

HAWAIIAN HOLDINGS INC
Form 10-Q
October 23, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-31443
HAWAIIAN HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

71-0879698
(I.R.S. Employer
Identification No.)

3375 Koapaka Street, Suite G-350
Honolulu, HI
(Address of Principal Executive Offices)

96819
(Zip Code)

(808) 835-3700
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

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Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

As of October 17, 2014, 54,023,742 shares of the registrant's common stock were outstanding.

Hawaiian Holdings, Inc.
 Form 10-Q
 Quarterly Period ended September 30, 2014

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Hawaiian Holdings, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2013	2014	2013	2014
	(unaudited)			
Operating Revenue:				
Passenger	\$566,985	\$543,315	\$1,541,795	\$1,464,715
Other	72,477	55,983	198,245	159,265
Total	639,462	599,298	1,740,040	1,623,980
Operating Expenses:				
Aircraft fuel, including taxes and delivery	182,219	181,334	527,497	525,046
Wages and benefits	114,469	112,150	334,441	318,269
Aircraft rent	26,724	27,575	79,098	81,879
Maintenance materials and repairs	51,293	51,705	168,002	160,000
Aircraft and passenger servicing	31,848	31,080	92,929	89,367
Commissions and other selling	32,015	32,288	94,123	98,285
Depreciation and amortization	24,384	22,092	70,960	60,993
Other rentals and landing fees	23,637	21,996	65,855	60,773
Other	46,704	44,644	139,335	129,469
Total	533,293	524,864	1,572,240	1,524,081
Operating Income	106,169	74,434	167,800	99,899
Nonoperating Income (Expense):				
Interest expense and amortization of debt discounts and issuance costs	(17,104)	(13,479)	(48,111)	(37,019)
Interest income	471	173	1,088	426
Capitalized interest	1,834	3,005	6,584	9,336
Gains (losses) on fuel derivatives	(27,892)	2,536	(28,506)	(10,931)
Other, net	(5,114)	749	(3,804)	(3,457)
Total	(47,805)	(7,016)	(72,749)	(41,645)
Income Before Income Taxes	58,364	67,418	95,051	58,254
Income tax expense	22,789	26,814	37,224	23,479
Net Income	\$35,575	\$40,604	\$57,827	\$34,775
Net Income Per Common Stock			0	
Basic	\$0.66	\$0.78	\$1.08	\$0.67
Diluted	\$0.56	\$0.76	\$0.94	\$0.65

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
 Consolidated Statements of Comprehensive Income
 (in thousands)

	Three Months Ended September 30,	
	2014	2013
	(unaudited)	
Net Income	\$35,575	\$40,604
Other comprehensive income (loss), net:		
Net change related to employee benefit plans, net of tax expense of \$3 and \$899 for 2014 and 2013, respectively	44	1,381
Net change in derivative instruments, net of tax expense of \$4,308 and tax benefit of \$2,610 for 2014 and 2013, respectively	7,081	(4,465)
Net change in available-for-sale investments, net of tax benefit of \$54 for 2014	(90)	—
Total other comprehensive income (loss)	7,035	(3,084)
Total Comprehensive Income	\$42,610	\$37,520
	Nine Months Ended September 30,	
	2014	2013
	(unaudited)	
Net Income	\$57,827	\$34,775
Other comprehensive income (loss), net:		
Net change related to employee benefit plans, net of tax expense of \$213 and \$3,034 for 2014 and 2013, respectively	389	3,347
Net change in derivative instruments, net of tax benefit of \$1,045 for 2014 and tax expense of \$1,942 for 2013, respectively	(1,726)	2,991
Net change in available-for-sale investments, net of tax benefit of \$33 for 2014	(55)	—
Total other comprehensive income (loss)	(1,392)	6,338
Total Comprehensive Income	\$56,435	\$41,113

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except shares)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 328,255	\$ 423,384
Restricted cash	6,566	19,434
Short-term investments	253,300	—
Accounts receivable, net	82,902	74,245
Spare parts and supplies, net	20,287	19,767
Deferred tax assets, net	17,325	17,325
Prepaid expenses and other	47,677	51,652
Total	756,312	605,807
Property and equipment, less accumulated depreciation and amortization of \$344,727 and \$327,102 as of September 30, 2014 and December 31, 2013, respectively	1,630,978	1,334,332
Other Assets:		
Long-term prepayments and other	99,323	91,953
Restricted cash	—	1,566
Intangible assets, less accumulated amortization of \$33,774 and \$175,730 as of September 30, 2014 and December 31, 2013, respectively	21,960	23,940
Goodwill	106,663	106,663
Total Assets	\$ 2,615,236	\$ 2,164,261
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 78,350	\$ 89,787
Air traffic liability	487,525	409,086
Other accrued liabilities	114,717	97,571
Current maturities of long-term debt, less discount, and capital lease obligations	171,054	62,187
Total	851,646	658,631
Long-Term Debt, less discount, and Capital Lease Obligations	885,486	744,286
Other Liabilities and Deferred Credits:		
Accumulated pension and other postretirement benefit obligations	268,703	264,106
Other liabilities and deferred credits	70,129	59,424
Deferred tax liability, net	78,513	40,950
Total	417,345	364,480
Commitments and Contingencies		
Shareholders' Equity:		
Special preferred stock, \$0.01 par value per share, three shares issued and outstanding as of September 30, 2014 and December 31, 2013	—	—
Common stock, \$0.01 par value per share, 54,007,425 and 52,423,085 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	540	524
Capital in excess of par value	277,328	269,884
Accumulated income	226,969	169,142
Accumulated other comprehensive loss, net	(44,078)	(42,686)
Total	460,759	396,864

