Internet, by telephone or by mailing a proxy card. Voting over the Internet, by telephone or by written proxy will ensure your representation at the Annual Meeting if you do not attend in person. Please review the instructions on the proxy card regarding each of these voting options. You may revoke your proxy at any time prior to its use, by notice in writing to me, the Company's Secretary, by presentation of a later-dated proxy or by attending the Annual Meeting and voting in person.

By order of the Board of Directors
Randall L. Jenson
Chief Financial Officer, Treasurer
and Secretary

Dated: May 13, 2005

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HAWAIIAN HOLDINGS, INC.

12730 High Bluff Drive, Suite 180
San Diego, California 92130
(858) 523-0219

PRELIMINARY PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To Be Held Wednesday, June 8, 2005

We are furnishing this Proxy Statement in connection with the solicitation of proxies by the Board of Directors of Hawaiian Holdings, Inc., a Delaware corporation (the "Company"), for use at our annual meeting of stockholders to be held at The Hawaii Prince Hotel Waikiki, 100 Holomoana Street, Honolulu, HI, 96815, on Wednesday, June 8, 2005, at 10:00 AM, local time, and any and all adjournments thereof (collectively, the "Annual Meeting"). We are holding the Annual Meeting for the purposes described in the accompanying Notice of Annual Meeting of Stockholders. We intend to provide a definitive Proxy Statement, proxy card, stockholder questionnaire and Notice of Annual Meeting of Stockholders to stockholders beginning on or about May 13, 2005.

GENERAL INFORMATION

Solicitation of Proxies

Our Board of Directors is soliciting the enclosed proxy. We will make proxy solicitations by mail, and also by telephone, facsimile transmission or otherwise, as we deem necessary. We will bear the costs of this solicitation. We will request banks, brokerage houses, nominees and other fiduciaries nominally holding shares of our common stock, \$0.01 par value (the "Common Stock"), to forward the proxy soliciting materials and stockholder questionnaires to the beneficial owners of such Common Stock and to obtain authorization for the execution of proxies. We will, upon request, reimburse such parties for their reasonable expenses in forwarding proxy materials and stockholder questionnaires, to the beneficial owners. We do not currently expect to engage an outside firm to solicit votes.

Record Date, Quorum and Voting Requirements

Holders of shares of Common Stock and our Series B Special Preferred Stock, Series C Special Preferred Stock and Series D Special Preferred Stock (collectively, the "Special Preferred Stock") at the close of business on April 29, 2005 (the "Record Date"), are entitled to notice of, and to vote at, the Annual Meeting. On that date, approximately 30,751,227 shares of Common Stock and one share each of the Series B Special Preferred Stock, the Series C Special Preferred Stock and the Series D Special Preferred Stock were outstanding. Each share of Common Stock and Special Preferred Stock outstanding on the Record Date is entitled to one vote on each matter presented at the Annual Meeting. The presence, in person or by proxy, of stockholders of a majority of the issued and outstanding Common Stock and Special Preferred Stock held of record on the Record Date constitutes a quorum for the transaction of business at the Annual Meeting. The amendment of the Company's charter and the approval of the 2005 Stock Incentive Plan require the affirmative vote of a majority of the shares of Common Stock and Special Preferred Stock present at a meeting at which a quorum is present. The election of directors requires a plurality of the votes cast by the holders of shares of Common Stock and Special Preferred Stock at a meeting at which a quorum is present. Our Common Stock is listed on the American Stock Exchange ("AMEX") and the Pacific Exchange ("PCX") under the symbol "HA."

Shares of Common Stock and Special Preferred Stock represented by all properly executed proxies received in time for the Annual Meeting will be voted, unless revoked, in accordance with the choices specified in the proxy, subject to our receipt of the stockholder questionnaires described below. See **"Restriction on Foreign Ownership of Voting**

Stock." Unless contrary instructions are indicated on the

proxy, the shares will be voted FOR the amendment of the Company's charter to increase the number of authorized shares of Common Stock, the approval of the 2005 Stock Incentive Plan and the re-election of the six nominees named in this Proxy Statement as directors. Representatives of our transfer agent will assist us in the tabulation of the votes. Abstentions and broker non-votes are counted as shares represented at the meeting and entitled to vote for purposes of determining a quorum. Abstentions have the same legal effect as a vote "against" election of the directors. Brokers do not have the discretionary power to vote with respect to any of the proposals contained herein, absent the receipt from the beneficial owners of such shares of specific voting instructions, as well as a completed questionnaire as described below.

Restriction on Foreign Ownership of Voting Stock

Our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") prohibits the ownership or control by non-U.S. citizens of more than 25% of our issued and outstanding voting stock, pursuant to the federal Transportation Act. In order to comply with this requirement, we maintain a Foreign Stock Record to keep track of transfers of our voting stock to non-U.S. citizens. At no time will the ownership or control of shares representing more than 25% of our voting stock be registered on the Foreign Stock Record. If, at any time, we determine that the number of shares of our voting stock purportedly registered on the Foreign Stock Record exceeds 25% of the total number of shares of our voting stock, we shall remove sufficient shares from the Foreign Stock Record in reverse chronological order so that the number of shares of our voting stock registered on the Foreign Stock Record does not exceed 25% of the total number of shares of our voting stock. Shares of our voting stock that we know to be owned or controlled by non-U.S. citizens and that are not registered on the Foreign Stock Record shall not be entitled to vote until so registered.

Before any stockholder (including any natural person, as well as any corporation or other entity) of the Company is permitted to vote its shares at the Annual Meeting, that stockholder must complete and return a questionnaire (attached as Appendix A hereto) to establish its citizenship. If any stockholder is determined not to be a U.S. citizen, that stockholder's stock will be registered on the Foreign Stock Record and voted in accordance with the Certificate of Incorporation, subject to the limitations and procedures described above.

Dissenters' Rights

Under Delaware law, you are not entitled to any dissenters' rights with respect to the approval of the proposals described in this Proxy Statement.

Revocability of Proxy

Giving the enclosed proxy does not preclude your right to vote in person if you so desire. You may revoke your proxy at any time prior to its exercise by notifying our Secretary in writing, by giving us a later-dated proxy, or by attending the Annual Meeting and voting in person.

