

HAWAIIAN HOLDINGS INC
Form 424B2
March 17, 2011

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Filed Pursuant to Rule 424(b)(2)
Reg. Statement No. 333-162891

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state where such offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUPPLEMENT SUBJECT TO COMPLETION March 17, 2011

(To Prospectus dated November 19, 2009)

\$75,000,000

% Convertible Senior Notes due 2016

NOTES

- > Hawaiian Holdings, Inc. is offering \$75 million aggregate principal amount of its % Convertible Senior Notes due 2016 (the "notes").
- > We will pay % interest per annum on the principal amount of the notes semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2011. Interest will accrue on the notes from, and including March , 2011 or from, and including, the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date of the notes, as the case may be.
- > The notes will mature on March 15, 2016.

CONVERSION

- > Holders may convert their notes at their option prior to November 15, 2015 only under the following circumstances: (1) during any calendar quarter after the calendar quarter ending June 30, 2011, if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price of such notes (the "conversion trigger price") in effect on the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any 10 consecutive trading-day period (we refer to this 10 consecutive trading-day period as the "note measurement period") in which the trading price per \$1,000 principal amount of such notes for each trading day of that note measurement period was less than 97% of the product of the closing sale price of shares of our common stock and the applicable conversion rate for such trading day; and (3) upon the occurrence of specified corporate transactions as described in this prospectus supplement.
- > In addition, the notes will be convertible irrespective of the foregoing circumstances from, and including, November 15, 2015 to, and including, the second scheduled trading day immediately preceding the maturity date of the notes.
- >

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Upon conversion, we will have the right to pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof, at our election. At any time on or prior to November 15, 2015, we may irrevocably elect to (x) deliver solely shares of our common stock in respect of our conversion obligation or (y) pay cash up to the aggregate principal amount of the notes to be converted and pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted as described in this prospectus supplement.

- > The initial conversion rate will be _____ shares of our common stock per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately \$ _____ per share of our common stock). The conversion rate, and thus the conversion price, will be subject to adjustment as described in this prospectus supplement. A holder that surrenders notes for conversion in connection with a "make-whole fundamental change" that occurs before the maturity date may in certain circumstances be entitled to an increased conversion rate.

REDEMPTION AND REPURCHASE

- > We may not redeem the notes prior to their maturity date.
- > Holders may require us to repurchase all or a portion of their notes upon a fundamental change, as described in this prospectus supplement, at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

RANKING

- > The notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior unsecured indebtedness and rank senior to all of our indebtedness that is expressly subordinated to the notes. However, the notes will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, and the notes will be structurally subordinated to all liabilities of our subsidiaries.

LISTING

- > The notes are a new issue of securities, and there is currently no established trading market for the notes. An active or liquid market may not develop for the notes or, if developed, be maintained. Our common stock is listed on The NASDAQ Global Select Market under the symbol "HA." On March 16, 2011, the closing sale price of our common stock on The NASDAQ Global Select Market was \$6.71 per share. We do not intend to apply for listing of the notes on any securities exchange or to arrange for their quotation on any interdealer quotation system.

Investing in the notes involves significant risks. See "Risk factors" beginning on page S-12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

We have granted the underwriters an option to purchase, within a 13 day period beginning on, and including, the date on which the notes are initially issued, up to an additional \$11.25 million aggregate principal amount of notes solely to cover over-allotments, if any.

We expect that the notes will be ready for delivery in book-entry-only form through The Depository Trust Company on or about March _____, 2011.

Sole Bookrunning Manager

UBS Investment Bank

Co-Manager

Imperial Capital

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We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement and the accompanying prospectus together are an offer to sell only the notes offered in this offering, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement and the accompanying prospectus or any issuer free writing prospectus is current only as of its date.

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About this prospectus supplement

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading "Where You Can Find More Information." We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

In this prospectus supplement, as permitted by law, we "incorporate by reference" information from other documents that we file with the Securities and Exchange Commission, or the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC, the information incorporated by reference in this prospectus supplement is considered to be automatically updated and superseded. In other words, in case of a conflict or inconsistency between information contained in this prospectus supplement and information incorporated by reference into this prospectus supplement, you should rely on the information contained in the document that was filed later.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any issuer free writing prospectus and the documents incorporated by reference is accurate only as of their respective dates. Hawaiian Holdings, Inc.'s business, financial condition, results of operations and prospects may have changed since such dates. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase, any of the notes and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Unless otherwise indicated or unless the context requires otherwise, when we refer in this prospectus supplement to "Hawaiian Holdings, Inc.," the "Company," "we," "our," "us" or similar words, we are referring only to the parent company, Hawaiian Holdings, Inc., a Delaware corporation.

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Special note regarding forward-looking statements

This prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein contain certain statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that reflect our current views with respect to certain current and future events and financial performance. Forward-looking statements are statements that are not historical facts. Forward-looking statements include, without limitation, the following:

- > any expectations of operating expenses, deferred revenue, interest rates, income taxes, deferred tax assets, valuation allowance or other financial items;
- > statements regarding factors that may affect our operating results;
- > estimates of fair value measurements;
- > statements related to aircraft maintenance and repair costs and deposits and timing of maintenance activities;
- > statements related to cash flow from operations and seasonality;
- > estimates of required funding of and contributions to our defined benefit pension and disability plan;
- > estimates of annual fuel expenses and measure of the effects of fuel prices on our business;
- > statements regarding the availability of fuel;
- > statements regarding our relations with travel agents and wholesalers;
- > statements regarding our wages and benefits and labor costs and agreements;
- > statements regarding costs of compliance with U.S. or international laws or regulations or under international treaties;
- > statements regarding costs of compliance with regulations promulgated by the U.S. Department of Transportation, Federal Aviation Administration, Federal Communications Commission and other regulatory agencies;
- > statements regarding the availability of war-risk insurance;
- > statements related to airport rent rates and landing fees at airports;
- > statements regarding compliance with potential environmental regulations;
- > statements regarding potential dilution of our securities;
- >

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statements regarding cost liability and deferred revenue estimates related to the frequent flyer program;

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statements related to our hedging program;

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statements concerning the impact of, and changes to, accounting principles, policies and estimates;

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statements related to markets for and interest earned on auction rate securities;

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statements regarding credit card holdback;

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statements regarding potential violations under the Company and our subsidiaries' debt or lease obligations;

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Special note regarding forward-looking statements

- > statements regarding our ability to comply with covenants under our financing arrangements;
- > statements related to risk management, credit risks and air traffic liability;
- > statements related to future U.S. and global economic conditions or performance;
- > statements related to changes in our fleet plan and related cash outlays;
- > statements related to the effects of any litigation on our operations or business; and
- > statements as to other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing.

These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to our operations and business environment, all of which may cause our actual results to be materially different from any future results, expressed or implied, in these forward-looking statements.

You can identify these and other forward-looking statements by the use of words such as "becoming," "may," "will," "should," "predicts," "potential," "continue," "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends," the negative of such words, or comparable terminology. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we have based these expectations on our beliefs as well as our assumptions, and such expectations may prove to be incorrect. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our forward-looking statements. For factors, risks, uncertainties and assumptions that could cause our actual results of operations and financial performance to differ significantly from those expressed in or implied by our forward-looking statements, please see the "Risk factors" section provided below and in portions of our periodic reports filed with the SEC and incorporated by reference in this prospectus supplement and the accompanying prospectus. There is no assurance that any list of risks and uncertainties or risk factors is complete.

In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus supplement, the accompanying prospectus and the information incorporated by reference may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Forward-looking statements are based on information available to us on the date of the document that contains the forward-looking statements, and we assume no obligation to update any such forward-looking statements.

Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to review any additional disclosures we make in the documents we subsequently file with the SEC that are incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Documents incorporated by reference."

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Summary

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement and does not contain all the information that you need to consider in making your investment decision. You should carefully read this entire prospectus supplement and the accompanying prospectus, as well as the information to which we refer you and the information incorporated by reference herein, before deciding whether to invest in the notes. You should pay special attention to the "Risk factors" section of this prospectus supplement to determine whether an investment in the notes is appropriate for you.

ABOUT HAWAIIAN HOLDINGS, INC.

Overview

Hawaiian Holdings, Inc. is a holding company incorporated in the State of Delaware. The Company's primary asset is the sole ownership of all issued and outstanding shares of common stock of Hawaiian Airlines, Inc. ("Hawaiian"). Hawaiian was originally incorporated in January 1929 under the laws of the Territory of Hawaii and became our indirect wholly-owned subsidiary pursuant to a corporate restructuring that was consummated in August 2002. Hawaiian became a Delaware corporation and the Company's direct wholly-owned subsidiary concurrent with its reorganization and reacquisition by the Company in June 2005.

Hawaiian is engaged in the scheduled air transportation of passengers and cargo amongst the Hawaiian Islands (the interisland routes), between the Hawaiian Islands and certain cities in the Western United States (the transpacific routes), and between the Hawaiian Islands and the South Pacific, Australia and Asia (the Pacific routes). In addition, Hawaiian also operates various charter flights. Hawaiian is the largest airline headquartered in Hawaii and the thirteenth largest domestic airline in the United States based on revenue passenger miles reported by the Research and Innovative Technology Administration Bureau of Transportation Statistics as of October 31, 2010. At December 31, 2010, Hawaiian's fleet consisted of fifteen Boeing 717-200 aircraft for its interisland routes and eighteen Boeing 767-300 and three Airbus A330-200 aircraft for its transpacific, Pacific and charter routes.

Flight operations

Our flight operations are based in Honolulu, Hawaii. At the end of 2010, we operated approximately 185 scheduled flights per day with:

- > daily service on our transpacific routes between Hawaii and Los Angeles, Oakland, Sacramento, San Diego, San Francisco and San Jose, California; Las Vegas, Nevada; Phoenix, Arizona; Portland, Oregon and Seattle, Washington;
- > daily service on our interisland routes among the four major islands of the State of Hawaii;
- > scheduled service on our Pacific routes between Hawaii and Pago Pago, American Samoa; Papeete, Tahiti; Sydney, Australia; Manila, Philippines; Tokyo, Japan and Seoul, South Korea (begun in January 2011); and
- > other ad hoc charters.

Fuel

Our operations and financial results are significantly affected by the availability and price of jet fuel. The following table sets forth statistics about Hawaiian's aircraft fuel consumption and cost, including

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the impact of Hawaiian's fuel hedging program under Accounting Standard Codification (ASC) 815, "Accounting for Derivative Instruments and Hedging Activities" (ASC 815).

Year	Gallons consumed	Total cost, including taxes	Average cost per gallon	Percent of operating expenses
(in thousands)				
2010	140,995	\$ 322,999	\$ 2.29	26.5%
2009	137,589	\$ 243,909	\$ 1.77	22.7%
2008 ^(a)	134,140	\$ 424,532	\$ 3.16	37.9%

(a)

For 2008, the percent of operating expenses includes the effect of the litigation settlement with Mesa Air Group, Inc. (Mesa). See Note 3 to the consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2010 for additional information regarding this litigation settlement.

As illustrated by the table above, fuel costs constitute a significant portion of our operating expenses. Approximately 59% of our fuel is based on Singapore jet fuel prices, 39% is based on U.S. West Coast jet fuel prices and 2% on other jet fuel prices. We purchase aircraft fuel at prevailing market prices, but seek to manage market risk through the execution of a hedging strategy. To manage economic risks associated with fluctuations in aircraft fuel prices, we periodically enter into derivative financial instruments such as crude oil caps (or call options) and collars (a combination of call options and put options). During 2010, our fuel derivatives were not designated for hedge accounting under ASC 815 and were marked to fair value. As such, \$0.6 million in net gains from our fuel hedging activities were not recorded as a decrease to aircraft fuel expense in operating activities, but rather as nonoperating income.

Additional information regarding our fuel program and hedging position is in our Annual Report on Form 10-K for the year ended December 31, 2010.

Marketing and ticket distribution

In an effort to lower our distribution costs and reduce our reliance on travel agencies, we continued to pursue e-commerce initiatives during 2010. Since 2003, we have substantially increased the use of our website, www.HawaiianAirlines.com, as a distribution channel. During 2010, more than half of our passenger revenue originated through our website. In addition, we provide internet check-in and self-service kiosks to improve the customer check-in process. Our website offers our customers information on our flight schedules, our *HawaiianMiles* frequent flyer program, the ability to book reservations on our flights or connecting flights with any of our code share partners, the status of our flights as well as the ability to purchase tickets or travel packages. We also publish fares with web-based travel services such as Orbitz, Travelocity, Expedia, Hotwire and Priceline. These comprehensive travel planning websites provide customers with convenient online access to airline, hotel, car rental and other travel services.

Code sharing and other alliances

We have marketing alliances with other airlines that provide reciprocal frequent flyer mileage accrual and redemption privileges and code sharing on certain flights (one carrier placing its name and flight numbers, or code, on flights operated by the other carrier). These programs enhance our revenue opportunities by:

- > providing our customers more value by offering easier access to more travel destinations and better mileage accrual/redemption opportunities;
- > gaining access to more connecting traffic from other airlines; and

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> providing members of our alliance partners' frequent flyer programs an opportunity to travel on our system while earning mileage credit in the alliance partners' programs.

Our marketing alliances with other airlines as of December 31, 2010 were as follows:

	Hawaiian Miles frequent flyer agreement	Other airline frequent flyer agreement	Codeshare Hawaiian flight # on flights operated by other airline	Codeshare other airline flight # on flights operated by Hawaiian
American Airlines (American)	No	Yes	No	Yes
American Eagle	No	Yes	Yes	No
Continental Airlines (Continental)	Yes	Yes	Yes	Yes
Delta Air Lines (Delta)	Yes	Yes	No	No
Island Air	No	No	Yes	No
Korean Air	No	No	Yes	Yes
United Airlines (United)	No	Yes	No	Yes
US Airways	No	Yes	No	Yes
Virgin Atlantic Airways	Yes	Yes	No	No
Virgin Blue	No	Yes	No	No

Although these programs and services increase our ability to be more competitive, they also increase our reliance on third parties.

Regulation

Our business is subject to extensive and evolving federal, state and local laws and regulations. Many governmental agencies regularly examine our operations to monitor compliance with applicable laws and regulations. Governmental authorities can enforce compliance with applicable laws and regulations and obtain injunctions or impose civil or criminal penalties or modify, suspend or revoke our operating certificates in case of violations.