Total Liabilities and Shareholders' Equity	\$2,615,236	\$2,164,261
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See accompanying Notes to Consolidated Financial Statements.

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Hawaiian Holdings, Inc.
 Condensed Consolidated Statements of Cash Flows
 (in thousands)

	Nine months ended September 30,	
	2014	2013
	(unaudited)	
Net cash provided by Operating Activities	\$252,163	\$207,475
Cash flows from Investing Activities:		
Additions to property and equipment, including pre-delivery payments, net	(361,290)	(232,717)
Net proceeds from disposition of equipment	978	—
Purchases of investments	(346,010)	—
Sales of investments	92,103	—
Net cash used in investing activities	(614,219)	(232,717)
Cash flows from Financing Activities:		
Proceeds from exercise of stock options	5,487	2,376
Long-term borrowings	293,430	132,000
Repayments of long-term debt and capital lease obligations	(46,392)	(45,200)
Debt issuance costs	(32)	(12,416)
Change in restricted cash	14,434	(16,000)
Net cash provided by financing activities	266,927	60,760
Net increase (decrease) in cash and cash equivalents	(95,129)	35,518
Cash and cash equivalents - Beginning of Period	423,384	405,880
Cash and cash equivalents - End of Period	\$328,255	\$441,398

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.

Notes to Consolidated Financial Statements (Unaudited)

1. Business and Basis of Presentation

Hawaiian Holdings, Inc. (the Company or Holdings) is a holding company incorporated in the State of Delaware. The Company's primary asset is its sole ownership of all issued and outstanding shares of common stock of Hawaiian Airlines, Inc. (Hawaiian). The accompanying unaudited financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (SEC). Accordingly, these interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements contain all adjustments, including normal recurring adjustments, necessary for the fair presentation of the Company's results of operations and financial position for the periods presented. Due to seasonal fluctuations, among other factors common to the airline industry, the results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the financial statements and the notes of the Company included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

2. Significant Accounting Policies

Sale of Frequent Flyer Miles

In October 2013, Hawaiian entered into a co-branded credit card agreement, which provides for the sale of frequent flyer miles to Barclays Bank Delaware (Barclays) beginning in 2014. The agreement is a new multiple element arrangement subject to Accounting Standards Update 2009-13, Multiple Deliverable Revenue Arrangements — A consensus of the FASB Emerging Issues Task Force (ASU 2009-13), which is effective for new and materially modified revenue arrangements entered into by the Company after January 1, 2011. ASU 2009-13 requires the allocation of the overall consideration received to each deliverable using the estimated selling price. The objective of using estimated selling price based methodology is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis.

The following four deliverables or elements were identified in the agreement: (i) travel miles; (ii) use of the Hawaiian brand and access to member lists; (iii) advertising elements; and (iv) other airline benefits including checked baggage services and travel discounts. The Company determined the relative fair value of each element by estimating the selling prices of the deliverables by considering discounted cash flows using multiple inputs and assumptions, including: (1) the expected number of miles to be awarded and redeemed; (2) the estimated weighted average equivalent ticket value, adjusted by a fulfillment discount; (3) the estimated total annual cardholder spend; (4) an estimated royalty rate for the Hawaiian portfolio; and (5) the expected use of each of the airline benefits. The overall consideration received is allocated to the deliverables based on their relative selling prices. The transportation element will be deferred and recognized as passenger revenue over the period when the transportation is expected to be provided (22 months). The other elements will generally be recognized as other revenue when earned.

In the previous co-branded credit card agreement, the estimated fair value of the transportation element was deferred and recognized as passenger revenue over a period of 22 months. Amounts received in excess of the transportation's estimated fair value were recognized immediately as other revenue.

The impact of applying the new accounting method for the three and nine months ended September 30, 2014 was immaterial to the Company's unaudited consolidated financial statements.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. Early adoption is not permitted. The amendments in ASU 2014-09 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company is currently evaluating the effect that the provisions of ASU 2014-09 will have on its consolidated financial statements and related disclosures.