Background Information for Following Proposals

The Company, which was incorporated in April 2002 under the laws of the State of Delaware, is a holding company. Its wholly-owned subsidiary, Hawaiian Airlines, Inc. ("Hawaiian"), was incorporated in January 1929 under the laws of the Territory of Hawaii and, based on the number of scheduled miles flown by revenue passengers (known as

revenue passenger miles) in 2004, is the largest airline headquartered in Hawaii. The Company became the parent of Hawaiian on August 29, 2002, pursuant to a corporate restructuring. As a result of the corporate restructuring and actions taken subsequent thereto, the Company's primary asset is its sole ownership, indirectly, of all issued and outstanding shares of the common stock of Hawaiian. On March 21, 2003, Hawaiian filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Filing") in the United States Bankruptcy Court for the District of Hawaii (the "Bankruptcy Court"). The Company did not file for relief under Chapter 11 of the Bankruptcy Code. On May 30, 2003, a trustee was selected to serve in

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connection with the Chapter 11 Filing and operate Hawaiian, which has continued to operate its business under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The initial trustee has since resigned and been replaced by a duly appointed substitute trustee (the "Trustee"). The appointment of the Trustee effectively served to divest operational and financial control of Hawaiian from the officers and directors of the Company, and severed the availability of funds needed by the Company to support its efforts to meet its ongoing obligations, including its reporting requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Since we have not controlled Hawaiian from the time a trustee was appointed in May 2003, the disclosure contained in this Proxy Statement regarding the operations of Hawaiian is limited and based only upon our best knowledge of such operations. Effective as of April 1, 2003, the Company deconsolidated Hawaiian for financial reporting purposes and accounted for its ownership of Hawaiian using the cost method of accounting. As a result, for financial reporting purposes, the Company currently is, and has been throughout 2004, a holding company with no business operations or properties. Accordingly, as used in this Proxy Statement, the terms "Company", "we", "our", and "us" refer to Hawaiian Holdings, Inc. only.

The Company, the Trustee, the Official Committee of Unsecured Creditors of Hawaiian, HHIC, Inc., a wholly-owned subsidiary of the Company ("HHIC"), and RC Aviation, LLC ("RC Aviation") (which is currently the largest stockholder of the Company) have filed an amended joint plan of reorganization (the "Joint Plan") to provide for Hawaiian to emerge from bankruptcy. The Joint Plan provides for payment in full of all allowed claims, including unsecured claims. The Joint Plan also provides for the merger of Hawaiian into HHIC, with HHIC to be the surviving entity but to change its name to Hawaiian Airlines, Inc., a Delaware corporation. We will retain our equity interest in Hawaiian; however, in connection with the Joint Plan, we will be required to issue shares of Common Stock to creditors of Hawaiian to help fund the Joint Plan, resulting in a dilution of the ownership interest of our existing common stockholders. We anticipate that Hawaiian will emerge from bankruptcy in the latter half of May 2005 (the "Effective Date"). However, we cannot provide any assurance that the Joint Plan can be consummated successfully and that we will regain full control of Hawaiian.

We have obtained the necessary approvals and arranged the necessary financing in order to consummate the Joint Plan, with the exception of the Air Line Pilots Association ("ALPA") (as described below). The financing we have arranged is contingent upon Hawaiian's ultimate emergence from bankruptcy protection and negotiation and execution of final documentation. The occurrence of certain events prior to Hawaiian's emergence from bankruptcy (including the inability to resolve the outstanding ALPA issues) could result in the arranged financing not being available to us and Hawaiian, which might prevent us from consummating the Joint Plan and therefore delay or prevent Hawaiian's emergence from bankruptcy.

The Joint Plan was accepted by more than the required two-thirds of the dollar amount of eligible claims and more than the required one-half of the number of claims from each class of creditors entitled to vote on the Joint Plan. At the conclusion of the confirmation hearing for the Joint Plan on March 11, 2005, the Bankruptcy Court concluded that

all of the requirements for confirmation had been met and that findings of fact and conclusions of law and an order would be entered following ratification of the proposed agreements with The Association of Flight Attendants ("AFA") and ALPA.

On or about February 19, 2005, a final proposed agreement was reached with the negotiating committee of AFA, and on March 14, 2005, the agreement was ratified. On March 14, 2005, a final proposed agreement (the "Proposed ALPA Agreement") was reached with the negotiating committee of ALPA, but the members of ALPA did not ratify the Proposed ALPA Agreement. Consequently, on March 29, 2005, the Trustee's motion to impose an agreement on ALPA pursuant to Section 1113 of the Bankruptcy Code commenced before the Bankruptcy Court, but was not completed. The hearing was continued to April 13, 2005 and was completed on April 15, 2005. The Bankruptcy Court did not rule at the conclusion of the hearing. On April 28, 2005, Hawaiian reached an agreement with ALPA, which will be submitted to ALPA for ratification within the next two weeks. The Trustee will ask the Bankruptcy Court to defer its decision until after ratification vote is taken. The Company can provide no assurance that the Bankruptcy Court will rule in favor of Hawaiian and that the Company will regain control of Hawaiian in the near future.

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Financing Arrangements

The Trustee, the Company and RC Aviation entered into a Restructuring Support Agreement, dated as of August 26, 2004 (the "Restructuring Support Agreement"), pursuant to which we and RC Aviation agreed to raise the funding necessary to meet the distribution and payment obligations under the Joint Plan and to ensure that Hawaiian has at least the minimum amount of cash required by the Joint Plan. The Joint Plan provides that the minimum unrestricted cash on hand at Hawaiian on the Effective Date will be at least \$70 million. In order to fund these obligations under the Joint Plan, we and RC Aviation have the flexibility to utilize one or more sources of financing, including the following: the issuance of up to \$150 million of new debt by Hawaiian, such as new notes and/or a senior secured loan facility, the proceeds of a rights offering to our existing stockholders, or the proceeds of the sale of a new series of our preferred stock to RC Aviation. We and RC Aviation have elected to finance the Joint Plan with a \$50 million senior secured credit facility together with approximately \$100 million of convertible senior notes as more fully described below.

Subject to the final completion of the negotiations and satisfaction of the conditions to closing, on the Effective Date, the Company as guarantor, expects to enter into a three-year credit agreement (the "Credit Agreement") with Hawaiian, as borrower, and Wells Fargo Foothill, Inc., D.B. Zwirn Special Opportunities Fund, L.P., Bernard National Loan Investors Ltd. and certain other lenders. The Credit Agreement will provide Hawaiian with a \$50 million facility comprised of (i) a \$25 million revolving line of credit, subject to availability under a borrowing base formula based on Hawaiian's eligible accounts receivable, eligible spare parts, eligible ground equipment and collections, with a \$15 million sublimit for letters of credit and up to \$5 million in swing loans and (ii) a \$25 million term loan.