We cannot guarantee that we will be able to obtain or maintain necessary governmental approvals. Once obtained, operating permits are subject to modification and revocation by the issuing agencies. Compliance with these and any future regulatory requirements could require us to make significant capital and operating expenditures. However, most of these expenditures are made in the normal course of business and do not place us at any competitive disadvantage. The primary U.S. federal statutes affecting our business are discussed in our Annual Report on Form 10-K for the year ended December 31, 2010.

Recent developments**Investor update**

On March 14, 2011, we filed a Current Report on Form 8-K containing an update on our first quarter outlook and expected first quarter fuel expense.

Osaka added in Asia expansion

We recently announced new daily, nonstop flights between Honolulu and Osaka, Japan, our third new Asia destination in recent months. Subject to Japan government approval, our inaugural flight from Honolulu International Airport to Osaka's Kansai International Airport is scheduled for July 12, 2011, with the inaugural return flight from Osaka to Honolulu on July 13, 2011.

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Osaka will be the third city in Asia we have introduced to our route structure in recent months, following the start of service to Seoul, South Korea in January 2011, and Tokyo, Japan in November 2010.

Other information

Our principal executive offices are located at 3375 Koapaka Street, Suite G-350, Honolulu, Hawaii 96819, and our telephone number is (808) 835-3700. We maintain a website at www.hawaiianairlines.com. We are not incorporating the contents of, or information accessible through, our website into this prospectus supplement or the accompanying prospectus.

Risk factors

An investment in the notes involves certain risks. You should carefully consider the risks described under "Risk factors" beginning on page S-12 of this prospectus supplement and in the "Risk Factors" section included in our Annual Report on Form 10-K for the year ended December 31, 2010, as well as other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and the notes thereto, before making an investment decision.

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Summary of offering

The following summary contains basic information about the notes and is not complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, you should read the section of this prospectus supplement entitled "Description of notes," together with the section of the prospectus entitled "Description of the Debt Securities."

Issuer	Hawaiian Holdings, Inc., a Delaware corporation.
Notes	\$75 million aggregate principal amount of % convertible senior notes due 2016. We have granted the underwriters an option to purchase, within a 13 day period beginning on, and including, the date on which the notes are initially issued, up to an additional \$11.25 million aggregate principal amount of notes solely to cover over-allotments, if any.
Maturity	The notes will mature on March 15, 2016, unless earlier repurchased or converted.
Interest payment dates	We will pay % interest per annum on the principal amount of the notes semi-annually in arrears on March 15 and September 15 of each year, starting on September 15, 2011, to holders of record at the close of business on the preceding March 1 and September 1, respectively. Interest will accrue on the notes from and including March , 2011 or from, and including, the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be.
Ranking	<p>The notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior unsecured indebtedness and rank senior to all of our indebtedness that is expressly subordinated to the notes. However, the notes will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, and the notes will be structurally subordinated to all liabilities, including trade payables and lease obligations, of our subsidiaries.</p> <p>As of December 31, 2010, we had approximately \$143.6 million of consolidated secured indebtedness outstanding and approximately \$188.8 million of total consolidated outstanding indebtedness. As of December 31, 2010, our subsidiaries had approximately \$839.3 million of indebtedness and other liabilities of a type required to be reflected on a balance sheet in accordance with U.S. generally accepted accounting principles (including trade payables and excluding intercompany obligations), all of which is structurally senior to the notes.</p>

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Conversion rights

Holders may convert their notes at their option prior to November 15, 2015 only under the following circumstances:

>during any calendar quarter after the calendar quarter ending June 30, 2011, and only during such calendar quarter, if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price (the "conversion trigger price") in effect on the last trading day of the immediately preceding calendar quarter;

>during the five consecutive business days immediately after any 10 consecutive trading-day period (we refer to this 10 consecutive trading-day period as the "note measurement period") in which the trading price per \$1,000 principal amount of notes for each trading day of that note measurement period was less than 97% of the product of the closing sale price of shares of our common stock and the applicable conversion rate for such trading day; and

>if we make certain distributions on shares of our common stock or engage in certain corporate transactions as described in this prospectus supplement. See "Description of notes Conversion rights Conversion upon the occurrence of certain corporate transactions."

In addition, the notes will be convertible irrespective of the foregoing circumstances from, and including, November 15, 2015 to, and including, the second scheduled trading day immediately preceding the maturity date of the notes.

The initial conversion rate will be _____ shares of common stock per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately \$ _____ per share of common stock). The conversion rate, and thus the conversion price, will be subject to adjustment as described in this prospectus supplement. See "Description of notes Conversion rights."

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Upon conversion, we will have the right to pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock to satisfy our conversion obligation, in each case, as described under "Description of notes Conversion rights Settlement upon conversion." At any time on or prior to November 15, 2015, we may make an irrevocable election to satisfy our conversion obligation by (x) delivering solely shares of our common stock or (y) paying cash up to the aggregate principal amount of the notes to be converted and paying or delivering, as the case may be, cash, shares of our common stock or a combination thereof in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted. See "Description of notes Conversion rights Irrevocable election of full physical settlement" and "Description of notes Conversion rights Irrevocable election of net share settlement." Upon any conversion, subject to certain exceptions, you will not receive any cash payment representing accrued and unpaid interest. See "Description of notes Conversion rights."

A holder that surrenders notes for conversion in connection with a "make-whole fundamental change" that occurs before the maturity date may in certain circumstances be entitled to an increased conversion rate. See "Description of notes Conversion rights Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change."

Sinking fund

None.

Optional redemption

We may not redeem the notes prior to their maturity date.

Right of holder to require us to repurchase notes if a fundamental change occurs

If a fundamental change, as described in this prospectus supplement, occurs, holders may require us to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. See "Description of notes Holders may require us to repurchase their notes upon a fundamental change."

Events of default

If an event of default on the notes has occurred and is continuing, the principal amount of the notes, plus any accrued and unpaid interest, may become immediately due and payable. These amounts automatically become due and payable upon certain events of default. See "Description of notes Events of default."

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Convertible note hedge and warrant transactions

In connection with the offering of the notes, we expect to enter into privately negotiated convertible note hedge transactions with one or more of the underwriters and their affiliates and/or other financial institutions, which we refer to as the hedge counterparties. We also expect to enter into privately negotiated warrant transactions with one or more of the hedge counterparties. The convertible note hedge transactions are intended to reduce potential dilution to our common stock and/or offset potential cash payments in excess of the principal amount of converted notes, as the case may be, upon any conversion of the notes. However, the warrant transactions will separately have a dilutive effect on our common stock to the extent that the market value per share of our common stock exceeds the strike price of the warrants. If the underwriters exercise their over-allotment option, we may enter into additional convertible note hedge transactions and additional warrant transactions.

In connection with establishing its initial hedge of the convertible note hedge and warrant transactions, each hedge counterparty and/or its affiliates expects to enter into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the notes. These activities could increase (or reduce the size of any decrease in) the market price of our common stock concurrently with or shortly after the pricing of the notes.

In addition, the hedge counterparties or their affiliates are likely to modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are particularly likely to do so during any cash settlement averaging period and on or around any conversion date related to a conversion of notes).

The effect, if any, of any of these transactions and activities on the market price of our common stock or the trading price of the notes will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock, which could affect your ability to convert the notes, the value of the notes and the amount of cash and/or the number of and value of shares of our common stock, if any, holders will receive upon conversion of the notes.

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	For a discussion of the potential impact of any market or other activity by the hedge counterparties and/or their affiliates in connection with these convertible note hedge and warrant transactions, see "Risk factors Risks related to the notes and the underlying shares of common stock The convertible note hedge and warrant transactions may affect the value of the notes and our common stock," "Description of convertible note hedge and warrant transactions" and "Underwriting."
Ownership limitation	United States law prohibits non-U.S. citizens from owning more than 25% of the voting interest of a U.S. air carrier or controlling a U.S. air carrier. Our amended and restated certificate of incorporation prohibits the ownership or control of more than 25% (to be increased or decreased from time to time, as permitted under the laws of the U.S.) of our issued and outstanding voting capital stock by persons who are not "citizens of the U.S."
Certain U.S. federal income tax considerations	For a discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes and any shares of common stock into which the notes may be convertible, see "Material U.S. federal income tax considerations."
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately \$ (or approximately \$ if the underwriters exercise their over-allotment option to purchase additional notes in full), after deducting the underwriters' discounts and commissions and estimated offering expenses payable by us. We intend to use (1) a portion of the net proceeds of this offering to pay the cost of the convertible note hedge transactions (after such cost is partially offset by the proceeds to us from the sale of the warrants), (2) a portion of the net proceeds of this offering to repay a portion of the outstanding loans under our credit agreement and (3) the remaining net proceeds of this offering for general corporate purposes, which could include working capital, fleet capital expenditures, acquisitions, refinancing of existing or other debt or other capital transactions. See "Use of proceeds."
DTC eligibility	The notes will be issued in book-entry-only form and will be represented by one or more global certificates, without interest coupons, deposited with, or on behalf of, DTC and registered in the name of DTC or a nominee of DTC. Beneficial interests in the notes will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants. Except in limited circumstances, holders may not exchange interests in their notes for certificated securities. See "Description of notes Form, denomination and registration of notes."
For a more complete description of the terms of the notes, see "Description of notes." For a more complete description of shares of our common stock, see "Description of capital stock."	

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Summary selected consolidated financial information

We present below our summary selected consolidated financial information. The summary of operations data for the years ended December 31, 2010, 2009 and 2008 and the summary consolidated balance sheet data as of December 31, 2010 and 2009 have been derived from our audited consolidated financial statements incorporated by reference into this prospectus supplement. The summary of operations data for the years ended December 31, 2007 and 2006 and the summary consolidated balance sheet data as of December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements which are not incorporated by reference into this prospectus supplement. The scheduled operations data for the years ended December 31, 2010, 2009 and 2008 have been derived from our unaudited consolidated financial information incorporated by reference in this prospectus supplement. The scheduled operations data for the years ended December 31, 2007 and 2006 have been derived from our unaudited consolidated financial information that is not incorporated by reference in this prospectus supplement. In the opinion of management, such unaudited scheduled operations data contains all adjustments necessary for the fair presentation of the information set forth therein. We use the scheduled operations data presented to help us evaluate growth trends, establish budgets, ensure the effectiveness of our sales and marketing efforts and assess operations efficiencies. The historical financial and operating results presented below are not necessarily indicative of results that may be achieved in future periods.

You should read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited consolidated financial statements and related notes, included in our Annual Report on Form 10-K for the year ended December 31, 2010, incorporated by reference in this prospectus supplement.

	December 31, 2010	December 31, 2009	Year ended December 31, 2008	December 31, 2007	December 31, 2006
(in thousands, except per share data and as otherwise indicated)					
Summary of Operations:					
Operating revenues	\$ 1,310,093	\$ 1,183,306	\$ 1,210,865	\$ 982,555	\$ 888,047
Operating expenses ^(a)	1,218,815	1,075,822	1,118,967	975,721	887,541
Operating income	91,278	107,484	91,898	6,834	506
Net income (loss) ^{(b)(c)(d)(e)}	110,255	116,720	28,586	7,051	(40,547)
Net income (loss) per common stock share					
Basic	\$ 2.15	\$ 2.26	\$ 0.59	\$ 0.15	\$ (0.86)
Diluted	2.10	2.22	0.57	0.15	(0.86)
Weighted Average Number of Common Stock shares outstanding:					
Basic	51,232	51,656	48,555	47,203	47,153
Diluted	52,482	52,504	50,527	47,460	47,153
Common shares outstanding at end of year ^(f)	50,221	51,479	51,517	47,241	46,584
Scheduled Operations:					
Revenue passengers flown	8,418	8,340	7,848	7,051	6,156
Revenue passenger miles (RPM)	8,665,869	8,146,706	7,839,722	7,929,860	6,838,852
Available seat miles (ASM)	10,134,601	9,708,939	9,479,198	9,076,233	7,915,874

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Passenger revenue per ASM	11.40¢	10.71¢	11.66¢	9.80¢	10.07¢
Passenger load factor (RPM/ASM)	85.5%	83.9%	82.7%	87.4%	86.4%
Passenger revenue per RPM (Yield)	13.33¢	12.77¢	14.10¢	11.21¢	11.65¢

(a)

During 2008, we recorded a \$52.5 million litigation settlement for which we received payment from Mesa in May 2008. This amount is reflected as a separate line item in our operating expenses.

(footnotes continued on following page)

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- (b) For 2006, losses due to redemption, prepayment, extinguishment and modification of long-term debt and lease agreements were \$32.1 million.
- (c) 2008 net income includes recognition of the litigation settlement of \$52.5 million received from Mesa. In 2008, we recognized \$7.8 million associated with the recognition of an-other-than temporary impairment of our auction rate securities. Net hedging losses of \$16.1 million on fuel derivatives were recognized as nonoperating expense in 2008.
- (d) 2009 net income was positively affected by a decrease in valuation allowance of \$60.2 million due to a \$25.0 million judgmental reversal of the valuation allowance as described in Note 9 to the consolidated financial statements including in our annual report on Form 10-K for the year ended December 31, 2010, with the remainder attributable to the realization of deferred tax assets previously fully reserved, including the impact of favorable tax accounting changes permitted during the year.
- (e) 2010 net income was positively affected by the release of our entire remaining valuation allowance of \$57.5 million as described in Note 9 to the consolidated financial statements including in our annual report on Form 10-K for the year ended December 31, 2010.
- (f) During 2010, we repurchased an aggregate of 1,868,563 common shares for approximately \$10.0 million under our Stock Repurchase Program.

	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007	As of December 31, 2006
(in thousands, except per share data)					
Consolidated Balance Sheet Data:					
Total assets	\$ 1,117,499	\$ 1,028,886	\$ 929,134	\$ 823,399	\$ 802,344
Property and equipment, net	418,20	318,884	315,469	270,734	272,614
Long-term debt and capital lease obligations, excluding current maturities	171,884	190,335	232,218	215,926	238,381
Shareholders' equity ^(a)	277,869	176,089	53,313	133,339	83,637

- (a) Shareholders' equity amounts include significant changes in our pension liability recorded in accumulated other comprehensive income (loss) shown in the Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss).

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An investment in the notes involves certain risks. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market or trading price of the notes and our common stock could decline due to any of these risks and you may lose all or part of your investment. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus supplement and the accompanying prospectus.

RISKS RELATING TO OUR BUSINESS

Our business is affected by economic volatility.