3. Short-Term Investments

Debt securities that are not classified as cash equivalents are classified as available-for-sale investments and are stated at fair value. Realized gains and losses on sales of investments are reflected in nonoperating income (expense) in the unaudited consolidated statements of operations. Unrealized gains and losses on available-for-sale securities are reflected as a component of accumulated other comprehensive loss.

The following is a summary of short-term investments held as of September 30, 2014:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Corporate debt	\$184,141	\$91	\$(193)	) \$184,039
U.S. government and agency debt	23,797	11	(2)	) 23,806
Municipal bonds	22,924	7	(4)	) 22,927
Other fixed income securities	22,533	—	(5)	) 22,528
Total short-term investments	\$253,395	\$109	\$(204)	) \$253,300

Contractual maturities of short-term investments as of September 30, 2014 are shown below.

	Under 1 Year (in thousands)	1 to 5 Years	Total
Corporate debt	\$80,081	\$103,958	\$184,039
U.S. government and agency debt	16,325	7,481	23,806
Municipal bonds	8,244	14,683	22,927
Other fixed income securities	22,528	—	22,528
Total short-term investments	\$127,178	\$126,122	\$253,300

The Company classifies investments as current assets as these securities are available for use in its current operations.

4. Accumulated Other Comprehensive Loss

Reclassifications out of accumulated other comprehensive loss by component is as follows:

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Details about accumulated other comprehensive loss components	Three months ended September 30,		Nine months ended September 30,		Affected line items in the statement where net income (loss) is presented
	2014	2013	2014	2013	
	(in thousands)				
Derivatives designated as hedging instruments under ASC 815					
Foreign currency derivative gains, net	\$(1,297)	\$(3,005)	\$(6,523)	\$(6,395)	Passenger revenue
Interest rate derivative losses, net	201	217	618	440	Interest expense
Total before tax	(1,096)	(2,788)	(5,905)	(5,955)	
Tax expense	424	1,025	2,239	2,226	
Total, net of tax	\$(672)	\$(1,763)	\$(3,666)	\$(3,729)	
Amortization of defined benefit pension items					
Actuarial loss (gain)	\$(64)	\$2,281	\$388	\$6,384	Wages and benefits
Prior service cost (credit)	113	(1)	111	(3)	Wages and benefits
Total before tax	49	2,280	499	6,381	
Tax benefit	(5)	(899)	(215)	(3,034)	
Total, net of tax	\$44	\$1,381	\$284	\$3,347	
Short-term investments					
Realized gain on sales of investments, net	\$(10)	\$—	\$(12)	\$—	Other nonoperating income
Total before tax	(10)	—	(12)	—	
Tax expense	1	—	1	—	
Total, net of tax	\$(9)	\$—	\$(11)	\$—	
Total reclassifications for the period	\$(637)	\$(382)	\$(3,393)	\$(382)	

A rollforward of the amounts included in accumulated other comprehensive loss, net of taxes, for the three and nine months ended September 30, 2014 and 2013 is as follows:

Three months ended September 30, 2014	Interest Rate Derivatives	Foreign Currency Derivatives	Defined Benefit Pension Items	Short-Term Investments	Total
	(in thousands)				
Beginning balance	\$471	\$95	\$(51,714)	\$35	\$(51,113)
Other comprehensive income (loss) before reclassifications, net of tax	39	7,714	—	(81)	7,672
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	121	(793)	44	(9)	(637)
Net current-period other comprehensive income (loss)	160	6,921	44	(90)	7,035
Ending balance	\$631	\$7,016	\$(51,670)	\$(55)	\$(44,078)

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Three months ended September 30, 2013	Interest Rate Derivatives	Foreign Currency Derivatives	Defined Benefit Pension Items	Total	
	(in thousands)				
Beginning balance	\$766	\$6,690	\$(112,088)	\$(104,632)	
Other comprehensive loss before reclassifications, net of tax	(220)	(2,482)	—	(2,702)	
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	135	(1,898)	1,381	(382)	
Net current-period other comprehensive income (loss)	(85)	(4,380)	1,381	(3,084)	
Ending balance	\$681	\$2,310	\$(110,707)	\$(107,716)	
Nine months ended September 30, 2014	Interest Rate Derivatives	Foreign Currency Derivatives	Defined Benefit Pension Items	Short-Term Investments	Total
	(in thousands)				
Beginning balance	\$1,096	\$8,277	\$(52,059)	\$—	\$(42,686)
Other comprehensive income (loss) before reclassifications, net of tax	(844)	2,784	105	(44)	2,001
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	379	(4,045)	284	(11)	(3,393)
Net current-period other comprehensive income (loss)	(465)	(1,261)	389	(55)	(1,392)
Ending balance	\$631	\$7,016	\$(51,670)	\$(55)	\$(44,078)
Nine months ended September 30, 2013	Interest Rate Derivatives	Foreign Currency Derivatives	Defined Benefit Pension Items	Total	
	(in thousands)				
Beginning balance	\$—	\$—	\$(114,054)	\$(114,054)	
Other comprehensive income before reclassifications, net of tax	409	6,311	—	6,720	
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	272	(4,001)	3,347	(382)	
Net current-period other comprehensive income	681	2,310	3,347	6,338	
Ending balance	\$681	\$2,310	\$(110,707)	\$(107,716)	