Subject to the final completion of the negotiations and satisfaction of the conditions to closing, on the Effective Date, we intend to issue approximately \$100 million aggregate principal amount of Convertible Senior Notes due 2010 (the "Notes"). The Notes will be issued pursuant to an indenture (the "Indenture"), dated the Effective Date, by and among the Company, as issuer, and The Bank of New York, as trustee, and sold pursuant to a purchase agreement, dated the Effective Date, by and among the Company, as issuer, Hawaiian, as guarantor, and the purchasers named therein. The Notes will be subordinate to the Company's secured indebtedness and will be guaranteed by Hawaiian. The Notes will be convertible at any time in whole or in part at the option of the holders into Common Stock at an initial conversion

rate which is to be determined, but at a premium to market, subject to certain anti-dilution protections. Upon conversion, we will also pay the holders accrued interest as of the date of conversion and an amount equal to 50% of the remaining prospective interest from the date of conversion through maturity (together, the "Make Whole Payment"). In the event of a conversion caused by a certain non-public change of control (as defined in the Indenture), the enhanced Make Whole Payment (the "Enhanced Make Whole Payment") will be the greater of the Make Whole Payment that would have been payable had such change of control not occurred or a percentage to be determined of the principal amount of the Note; provided that, if the conversion occurs on or after March 25, 2009, the Enhanced Make Whole Payment shall be a percentage to be determined of the principal amount of the Note. The Make Whole Payment will be payable in cash and/or Common Stock. The Notes will contain provisions suspending the holder's right of conversion to the extent that such conversion would result in such holder owning in the aggregate more than 9.9% of the Common Stock.

It is currently anticipated that a portion of the Notes (the "Second Tranche Notes") will not initially be convertible into Common Stock as the Company will not have a sufficient number of authorized shares of Common Stock unless and until it receives shareholder approval of Proposal No. 1 contained herein. Accordingly, the Company anticipates that the Second Tranche Notes will contain terms that are different than the other Notes to address the fact that they cannot be converted into Common Stock, unless and until approval of Proposal No. 1 is obtained, including compensation for the nonconvertibility of the Notes if Proposal No. 1 is not approved by the shareholders. If the Company cannot negotiate acceptable terms for the Second Tranche Notes, it could consider a delay in the issuance of the Second Tranche Notes until after the approval of Proposal No. 1 or a delay in the Effective Date. The Company has some flexibility in delaying the issuance of the Second Tranche Notes as a portion of the funds is dedicated to working capital and is not essential to the business. A delay in the Effective Date would require the consent of the Trustee which may not be possible to obtain.

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While we have no formal financing commitments for the Credit Agreement or the Notes and final terms of the financing agreements, including pricing terms, are subject to final negotiation, the financing documentation is substantially complete. We believe that we will be able to complete the required financing transactions necessary to fund the Joint Plan, subject to ratification of the agreement with ALPA and assuming no material deterioration in market conditions. There can be no assurance, however, that we can successfully consummate such financings. In the event that such financings are not available, we will utilize the funds available under the Restructuring Support Agreement.

RC Aviation, LLC Transactions

On June 14, 2004, RC Aviation purchased ten million shares of Common Stock from AIP, LLC ("AIP"), the entity which was formerly a control person of the Company, reducing AIP's ownership of the Company to approximately 14 percent of the outstanding Common Stock. Also as part of the purchase, John W. Adams ("Mr. Adams") resigned as the Company's Chairman and Chief Executive Officer, and RC Aviation and AIP entered into a stockholders agreement, under which, among other things, AIP agreed to cause (a) the directors that AIP had previously designated to our Board of Directors to resign, with the exception of Gregory S. Anderson, and (b) Lawrence S. Hershfield and Randall L. Jenson (the "RC Designees") to be appointed to our Board of Directors. AIP also agreed, among other things, to vote all of its Common Stock and Series A Special Preferred Stock (a) in favor of the election, as members of our Board of Directors, of persons identified by RC Aviation for nomination or so nominated in accordance with our Certificate of Incorporation and our Amended Bylaws, (b) to otherwise effect the intent of the stockholders agreement, which is to cause the RC Designees to become members of our Board of Directors, and (c) to otherwise

vote such equity securities at the direction of RC Aviation.

On December 30, 2004, the Company, AIP and related parties entered into an agreement pursuant to which the four shares of the aforementioned Series A Special Preferred Stock held by AIP were cancelled.

RC Aviation has purchased certain aircraft leasing claims from creditors of Hawaiian. Pursuant to the Joint Plan, RC Aviation elected to receive cash equal to fifty percent (50%) of the claims and Common Stock equal to fifty percent (50%) of the claims. RC Aviation has informed us of its present intention to distribute, prior to the Effective Date, these claims to its members who funded the purchase price of those claims. In addition, RC Aviation has advised us that it intends to distribute to its members, prior to the Effective Date, the ten million shares of our Common Stock it currently holds. RC Aviation has advised us that it does not currently expect such members to constitute a group or otherwise act in concert.

RC Aviation will receive shares of Common Stock valued at \$6.16 per share in connection with 50% of the lease-related claims it controls under the Joint Plan. If necessary to make distributions to holders of claims and to satisfy the minimum cash requirement under the Joint Plan, RC Aviation may defer the cash portion that it is to receive in connection with the remaining 50% of the lease-related claims it controls and instead accept a six-month note if the reorganized Hawaiian does not have sufficient cash to pay all obligations due on the Effective Date and retain at least \$70 million in unrestricted cash. Based on current information, it does not appear that this will be necessary and it appears likely that RC Aviation will receive 50% of these claims in cash and 50% in Common Stock, assuming successful consummation of the Credit Agreement and Note financing transactions.

We have the right to borrow up to \$3.5 million from RC Aviation for the purpose of funding the ongoing expenses of defending our rights in the Hawaiian bankruptcy case.