Economic conditions in the United States and globally plummeted in 2008 before recovering moderately in 2009 and throughout 2010. Demand for discretionary purchases in general, and air travel and vacations to Hawaii in particular, remains unpredictable. If this reduction in demand continues or further deteriorates, it may result in a reduction in our passenger traffic and/or increased competitive pressure on fares in the markets we serve, either of which could negatively affect our revenue and liquidity and have a negative affect on our results of operations and financial condition. We cannot assure that we would be able to offset such revenue reductions by reducing our costs.

Our business is highly dependent on the price and availability of fuel.

Fuel costs represented 26.5%, 22.7%, and 37.9% of Hawaiian's operating expenses for the years ended December 31, 2010, 2009 and 2008, respectively. The 2008 percentage includes the impact of our litigation settlement with Mesa. The cost of jet fuel has been increasing and remains volatile. Approximately 59% of our fuel is based on Singapore jet fuel prices, 39% is based on U.S. West Coast jet fuel prices and 2% on other jet fuel prices. As of March 11, 2011, Singapore jet fuel prices were \$3.11 and U.S. West Coast jet fuel prices were \$3.18, compared to an average of \$2.15 and \$2.22, respectively, during 2010. Based on gallons expected to be consumed in 2011, for every one cent change in the cost per gallon of jet fuel, Hawaiian's annual fuel expense increases or decreases by approximately \$1.6 million. Prices and availability of jet fuel are subject to political, economic and market factors that are generally outside of our control. Prices may be affected by many factors including, without limitation, the impact of political instability and crude oil production, unexpected changes in the availability of petroleum products due to disruptions at distribution systems or refineries, unpredicted increases in demand due to weather or the pace of global economic growth, inventory levels of crude oil and other petroleum products, the relative fluctuation between the U.S. dollar and other major currencies and the actions of speculators in commodity markets. For example, the recent political turmoil in Libya and other parts of northern Africa, and the Middle East, may significantly increase the price we pay for jet fuel in the future. Further increases in jet fuel prices or disruptions in fuel supplies, whether as a result of political instability in major fuel exporting countries, natural disasters or otherwise, could have a material adverse effect on our results of operations, financial position or liquidity.

From time to time, we enter into hedging agreements to protect against rising fuel costs. If fuel prices fall significantly below the levels at the time we enter into hedging contracts, we may be required to

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post a significant amount of collateral, which could have an impact on the level of our unrestricted cash and cash equivalents.

We operate in an extremely competitive environment.

The domestic airline industry is characterized by low profit margins, high fixed costs and significant price competition. We currently compete with other airlines on our interisland, transpacific and Pacific routes. The commencement of, or increase in, service on our routes by existing or new carriers could negatively impact our operating results. Many of our competitors are larger and have greater financial resources and name recognition than we do. Aggressive marketing tactics or a prolonged fare war initiated by one or more of these competitors could adversely affect our financial resources and our ability to compete in these markets.

In recent years, many of our competitors have dramatically reduced operating costs through a combination of operational restructuring, business simplification and vendor and labor negotiations. Several airlines, including United and US Airways were able to reduce labor costs, restructure debt and lease agreements, and implement other financial improvements through the bankruptcy process. Other carriers, including American and Continental, have also reduced operating costs outside of the bankruptcy process. In addition, certain of our competitors have merged to create larger and more-financially sound airlines including Delta (through its merger with Northwest Airlines) and United (through its merger with Continental). Through consolidation, carriers have the opportunity to achieve cost reductions by eliminating redundancy in their networks and their management structures. With reduced costs, these competitors are more capable of operating profitably in an environment of reduced fares and may, as a result, increase service in our primary markets or reduce fares to attract additional customers. Because airline customers are price sensitive, we cannot assure that we will be able to attract a sufficient number of customers at sufficiently high fare levels to generate profitability, or that we will be able to reduce our operating costs sufficiently to remain competitive with these other airlines.

Since airline markets have few natural barriers to entry, we also face the threat of new entrants in all of our markets, including low-cost carrier (LCC) competition. Allegiant, a low-cost carrier has announced that it acquired Boeing 757 aircraft expressly for the purpose of expanding its operations to Hawaii with service expected to be initiated in 2011. In addition, Southwest Airlines has announced that it would consider adding service to Hawaii after acquiring aircraft suitable for the mission that are due to be delivered beginning in 2012. Furthermore, a more fundamental and immediate consequence for us of potential competition of LCCs is the response from full service network carriers, which have met the competition from LCCs in their markets by significantly reducing costs and adjusting their route networks to divert resources to long-haul markets such as Hawaii, where LCC competition has been less severe. The result is that the network carriers have at the same time reduced their costs of operation and increased capacity in the Hawaii market. Additional capacity to Hawaii, whether from network carriers or LCCs, could result in a decrease in our share of the markets in which we operate, a decline in our yields, or both, which could have a material adverse effect on our results of operations and financial condition.

Our business is affected by the competitive advantages held by network carriers in the transpacific market.

In the transpacific market, most of our competition comes from network carriers such as Alaska, American, Delta, United and US Airways. Network carriers have a number of competitive advantages

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relative to us that may enable them to obtain higher fares or attract higher customer traffic levels than us:

- > Network carriers generate passenger traffic from throughout the U.S. mainland. In contrast, we lack a comparable network to feed passengers to our transpacific flights and are, therefore, more reliant on passenger demand in the specific cities we serve.

- > Most network carriers operate from hubs, which can provide a built-in market of passengers, depending on the economic strength of the hub city and the size of the customer group that frequent the airline. For example, United flows sufficient passenger traffic throughout the U.S. mainland to the Hawaiian islands, giving San Francisco residents wishing to travel to Hawaii approximately eight flights a day depending on the time of year, with nonstop flight choices on United to Oahu, Maui, Kauai and the Big Island, while we, without feed traffic, offer only one flight per day from San Francisco to Honolulu, Oahu. In contrast, Honolulu, the hub of our operations, does not originate a large proportion of transpacific travel, nor does it have the population or potential customer franchise of a city such as Chicago or Dallas necessary to provide us with a built-in market. Passengers in the transpacific market, for the most part, do not originate in Honolulu, but rather on the mainland, making Honolulu primarily a destination rather than origin of passenger traffic.

The interisland market has recently experienced decreasing demand.

The demand for interisland service has reduced in recent years as other airlines have increased direct service from the mainland to Oahu's neighbor islands, obviating the need for interisland transfers and as the infrastructure, particularly the availability of goods and services, in the neighbor islands improves. In addition, the occurrence of a natural disaster, such as an earthquake or tsunami, could also reduce the demand for interisland service. A further decline in the level of interisland passenger traffic could have a material adverse effect on our results of operations and financial condition.

Our business is highly dependent on tourism, and our financial results could suffer if there is a downturn in tourism levels.

Our principal base of operations is in Hawaii and our revenue is linked primarily to the number of travelers (mostly tourists) to, from and among the Hawaiian islands. Hawaii tourism levels are affected by, among other things, the political and economic climate in Hawaii's main tourism markets, the availability of hotel accommodations, promotional spending by competing destinations, the popularity of Hawaii as a tourist destination relative to other vacation destinations, and other global factors, including natural disasters, safety and security. From time to time, various events and industry specific problems such as strikes have had a negative impact on tourism in Hawaii. The occurrence of natural disasters, such as earthquakes and tsunamis, in Hawaii or other parts of the world, could also have a material adverse effect on Hawaii tourism. In addition, the potential or actual occurrence of terrorist attacks, wars such as those in Afghanistan and Iraq, and the threat of other negative world events have had, and may in the future again have, a material adverse effect on Hawaii tourism. No assurance can be given that the level of passenger traffic to Hawaii will not decline in the future. A decline in the level of Hawaii passenger traffic could have a material adverse effect on our results of operations and financial condition.

Our business is subject to substantial seasonal and cyclical volatility.

Our profitability and liquidity are sensitive to seasonal volatility primarily because of leisure and holiday travel patterns. Hawaii is a popular vacation destination. Demand is typically stronger during

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June, July, August and December and considerably weaker at other times of the year. Our results of operations generally reflect this seasonality, but are also affected by numerous other factors that are not necessarily seasonal. These factors include the extent and nature of fare changes and competition from other airlines, changing levels of operations, national and international events, fuel prices and general economic conditions, including inflation. Because a substantial portion of both personal and business airline travel is discretionary, the industry tends to experience adverse financial results in general economic downturns. During 2008 general economic conditions in the United States deteriorated before recovering modestly in 2009 and 2010. Tourism arrivals to Hawaii from the states served by Hawaiian showed positive signs of recovery in 2010 but remain below levels achieved prior to the economic decline.

The concentration of our business in Hawaii, and between Hawaii and the western United States, provides little diversification of our revenue.

Most of our revenue is generated from air transportation between the islands of Hawaii and the western United States, or within the Hawaiian Islands. Many of our competitors, particularly major network carriers with whom we compete on the transpacific routes, enjoy greater geographical diversification of their revenue. A reduction in the level of demand for travel within Hawaii, or to Hawaii from the western United States or the U.S. mainland in general, or an increase in the level of industry capacity on these routes may reduce the revenue we are able to generate and adversely affect our financial results. As these routes account for a significantly higher proportion of our revenue than they do for many of our competitors, such a reduction would have a relatively greater adverse impact on our financial results.

Our failure to successfully implement our growth strategy and related cost-reduction goals could harm our business.

Our growth strategy involves purchasing additional aircraft, expanding into new markets and initiating service on routes that we currently do not serve. It is critical that we achieve our growth strategy in order for our business to attain economies of scale and to sustain or improve our results of operations. If we are unable to hire and retain skilled personnel or to secure the required equipment and facilities, or if we are not able to otherwise successfully implement our growth strategy, our business and operations could be adversely affected.

We continue to strive toward aggressive cost-containment goals that are an important part of our business strategy of offering the best value to passengers through competitive fares while at the same time achieving acceptable profit margins and return on capital. We believe that having a lower cost structure better positions us to be able to fund our growth strategy and take advantage of market opportunities. If we are unable to adequately contain our non-fuel unit costs, we likely will not be able to achieve our growth plan and our financial results may suffer.

Our share price has been subject to extreme price fluctuations, and stockholders could have difficulty trading shares.

The market price of our stock can be influenced by many factors, a number of which are outside of our control. Some of the primary factors in the volatility of our stock price are:

- > operating results and financial condition;
- > changes in the competitive environment in which we operate;
- > changes in jet fuel prices;

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- > bankruptcy filings by other airlines;
- > increased government regulation; and
- > general market conditions.

Additionally, in recent years the stock market has experienced extreme price and volume fluctuations that often have been unrelated to the operating performance of individual companies. These market fluctuations, as well as general economic conditions, may affect the price of our common stock.

In the past, securities class action litigation has often been instituted against a company following periods of volatility in the company's stock price. This type of litigation, if filed against us, could result in substantial costs and divert our management's attention and resources. In addition, the future sale of a substantial number of shares of common stock by us or by our existing stockholders may have an adverse impact on the market price of the shares of common stock. There can be no assurance that the trading price of our common stock will remain at or near its current level.

We are increasingly dependent on technology to operate our business.

We depend heavily on computer systems and technology, such as flight operations systems, communications systems, airport systems and reservations systems to operate our business. Any substantial or repeated failures of our computer or communications systems could negatively affect our customer service, compromise the security of customer information, result in the loss of important data, loss of revenue, and increased costs, and generally harm our business. Like other companies, our computer and communication systems may be vulnerable to disruptions due to events beyond our control, including natural disasters, power, software or equipment failures, terrorist attacks, computer viruses and hackers. There can be no assurance that the measures we have taken to reduce the adverse effects of certain potential failures or disruptions are adequate to prevent or remedy disruptions of our systems.

We are subject to various risks as a result of our fleet concentration in Boeing 717s and Boeing 767s.

Our fleet currently consists primarily of Boeing 717 and Boeing 767 aircraft. In 2006, Boeing Commercial Airplanes (Boeing) discontinued the production of the Boeing 717 aircraft model. In addition, the rate of production of Boeing 767 aircraft has significantly decreased. As a result, the availability of parts and maintenance support for Boeing 717 and Boeing 767 aircraft may become limited in future years. Additionally, we may experience increased costs in later years associated with parts acquisition for and/or maintenance support of these aircraft. Other carriers operating with a more diversified fleet may be better able to withstand such an event, if such an event occurred in the future.

We are highly reliant on third-party contractors to provide certain facilities and services for our operations, and termination of our third-party agreements could have a potentially adverse effect on our financial results.

We have agreements with Air New Zealand, US Airways, American, Continental, Delta, Island Air, and other contractors, to provide certain facilities and services required for our operations. These facilities and services include aircraft maintenance, code sharing, reservations, computer services, accounting, frequent flyer programs, passenger processing, ground facilities, baggage and cargo handling and personnel training. Our reliance on these third parties to continue to provide these important aspects of our business could impact our ability to conduct our business effectively.

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- > *Maintenance agreements.* We have maintenance agreements with Delta, Air New Zealand Engineering Services, the Pratt & Whitney division of United Technologies Corporation, Rolls Royce, Honeywell and others to provide maintenance services for our aircraft, engines, parts and equipment. If one or more of our maintenance providers terminate their respective agreements, we would have to seek alternative sources of maintenance service or undertake the maintenance of these aircraft or components ourselves. We cannot assure you that we would be able to do so without interruption to our business or on a basis that is as cost-effective as our current maintenance arrangements.
- > *Code sharing agreements.* We have code sharing agreements with American, American Eagle, Continental, Island Air, Korean Air, United and US Airways. We also participate in the frequent flyer programs of American, American Eagle, Continental, Delta, United, US Airways, Virgin Atlantic Airways and Virgin Blue. Continental, Delta, and Virgin Atlantic Airways participate in our frequent flyer programs. Although these agreements increase our ability to be more competitive, they also increase our reliance on third parties.
- > *Fuel agreements.* We have a jet fuel sale and purchase contract to provide us with a substantial amount of jet fuel, which we anticipate will be sufficient to meet all of our jet fuel needs for flights originating in Honolulu during 2011. If the fuel provider terminates its agreement with us, we would have to seek an alternative source of jet fuel. We cannot assure you that we would be able to do so on a basis that is as cost-effective as our current arrangement. We have agreements with vendors at all airports we serve to provide us with fuel. Should any of these vendors cease to provide service to us for whatever reason, our operations could be adversely affected.
- > *Outsourcing agreements.* We have entered into agreements with a third-party contractor in India to provide certain accounting and information technology services as well as with a third-party contractor in the Philippines to provide reservation call center functions. Our agreements may materially fail to meet our service level and performance standards and commitments to our customers. Any failure of these providers to adequately perform their service obligations, or other unexpected interruptions of services, may reduce our revenue and increase our expenses, or prevent us from operating our flights profitably and providing other services to our customers. In addition, our business and financial performance could be materially harmed if our customers believe that our services are unreliable or unsatisfactory. In addition, to the extent we are unable to maintain the outsourcing or subcontracting of certain services for our business, we would incur substantial costs, including costs associated with hiring new employees, in order to return these services in-house.
- > *Information Technology agreements.* We have agreements in place with a number of vendors including Sabre Holdings, ITA Software, TCS, IBM, EMC, NCR Corporation and Oracle Corporation to provide technology products and services that support various aspects of our business. If one or more of these vendors were to terminate these agreements, we would have to seek alternative partners. This transition would be lengthy, expensive, and may affect our operations adversely.
- > *Travel agency and wholesale agreements.* In 2010, passenger ticket sales from travel agencies and wholesalers constituted approximately 20% of our total operating revenue. Travel agents and wholesalers generally have a choice between one or more airlines when booking a customer's flight. Accordingly, any effort by travel agencies or wholesalers to favor another airline or to disfavor us could adversely affect our revenue. Although we intend to maintain favorable relations with travel agencies and wholesalers, there can be no assurance that they will continue to do

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business with us. The loss of any one or several travel agencies or wholesalers may have an adverse effect on operations.