5. Earnings Per Share

Basic earnings per share, which excludes dilution, is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

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	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
	(in thousands, except for per share data)			
Numerator:				
Net Income	\$35,575	\$40,604	\$57,827	\$34,775
Denominator:				
Weighted average common stock shares outstanding - Basic	53,878	52,303	53,359	51,994
Assumed exercise of stock options and awards	848	1,209	1,061	1,166
Assumed conversion of convertible note premium	4,965	—	4,498	—
Assumed conversion of warrants	3,359	—	2,767	—
Weighted average common stock shares outstanding - Diluted	63,050	53,512	61,685	53,160
Net Income per common share				
Basic	\$0.66	\$0.78	\$1.08	\$0.67
Diluted	\$0.56	\$0.76	\$0.94	\$0.65

The table below summarizes those common stock equivalents that could potentially dilute basic earnings per share in the future but were excluded from the computation of diluted earnings per share because the instruments were antidilutive.

	Three Months Ended September		Nine months ended September	
	30, 2014	2013	30, 2014	2013
	(in thousands)			
Stock options	—	—	—	522
Deferred stock	—	—	—	58
Restricted stock	7	1,031	2	1,494
Convertible note premium	—	10,943	—	10,943
Warrants	—	10,943	—	10,943

In March 2011, the Company entered into a convertible note transaction which included the sale of convertible notes, purchase of call options and sale of warrants. The Company's 5% Convertible Notes due in 2016 (the "Convertible Notes") with a current principal amount of \$86.25 million can be redeemed with either cash or the Company's common stock, or a combination thereof, at the Company's option. The 10.9 million shares into which the Convertible Notes could be converted will not impact the dilutive earnings per share calculation in the current and future periods under the if-converted method, as the Company has the intent and ability to redeem the principal amount of the Convertible Notes with cash. During the three and nine months ended September 30, 2014 the average share price of the Company's common stock exceeded the conversion price of \$7.88 per share, therefore shares related to the conversion premium of the Convertible Notes (for which share settlement is assumed for EPS purposes) are included in the Company's computation of diluted earnings per share.

In connection with the issuance of the Convertible Notes, the Company entered into separate call option transactions and separate warrant transactions with certain financial investors to reduce the potential dilution of the Company's common stock and to offset potential payments by the Company to holders of the Convertible Notes in excess of the principal of the Convertible Notes upon conversion.

The call options to repurchase the Company's common stock will always be antidilutive and, therefore, will have no effect on diluted earnings per share and are excluded from the table above.

During the three and nine months ended September 30, 2014 the average share price of the Company's common stock exceeded the warrant strike price of \$10.00 per share, therefore the assumed conversion of the warrants are included in the Company's computation of diluted earnings per share.

6. Fair Value Measurements

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ASC Topic 820, Fair Value Measurement (ASC 820) clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term for the assets or liabilities; and

Level 3 — Unobservable inputs for which there is little or no market data and that are significant to the fair value of the assets or liabilities.

The tables below present the Company's financial assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements as of September 30, 2014			
	Total (in thousands)	Level 1	Level 2	Level 3
Cash equivalents	\$155,967	\$152,967	\$3,000	\$—
Restricted cash	6,566	6,566	—	—
Short-term investments	253,300	—	253,300	—
Fuel derivative contracts:	0	—	—	—
Crude oil call options	50	—	50	—
Crude oil put options	4	—	4	—
Heating oil put options	845	—	845	—
Foreign currency derivatives	11,851	—	11,851	—
Interest rate derivative	452	—	452	—
Total assets measured at fair value	\$429,035	\$159,533	\$269,502	\$—
Fuel derivative contracts:				
Crude oil call options	\$50	\$—	\$50	\$—
Crude oil put options	4	—	4	—
Heating oil swaps	19,515	—	19,515	—
Foreign currency derivatives	118	—	118	—
Negative arbitrage derivative	500	—	—	500
Total liabilities measured at fair value	\$20,187	\$—	\$19,687	\$500