On the Effective Date, we will issue a warrant (the "Warrant") to RC Aviation as required pursuant to an agreement between RC Aviation and us dated August 24, 2004 in which RC Aviation and its members entered into a firm commitment to (a) provide funds to purchase up to \$175 million of lease claims at an agreed upon discount, (b) provide up to \$60 million if required to fund the Joint Plan and (c) fund a tender offer for all Class 4 claims, estimated at the time to require approximately \$38 million, in the event the Joint Plan was not consummated by March 31, 2005, which the Trustee and RC Aviation have extended until May 13, 2005. If we require RC Aviation to fund the up to \$60 million in connection with the Joint Plan, the funding will occur, based upon current circumstances, through the issuance of a new series of our nonvoting convertible preferred stock, providing for dividends at the rate of 5% per

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annum, payable at our option in cash or in kind. If in kind, the holder may elect to receive preferred stock or Common Stock. The preferred stock would be convertible into Common Stock on or after the twelve month anniversary of the issuance date at a price per share based on then current market conditions, but not in excess of \$6 per share. The preferred stock would be mandatorily redeemable in cash five years from the issue date. We would be required to use our best efforts to redeem the preferred stock, at 105% of its face amount, prior to the twelve month anniversary of issuance out of the proceeds of a rights offering of Common Stock. RC Aviation would receive a commitment fee.

The Warrant will entitle its holder to purchase 100 shares of our Series E Special Preferred Stock. The Series E Special Preferred Stock will have an aggregate liquidation preference equal to the Black Scholes valuation of the Common Stock Warrant (as defined below). The Series E Special Preferred Stock will be nonvoting, but will participate in dividends, distributions, mergers and similar events, liquidation, dissolution or winding up of the

Company (all such participation events being referred to as a "Distribution Event") in an amount equal to the greater of the liquidation preference of the Series E Special Preferred Stock and the amount that would be received based upon participation with the Common Stock on a pro rata basis. Upon the receipt of stockholder approval of an increase in the number of authorized shares of Common Stock as described in Proposal No. 1 hereof, the Warrant shall be automatically exchanged for a warrant (the "Common Stock Warrant") entitling the holder to purchase 5% of our fully diluted Common Stock (upon giving effect to all securities issued upon the Effective Date), at an exercise price of \$7.20 per share, subject to adjustment for certain anti-dilutive events. If the increase in the number of authorized shares of Common Stock as described in Proposal No. 1 hereof is not approved, the Warrant will be exercisable for Series E Special Preferred Stock at any time after the earlier of (a) six months from the issue date or (b) the record date for a Distribution Event.

In addition, if RC Aviation is required to fund the up to \$60 million referred to above, it will be entitled to receive a commitment fee in the form of an additional warrant on the terms described above exercisable for 1% of the outstanding Common Stock on a fully diluted basis, for each \$12 million of preferred stock purchased by it.

PROPOSAL NO. 1: APPROVAL OF AMENDMENT TO CHARTER

On April 27, 2005, the Board of Directors adopted, subject to stockholder approval, an amendment (the "Amendment") to the Certificate of Incorporation to increase the number of authorized shares of our capital stock from 62,000,000 of which 60,000,000 are designated as Common Stock and 2,000,000 are designated as Preferred Stock to 120,000,000 shares of which 118,000,000 will be designated as Common Stock and 2,000,000 will be designated as Preferred Stock. The Amendment requires the affirmative vote of a majority of the shares of Common Stock and Special Preferred Stock present, in person or by proxy, at the Annual Meeting. See Appendix A-1 hereto.

As of April 29, 2005, 30,751,227 shares of Common Stock were issued and outstanding, 1,514,003 shares were reserved for issuance upon the conversion of outstanding shares of the Special Preferred Stock and stock options and 1,629,500 shares were reserved for the issuance of grants under the Company's existing stock option and incentive plans. Therefore, of the 60,000,000 shares of Common Stock currently authorized by the Certificate of Incorporation, approximately 26,105,270 shares of Common Stock are presently available for general corporate purposes. As of April 29, 2005, one share each of the Series B Special Preferred Stock, the Series C Special Preferred Stock and the Series D Special Preferred Stock was issued and outstanding. As of April 29, 2005, 100 shares of the Series E Special Preferred Stock had been authorized for issuance. See "RC Aviation, LLC Transactions."

If the Joint Plan is consummated, we will issue an aggregate of approximately 14,124,000 shares of Common Stock to creditors of Hawaiian in satisfaction of certain claims. We will also need to have reserved for issuance an indeterminate number of additional shares of Common Stock upon the conversion of the Notes. It is currently anticipated that the Second Tranche Notes will not initially be convertible into Common Stock as the Company will not have a sufficient number of authorized shares of Common Stock unless and until it receives shareholder approval of the Amendment. The Second Tranche Notes are expected to contain terms which would compensate the noteholders for the nonconvertibility of the Notes if the Amendment is not approved. Those terms could include certain

entitlements of the holders of the Notes, such as the right to put their Notes back to the Company and/or to participate in distributions on sale and liquidation of the Company which adversely affect the value of the Common Stock. If the Company cannot negotiate acceptable terms for the Second Tranche Notes, it will consider certain alternatives. See

"Financing Arrangements." Therefore, we would not have sufficient shares of Common Stock available for any other purpose, including the exchange of the Warrant for the Common Stock Warrant described above in "RC Aviation, LLC Transactions." In addition, if the 2005 Stock Incentive Plan described in Proposal No. 2 hereof is approved, we will need to have reserved an aggregate of 8,000,000 shares of Common Stock for the issuance of grants thereunder.

The additional shares of Common Stock to be authorized by adoption of the Amendment would have rights identical to the currently outstanding Common Stock. If the Amendment is approved, the Warrant to be issued to RC Aviation, which would otherwise have been exercisable for Series E Special Preferred Stock, will be automatically exchanged for the Common Stock Warrant. Approval of the Amendment and issuance of the additional authorized Common Stock would not otherwise affect the rights of the holders of currently outstanding Common Stock, except for effects incidental to increasing the number of shares of the Common Stock outstanding, such as dilution of the earnings per share and voting rights of current holders of Common Stock. If the Amendment is not approved, the Warrant will be exercisable for Series E Special Preferred Stock, as described above in "RC Aviation, LLC Transactions." In addition, if the Amendment is not approved, the 2005 Stock Incentive Plan will not become effective. Issuance of the Series E Special Preferred Stock would affect the rights of the holders of currently outstanding Common Stock insofar as holders of shares of Series E Special Preferred Stock would have priority rights with respect to payments made upon a Distribution Event. The Series E Special Preferred Stock will rank *pari passu* with the outstanding Special Preferred Stock with respect to dividends and distributions.