We are dependent on satisfactory labor relations.

Labor costs are a significant component of airline expenses and can substantially impact an airline's results. Labor and related benefit costs represented approximately 24.4% and 25.3%, 21.7% of our operating expenses for the years ended December 31, 2010, 2009, and 2008, respectively. The 2008 percentage includes the impact of the litigation settlement with Mesa. We may experience pressure to increase wages and benefits for our employees in the future. We may make strategic and operational decisions that require the consent of one or more of our labor unions. We cannot assure you that these labor unions will not require additional wages, benefits or other consideration in return for their consent. In addition, we have entered into collective bargaining agreements with our pilots, mechanical group employees, clerical group employees, flight attendants, and dispatchers. The agreement with our flight attendant group is currently amendable on March 31, 2011 and contract negotiations began on February 15, 2011. We cannot assure you that future agreements with our employees' unions will be on terms in line with our expectations or comparable to agreements entered into by our competitors, and any future agreements may increase our labor costs or otherwise adversely affect us. If we are unable to reach an agreement with any unionized work group, we may be subject to future work interruptions and/or stoppages, which may hamper or halt operations.

Our operations may be adversely affected if we are unable to attract and retain key executives, including our Chief Executive Officer.

We are dependent on our ability to attract and retain key executives, particularly Mark B. Dunkerley, our Chief Executive Officer, who signed an amended employment agreement in May 2010 which provided for a 3.5 year term of employment ending on November 7, 2013. Competition for such personnel in the airline industry is highly competitive, and we cannot be certain that we will be able to retain our Chief Executive Officer or other key executives or that we can attract other qualified personnel in the future. Any inability to retain our Chief Executive Officer and other key executives, or attract and retain additional qualified executives, could have a negative impact on our operations.

Our substantial debt could adversely affect our financial condition.

Our total debt at December 31, 2010 was \$146.4 million. In 2010 we refinanced our existing revolving line of credit and Term Loan A with a revolving line of credit of \$75 million and paid off our Term Loan B debt balances. We intend to obtain additional debt to finance upcoming aircraft deliveries including two deliveries during 2011. Our substantial debt obligations may adversely affect our ability to incur additional debt in the future on acceptable terms or at all to fund working capital, capital expenditures, acquisitions or other purposes. In addition, the requirement to service our substantial debt:

- > makes us more vulnerable to general adverse economic conditions,
- > requires us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for operations and other purposes,
- > limits our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, and
- > places us at a competitive disadvantage compared to any other competitor that has less debt than we do.

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Our financial liquidity could be adversely affected by credit market conditions.

Our business requires access to capital markets to finance equipment purchases, including aircraft, and to provide liquidity in seasonal or cyclical periods of weaker revenue generation. In particular, we intend to obtain additional debt financing to finance upcoming aircraft deliveries during 2011. Additionally, we will face specific funding challenges, upon the expiration of indebtedness related to the purchase of three previously leased Boeing 767-300 aircraft in 2013 and with respect to our obligation under a purchase agreement with Airbus to acquire wide-body A330-200 aircraft and A350XWB (Extra Wide Body)-800 aircraft. Credit market conditions remained unsettled during 2010, affecting the availability of financing and increasing the cost of financing that can be acquired. We can offer no assurance that the financing we need will be available when required or that the economic terms on which it is available will not adversely affect our financial condition. If we cannot obtain financing or we cannot obtain financing on commercially reasonable terms, our financial condition will be adversely affected.

Our agreement to purchase Airbus A330-200 and A350XWB-800 aircraft significantly increases our future financial commitments and operating costs and creates implementation risk associated with the change from our current Boeing 767-300 fleet.

We currently have an agreement with Airbus to purchase 13 A330-200 aircraft and six A350XWB-800 aircraft, along with four purchase rights for additional A330-200 aircraft and six purchase rights for additional A350XWB-800 aircraft. The deliveries of the purchased A330-200 aircraft begin in 2011 with the deliveries for the purchased A350XWB-800 aircraft commencing in 2017. We also have lease agreements for three additional A330-200 aircraft which we began payment on in 2010.

We have made substantial pre-delivery payments for the purchased aircraft and are required to continue these pre-delivery payments as well as payments for the balance of the purchase price through delivery of each of the aircraft.

These commitments substantially increase our future capital spending requirements and may require us to substantially increase our level of debt in future years. There can be no assurance that we will be able to raise capital to finance these requirements or that such financing can be obtained on favorable terms or at all.

The addition of the Airbus aircraft to our fleet will require us to incur additional costs related to the acquisition of spare engines and replacement parts, maintenance of the aircraft, training of crews and ground employees, the addition of these aircraft types to our operating certificate and other implementation activities. There can be no assurance that we will be able to recover these costs through the future operation of these aircraft in our fleet or that we will not experience delays in the implementation process which could adversely affect our operations or financial performance.

Delays in scheduled aircraft deliveries or other loss of fleet capacity may adversely impact our operations and financial results.

The success of our business depends on, among other things, the ability to operate a certain number and type of aircraft, including the introduction of the Airbus aircraft. If for any reason we are unable to secure deliveries of the Airbus aircraft on contractually scheduled delivery dates and successfully introduce these aircraft into our fleet, then our business, operations and financial performance could be negatively impacted. Our failure to integrate the Airbus aircraft into our fleet as planned might require us to seek extensions of the terms for certain of our leased aircraft. Such extensions may

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require us to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs.

Certain of our financing agreements and our credit card processing agreements include covenants that impose substantial restrictions on our financial and business operations.

The terms of certain of our financing agreements restrict our ability to, among other things, incur additional indebtedness, grant liens, merge or consolidate, dispose of assets, prepay indebtedness, make investments, make acquisitions, enter into certain transactions with affiliates, pay dividends or make distributions to our parent company and repurchase stock. These agreements also require us to meet certain financial covenants. If we were not able to comply with the terms of these agreements, our outstanding obligations under these facilities could be accelerated and become due and payable immediately, and could also cause us to default under our other debt or lease obligations. In the event our debt was accelerated, we may not have sufficient liquidity to repay these obligations or to refinance our debt obligations, resulting in a material adverse impact on us.

Under our bank-issued credit card processing agreements, our credit card processors may hold back proceeds from advance ticket sales to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. These holdbacks, which are included in restricted cash in our Consolidated Balance Sheets, totaled \$5.2 million at December 31, 2010. Funds are subsequently made available to us when air travel is provided. Effective July 1, 2010, the Company amended its agreement with its largest credit card processor. This agreement with our largest credit card processor also contains financial triggers for additional holdbacks which include, among other things, the amount of unrestricted cash and short-term investment, the level of debt service coverage and operating income measured on a trailing 12-month basis. As a result of this amendment and our performance relative to the applicable financial triggers, at December 31, 2010, the holdback was 0% of the applicable credit card air traffic liability. Depending on our performance relative to these financial triggers in the future, the holdback could increase to an amount up to 100% of the applicable credit card air traffic liability. An increase in holdbacks under our credit card processing agreements would increase our restricted cash and adversely affect our liquidity. If we are unable to obtain a waiver of the requirements for the increased holdbacks, or otherwise mitigate the increase in restriction of cash, it could also cause a violation under our other debt or lease obligations. This could have a material adverse impact on us.

Our business has substantial operating leverage.

The airline industry operates on low gross profit margins and revenue that varies substantially in relation to fixed operating costs. Due to high fixed costs, the expenses of each flight do not vary proportionately with the number of passengers carried, but the revenue generated from a particular flight is directly related to the number of passengers carried and the level of average fares. Accordingly, a decrease in the number of passengers carried would cause a corresponding decrease in revenue (if not offset by higher fares), and it may result in a disproportionately greater decrease in profits.

Our obligations for funding our defined benefit pension plans are significant and are affected by factors beyond our control.

We sponsor three defined benefit pension plans, as well as a separate plan to administer pilots' disability benefits. Two of the pension plans were frozen effective October 1, 1993, and our collective bargaining agreement with our pilots provides that pension benefit accruals for certain pilots became frozen effective January 1, 2008. Nevertheless, our unfunded pension and disability obligation was

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\$129.6 million as of December 31, 2010. We made contributions of \$37.9 million and \$10.5 million for 2010 and 2009, respectively, and anticipate a funding of \$12.0 million to the defined benefit pension and disability plans during 2011. The timing and amount of funding requirements depend upon a number of factors, including labor negotiations and changes to pension plan benefits as well as factors outside our control, such as asset returns, interest rates and changes in pension laws.

Airline strategic combinations or industry consolidation could have an impact on our competitive environment in ways yet to be determined.

The environment in the airline industry changes from time to time as carriers implement varying strategies in pursuit of profitability, including consolidation to expand operations and increase market strength and entering into global alliance arrangements. For instance, in October 2009, Mesa and Mokulele Airlines announced a joint venture to provide interisland service under the *go!*Mokulele brand name that includes flights between Honolulu and Kahului, Lihue, Hilo and Kona. Similarly, the merger, bankruptcy or reorganization of one or more of our competitors may result in rapid changes to the identity of our competitors in particular markets, a substantial reduction in the operating costs of our competitors, or the entry of new competitors into some or all of the markets we serve or currently are seeking to serve. We are unable to predict exactly what effect, if any, changes in the strategic landscape might have on our business, financial condition and results of operations.

Our reputation and financial results could be harmed in the event of adverse publicity.

Our customer base is broad and our business activities have significant prominence, particularly in the state of Hawaii and the other cities we serve. Consequently, negative publicity resulting from real or perceived shortcomings in our customer service, employee relations, business conduct, or other events affecting our operations could negatively affect the public image of our Company and the willingness of customers to purchase services from us, which could affect our revenue and financial results.

Our financial results may be negatively affected by increased airport rent rates and landing fees at the airports within the State of Hawaii as a result of the modernization plan.

The state of Hawaii has begun to implement a modernization plan encompassing the airports we serve within the state. Our landing fees and airport rent rates have increased to fund the modernization program. Additionally, we expect the costs for our interisland operations to increase proportionately more than the costs related to our transpacific and Pacific operations because of phased adjustments to the airport's funding mechanism, which will result in the cost changes having a proportionately higher impact on us than our competitors which do not have significant interisland operations. We can offer no assurance that we will be successful in offsetting these cost increases through other cost reductions or increases in our revenue and, therefore, can offer no assurance that our future financial results will not be negatively affected by them.

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The State of Hawaii, which is uniquely dependent upon and affected by air transportation, now seeks to impose new state laws and regulations on the airline industry that could have an adverse effect on our financial condition and results of operations.

Hawaii is uniquely dependent upon and affected by air transportation. The bankruptcies and shutdowns of air carriers such as Aloha Airlines and ATA have profoundly affected the State, and its legislature has responded by enacting legislation that reflects and attempts to address its concerns. House Bill 2250 HD1, Act 1 of the 2008 Special Session, establishes a statutory scheme for the regulation of Hawaii interisland air carriers, provided that federal legislation is enacted to permit its implementation. Among other things, this new law establishes an air carrier commission of five unpaid members, appointed by Hawaii's Governor, within the State Department of Transportation. The commission would examine and certify all interisland carriers and regulate fares, flight schedules, all property transfers and ownership transactions of certified carriers. Vetoed by Hawaii State Governor Linda Lingle and subsequently overridden by the Hawaii State Legislature on July 8, 2008, this new law is subject to the enactment of federal legislation permitting its implementation. No such federal legislation has been initiated and we cannot predict whether it will be initiated or adopted in the future.

Additionally, in the current 2011 legislative session, the Hawaii House of Representatives passed House Bill 799 HD1 that would suspend certain exemptions from payment of State general excise and use taxes currently enjoyed by many businesses, including Hawaiian, for a period of four years from July 1, 2011 to June 30, 2015. If enacted into law after due consideration and approval by the Hawaii State Senate, Hawaiian's State tax liability could increase significantly, and result in a reduction in expected earnings.

RISKS RELATING TO THE AIRLINE INDUSTRY

The airline industry is affected by many conditions that are beyond its control, including delays, cancellations and other conditions, which could harm our financial condition and results of operations.

Hawaiian's business and the airline industry in general are impacted by conditions that are largely outside of Hawaiian's control, including among others:

- > continued threat of terrorist attacks;
- > actual or threatened war and political instability;
- > weather and natural disasters;
- > outbreak of diseases; and
- > actual or potential disruptions in the air traffic control system.

Because airlines have a high percentage of fixed costs and flight expenses do not vary significantly with the number of passengers carried, a relatively small change in the number of passengers can have a disproportionate effect on the airline's operations and financial results. Therefore, any general reduction in airline passenger traffic as a result of any of the above-mentioned or other factors could harm our business, financial condition and results of operations.

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Our operations may be adversely impacted by potential security concerns and related costs.

Since the terrorist attacks of September 11, 2001, the airline industry has experienced profound changes, including substantial revenue declines and cost increases, which have resulted in industry-wide liquidity issues. Additional terrorist attacks, even if not made directly on the airline industry or the fear of such attacks, or any hostilities or act of war, could further adversely affect the airline industry, including us, and could:

- > significantly reduce passenger traffic and yields as a result of a potentially dramatic drop in demand for air travel;
- > significantly increase security costs;
- > make war risk or other insurance unavailable or extremely expensive;
- > increase costs from flight cancellations and delays resulting from security breaches and perceived safety threats; and
- > significantly increase security costs and security measures mandated by regulatory agencies, including regulation under the ATSA.