	Fair Value Measurements as of December 31, 2013			
	Total (in thousands)	Level 1	Level 2	Level 3
Cash equivalents	\$269,384	\$269,384	\$—	\$—
Restricted cash	21,000	21,000	—	—
Fuel derivative contracts:	0			
Crude oil call options	7,121	—	7,121	—
Crude oil put options	186	—	186	—
Heating oil put options	417	—	417	—
Heating oil swaps	5,863	—	5,863	—
Foreign currency derivatives	12,494	—	12,494	—
Interest rate derivative	1,121	—	1,121	—
Total assets measured at fair value	\$317,586	\$290,384	\$27,202	\$—
Fuel derivative contracts:				
Crude oil call options	\$7,121	\$—	\$7,121	\$—
Crude oil put options	186	—	186	—
Heating oil swaps	187	—	187	—
Foreign currency derivatives	1,188	—	1,188	—
Negative arbitrage derivative	12,865	—	—	12,865
Total liabilities measured at fair value	\$21,547	\$—	\$8,682	\$12,865

Cash equivalents. The Company's cash equivalents consist of money market securities, U.S. agency bonds, foreign and domestic corporate bonds, and commercial paper. The instruments classified as Level 2 are valued using quoted prices for similar assets in active markets.

Restricted cash. The Company's restricted cash consist of money market securities.

Short-term investments. Short-term investments include U.S. and foreign government notes and bonds, U.S. agency bonds, variable rate corporate bonds, asset backed securities, foreign and domestic corporate bonds, municipal bonds, and commercial paper. These instruments are valued using quoted prices for similar assets in active markets or other observable inputs.

Fuel derivative contracts. The Company's fuel derivative contracts consist of heating oil puts and swaps, and Brent crude oil call options and collars (a combination of purchased call options and sold put options of crude oil) which are not traded on a public exchange. The fair value of these instruments are determined based on inputs available or derived from public markets including contractual terms, market prices, yield curves and measures of volatility among others.

Foreign currency derivatives. The Company's foreign currency derivatives consist of Japanese Yen and Australian Dollar forward contracts and are valued based primarily on data available or derived from public markets.

Interest rate derivative. The Company's interest rate derivative consists of an interest rate swap and is valued based primarily on data available or derived from public markets.

Negative arbitrage derivative. The Company's negative arbitrage derivative represents the net interest owed to the trusts that issued the Company's enhanced equipment trust certificates during the periods prior to the issuance of the related equipment notes, and is valued based primarily on the discounted amount of future cash flows using the appropriate rate of borrowing. Changes to those discount rates would be unlikely to cause material changes in the fair value of the negative arbitrage derivative (refer to Notes 7 and 10 for more information).

The table below presents disclosures about the activity for the Company's "Level 3" financial liability during the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(in thousands)			
Beginning balance	\$3,668	\$12,865	\$12,865	\$—
Issuance of enhanced equipment trust certificates	—	—	—	12,865
Reduction of balance in connection with interest payment	(3,168)	) —	(12,365)) —
Ending balance	\$500	\$12,865	\$500	\$12,865

The table below presents the Company's debt (excluding obligations under capital leases) measured at fair value:

Fair Value of Debt					Fair Value of Debt				
September 30, 2014					December 31, 2013				
Carrying	Fair Value				Carrying	Fair Value			
Amount	Total	Level 1	Level 2	Level 3	Amount	Total	Level 1	Level 2	Level 3
	(in thousands)					(in thousands)			
\$952,467	\$1,030,224	\$—	\$142,071	\$888,153	\$695,804	\$738,563	\$—	\$104,656	\$633,907

The fair value estimates of the Company's debt were based on either market prices or the discounted amount of future cash flows using the Company's current incremental rate of borrowing for similar liabilities.

The carrying amounts of cash, other receivables and accounts payable approximate fair value due to the short-term nature of these financial instruments.

7. Financial Derivative Instruments

The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in global fuel prices, interest rates and foreign currencies.

In addition, in 2013, the Company recognized in its Consolidated Balance Sheets the financial effect of the net interest owed to the trusts that issued the Company's enhanced equipment trust certificates. The characteristics of the net interest obligation resulted in the obligation meeting the definition of a derivative instrument under ASC Topic 815, Derivatives and Hedging (ASC 815).

Fuel Risk Management

The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into derivative financial instruments. During the three and nine months ended September 30, 2014, the Company primarily used heating oil puts and swaps to hedge its aircraft fuel expense. These derivative instruments were not designated as hedges under ASC Topic 815, Derivatives and Hedging (ASC 815), for hedge accounting treatment. As a result, any changes in fair value of these derivative instruments are adjusted through other nonoperating income (expense) in the period of change.

The following table reflects the amount of realized and unrealized gains and losses recorded as nonoperating income (expense) in the unaudited Consolidated Statements of Operations.

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Fuel derivative contracts	Three months ended		Nine months ended	
	September 30, 2014	2013	September 30, 2014	2013
	(in thousands)			
Losses realized at settlement	\$ (4,632	) \$ (3,790	) \$ (6,530	) \$ (11,226
Reversal of prior period unrealized amounts	56	4,278	(1,816	) 5,472
Unrealized gains (losses) that will settle in future periods	(23,316	) 2,048	(20,160	) (5,177
Gains (losses) on fuel derivatives recorded as Nonoperating income (expense)	\$ (27,892) \$ 2,536	\$ (28,506) \$ (10,931

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Interest Rate Risk Management

The Company is exposed to market risk from adverse changes in interest rates associated with its long-term debt obligations. Market risk associated with fixed-rate and variable-rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates.