The Board of Directors desires to have additional authorized shares of capital stock in order to have sufficient shares of Common Stock available for the exchange of the Warrant for the Common Stock Warrant, as well as for future business and financial purposes. The Board of Directors recommends the increase in authorized shares of capital stock in order to allow for the issuance of the Common Stock Warrant and to provide a sufficient reserve of shares for our present and future needs and growth. The increase in authorized shares would also allow for the issuance of an aggregate of 8,000,000 shares pursuant to grants under the 2005 Stock Incentive Plan, which is the subject of Proposal No. 2 hereof. The additional shares may be issued at the discretion of the Board of Directors without further stockholder approval (subject to certain provisions of Delaware law and the rules of the AMEX and PCX), in connection with the transactions described above and for various other general corporate purposes, including (without limitation) raising capital and providing incentives to employees, officers, directors and other persons expected to provide significant services to us.

The increase in the number of authorized shares of capital stock and the subsequent issuance of such shares could have the effect of delaying or preventing a change in our control without further action by the stockholders. Shares of authorized and unissued capital stock could (within the limits imposed by applicable law) be issued in one or more transactions which would make a change in our control more difficult, and therefore less likely. Any such issuance of additional stock could have the effect of diluting the earnings per share and book value per share of outstanding shares of capital stock or the stock ownership and voting rights of a person seeking to obtain control of the Company.

We are not presently aware of any pending or proposed transaction involving a change in our control, other than the transactions described in "Changes in Control" below. While it may be deemed to have potential anti-takeover effects, the proposed Amendment to increase the number of shares of authorized capital stock is not prompted by any specific effort or takeover threat currently perceived by management.

Interest Of Certain Persons In Matter To Be Acted Upon

Lawrence S. Hershfield ("Mr. Hershfield"), our Chairman of the Board, Chief Executive Officer and President and Randall L. Jenson ("Mr. Jenson"), our Chief Financial Officer, Treasurer and Secretary and a director of the Company, are executive officers of RC Aviation Management, LLC, the managing member of RC Aviation. Upon approval of this Proposal, RC Aviation will automatically receive the Common Stock Warrant in exchange for the Warrant, which will entitle it to purchase 5% of our fully

diluted Common Stock. RC Aviation directly owns of record and beneficially ten million shares of Common Stock. Mr. Hershfield, as the controlling member of RC Aviation Management, LLC, has the power to vote the shares of Common Stock beneficially owned by RC Aviation and its members pursuant to agreements among the members. Pursuant to a Stockholders Agreement between RC Aviation and AIP, RC Aviation has the power to vote the 2,159,403 shares of Common Stock owned by AIP. The 12,159,403 shares owned or controlled by RC Aviation and RC Aviation Management, LLC represent 39.5% of Common Stock. Therefore, Messrs. Hershfield and Jenson have an interest in the approval of this Proposal, given their interests in RC Aviation Management, LLC and RC Aviation.

In addition, all of the officers and directors of the Company have an interest in this Proposal insofar as approval of this Proposal will facilitate the approval of the 2005 Stock Incentive Plan, which is the subject of Proposal No. 2 hereof.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF CAPITAL STOCK TO 120,000,000 SHARES. PROXIES WILL BE VOTED FOR SUCH APPROVAL UNLESS INSTRUCTIONS TO THE CONTRARY ARE INDICATED IN THE PROXY.

PROPOSAL NO. 2: APPROVAL OF 2005 STOCK INCENTIVE PLAN

On April 27, 2005, the Board of Directors adopted, subject to stockholder approval, the 2005 Stock Incentive Plan of Hawaiian Holdings, Inc. (the "Plan").

The Board of Directors adopted the Plan, rather than continuing to issue stock-based awards under the 1996 Stock Incentive Plan and the 1996 Nonemployee Director Stock Option Plan (the "Existing Plans"), because the Existing Plans will expire in 2006 and there are only 1,629,500 shares of Common Stock available for issuance under the Existing Plans. In addition, the 1994 Stock Option Plan, pursuant to which grants of stock options were made to officers and key employees of the Company, expired by its terms on September 12, 2004. The Board of Directors believes that, like the Existing Plans, the Plan will further the interests of the Company and its stockholders by providing long-term performance incentives to those employees, non-employee directors, contractors and consultants of the Company who are largely responsible for the management, growth and protection of its business. The Plan will allow for the issuance of 8,000,000 shares of Common Stock, which includes the 1,629,500 shares to be rolled over from the Existing Plans and 6,370,500 additional shares of Common Stock (the "Additional Shares"). Upon the approval of Proposal No. 2, the Existing Plans will be superceded by the Plan. The affirmative vote of a majority of the shares of Common Stock and Special Preferred Stock present at the Annual Meeting, in person or by proxy, is necessary for the approval of the Plan, which includes the rollover of 1,629,500 shares of Common Stock from the Existing Plans and the Additional Shares. Unless such vote is received, the Plan will not become effective. In addition, the approval of the Amendment to increase the number of authorized shares of the Company's capital stock described in Proposal No. 1 hereof is necessary for the Plan to become effective and to include the Additional Shares contemplated for issuance. The complete text of the Plan is set forth in Appendix B hereto. The following description of the Plan is qualified in its entirety by reference to Appendix B:

Administration; Eligibility; Shares Available for Issuance; Limitations on Issuance. The Plan will be administered by the Compensation Committee. The Compensation Committee is authorized from time to time to select and to grant awards under the Plan to such key employees, contractors and consultants of the Company and its subsidiaries as the Compensation Committee, in its discretion, selects. The Compensation Committee is authorized to delegate any of its

authority under the Plan (including the authority to grant awards) to such executive officers of the Company as it thinks appropriate and as permitted by Rule 16B-3 of the Exchange Act and Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

Shares granted under the Plan will be made available from unissued Common Stock or from Common Stock held in treasury. The Existing Plans authorized the Company to issue a total of 5,000,000 shares of Common Stock. As of April 27, 2005 (the date that the Plan was approved by the Board of Directors), 1,629,500 shares of Common Stock were available for issuance under the Existing Plans. The

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aggregate number of shares of Common Stock issuable under the Plan is equal to that same 1,629,500 shares of Common Stock (which will be rolled over), plus the Additional Shares. The Plan also imposes the following limitations on awards issued under the Plan: (i) the maximum number of shares of Common Stock that may be granted as awards to any participant in any fiscal year shall not exceed 1,500,000 shares; (ii) the maximum amount of cash or cash payments that may be granted as awards in any fiscal year shall not exceed \$100,000; and (iii) the maximum number of dividend rights that may be granted as awards to any participant in any fiscal year shall not exceed dividend rights with respect to 1,500,000 shares. The shares of Common Stock subject to the Plan and each limitation described above are subject to adjustment in the event of certain changes of capitalization as set forth in the section entitled "Adjustments upon Changes in Capitalization" of the Plan.