Any future terrorist attacks or the implementation of additional security-related fees could have a material adverse impact on our business, financial condition and results of operations, and on the airline industry in general.

The airline industry is subject to extensive government regulation and new regulations could have an adverse effect on our financial condition and results of operations.

Airlines are subject to extensive regulatory requirements that result in significant costs. Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenue. For example, the ATSA, which became law in November 2001, mandates the federalization of certain airport security procedures and imposes additional security requirements on airlines. The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. Some FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft. In April 2010, the Department of Transportation adopted a series of passenger protection rules that we believe may have a significant effect on our business and operations. These rules provide, among other things, that airlines return aircraft to the gate for deplaning following tarmac delays in certain circumstances. In September 2010, the Federal Aviation Administration (FAA) proposed changes to pilots' current flight schedules including the number of flight hours and scheduled duty time. We expect to continue incurring expenses to comply with applicable regulations. We cannot predict the impact that laws or regulations may have on our operations or assure you that laws or regulations enacted in the future will not adversely affect us.

Many aspects of airlines' operations also are subject to increasingly stringent federal, state, local and foreign laws protecting the environment. U.S. federal laws that have a particular impact on us include the Airport Noise and Capacity Act of 1990, the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act and the Comprehensive Environmental Response, Compensation, and Liability Act. Governments globally are increasingly

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focusing on the environmental impact caused by the consumption of fossil fuels and as a result have proposed or enacted legislation which may increase the cost of providing airline service or restrict its provision. We expect the focus on environmental matters to increase. Future regulatory developments in the U.S. and abroad could adversely affect operations and increase operating costs in the airline industry. For example, potential future actions that may be taken by the U.S. government, foreign governments, or the International Civil Aviation Organization to limit the emission of greenhouse gases by the aviation sector are unknown at this time, but the effect on us and our industry is likely to be adverse and could be significant. The U.S. Congress is considering climate change legislation and the Environmental Protection Agency issued a rule which regulates larger emitters of greenhouse gases. We cannot predict the impact that future environment regulations may have on our operations or assure you that regulations enacted in the future will not adversely affect us. The impact to us and our industry from such actions is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries.

Our insurance costs are susceptible to significant increases and further increases in insurance costs or reductions in coverage could have an adverse effect on our financial results.

We carry types and amounts of insurance customary in the airline industry, including coverage for general liability, passenger liability, property damage, aircraft loss or damage, baggage and cargo liability and workers' compensation. We are required by the DOT to carry liability insurance on each of our aircraft. We currently maintain commercial airline insurance with a major group of independent insurers that regularly participate in world aviation insurance markets, including public liability insurance and coverage for losses resulting from the physical destruction or damage to our aircraft. However, there can be no assurance that the amount of such coverage will not be changed or that we will not bear substantial losses from accidents or damage to, or loss of, aircraft or other property due to other factors such as natural disasters. We could incur substantial claims resulting from an accident or damage to, or loss of, aircraft or other property due to other factors such as natural disasters in excess of related insurance coverage that could have a material adverse effect on our results of operations and financial condition.

After the events of September 11, 2001, aviation insurers significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. As a result, war-risk insurance in amounts necessary for our operations, and at premiums that are not excessive, is not currently available in the commercial insurance market and we have therefore purchased from the U.S. government third-party war-risk insurance coverage. Explicit authority to issue war-risk insurance has been extended to September 30, 2011. It is anticipated that the federal policy will be extended again unless insurance for war-risk coverage in necessary amounts is available from independent insurers or a group insurance program is instituted by the U.S. carriers and the DOT. However, there can be no assurance that the federal policy will be renewed or an alternative policy can be obtained in the commercial market at a reasonable cost. Although our overall hull and liability insurance costs have been reduced since the post-2001 increases, there can be no assurance that these reductions would be maintained in the event of future increases in the risk, or perceived risk, of air travel by the insurance industry, or a reduction of capital flows into the aviation insurance market.

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We are at risk of losses and adverse publicity in the event of an aircraft accident.

We are exposed to potential losses that may be incurred in the event of an aircraft accident. Any such accident could involve not only the repair or replacement of a damaged aircraft and its consequential temporary or permanent loss of revenue, but also significant potential claims of injured passengers and others. In addition, any aircraft accident or incident could cause a public perception that we are less safe or reliable than other airlines, which would harm our business.

RISKS RELATED TO THE NOTES AND THE UNDERLYING SHARES OF COMMON STOCK

We are a holding company and our ability to repay the notes depends on the cash flows generated by and provided to us by our subsidiaries.

We are a holding company and conduct all of our business through our wholly owned operating subsidiaries, including Hawaiian. We do not maintain a borrowing facility at the parent level and are dependent on the cash flow generated by the operations of our subsidiaries and on dividends and other payments to us from our subsidiaries to meet our liquidity needs and debt service and other obligations, including payment of the notes. Each of Hawaiian and our other subsidiaries is a separate and distinct legal entity and has not provided a guarantee of, or otherwise become obligated with respect to, the notes. Furthermore, none of our subsidiaries is under any obligation to make payments or distributions to us, and any payments or distributions to us would depend on the earnings or financial condition of our subsidiaries and various business considerations.

The terms of the amended and restated credit agreement entered into by Hawaiian, as borrower, the Company as guarantor, each of the lenders party thereto and Wells Fargo Capital Finance, Inc., as arranger and administrative agent for the lenders (the "Credit Agreement"), limit, and the terms of our or our subsidiaries' other existing and future indebtedness may limit, the extent to which our subsidiaries, including Hawaiian, may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, us or our other subsidiaries. For instance, the Credit Agreement permits Hawaiian to make dividends or distributions to us to pay regularly scheduled interest payments on the notes, to pay cash upon conversion of the notes and to repurchase the notes upon the occurrence of a fundamental change only if specified conditions are met. Other statutory, contractual or other restrictions may also limit our subsidiaries' ability to pay dividends or make distributions, loans or advances to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to make payments on the notes at maturity, on regularly scheduled interest payment dates or upon a fundamental change. In addition, these restrictions limit our ability to elect to settle conversions of the notes in cash. In addition, if an event of default as defined in the Credit Agreement occurs under the Credit Agreement, the collateral provided by our subsidiaries, which constitute substantially all of the Company's consolidated operating assets, would be available to satisfy the amounts owed to the lenders under the Credit Agreement prior to being available for distribution to us. See "Description of material indebtedness."

Future borrowings by us, Hawaiian and other subsidiaries may include additional restrictions on the ability of Hawaiian and our other subsidiaries to provide us with their cash. In addition, under applicable state law, Hawaiian and other subsidiaries may be limited in the amounts they are permitted to pay as dividends on their capital stock.

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The notes are unsecured, are effectively subordinated to all of our existing and future secured indebtedness (to the extent of the value of the assets securing such indebtedness) and are structurally subordinated to all liabilities of our subsidiaries, including trade payables.

The notes are unsecured, are effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, and are structurally subordinated to all liabilities of our subsidiaries, including trade payables. As of December 31, 2010, we had approximately \$143.6 million of consolidated secured indebtedness outstanding and approximately \$188.8 million of total consolidated indebtedness outstanding. As of December 31, 2010, our subsidiaries had approximately \$839.3 million of outstanding indebtedness and other liabilities of a type required to be reflected on a balance sheet in accordance with U.S. generally accepted accounting principles (including trade payables but excluding inter-company obligations), all of which is structurally senior to the notes. In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, we may not have sufficient assets to pay amounts due on any or all of the notes then outstanding. See "Description of notes Ranking."

None of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. Our right to receive assets from any of our subsidiaries upon its liquidation or reorganization, and the right of holders of the notes to participate in those assets, is structurally subordinated to claims of that subsidiary's creditors, including trade creditors. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of that subsidiary and any indebtedness of that subsidiary senior to that held by us.

We are leveraged financially, and the increased leverage as a result of this offering may harm our financial condition and results of operations.

Our total consolidated long-term debt as of December 31, 2010 was approximately \$132.1 million and represented approximately 29% of our total capitalization, excluding current indebtedness of approximately \$14.3 million, as of that date. As of December 31, 2010, on a pro forma basis to give effect to the sale of the notes (assuming no exercise of the underwriters' option to purchase additional notes), we would have had total consolidated long-term debt of approximately \$, representing % of our total capitalization, excluding current indebtedness of approximately \$ million, as of that date. The indenture for the notes will not restrict our or our subsidiaries' ability to incur additional indebtedness.

Our level of indebtedness could have important consequences to you, because:

- > it could affect our ability to satisfy our obligations under the notes;
- > a substantial portion of our consolidated cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- > it may impair our ability to obtain additional financing in the future;
- > it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- > it may make us more vulnerable to downturns in our business, our industry or the economy in general.

Our operations may not generate sufficient cash to enable us to service our debt. If we fail to make a payment on the notes, we could be in default on the notes, which might in turn constitute a default

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under the terms of our or our subsidiaries' other indebtedness. Conversely, a default on our other outstanding indebtedness may cause a default under the notes.

We have made only limited covenants in the indenture for the notes, and these limited covenants may not protect your investment.

The indenture for the notes does not:

- > require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;
- > limit our subsidiaries' ability to incur indebtedness or other liabilities that would effectively rank senior to the notes;
- > limit our ability to incur secured indebtedness or indebtedness that is equal in right of payment to the notes;
- > restrict our subsidiaries' ability to issue securities that would be senior to the common stock of our subsidiaries held by us;
- > restrict our ability to repurchase our securities;
- > restrict our ability to pledge our assets or those of our subsidiaries; or
- > restrict our ability to make investments or to pay dividends or make other payments in respect of our common stock or other securities ranking junior to the notes.

Furthermore, the indenture for the notes contains only limited protections in the event of a change of control. We could engage in many types of transactions, such as acquisitions, refinancings or recapitalizations, that could substantially affect our capital structure and the value of the notes and our common stock but may not constitute a "fundamental change" that permits holders to require us to repurchase their notes or a "make-whole fundamental change" that permits holders to convert their notes at an increased conversion rate. For these reasons, you should not consider the covenants in the indenture or the repurchase features of the notes as a significant factor in evaluating whether to invest in the notes.

We may not have the ability to raise the funds to pay interest on the notes or the principal of the notes at maturity, to purchase the notes upon a fundamental change or to pay cash due upon conversion.

The notes bear interest semi-annually as set forth on the cover of this prospectus supplement. In addition, we may in certain circumstances be obligated to pay additional interest. If a fundamental change occurs, holders of the notes may require us to repurchase, for cash, all or a portion of their notes. In addition, upon conversion of the notes, if we have elected to pay cash in respect of all or a portion of our conversion obligation (other than solely cash in lieu of fractional shares), or if we have irrevocably elected net share settlement of the notes, we will be required to pay cash in respect of all or a portion of our conversion obligation. We may not have sufficient funds to pay the interest, principal, repurchase price or cash in respect of our conversion obligation when due. Furthermore, the terms of the Credit Agreement limit, and the terms of our or our subsidiaries' other existing and future indebtedness may limit, the extent to which our subsidiaries, including Hawaiian, may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, us or our subsidiaries. If we do not have sufficient financial resources, we may have to raise funds through debt or equity financing. Our ability to raise this financing will depend on prevailing market conditions. Further, we

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may not be able to raise this financing on acceptable terms or within the period required to satisfy our obligation to make timely payment under the terms of the notes or at all.

Moreover, our ability to fund a required repurchase of the notes upon a fundamental change or to secure third-party financing to do so may be adversely affected to the extent that the Credit Agreement and our or our subsidiaries' current or future debt instruments also require the repayment of such debt upon the occurrence of such a fundamental change. In addition, our ability to repurchase the notes when required upon a fundamental change is restricted by the terms of the Credit Agreement and may be restricted by law or by the terms of other agreements to which we or our subsidiaries are now and may hereafter be parties. If we fail to pay interest on the notes, repurchase the notes or pay any cash payment due upon conversion when required, we will be in default under the indenture governing the notes, which might in turn constitute a default under the terms of the Credit Agreement and our or our subsidiaries' other indebtedness. In addition, the exercise by holders of the notes of their right to require us to repurchase their notes upon a fundamental change could cause a default under the Credit Agreement and our other outstanding indebtedness, even if the fundamental change itself does not. If an event of default occurs under the Credit Agreement, the collateral provided by our subsidiaries, which constitute substantially all of the Company's consolidated operating assets, would be available to satisfy the amounts owed to the lenders under the Credit Agreement prior to being available for distribution to us. See "Description of notes Interest payments," "Description of notes Holders May require us to repurchase their notes upon a fundamental change," "Description of notes Events of default" and "Description of material indebtedness."

Our election to pay cash in respect of some or all of our conversion obligation may have adverse consequences.

Our election to pay cash in respect of all or a portion of our conversion obligation (other than solely cash in lieu of fractional shares) or our irrevocable election of net share settlement of the notes as described under "Description of notes Conversion rights," may:

- > result in holders receiving no shares upon conversion or fewer shares relative to the conversion value of the notes;
- > reduce our liquidity;
- > delay holders' receipt of the consideration due upon conversion; and
- > subject holders to market risk before receiving any shares upon conversion.

We will generally pay or deliver, as the case may be, the consideration due upon conversion of the notes as soon as practicable, but in no event later than (1) three business days after the last trading day in the cash settlement averaging period (if we have elected to pay cash in respect of all or a portion of our conversion obligation (other than solely cash in lieu of fractional shares) or we have irrevocably elected net share settlement of the notes), which will generally be at least 36 trading days after the date holders surrender their notes for conversion, but will not begin until the 32nd scheduled trading day immediately preceding the maturity date in the case of conversion dates occurring on or after November 15, 2015, or (2) three business days after the conversion date (if we have elected to deliver solely shares of our common stock (other than paying solely cash in lieu of any fractional share) upon conversion of the notes or if we have irrevocably elected full physical settlement); *provided* that we will deliver the consideration due upon conversion of the notes on the maturity date in the case of conversion dates that occur on or after March 1, 2016 (if we have elected to deliver solely shares of our common stock (other than paying solely cash in lieu of any fractional share) upon conversion of the notes or if we have irrevocably elected full physical settlement). In addition, if (x) we

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have elected to pay cash in respect of all or a portion of our conversion obligation (other than solely cash in lieu of fractional shares) or (y) we have irrevocably elected net share settlement of the notes, because the consideration due upon conversion is based on the trading prices of our common stock during the cash settlement averaging period, any decrease in the price of our common stock after you surrender your notes for conversion may significantly decrease the value of any shares of our common stock that you receive upon conversion. Specifically, if the trading price of our common stock at the end of such period is below the average of the volume-weighted average price of our common stock during such period, the value of any shares of common stock that you receive in satisfaction of our conversion obligation will be less than the value used to determine the number of shares of common stock you will receive.