To limit the Company's exposure to interest rate risk inherent in one of its variable-rate debt instruments, which was used to finance an aircraft delivered in 2013, the Company entered into a forward starting interest rate swap agreement. The interest rate swap agreement is designated as a cash flow hedge under ASC 815.

The Company believes that its interest rate derivative contract will continue to be effective in offsetting changes in cash flow attributable to the hedged risk. The Company reclassified \$0.2 million and \$0.6 million in net losses from AOCI to interest expense during the three and nine months ended September 30, 2014, respectively. The Company expects to reclassify a net loss of approximately \$0.7 million into earnings over the next 12 months from AOCI based on the values at September 30, 2014.

Foreign Currency Exchange Rate Risk Management

The Company is subject to foreign currency exchange rate risk due to revenues and expenses denominated in foreign currencies, with the primary exposures being the Japanese Yen and Australian Dollar. To manage exchange rate risk, the Company executes its international revenue and expense transactions in the same foreign currency to the extent practicable.

The Company enters into foreign currency forward contracts, certain of which are designated as cash flow hedges under ASC 815, to further manage the effects of fluctuating exchange rates. The effective portion of the gain or loss of designated cash flow hedges is reported as a component of AOCI and reclassified into earnings in the same period in which the related sales are recognized as passenger revenue. The effective portion of the foreign currency forward contracts represents the change in fair value of the hedge that offsets the change in the fair value of the hedged item. To the extent the change in the fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized as nonoperating income (expense). Foreign currency forward contracts that are not designated as cash flow hedges are recorded at fair value, and any changes in fair value are recognized as other nonoperating income (expense) in the period of change.

The Company believes that its foreign currency forward contracts that are designated as cash flow hedges will continue to be effective in offsetting changes in cash flow attributable to the hedged risk. The Company reclassified \$1.3 million and \$6.5 million in gains from AOCI to passenger revenue during the three and nine months ended September 30, 2014, respectively. The Company expects to reclassify a net gain of approximately \$8.1 million into earnings over the next 12 months from AOCI based on the values at September 30, 2014.

Negative Arbitrage Derivative

In 2013, the Company created two pass-through trusts, which issued \$444.5 million aggregate principal amount of EETCs. See Note 10 for further information related to the EETCs. In accordance with the related agreements, the Company is obligated to pay the interest that accrues on the proceeds and is also entitled to the benefits of the income generated from the same proceeds. The difference between the interest owed to the pass-through trusts and the interest generated from the proceeds introduces an element of variability that could cause the associated cash flows to fluctuate. This variability requires the Company's obligation to the trusts to be recognized as a derivative in the Company's unaudited consolidated financial statements. During the three and nine months ended September 30, 2014,

approximately \$3.2 million and \$12.4 million of the derivative was reduced in connection with the interest payments made to the trusts, respectively.

The following tables present the gross fair value of asset and liability derivatives that are designated as hedging instruments under ASC 815 and derivatives that are not designated as hedging instruments under ASC 815, as well as the net derivative positions and location of the asset and liability balances within the unaudited Consolidated Balance Sheets.

Derivative position as of September 30, 2014

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	Balance Sheet Location	Notional Amount (in thousands)	Final Maturity Date	Gross fair value of assets (in thousands)	Gross fair value of (liabilities)	Net derivative position
Derivatives designated as hedges						
Interest rate derivative	Prepaid expenses and other	\$59,000 U.S. dollars	April 2023	\$73	\$ —	\$73
	Long-term prepayments and other (1)			379	—	379
Foreign currency derivatives	Prepaid expenses and other	7,218,469 Japanese Yen 52,209 Australian Dollars	September 2015	7,448	(14)	7,434
	Long-term prepayments and other	3,384,130 Japanese Yen 9,707 Australian Dollars	August 2016	2,514	—	2,514
Derivatives not designated as hedges						
Foreign currency derivatives	Prepaid expenses and other	9,415,313 Japanese Yen 48,981 Australian Dollars	September 2015	1,529	(104)	1,425
	Long-term prepayments and other	3,910,000 Japanese Yen 9,700 Australian Dollars	August 2016	360	—	360
Fuel derivative contracts	Other accrued liabilities	93,211 gallons	September 2015	899	(19,569)	(18,670)
Negative arbitrage derivative	Other accrued liabilities	\$444,540 U.S. dollars	January 2015	—	(500)	(500)

(1) Represents the noncurrent portion of the \$59.0 million interest rate derivative with final maturity in April 2023.