Options. The Plan authorizes the Compensation Committee to grant to participants options to purchase Common Stock, which may be in the form of a non-statutory stock option or, if granted to an employee, in the form of an Incentive Stock Option (an "ISO"). The terms of all ISOs issued under the Plan will comply with the requirements of Section 422 of the Code. The exercise price of options granted under the Plan may not be less than 100% of the fair market value of the Common Stock at the time the option is granted. The Compensation Committee will determine the time an option may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable, method of delivery and whether an option will be granted in tandem with other awards.

Director Options. The Plan authorizes the Governance and Nominating Committee to grant and administer director options. The Plan provides for formula grants of options to directors as described below. Each director who is not compensated as an executive officer receives an option to purchase 5,000 shares of Common Stock at the time of the first regularly scheduled Board meeting after such director is appointed to the Board. Each such director also receives an annual grant of an option to purchase 10,000 shares of Common Stock (15,000 shares in the case of the Chairman of the Board) at the first regularly scheduled Board meeting of each fiscal year. The Plan authorizes the Governance and Nominating Committee to modify such formula grants.

Stock Appreciation Rights. The Plan authorizes the Compensation Committee to grant to participants stock appreciation rights. A stock appreciation right entitles the grantee to receive upon exercise, the excess of (a) the fair market value of a specified number of shares of Common Stock at the time of exercise over (b) the fair market value of the Common Stock at the time the stock appreciation right was granted. The Compensation Committee will determine the time a stock appreciation right may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable, method of delivery and whether a stock appreciation right will be granted in tandem with other awards.

Deferred Stock Units. The Plan authorizes the Compensation Committee to grant to participants deferred stock units. A deferred stock unit is an award that entitles a participant to elect, at the discretion of the Compensation

Committee, to defer receipt of all or a portion of a bonus, or a stock-based award or cash payment made pursuant to the Plan. No Common Stock will be issued at the time a deferred stock unit is granted. Rather, the Company will establish an account for the participant and will record in such account the number of deferred stock units granted to such participant (which units will be valued initially based upon the then-fair market value of the Common Stock). The Compensation Committee will also determine whether and to what extent to credit to the account of, or to pay currently to, each recipient of a deferred stock unit, an amount equal to any dividends paid by the Company during the period of deferral with respect to the corresponding number of shares of Common Stock.

Restricted Stock. The Plan authorizes the Compensation Committee to grant to participants restricted Common Stock with such restriction periods, restrictions on transferability, and performance goals as the Compensation Committee may designate at the time of grant. Restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered during the restriction period. Other than the restrictions on transfer, a participant will have all the rights of a holder of the shares of Common Stock, representing the restricted stock, including the rights to all distributions (including regular cash dividends) made or declared with respect to the restricted stock. If any such dividends are distributions paid in stock, the stock will be subject to restrictions and a risk of forfeiture to the same extent as the restricted stock

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with respect to which the stock has been distributed. Restricted stock will be forfeitable to the Company upon a participant's termination of employment during the applicable restricted period. The Compensation Committee, in its discretion, may accelerate the time at which restrictions or forfeiture conditions will lapse, or may remove any performance goal requirement upon the death, disability, retirement or otherwise of a participant.

Cash Payments. The Plan authorizes the Compensation Committee, subject to limitations under applicable law, to grant cash payments to participants. These may be granted separately or as a supplement to any stock-based award.

Dividend Rights. The Plan authorizes the Compensation Committee to grant dividend rights to participants, which rights entitle a participant to receive the dividends on Common Stock to which the participant would be entitled if the participant owned the number of shares of Common Stock represented by the dividend rights. Dividend rights may be granted separately or in tandem with any other awards. If a dividend right is granted in tandem with another award, it will lapse, expire or be forfeited simultaneously with the lapse, expiration or forfeiture of the other award. If the dividend right is granted separately, it will lapse, expire or be forfeited as the Compensation Committee determines.

Other Stock-Based Awards. To permit the Compensation Committee the flexibility to respond to future changes in compensation arrangements, the Plan authorizes the Compensation Committee, subject to limitations under applicable law, to grant to participants such other stock-based awards as deemed by the Compensation Committee to be consistent with the purposes of the Plan. The Compensation Committee may determine the terms and conditions of such stock-based awards.

Terms of Awards. The term of each award will be determined by the Compensation Committee at the time each award is granted, provided that the terms of options, stock appreciation rights and dividend rights may not exceed ten years. Awards granted under the Plan generally will not be transferable, except by will and the laws of descent and distribution. However, the Compensation Committee may grant awards to participants (other than ISOs) that may be transferable without consideration to immediate family members (i.e., children, grandchildren or spouse), to trusts for the benefit of such immediate family members and to partnerships in which such family members are the only partners.

Award Agreements. All awards granted under the Plan will be evidenced by a written agreement that may include such additional terms and conditions not inconsistent with the Plan as the Compensation Committee may specify. Award agreements are not required to contain uniform terms or provisions.

Term of the Plan; Amendment and Adjustment. No awards may be granted under the Plan after April 27, 2015. The Plan may be terminated by the Board of Directors at any time, but the termination of the Plan will not adversely affect awards that have previously been granted. In addition, the Board of Directors may amend, alter, suspend, discontinue or terminate the Plan or the Compensation Committee's authority to grant awards under the Plan without the consent of the Company's stockholders or participants, except that any such amendment, alteration, suspension, discontinuation or termination shall be subject to the approval of the Company's stockholders within one year after such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted. The Plan may be considered to be a "nonqualified deferred compensation plan" under newly enacted Section 409A of the Code. Therefore, it is expected that the Board of Directors will exercise its authority to amend the Plan to comply with forthcoming rules implementing Section 409A of the Code, and those amendments are not likely to require approval by the Company's stockholders.