The conversion rate of the notes may not be adjusted for all dilutive events that may occur.

As described under "Description of notes Conversion rights Adjustments to the conversion rate," we will adjust the conversion rate of the notes for certain events, including, among others:

- > the issuance of share dividends on our common stock;
- > the issuance of certain rights, options and warrants;
- > certain subdivisions and combinations of our capital stock;
- > certain distributions of capital stock, indebtedness, securities, property or assets; and
- > certain tender or exchange offers.

We will not adjust the conversion rate for other events, such as an issuance of our common stock for cash or in connection with an acquisition, that may adversely affect the trading price of the notes or our common stock. If we engage in any of these types of transactions, the value of the shares of common stock underlying your notes may be impacted. An event that adversely affects the value of the notes, but does not result in an adjustment to the conversion rate, may occur. Also, we will not increase the conversion rate to an amount that exceeds _____ shares of common stock per \$1,000 principal amount of notes (subject to adjustment in the same manner as the conversion rate).

Furthermore, the terms of the Credit Agreement may limit, and any future credit agreement or other agreements relating to our indebtedness may limit, our ability to change the conversion right of the notes upon certain reclassifications, business combinations and asset sales, or may provide that such events constitute a default under that agreement. Our failure to change the conversion right when required would constitute an event of default under the indenture, which might constitute an event of default under the terms of our other indebtedness.

The increase in the conversion rate applicable to notes that holders convert in connection with a make-whole fundamental change may not adequately compensate you for the lost option time value of your notes as a result of that fundamental change.

If a make-whole fundamental change occurs prior to the maturity date, we will, under certain circumstances, increase the conversion rate applicable to holders who convert their notes within a specified time frame. The amount of the increase in the conversion rate depends on the date when the make-whole fundamental change becomes effective and the applicable price, as described in this prospectus supplement. See "Description of notes Conversion rights Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change."

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Although the increase in the conversion rate is designed to compensate you for the lost option time value of your notes as a result of the make-whole fundamental change, the increase in the conversion rate is only an approximation of the lost value and may not adequately compensate you for the actual loss. In addition, you will not be entitled to an increased conversion rate if the applicable price is greater than \$ _____ per share of common stock or less than \$ _____ per share of common stock (in each case, subject to adjustment).

Our obligation to increase the conversion rate as described above could also be considered a penalty, in which case its enforceability would be subject to general principles of reasonableness of economic remedies. In addition, we will not increase the conversion rate to an amount that exceeds _____ shares of common stock per \$1,000 principal amount of notes (subject to adjustment in the same manner as the conversion rate).

The conditional conversion features of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion features of the notes are triggered, holders of notes will be entitled to convert the notes at any time during specified periods at their option. See "Description of notes Conversion rights." If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than solely cash in lieu of any fractional share) or if we have irrevocably elected full physical settlement of the notes, we would be required to make cash payments to satisfy all or a portion of our conversion obligation based on the applicable conversion rate, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, if we have irrevocably elected net share settlement of the notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which could result in a material reduction of our net working capital.

The conditional conversion feature of the notes could result in your receiving less than the value of our common stock into which the notes would otherwise be convertible.

Prior to the close of business on the business day immediately preceding November 15, 2015, you may convert your notes only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes until November 15, 2015 or thereafter.

Conversion of the notes could dilute the ownership interest of existing stockholders, including holders who had previously converted their notes.

To the extent we issue common stock upon conversion of the notes, such conversion would dilute the ownership interests of existing stockholders, including holders who had previously converted their notes, despite the expected reduction of such dilution as a result of the convertible note hedge transactions. For example, we may elect to settle a conversion solely in shares of our common stock, in which case we would generally only be entitled to receive a number of shares under the convertible note hedge transactions corresponding to the amount, if any, by which the shares we are required to deliver upon conversion of the notes have a value that exceeds the principal amount of converted notes. In addition, in certain circumstances, such as a conversion of notes where we have elected to settle our conversion obligation solely in shares of our common stock or a conversion of notes in connection with a make-whole fundamental change, the value of cash and/or shares we are entitled to receive under the convertible note hedge transactions may be less than the value of cash and/or shares in excess of the principal amount of the notes that we are obligated to deliver upon conversion of the

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notes. Furthermore, the warrant transactions will separately have a dilutive effect to the extent that the market value per share of our common stock exceeds the applicable strike price of the warrants. Sales of our common stock in the public market or sales of any of our other securities could dilute ownership and earnings per share, and even the perception that such sales could occur could cause the market price of our common stock to decline. The market price of our common stock could also decline as a result of sales of shares of our common stock made after this offering or the perception that such sales could occur.

Future issuances of shares of common stock and hedging activities in connection with the notes offering may depress the trading price of our common stock and the notes.

Any issuance of equity securities after this offering, including any issuance of shares of our common stock upon conversion of the notes, could dilute the interests of our existing shareholders, including holders who have received shares of our common stock upon conversion of their notes, and could substantially decrease the trading price of our common stock and the notes. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants or options or for other reasons.

In addition, the price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading price of the notes or any common stock that holders receive upon conversion of the notes.

Recent regulatory actions may adversely affect the trading price and liquidity of the notes.

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors that employ a convertible arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common stock underlying the convertible notes and dynamically adjusting their short position while they hold the notes. Investors may also implement this strategy by entering into swaps on the common stock in lieu of or in addition to short selling the common stock. As a result, any specific rules regulating equity swaps or short selling of securities or other governmental action that interferes with the ability of market participants to effect short sales or equity swaps with respect to our common stock could adversely affect the ability of investors in, or potential purchasers of, the notes to conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes. This could, in turn, adversely affect the trading price and liquidity of the notes.

At an open meeting on February 24, 2010, the Securities and Exchange Commission (the "SEC") adopted a new short sale price test through an amendment to Rule 201 of Regulation SHO. The amendments to Rule 201 became effective on May 10, 2010 and restrict short selling when the price of a "covered security" has triggered a "circuit breaker" by falling at least 10% in one day, at which point short sale orders can be displayed or executed only if the order price is above the current national best bid, subject to certain limited exceptions. Compliance with the amendments to Rule 201 was required by February 28, 2011. Because our common stock is a "covered security," the new restrictions may interfere with the ability of investors in, and potential purchasers of, the notes, to

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effect short sales in our common stock and conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes.

In addition, on June 10, 2010 the SEC approved a six-month pilot, or the circuit breaker pilot, pursuant to which several national securities exchanges and the Financial Industry Regulatory Authority adopted rules to halt trading in securities included in the S&P 500 Index if the price of any such security moves 10% or more from a sale in a five-minute period. On September 10, 2010, the SEC approved an expansion of the circuit breaker pilot to include component securities of the Russell 1000 Index and over 300 exchange traded funds. Our common stock is not included in either the S&P 500 Index or the Russell 1000 Index and therefore is not subject to the circuit breaker pilot at this time. However, the SEC could further expand the circuit breaker pilot in the future or adopt other rules that limit trading in response to market volatility. Any such additional regulatory actions may decrease or prevent an increase in the market price or liquidity of our common stock or interfere with the ability of investors in, and potential purchasers of, the notes, to effect hedging transactions in or relating to our common stock and conduct the convertible arbitrage strategy that we believe they will employ, or will seek to employ, with respect to the notes.

On July 21, 2010, the United States enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act. This new legislation may require many over-the-counter swaps and security-based swaps to be centrally cleared and traded on exchanges or comparable trading facilities. In addition, swap dealers, security-based swap dealers, major swap participants and major security-based swap participants may be required to comply with margin and capital requirements as well as public reporting requirements to provide transaction and pricing data on both cleared and uncleared swaps. These requirements could adversely affect the ability of investors in, or potential purchasers of, the notes to implement a convertible arbitrage strategy with respect to the notes (including increasing the costs incurred by such investor in implementing such strategy). This could, in turn, adversely affect the market price and liquidity of the notes. The portion of the legislation relating to swaps and security-based swaps will generally become effective on the later of 360 days following the enactment of the legislation and no less than 60 days after the publication of the final rule. However, it is unclear whether the margin requirements will apply retroactively to existing swap transactions. We cannot predict how this legislation will be implemented by the SEC and the Commodity Futures Trading Commission or the magnitude of the effect that this legislation will have on the market price or liquidity of the notes.

Although the direction and magnitude of the effect that the amendments to Regulation SHO, the circuit breaker pilot, the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any additional regulations may have on the market price and the liquidity of the notes will depend on a variety of factors, many of which cannot be determined at this time, past regulatory actions have had a significant impact on the market prices and liquidity of convertible debt instruments. For example, in September 2008, the SEC issued emergency orders generally prohibiting short sales in the common stock of a variety of financial services companies while Congress worked to provide a comprehensive legislative plan to stabilize the credit and capital markets. The orders made the convertible arbitrage strategy that many convertible debt investors employ difficult to execute and adversely affected both the liquidity and market price of convertible notes issued by many of the financial services companies subject to the prohibition. Any governmental actions that restrict the ability of investors in, or potential purchasers of, the notes to effect short sales in our common stock or to implement hedging strategies, including the recently adopted amendments to Regulation SHO or the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, could similarly adversely affect the market price and the liquidity of the notes.

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Volatility of the market price of our common stock may depress the trading price of the notes.

The market price of our common stock has experienced, and may continue to experience, significant volatility. From March 16, 2010 through March 16, 2011, the trading price of our common stock on The NASDAQ Global Select Market has ranged from a low of \$4.69 per share to a high of \$8.69 per share. Because the notes may be convertible into, and are convertible based upon the price of, our common stock, volatility in the price of our common stock may depress the trading price of the notes. The risk of volatility and depressed prices of our common stock also applies to holders who receive shares of our common stock upon conversion of their notes.

Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common stock, including, among other things:

- > our operating and financial performance and prospects;
- > our ability to repay our debt;
- > investor perceptions of us and the industry and markets in which we operate;
- > changes in earnings estimates or buy/sell recommendations by analysts; and
- > general financial, domestic, international, economic and other market conditions.

In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common stock, regardless of our operating performance. In addition, sales of substantial amounts of our common stock in the public market after this offering, or the perception that those sales may occur, could cause the market price of our common stock to decline. Furthermore, shareholders may initiate securities class action lawsuits if the market price of our common stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management.

These factors, among others, could significantly depress the trading price of the notes and the price of our common stock, if any, issued upon conversion of the notes.

If an active and liquid trading market for the notes does not develop, the market price of the notes may decline and you may be unable to sell your notes at the price you desire or at all.

The notes are a new issue of securities for which there is currently no public market. We do not intend to list the notes on any securities exchange or to arrange for their quotation on any interdealer quotation system. An active trading market may not develop for the notes. Even if a trading market for the notes develops, the market may not be liquid. If an active trading market does not develop, you may be unable to resell your notes or may only be able to sell them at a substantial discount.

We may invest or spend the proceeds in this offering in ways with which you may not agree and in ways that may not earn a profit.

We intend to use (1) a portion of the net proceeds from this offering to pay the cost of the convertible note hedge transactions (after such cost is partially offset by the proceeds to us from the sale of the warrants) described in "Description of convertible note hedge and warrant transactions," (2) a portion of the net proceeds from this offering to repay a portion of the outstanding loans under the Credit Agreement and (3) the remaining net proceeds from this offering for general corporate purposes, which

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could include working capital, fleet capital expenditures, acquisitions, refinancing of existing or other debt or other capital transactions. However, we will retain broad discretion over the use of the proceeds from this offering and may use them for purposes other than those contemplated at the time of this offering. You may not agree with the ways we decide to use these proceeds, and our use of the proceeds may not earn any profits.

Provisions in our amended and restated certificate of incorporation could result in the loss of voting rights with respect to shares received on conversion of the notes.

United States law prohibits non-U.S. citizens from owning more than 25% of the voting interest of a U.S. air carrier or controlling a U.S. air carrier. Our amended and restated certificate of incorporation prohibits the ownership or control of more than 25% (to be increased or decreased from time to time, as permitted under the laws of the U.S.) of our issued and outstanding voting capital stock by persons who are not "citizens of the U.S." A non-U.S. citizen who receives common stock upon conversion of the notes will be subject to this provision and may lose voting rights with respect to those shares if at any time the Company determines that the 25% threshold has been exceeded.

Provisions in the indenture for the notes, our amended and restated certificate of incorporation and bylaws could discourage potential acquisition proposals and could deter or prevent a change of control.

If a "fundamental change" occurs, holders of the notes will have the right, at their option, to require us to repurchase all or a portion of their notes. In the event of a "make-whole fundamental change," we also may be required to increase the conversion rate applicable to notes surrendered for conversion in connection with such make-whole fundamental change. In addition, the indenture for the notes prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the notes.

In addition, certain provisions of our amended and restated certificate of incorporation and bylaws, as well as Delaware statutes, could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise and to remove incumbent officers and directors and may have the effect of delaying, deferring or preventing a change in control. For example, our amended and restated certificate of incorporation and bylaws require that any action required or permitted to be taken by our stockholders must be taken at a duly called annual or special meeting of the stockholders and may not be taken by a consent in writing. In addition, special meetings of our stockholders may be called only by the board of directors or the chairperson of the board of directors. Our bylaws require advance notice of any director nominations or other stockholder proposals to be brought before an annual stockholders meeting. Our amended and restated certificate of incorporation provides that certain amendments of the certificate of incorporation require the approval of at least two-thirds of the voting power of all outstanding stock. In addition, we have eliminated cumulative voting. These provisions may make it more difficult for other persons, without the approval of our board of directors, to make a tender offer or otherwise acquire substantial amounts of our common stock or to launch other takeover attempts that a shareholder might consider to be in such shareholder's best interest. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

Furthermore, United States law prohibits non-U.S. citizens from owning more than 25% of the voting interest of a U.S. air carrier or controlling a U.S. air carrier. Our amended and restated certificate of incorporation prohibits the ownership or control of more than 25% (to be increased or decreased from time to time, as permitted under the laws of the U.S.) of our issued and outstanding voting capital stock by persons who are not "citizens of the U.S."