Derivative position as of December 31, 2013

	Balance Sheet Location	Notional Amount (in thousands)	Final Maturity Date	Gross fair value of assets (in thousands)	Gross fair value of (liabilities)	Net derivative position
Derivatives designated as hedges						
Interest rate derivative	Prepaid expenses and other	\$63,800 U.S. dollars	April 2023	\$ 196	\$ —	\$ 196
	Long-term prepayments and other (1)			925	—	925
Foreign currency derivatives	Prepaid expenses and other	10,500,321 Japanese Yen 10,895,370 Korean Won 62,659 Australian Dollars 4,821 New Zealand Dollars	December 2014	9,946	(450)	9,496
	Long-term prepayments and other	1,980,949 Japanese Yen 16,681 Australian Dollars	May 2015	1,673	—	1,673
Derivatives not designated as hedges						
Foreign currency derivatives	Prepaid expenses and other	6,180 Japanese Yen 58 Australian Dollars	December 2014	577	(229)	348
	Other accrued liabilities			298	(509)	(211)
Fuel derivative contracts	Prepaid expenses and other	84,714 gallons	December 2014	13,587	(7,494)	6,093
Negative arbitrage derivative	Other accrued liabilities	\$444,540 U.S. dollars	January 2015	—	(12,250)	(12,250)
	Other liabilities and deferred credits (2)			—	(615)	(615)

(1) Represents the noncurrent portion of the \$64 million interest rate derivative with final maturity in April 2023.

(2) Represents the noncurrent portion of the \$445 million negative arbitrage derivative with final maturity in January 2015.

The following table reflects the impact of cash flow hedges designated for hedge accounting treatment and their location within the unaudited Consolidated Statements of Comprehensive Income.

(Gain) loss recognized in AOCI in derivatives (effective portion)	(Gain) loss reclassified from AOCI into income (effective portion)	(Gain) loss recognized in nonoperating (income) expense (ineffective portion)
Three months ended September 30, 2014	Three months ended September 30, 2013	Three months ended September 30, 2014
\$ (12,428)	\$ 3,960	\$ —
	\$ (1,297)	\$ —
		\$ (3,005)
		\$ —

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Foreign currency derivatives						
Interest rate derivatives	(283) 82	201	217	—	—
	(Gain) loss recognized in AOCI derivatives (effective portion)		(Gain) loss reclassified from AOCI to income (effective portion)		(Gain) loss recognized in nonoperating (income) expense (ineffective portion)	
	Nine months ended September 30, 2014		Nine months ended September 30, 2013		Nine months ended September 30, 2014	
	2013		2014		2013	
	(in thousands)					
Foreign currency derivatives	\$ (4,720) \$ (10,204) \$ (6,523) \$ (6,395) \$ —) \$ (61
Interest rate derivatives	668	(929) 618	440	—	—

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Risk and Collateral

The financial derivative instruments expose the Company to possible credit loss in the event the counterparties to the agreements fail to meet their obligations. To manage such credit risks, the Company (1) selects its counterparties based on past experience and credit ratings, (2) limits its exposure to any single counterparty, and (3) periodically monitors the market position and credit rating of each counterparty. Credit risk is deemed to have a minimal impact on the fair value of the derivative instruments as cash collateral would be provided by the counterparties based on the current market exposure of the derivative.

The Company's agreements with its counterparties also requires the posting of cash collateral in the event the aggregate value of the Company's positions exceeds certain exposure thresholds that are based upon certain liquidity metrics of the Company. The aggregate fair value of the Company's derivative instruments that contain credit-risk related contingent features that are in a net liability position as of September 30, 2014 was \$18.7 million.

ASC 815 requires a reporting entity to elect a policy of whether to offset rights to reclaim cash collateral or obligations to return cash collateral against derivative assets and liabilities executed with the same counterparty under a master netting agreement, or present such amounts on a gross basis. The Company's accounting policy is to present its derivative assets and liabilities on a net basis, including any collateral posted with the counterparty. The Company had \$7.0 million of collateral posted with one of its counterparties as of September 30, 2014, and no collateral posted with counterparties as of December 31, 2013.

The Company is also subject to market risk in the event these financial instruments become less valuable in the market. However, changes in the fair value of the derivative instruments will generally offset the change in the fair value of the hedged item, limiting the Company's overall exposure.

8. Debt

As of September 30, 2014, the expected maturities of long-term debt for the remainder of 2014 and the next four years, and thereafter, were as follows (in thousands):

Remaining months in 2014	\$99,810
2015	82,965
2016	81,267
2017	81,266
2018	87,212
Thereafter	526,618
	\$959,138

Revolving Credit Facilities

In September 2014, the Company terminated its secured revolving credit facility with Wells Fargo Capital Finance LLC, which provided for a secured revolving credit facility of up to \$75 million.