Interest Of Certain Persons In Matters To Be Acted Upon

Each of our directors who is not compensated as an executive officer (including Mr. Jenson, our Chief Financial Officer, Treasurer and Secretary) will receive options for 10,000 shares on an annual basis, with the exception of the Chairman of the Board (Mr. Hershfield) who will receive options for 15,000 shares on an annual basis. Upon joining the Board, each new director who is not compensated as an executive officer will receive options for 5,000 shares.

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Federal Income Tax Consequences

The following discussion is intended only as a brief summary of the federal income tax rules relevant to stock options, stock appreciation rights, deferred stock units, restricted stock, cash payments and dividend payments. These rules are highly technical and subject to change. The following discussion is limited to the federal income tax rules relevant to the Company and to individuals who are citizens or residents of the United States. The discussion does not address the state, local or foreign income tax rules relevant to stock options, stock appreciation rights, deferred stock units, restricted stock, cash payments and dividend payments.

ISOs. A participant who is granted an ISO will not recognize any compensation income upon the grant or exercise of the ISO. However, upon exercise of the ISO, the excess of the fair market value of the shares of the Common Stock on the date of exercise over the option exercise price will be an item includible in the optionee's alternative minimum taxable income. An optionee may be required to pay an alternative minimum tax even though the optionee receives no cash upon exercise of the ISO with which to pay such tax. If an optionee holds the Common Stock acquired upon the exercise of an ISO for at least two years from the date of grant of the ISO and at least one year following exercise, the optionee's gain, if any, upon a subsequent disposition of such Common Stock will be taxed as capital gain. If the optionee disposes of the Common Stock acquired pursuant to the exercise of an ISO before satisfying these holding periods (a so-called "disqualifying disposition"), the optionee may recognize both compensation income and capital gain in the year of disposition. The amount of the compensation income recognized on a disqualifying disposition generally will equal the amount by which the fair market value of the Common Stock on the exercise date or the amount realized on the sale of the Common Stock (whichever is less) exceeds the exercise price. The balance of any

gain (or any loss) realized upon a disqualifying disposition will be long-term or short-term capital gain (or loss), depending upon whether the Common Stock has been held for more than one year following the exercise of the ISO. If an optionee (with the authorization of the Compensation Committee) pays the exercise price of an ISO in whole or in part with previously-owned shares of Common Stock that have been held for the requisite holding periods, the optionee will not recognize any compensation income, or gain or loss upon the delivery of shares of Common Stock in payment of the exercise price. The optionee will have a carryover basis and a carryover holding period with respect to the number of shares of Common Stock received in exchange for the previously-owned shares delivered to the Company. The basis in the number of shares of Common Stock received in excess of the number of shares delivered to the Company will be equal to the amount of cash (or other property), if any, paid on the exercise. The holding period of any shares received in excess of the number of shares delivered to the Company will begin on the date the ISO is exercised. Where an optionee pays the exercise price of an ISO with previously-owned shares of Common Stock that have not been held for the requisite holding periods, the optionee will recognize compensation income (but not capital gain) when the optionee delivers the previously-owned shares in payment of the exercise price under the rules applicable to disqualifying dispositions. The optionee's basis in the shares received in exchange for the previously-owned shares delivered will be equal to the optionee's basis in the previously-owned shares delivered, increased by the amount included in gross income as compensation income, if any. The optionee will have a carryover holding period with respect to the number of shares of Common Stock received in exchange for the previously-owned shares delivered. The optionee's tax basis for the number of new shares received will be zero, increased by the amount of cash (or other property) paid, if any, on the exercise. The holding period of the new shares received will begin on the date the ISO is exercised. For purposes of the special holding periods relating to ISOs, the holding periods will begin on the date the ISO is exercised. The Company will not be entitled to any tax deduction upon the grant or exercise of an ISO or upon the subsequent disposition by the optionee of the shares acquired upon exercise of the ISO after the requisite holding period. However, if the disposition is a disqualifying disposition, the Company generally will be entitled to a tax deduction in the year the optionee disposes of the Common Stock in an amount equal to the compensation income recognized by the optionee.

Non-statutory Stock Options. A participant who is granted a non-statutory stock option will not recognize any compensation income upon the grant of the option. However, upon exercise of the option, the difference between the amount paid upon exercise of the option (which would not include the value of any previously-owned shares delivered in payment of the exercise price) and the fair market value of

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the number of shares of Common Stock received on the date of exercise of the option (in excess of that number, if any, of the previously-owned shares delivered in payment of the exercise price) will be compensation income to the optionee. The shares of Common Stock received upon exercise of the option which are equal in number to the optionee's previously-owned shares delivered will have the same tax basis as the previously-owned shares delivered to the Company, and will have a holding period that will include the holding period of the shares delivered. The new shares of Common Stock acquired upon exercise will have a tax basis equal to their fair market value on the date of exercise, and will have a holding period that will begin on the day the option is exercised. In the case of an optionee who is or was an employee, this compensation income will be subject to income and employment tax withholding. The Company generally will be entitled to a tax deduction in the year the option is exercised in an amount equal to the compensation income recognized by the optionee. Upon a subsequent disposition by an optionee of the Common Stock acquired upon the exercise of a non-statutory stock option, the optionee will recognize capital gain or loss equal to the difference between the sales proceeds received and the optionee's tax basis in the Common Stock sold, which will be long-term or short-term, depending on the period for which the Common Stock was held.

Stock Appreciation Rights. A participant who is granted a stock appreciation right will not recognize any compensation income upon grant. At the time the stock appreciation right is exercised, however, the participant will recognize compensation income equal to the amount of cash and the fair market value of any Common Stock received. In the case of a participant who is or was an employee, this compensation income will be subject to income and employment tax withholding. The Company will generally be entitled to a tax deduction in the year the stock appreciation right is exercised in an amount equal to the compensation income recognized by the participant.

Deferred Stock Units. A participant who is granted a deferred stock unit will not recognize any compensation income upon grant. The participant will recognize compensation income equal to the amount of cash and the fair market value of the Common Stock delivered to the participant in settlement of the deferred stock units. In the case of a participant who is or was an employee, this compensation income will be subject to income and employment tax withholding. The Company will generally be entitled to a tax deduction in the year the deferred stock unit is settled in an amount equal to the compensation income recognized by the participant.