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If securities or industry analysts change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business or our market. If one or more of the analysts who cover us change their recommendation regarding our stock adversely, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

An adverse rating of the notes may cause their trading price to fall.

We do not intend to seek a rating for the notes, but if a rating agency rates the notes, it may assign a rating that is lower than the ratings assigned to our other debt. Ratings agencies also may lower ratings on the notes in the future. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings in the future, the trading price of the notes could significantly decline.

As a holder of notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will have the rights with respect to (and will be the record holder of) our common stock only on the conversion date (if we have elected to deliver solely shares of our common stock (other than paying solely cash in lieu of any fractional share) upon conversion of the notes or if we have irrevocably elected full physical settlement of the notes) or the last trading day of the applicable cash settlement averaging period (if we have elected to pay cash in respect of a portion (but not all) of our conversion obligation (other than solely cash in lieu of fractional shares) or we have irrevocably elected net share settlement of the notes), and only to the extent that we are obligated to deliver to you shares of common stock in respect of our conversion obligation. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date you are deemed the record owner of our common stock, if any, due upon conversion, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock. In addition, because the notes may be settled by payment of solely cash, you may not receive any shares upon conversion.

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We currently intend to continue our policy of retaining earnings to finance the growth of our business. Furthermore, restrictions in our financing agreements and certain of our aircraft lease agreements limit our ability to pay dividends on our common stock. As a result, we do not anticipate paying cash dividends on our common stock in the foreseeable future. Because we do not anticipate paying cash dividends for the foreseeable future, holders who convert their notes and receive shares of our common stock will not realize a return on their investment unless the trading price of our common stock appreciates, which we cannot assure.

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You may have to pay U.S. federal income tax if we adjust the conversion rate in certain circumstances, even if you do not receive any cash.

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of certain cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you will be deemed to have received for U.S. federal income tax purposes a taxable dividend to the extent of our earnings and profits without the receipt of any cash. If you are a Non-U.S. Holder (as defined in "Material U.S. federal income tax considerations"), such deemed dividend may be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty), which may be withheld from subsequent payments on the notes. See "Dividend policy" and "Material U.S. federal income tax considerations."

If certain types of fundamental changes occur on or prior to the maturity date of the notes, under some circumstances, we will increase the conversion rate for notes converted in connection with the fundamental change. Such increase may be treated as a distribution subject to U.S. federal income tax as a dividend. See "Material U.S. federal income tax considerations."

The accounting method for convertible debt securities that may be settled in cash, such as the notes, is the subject of recent changes that could have a material effect on our reported financial results.

Generally accepted accounting principles ("GAAP") require that an entity separately account for the liability and equity components of the convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect on the accounting for the notes is that the equity component would be included in the additional paid-in-capital section of stockholders' equity on our consolidated balance sheet and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We will report lower net income in our financial results because GAAP requires interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

The convertible note hedge and warrant transactions may affect the value of the notes and our common stock.

In connection with the pricing of the notes, we expect to enter into privately negotiated convertible note hedge transactions with one or more of the hedge counterparties. We also expect to enter into private negotiated warrant transactions with one or more of the hedge counterparties. The convertible note hedge transactions are intended to reduce the potential dilution of our common stock and/or offset potential cash payments in excess of the principal amount of the notes, as the case may be, upon conversion of the notes. However, the warrant transactions will separately have a dilutive effect on our earnings per share to the extent that the market price per share of our common stock exceeds the strike price of the warrants. If the underwriters exercise their over-allotment option, we may enter into additional convertible note hedge transactions and additional warrant transactions.

In connection with establishing its initial hedge of the convertible note hedge and warrant transactions, each hedge counterparty or its affiliates expects to enter into various derivative transactions with

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respect to our common stock concurrently with or shortly after the pricing of the notes. These activities could increase (or reduce the size of any decrease in) the market price of our common stock or the notes concurrently with or shortly after the pricing of the notes.

In addition, the hedge counterparties or their affiliates are likely to modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the notes and prior to the maturity of the notes. In particular, such hedge modification transactions are likely to occur on or around any conversion date and during any cash settlement averaging period related to a conversion of notes.

In addition, if any such convertible note hedge and warrant transactions fail to become effective, whether or not this offering of notes is completed, the hedge counterparties or their affiliates are likely to unwind their hedge positions with respect to our common stock, which could adversely affect the value of our common stock and, if the notes have been issued, the value of the notes.

The effect, if any, of any of these transactions and activities on the market price of our common stock or the trading price of the notes will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock and the value of the notes and, as a result, the amount of cash and/or the number and value of shares of our common stock that you will receive upon the conversion of the notes.

We are subject to the risk that the hedge counterparties cannot, or do not, fulfill their obligations under the convertible note hedge transactions.

Recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If any hedge counterparty is unwilling or unable to perform its obligations under a convertible note hedge transaction for any reason, we would not be able to receive the benefit of such transaction. We cannot provide any assurances as to the financial stability or viability of the hedge counterparties.

The U.S. federal income tax consequences of a conversion of a note into a combination of cash and shares of our common stock are uncertain.

The U.S. federal income tax consequences of a conversion of a note into a combination of cash and shares of our common stock are uncertain and would differ depending on how the conversion was characterized. Such a conversion may be treated as in part a payment in redemption for cash of a portion of the note and in part a conversion of a portion of the note into common stock. Alternatively, if the note constitutes a "security" for U.S. federal income tax purposes, a U.S. holder may be treated as exchanging the note for our common stock and cash in a recapitalization for U.S. federal income tax purposes. See "Material U.S. federal income tax considerations."

The notes initially will be held in book-entry form and, therefore, you must rely on the procedures and the relevant clearing systems to exercise your rights and remedies.

Unless and until certificated notes are issued in exchange for book-entry interest in the notes, owners of the book-entry interest will not be considered owners or holders of notes. Instead, DTC, or its nominee, will be the sole holder of the notes. Payments of principal, interest and other amounts owing on or in respect of the notes in global form will be made to the paying agent, which will make payments to DTC. Thereafter, such payments will be credited to DTC participants' accounts that hold book-entry interests in the notes in global form and credited by such participants to indirect

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participants. Unlike holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the notes. Instead, if you won a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC or, if applicable, a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested action on a timely basis.

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Use of proceeds

We estimate that the net proceeds to us from this offering will be approximately \$ (or approximately \$ if the underwriters exercise their over-allotment option in full), after deducting the underwriters' discounts and commissions and estimated offering expenses payable by us. We intend to use (1) a portion of the net proceeds of this offering to pay the cost of the convertible note hedge transactions (after such cost is partially offset by the proceeds to us from the sale of the warrants), (2) a portion of the net proceeds of this offering to repay a portion of the outstanding loans under the Credit Agreement and (3) the remaining net proceeds of this offering for general corporate purposes, which could include working capital, fleet capital expenditures, acquisitions, refinancing of existing or other debt or other capital transactions. From time to time, we evaluate potential acquisitions; however, we do not currently have any agreements with respect to any such material acquisitions.

The cost of the convertible note hedge transactions, after being partially offset by the proceeds from the sale of the warrants, will be approximately \$ million. If the option granted to the underwriters to purchase additional notes is exercised, we intend to use a portion of the net proceeds from the sale of additional notes to increase the size of the convertible note hedge transactions. We intend to also sell additional warrants, which would result in additional proceeds to us. We expect to use the remaining proceeds, together with the proceeds from the sale of additional warrants, for general corporate purposes, as described above. See "Description of convertible note hedge and warrant transactions."

The timing and amount of our actual expenditures will be based on many factors, including cash flows from operations and the anticipated growth of our business. As a result, our management will have broad discretion to allocate the net proceeds of the offerings. Net proceeds may be temporarily invested in interest-bearing instruments prior to use.

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Price range of our common stock

Our common stock is listed on the NASDAQ Global Select Market under the symbol "HA." The following table sets forth, for the periods indicated, the range of high and low sales prices for our common stock as reported on the NASDAQ Global Select Market.

	High	Low
<i>Year Ended December 31, 2009:</i>		
First quarter	\$ 6.70	\$ 2.17
Second quarter	6.08	3.52
Third quarter	8.80	5.16
Fourth quarter	9.18	6.12
<i>Year Ended December 31, 2010:</i>		
First quarter	\$ 8.15	\$ 5.90
Second quarter	7.51	5.16
Third quarter	6.20	4.69
Fourth quarter	8.69	5.73
<i>Year Ended December 31, 2011:</i>		
First quarter (through March 16, 2011)	\$ 8.10	\$ 6.31

As of December 31, 2010, there were approximately 1,131 holders of record of our common stock. A substantially greater number of holders of our common stock are in "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

The last reported sale price of our common stock on the NASDAQ Global Select Market on March 16, 2011 was \$6.71 per share. Past price performance is not indicative of future price performance.

Dividend policy and other restrictions

We paid no dividends in 2010 or 2009. Restrictions in our financing agreements and certain of our aircraft lease agreements limit our ability to pay dividends on our common stock. We do not anticipate paying periodic cash dividends on our common stock for the foreseeable future.

United States law prohibits non-U.S. citizens from owning more than 25% of the voting interest of a U.S. air carrier or controlling a U.S. air carrier. Our amended and restated certificate of incorporation prohibits the ownership or control of more than 25% (to be increased or decreased from time to time, as permitted under the laws of the U.S.) of our issued and outstanding voting capital stock by persons who are not "citizens of the U.S." As of December 31, 2010, we believe we are in compliance with the law as it relates to voting stock held by non-U.S. citizens.

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Ratio of earnings to fixed charges

The following table sets forth our ratio of earnings to fixed charges on a historical basis for each of the periods indicated. You should read these ratios in connection with our consolidated financial statements, including the notes to those statements, incorporated by reference in this prospectus supplement.

	Fiscal year ended December 31,				
	2006	2007	2008	2009	2010
	(in thousands, except amounts expressed as ratios)				
Ratio of earnings to fixed charges ⁽¹⁾	N/A	N/A	1.84x	2.47x	2.17x
Deficiency of earnings available to cover fixed charges	\$ 44,779	3,380	N/A	N/A	N/A

(1)

The ratio of earnings to fixed charges has been computed on a consolidated basis. "Earnings" consist of consolidated net income before income taxes plus fixed charges, net of capitalized interest, plus amortization of capitalized interest, reduced by the non-controlling interest in pre-tax income of subsidiaries that have not incurred fixed charges. "Fixed charges" consist of interest expense, capitalized interest, amortized premiums, discounts and capitalized expenses related to indebtedness as well as a portion of rental expense estimated to represent interest. We believe that 35% of total rental expense is a reasonable estimate of the interest component of rental expense.

As of the date of this prospectus supplement, we have not previously paid dividends on any shares of preferred stock, and consequently, our ratio of earnings to preferred share dividends and ratio of earnings to fixed charges would be identical.

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Capitalization

The following table sets forth our consolidated cash and cash equivalents, restricted cash and short-term investments and capitalization as of December 31, 2010:

- > on an actual basis; and
- > on an as adjusted basis to give effect to the issuance of the notes offered hereby (assuming no exercise of the underwriters' over-allotment option to purchase additional notes) and paying the net cost of the convertible note hedge and warrant transactions.

You should read this information together with our audited consolidated financial statements and related notes, which are incorporated by reference in this prospectus supplement.

	As of December 31, 2010	
	Actual	As adjusted
	(Dollars in thousands, except par value)	
Cash, cash equivalents, restricted cash and short-term investments	\$ 290,261	\$
Long-term debt:		
% Convertible Senior Notes due 2016 ⁽¹⁾		
Other long-term debt and capital lease obligations	171,884	
Total long-term debt	171,884	
Stockholders' equity:		
Special preferred stock, \$0.01 par value, 2,000,000 shares authorized; three shares issued and outstanding actual and as adjusted		
Common stock, \$0.01 par value, 118,000,000 shares authorized; 50,220,877 shares outstanding actual, shares issued and outstanding as adjusted ⁽²⁾	522	
Capital in excess of par value	245,947	
Treasury stock, at cost, 2,070,214 shares actual and as adjusted	(10,752)	
Accumulated income	77,431	
Accumulated other comprehensive (loss), net	(35,279)	
Total stockholders' equity	277,869	
Total capitalization	\$ 449,753	\$

(1)

Amounts shown reflect the application of FASB Staff Position Accounting Principles Board No. 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement (now codified principally in Accounting Standards Codification Topic 470, Debt) (ASC 470). The application of ASC 470 requires issuers to separately account for the liability and equity components of convertible debt instruments that allow for net share settlement. Additionally, amounts shown reflect our entering into a convertible note hedge and warrant transactions. In accordance with ASC 470, we estimate that \$ million of the aggregate principal amount of the notes will be recognized (and, to the extent applicable, reflected in the table below) as follows (in thousands):

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<i>Equity component (net of estimated issuance costs)</i>	\$
<i>Liability component:</i>	
<i>Principal</i>	
<i>Less: debt discount</i>	
<i>Net carrying amount</i>	\$

(2) *Outstanding common stock does not include (i) 2,905,595 shares issuable upon the exercise of outstanding stock options under our stock incentive plan as of December 31, 2010, at a weighted average exercise price of \$4.54 per share, (ii) 1,636,536 shares issuable pursuant to other outstanding awards under our stock incentive plan as of December 31, 2010, (iii) 7,664,352 shares available for grant under our stock incentive plan as of December 31, 2010, and (iv) any shares of common stock issuable upon conversion of the notes offered hereby. Does not reflect the allocation of any net proceeds from this offering for stock repurchases under our stock repurchase program.*

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Description of notes

We will issue the notes under an indenture between us and U.S. Bank National Association, as trustee (which we refer to as the "trustee"), to be dated as of March , 2011, together with the first supplemental indenture, to be dated as of March , 2011. We refer to the indenture as so supplemented as the "indenture."

The following summary of the material terms of the notes and the indenture does not purport to be complete and is subject, and qualified in its entirety by reference, to the detailed provisions of the notes and the indenture. We will provide copies of the indenture and the notes to you upon request, and they will also be available for inspection at the office of the trustee. We urge you to read those documents in their entirety because those documents, and not this description, define your legal rights as a holder of the notes. In the case of any inconsistency between this description and the "Description of the Debt Securities" in the accompanying prospectus, this description will govern.

For purposes of this summary, the terms "Hawaiian Holdings, Inc.," "we," "us" and "our" refer only to Hawaiian Holdings, Inc. and not to any of its subsidiaries, unless we specify otherwise. Unless the context requires otherwise, the term "interest" as used in this prospectus supplement and the accompanying prospectus includes "additional interest" payable pursuant to the provisions of the second paragraph under the caption " Events of default" below.