Restricted Stock. A participant who is granted restricted stock which is "nontransferable" and subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code, will not, unless the participant makes the election described below, recognize any income upon the receipt of the Common Stock. However, at the times at which Common Stock is first transferable or the risk of forfeiture expires, the participant will recognize compensation income on the then fair market value of Common Stock. Furthermore, while the Common Stock remains restricted, any dividends paid on the Common Stock will be treated as compensation income to the participant and will be deductible by the Company as a compensation expense. A participant who is granted restricted stock may make an election under Section 83(b) of the Code (a "Section 83(b) Election") to have the Common Stock received taxed as compensation income on the date granted, with the result that any future appreciation (or depreciation) in the value of the shares of Common Stock granted will be taxed as capital gain or loss upon a subsequent sale or exchange of the shares. A Section 83(b) Election must be made within 30 days of the date the restricted stock is granted. Any compensation income a participant recognizes from a grant of restricted stock will be subject to income and employment tax withholding. The Company will be entitled to a deduction in the same amount and in the same year as the compensation income recognized by the participant.

Cash and Dividend Payments. A participant will recognize compensation income upon receipt of any cash pursuant to any award, including as a dividend right. If the participant is an employee of the Company, the cash payment will be subject to income and employment tax withholding. The Company will generally be entitled to a tax deduction for the payment in an amount equal to the compensation income recognized by the participant.

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Parachute Payments. All or part of an award which becomes payable or which vests by reason of a change of control may constitute an "excess parachute payment" within the meaning of Section 280G of the Code. The amount of the award received by a participant constituting an excess parachute payment would be subject to a 20% non-deductible excise tax, and that amount of compensation income would not be deductible by the Company.

Certain Limitations on Deductibility of Executive Compensation. Section 162(m) of the Code generally disallows a tax deduction for the annual compensation in excess of \$1 million paid to each of the chief executive officer and the other four most highly compensated officers of a company. Compensation which qualifies as performance-based compensation is not included in applying this limitation. Under the Plan, the Compensation Committee may, but is not required to, grant awards that satisfy the requirements to constitute performance-based compensation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE 2005 STOCK INCENTIVE PLAN AS DESCRIBED ABOVE. PROXIES WILL BE VOTED FOR SUCH APPROVAL UNLESS INSTRUCTIONS TO THE CONTRARY ARE INDICATED IN THE PROXY.

PROPOSAL NO. 3: ELECTION OF DIRECTORS

The Board of Directors consists of six (6) directors, four (4) of whom are independent directors. The Board of Directors has affirmatively determined that Mr. Gregory S. Anderson ("Mr. Anderson"), Mr. Bert T. Kobayashi, Jr. ("Mr. Kobayashi"), Mr. Donald J. Carty ("Mr. Carty") and Admiral Thomas B. Fargo ("Admiral Fargo") are independent as defined by the listing standards of the AMEX, the PCX and the applicable rules of the Securities and Exchange Commission ("SEC").

Six (6) directors will be re-elected at the Annual Meeting to serve for one-year terms and until their successors are elected and qualified. On the recommendation of the Governance and Nominating Committee, the Board of Directors has nominated Mr. Hershfield, Mr. Jenson, Mr. Anderson, Mr. Kobayashi, Mr. Carty and Admiral Fargo for re-election to the Board at the Annual Meeting. The nominees are currently members of the Board of Directors, and have agreed to being named in this Proxy Statement and to continue to serve if elected. In the event that any of the nominees is unable to serve, the proxyholders will vote for any other person that the Board of Directors designates. The election of each nominee as a director requires a plurality of the votes cast at the Annual Meeting by holders of shares entitled to vote. The proxies cannot be voted for a greater number of persons than the number of nominees. You will find each nominee's biographical information below.

Information Regarding Director Nominees

The name, age, present principal occupation or employment and five-year employment history of each of the director nominees, all of whom are current directors of the Company, are set forth below. Each is a citizen of the United States. Unless otherwise noted, the business address of each person listed below is 12730 High Bluff Drive, Suite 180, San Diego, CA 92130 and the telephone number at that address is (858) 523-0219.

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| Name and Age | Present Principal Occupation or Employment; Material Positions Held During the Past Five Years |
|----------------------------|--|
| Lawrence S. Hershfield, 48 | Mr. Hershfield has been the Chairman of our Board of Directors since July 2004. Mr. Hershfield was appointed as our Chief Executive Officer and President on June 14, 2004. He has been the Chief Executive Officer of Ranch Capital, LLC, which he founded to pursue investments in undervalued or distressed assets of companies, since October 2002. Since June 2004, he has been the Chief Executive Officer and President of RC Aviation Management, LLC, the managing member of RC Aviation. From August 2001 to September 2002, he was Chief Executive Officer and a Director of FINOVA Group Inc., a financial services company. From February 2001 to August 2001, Mr. Hershfield was Berkadia's Liaison to FINOVA. Berkadia is a joint venture formed by Leucadia National Corporation and Berkshire Hathaway to oversee and fund FINOVA's reorganization. From 1996 to 1998, Mr. Hershfield served as Chief Executive Officer, President and as a director of Pepsi International Bottlers. |

From 1995 to September 2002, Mr. Hershfield was President of Leucadia International Corporation, a wholly-owned subsidiary of Leucadia National Corporation. Mr. Hershfield received a B.S. in Biology from Bucknell University (1977) and has an M.B.A. from Stanford University Graduate School of Business (1981).

Randall L. Jenson, 36

Mr. Jenson has been a member of our Board of Directors since July 2004. Mr. Jenson was appointed as our Chief Financial Officer, Treasurer and Secretary on June 14, 2004. He is co-founder and Managing Director of Ranch Capital, LLC, which was formed in 2002 to pursue investments in undervalued or distressed assets of companies. Since June 2004, he has been the Vice President and Secretary of RC Aviation Management, LLC, the managing member of RC Aviation. From May 1997 to October 2002, he served in various capacities in or at the direction of Leucadia National Corporation. From August 1999 to April 2002, Mr. Jenson served as the President and Chief Executive Officer of American Investment Bank N.A., a wholly-owned subsidiary of Leucadia National Corporation. He served as a director of the bank from August 1998 to April 2002, and from May 1997 to August 1999, served as Senior Vice President. Mr. Jenson received a B.A. in Accounting from the University of Utah (1991), and has an M.B.A. from Harvard University, Graduate School of Business Administration (1997).

Gregory S. Anderson, 48