GENERAL

We are offering \$75 million aggregate principal amount of our convertible senior notes due 2016 (the "notes") (or \$86.25 million if the underwriters exercise their over-allotment option to purchase additional notes in full). The notes will bear interest at a rate of % per annum payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2011, to holders of record at the close of business on the preceding March 1 and September 1, respectively, except as described below.

The notes we are offering will:

- > be our senior unsecured indebtedness and will rank equal in right of payment to our other senior unsecured indebtedness; however, the notes will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, and the notes will be structurally subordinated to all liabilities of our subsidiaries, as described under " Ranking;"
- > not be redeemable at our option prior to their maturity date;
- > be convertible by holders under certain circumstances and during specified time periods into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described under " Conversion rights," at an initial conversion rate of shares of common stock per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately \$ per share of common stock);
- > be subject to repurchase by us at the option of holders upon a fundamental change, as described under " Holders may require us to repurchase their notes upon a fundamental change," at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date; and
- > bear additional interest if we fail to comply with the obligations we describe under " Reporting" below.

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The notes will mature on March 15, 2016, unless earlier converted or repurchased. All cash payments on the notes will be made in U.S. dollars.

We will issue the notes in denominations of integral multiples of \$1,000 principal amount, without coupons. We will initially issue the notes as global securities in book-entry form, and notes may be issued in certificated form in only those circumstances described under " Form, denomination and registration of notes Certificated notes." We will make payments in respect of notes represented by global securities by wire transfer of immediately available funds to The Depository Trust Company, or DTC, or its nominee as registered owner of the global securities. We will make payments in respect of notes that are issued in certificated form by wire transfer of immediately available funds to the accounts specified by each holder of more than \$5.0 million aggregate principal amount of the notes. However, if a holder of a certificated note does not specify an account, or holds \$5.0 million or less in aggregate principal amount of the notes, then we will mail a check to that holder's registered address.

You may convert notes at the office of the conversion agent, present notes for registration of transfer or exchange at the office of the registrar for the notes and present notes for payment at maturity at the office of the paying agent. We have appointed the trustee as the initial conversion agent, registrar, bid solicitation agent and paying agent for the notes.

We will not provide a sinking fund for the notes.

The indenture will not contain any financial covenants and will not limit our ability or the ability of our subsidiaries to incur additional indebtedness, including senior or secured indebtedness, pay dividends or repurchase our securities, including our common stock. In addition, the indenture will not provide any protection to holders of notes in the event of a highly leveraged transaction or a fundamental change, except as, and only to the limited extent, described under " Conversion rights Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change," " Holders may require us to repurchase their notes upon a fundamental change" and " Consolidation, merger and sale of assets."

The registered holder of a note (including DTC or its nominee in the case of notes issued as global securities) will be treated as its owner for all purposes. Only registered holders will have the rights under the indenture.

If any payment date with respect to the notes falls on a day that is not a business day, we will make the payment on the next business day. The payment made on the next business day will be treated as though it had been made on the original payment date, and no interest will accrue on the payment for the additional period of time.

Certain material U.S. federal income tax consequences of the purchase, ownership and disposition of the notes and any shares of our common stock received upon conversion of the notes are summarized in this prospectus supplement under the heading "Material U.S. federal income tax considerations."

ADDITIONAL NOTES

We may, without the consent of holders of the notes, increase the principal amount of the notes outstanding under the indenture by issuing additional notes in the future on the same terms and conditions, except for any difference in the issue price and interest accrued prior to the issue date of the additional notes, and with the same CUSIP number as the notes offered hereby; *provided* that if the additional notes are not fungible with the notes for U.S. federal income tax purposes, the additional notes will have a separate CUSIP number. The notes offered by this prospectus supplement and any such additional notes would rank equally and ratably and would be treated as a single series of debt securities for all purposes under the indenture.

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RANKING

The notes will be our unsecured obligations and will rank equally with all our other existing and future unsecured senior indebtedness. The notes will rank senior to all of our indebtedness that is expressly subordinated to the notes, but the notes will be effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

Our obligations under the notes will not be guaranteed by any of our subsidiaries, and the notes will be structurally subordinated to all liabilities, including trade payables and lease obligations, of our subsidiaries. Because we are a holding company, our right to participate in any distribution of the assets of our subsidiaries upon a subsidiary's dissolution, winding-up, liquidation, reorganization or otherwise, and thus the ability of a holder of the notes to benefit indirectly from such distribution, is subject to prior claims of creditors of any such subsidiary, except to the extent that we are recognized as a creditor of such subsidiary, in which case our claims would still be subordinated to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary that is senior to that held by us. Furthermore, the terms of the Credit Agreement limit, and the terms of our or our subsidiaries' other existing and future indebtedness may limit, the extent to which our subsidiaries, including Hawaiian, may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, us or our other subsidiaries. For instance, the Credit Agreement permits Hawaiian to make dividends or distributions to us to pay regularly scheduled interest payments on the notes, to pay cash upon conversion of the notes and to repurchase the notes upon the occurrence of a fundamental change only if specified conditions are met. Other statutory, contractual or other restrictions may also limit our subsidiaries' ability to pay dividends or make distributions, loans or advances to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to make payments on the notes at maturity, on regularly scheduled interest payment dates or upon a fundamental change. In addition, these restrictions limit our ability to elect to settle conversions of the notes in cash. In addition, if an event of default as defined in the Credit Agreement occurs under the Credit Agreement, the collateral provided by our subsidiaries, which constitute substantially all of the Company's consolidated operating assets, would be available to satisfy the amounts owed to the lenders under the Credit Agreement prior to being available for distribution to us. See "Description of material indebtedness."

Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due under our contracts or otherwise to make any funds available to us. Our subsidiaries may, without notice or consent of the holders of the notes, incur additional debt and liabilities in the future, all of which would rank structurally senior to the notes.

As of December 31, 2010, we had approximately \$143.6 million of consolidated secured indebtedness outstanding and approximately \$188.8 million of total consolidated outstanding indebtedness. As of December 31, 2010, our subsidiaries had approximately \$839.3 million of indebtedness and other liabilities of a type required to be reflected on a balance sheet in accordance with U.S. generally accepted accounting principles (including trade payables and excluding intercompany obligations), all of which is structurally senior to the notes.

The indenture will not limit the amount of additional indebtedness, including senior or secured indebtedness, that we can create, incur, assume or guarantee, nor will the indenture limit the amount of indebtedness or other liabilities that our subsidiaries can create, incur, assume or guarantee.

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INTEREST PAYMENTS

The notes will bear interest at a rate of _____ % per annum on the principal amount thereof. We will pay interest semi-annually in arrears on each March 15 and September 15 of each year, beginning on September 15, 2011. Except as described below, we will pay interest that is due on an interest payment date to holders of record at the close of business on the preceding March 1 and September 1, respectively; *provided* that on the maturity date we will pay interest to the person to whom we pay the principal amount regardless of whether such person is such holder of record on the immediately preceding record date. Notwithstanding the immediately preceding sentence, in respect of any notes that are converted during the period beginning at the close of business on March 1, 2016 and ending at the close of business on the second scheduled trading day immediately preceding the maturity date, interest due on the maturity date shall be paid to holders of record on March 1, 2016 notwithstanding such conversion. Interest will accrue on the notes from, and including, March _____, 2011 or from, and including, the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be. We will pay interest on the notes on the basis of a 360-day year consisting of twelve 30-day months.

If notes are converted after the close of business on a record date but prior to the open of business on the next interest payment date, holders of such notes at the close of business on the record date will, on the corresponding interest payment date, receive the full amount of the interest payable on such notes on that interest payment date notwithstanding the conversion. However, a holder who surrenders a note for conversion after the close of business on a record date but prior to the open of business on the next interest payment date must pay to the conversion agent, upon surrender, an amount equal to the full amount of interest payable on the corresponding interest payment date on the notes so converted; *provided* that no such interest payment need be made:

- > if the note is surrendered for conversion after the close of business on the record date immediately preceding the maturity date;
- > if we have specified a repurchase date following a fundamental change that is after a record date but on or prior to the next interest payment date, and the note is surrendered for conversion after the close of business on such record date and on or before the open of business on such interest payment date; or
- > to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such note.

For a description of when and to whom we must pay additional interest, if any, see " Events of default."

Interest will cease to accrue on a note upon payment of principal and interest on its maturity or earlier conversion or repurchase.

CONVERSION RIGHTS

If the conditions for conversion of the notes described under " Conditions for conversion" and " Conversion procedures" are satisfied, holders of notes may, subject to prior maturity or repurchase, convert their notes in integral multiples of \$1,000 principal amount at an initial conversion rate of _____ shares of common stock per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately \$ _____ per share of common stock). The conversion rate, and thus the conversion price, will be subject to adjustment as described below. Except as described below, we will not make any payment or other adjustment on conversion with respect to any accrued interest on the notes, and we will not adjust the conversion rate to account for

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accrued and unpaid interest. Instead, accrued interest will be deemed to be paid by the consideration received by the holder upon conversion. As a result, accrued interest is deemed to be paid in full rather than cancelled, extinguished or forfeited. Upon conversion of the notes into a combination of cash and shares of our common stock, accrued and unpaid interest will be deemed to be paid first out of the cash paid upon such conversion.

We will not issue fractional shares upon conversion of notes. Instead, we will pay cash in lieu of fractional shares based on the closing sale price (as defined below) of our common stock on the conversion date (if we deliver solely our common stock to satisfy our conversion obligation, other than paying solely cash in lieu of fractional shares, including if we have irrevocably elected full physical settlement upon conversion) or the closing sale price of our common stock on the last trading day of the relevant cash settlement averaging period (as defined below under "Settlement upon conversion") (if we pay cash to satisfy a portion, but less than all, of our conversion obligation, other than solely cash in lieu of any fractional share, including if we have irrevocably elected net share settlement upon conversion).

In certain circumstances, a holder must, upon conversion, pay interest if the conversion occurs after the close of business on a record date and prior to the open of business on the next interest payment date. See "Interest payments" above.

A note for which a holder has delivered a fundamental change repurchase notice, as described under "Holders may require us to repurchase their notes upon a fundamental change," requiring us to repurchase the note may be surrendered for conversion only if the holder withdraws the notice in accordance with the indenture, unless we default in the payment of the fundamental change repurchase price.

If a holder converts a note, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of any shares of our common stock upon the conversion, unless the tax is due because such converting holder requested that the shares be issued in a name other than such holder's name, in which case, such holder will pay any such tax.

The ability to surrender notes for conversion will expire at the close of business on the second scheduled trading day immediately preceding the maturity date.

The "closing sale price" on any date means the per share price of our common stock on such date, determined (i) on the basis of the closing per share sale price (or if no closing per share sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date on the principal U.S. national or regional securities exchange on which shares of our common stock are listed, or (ii) if shares of our common stock are not listed on a U.S. national or regional securities exchange, as reported by Pink OTC Markets Inc. or a similar organization; *provided, however*, that in the absence of any such report or quotation, the closing sale price will be the price determined by a nationally recognized independent investment banking firm retained by us for such purpose as most accurately reflecting the per share price that a fully informed buyer, acting on his own accord, would pay to a fully informed seller, acting on his own accord in an arms-length transaction, for one share of our common stock.

The "conversion price" per share of common stock as of any time means \$1,000, *divided by* the then-applicable conversion rate, rounded to the nearest cent.

Conditions for conversion

The notes will be convertible only during certain periods or in certain circumstances described below. If the notes become convertible, we will provide written notice to the trustee, and we will publicly

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announce, through a reputable national newswire service, that the notes have become convertible, stating, among other things:

- > the event causing the notes to become convertible;
- > the time during which the notes will be convertible as a result of that event;
- > if that event is a transaction described under " Conversion upon the occurrence of certain corporate transactions," the anticipated effective date of the transaction; and
- > the procedures holders must follow to convert their notes, including the name and address of the conversion agent.

We will provide the notice, and make the public announcement, as soon as practicable, but in no event later than the business day immediately following the date the notes become convertible as a result of the event.

Holders may surrender their notes for conversion only in the following circumstances:

Conversion based on price of shares of common stock

Prior to November 15, 2015, holders may surrender their notes for conversion during any calendar quarter after the calendar quarter ending June 30, 2011 (and only during such calendar quarter), if the "closing sale price" of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price of the notes (the "conversion trigger price") in effect on the last trading day of the immediately preceding calendar quarter.

Our board of directors will make appropriate adjustments to the closing sale price, in its good faith determination, to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the "ex-date" of the event occurs, during the 30 consecutive trading-day period described above.

The conversion agent will, on our behalf, determine at the beginning of each calendar quarter whether the notes are convertible as a result of the price of our common stock and notify us and the trustee.

Conversion upon satisfaction of the trading price condition

Prior to November 15, 2015, holders may surrender their notes for conversion during the five consecutive business days immediately after any 10 consecutive trading-day period (we refer to this 10 consecutive trading-day period as the "note measurement period") in which the trading price per \$1,000 principal amount of the notes, as determined by the bid solicitation agent following a request in accordance with the procedures described below, for each trading day in that note measurement period was less than 97% of the conversion value of the notes on such trading day. We refer to this condition as the "trading price condition."

Solely for purposes of the trading price condition, the "conversion value" per \$1,000 principal amount of notes on each trading day in the note measurement period will be the product of the closing sale price per share of common stock on that trading day and the conversion rate of the notes in effect on that trading day.

Except as described below, the "trading price" of the notes on any trading day means the average of the secondary market bid quotations obtained by the bid solicitation agent for \$2.0 million principal amount of notes at approximately 3:30 p.m., New York City time, on such trading day from three independent nationally recognized securities dealers we select, which may include the underwriters for

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Description of notes

this offering. However, if the bid solicitation agent can reasonably obtain only two such bids, then the average of the two bids will instead be used, and if the bid solicitation agent can reasonably obtain only one such bid, then that one bid will be used. Even still, if on a given trading day:

- > the bid solicitation agent cannot reasonably obtain at least one bid for \$2.0 million principal amount of the notes from an independent nationally recognized securities dealer; or

- > in the reasonable, good faith judgment of our board of directors, the bid quotation or quotations that the bid solicitation agent has obtained are not indicative of the secondary market value of the notes,

then the trading price per \$1,000 principal amount of notes will be deemed to be less than 97% of the product of the closing sale price of our common stock on that trading day and the conversion rate