Convertible Notes

During the three months ended September 30, 2014 a condition for conversion of the Convertible Note was satisfied, which permits holders of the Convertible Notes to surrender their notes for conversion during the quarter ending December 31, 2014. Therefore, the principal balance could be settled in as early as 2014 and is classified accordingly in the table above. As of September 30, 2014, the carrying value of \$79.6 million is reflected as a current liability in

the unaudited Consolidated Balance Sheets.

Debt Extinguishment

In October 2014, Hawaiian extinguished \$54.2 million of existing debt under a secured financing agreement, which was originally scheduled to mature in October 2023.

9. Employee Benefit Plans

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The components of net periodic benefit cost for the Company's defined benefit and other postretirement plans included the following:

Components of Net Period Benefit Cost	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
Service cost	\$3,162	\$4,473	\$9,066	\$11,676
Interest cost	6,839	6,340	20,811	18,939
Expected return on plan assets	(4,842	) (4,065	) (14,532	) (12,196
Recognized net actuarial loss	49	2,280	499	6,381
Net periodic benefit cost	\$5,208	\$9,028	\$15,844	\$24,800

The Company made contributions of \$2.3 million and \$8.9 million to its defined benefit and other postretirement plans during the three and nine months ended September 30, 2014, respectively. The Company made contributions of \$11.9 million and \$18.6 million to its defined benefit and other postretirement plans during the three and nine months ended September 30, 2013, respectively.

10. Commitments and Contingent Liabilities

Commitments

As of September 30, 2014, the Company had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A330-200 aircraft	4	3	Between 2014 and 2015
A350XWB-800 aircraft	6	6	Between 2017 and 2020
A321neo aircraft	16	9	Between 2017 and 2020
Rolls-Royce spare engines:			
A330-200 spare engine	1	—	In 2014
A350XWB-800 spare engines	2	—	Between 2017 and 2020
Pratt & Whitney spare engines:			
A321neo spare engines	2	—	Between 2017 and 2018

In July 2014, the Company signed a memorandum of understanding (MOU) with Airbus for the conversion of the existing order for six new A350XWB-800 aircraft for delivery between 2017 and 2020 into the purchase of six new Airbus A330neo aircraft for delivery between 2019 and 2021, with rights to purchase an additional six new Airbus A330neo aircraft. The changes in the dates of delivery and in the model of the aircraft being delivered are not included in the tables below as definitive agreements relating to these commitments have yet to be finalized.

The Company has operating commitments with a third-party to provide aircraft maintenance services which require fixed payments as well as variable payments based on flight hours for its Airbus fleet through 2027. The Company also has operating commitments with third-party service providers for reservations, IT, and accounting services through 2018.

Committed capital and operating expenditures include escalation and variable amounts based on estimates. The gross committed expenditures and committed financings for those deliveries as of September 30, 2014 are detailed below:

	Capital	Operating	Total Committed Expenditures	Less: Committed Financing for Upcoming Aircraft Deliveries*	Net Committed Expenditures
	(in thousands)				
Remaining months in 2014	\$84,346	\$15,550	\$ 99,896	\$ 75,000	\$ 24,896
2015	253,246	60,535	313,781	—	313,781
2016	147,824	49,004	196,828	—	196,828
2017	493,824	47,853	541,677	—	541,677
2018	547,118	42,922	590,040	—	590,040
Thereafter	558,578	255,650	814,228	—	814,228
	\$2,084,936	\$471,514	\$ 2,556,450	\$ 75,000	\$ 2,481,450

*See below for a detailed discussion of the committed financings Hawaiian has received for its upcoming capital commitments for aircraft deliveries.

Enhanced Equipment Trust Certificates (EETC)

In 2013, Hawaiian consummated an EETC financing, whereby it created two pass-through trusts, one of which issued \$328.2 million aggregate principal amount of Class A pass-through certificates with a stated interest rate of 3.9% and the second of which issued \$116.3 million aggregate principal amount of Class B pass-through certificates with a stated interest rate of 4.95%. The proceeds of the issuance of the Class A and Class B pass-through certificates were used to purchase equipment notes that were issued by Hawaiian to finance the purchase of six (6) new Airbus aircraft. During the nine months ended September 30, 2014, the Company received \$293.4 million in proceeds from the issuance of the equipment notes, which it used to fund a portion of the purchase price of four Airbus aircraft. The remaining proceeds were used to purchase equipment notes that were issued by Hawaiian to finance the purchase of an Airbus aircraft delivered in October 2014. The equipment notes are secured by a lien on the aircraft, and the payment obligations of Hawaiian under the equipment notes are fully and unconditionally guaranteed by the Company. The Company issued the equipment notes to the trusts as aircraft were delivered to Hawaiian. Hawaiian recorded the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates. In connection with the consummation of the EETC financing transaction, Hawaiian was required to deposit \$16.0 million into a collateral account, of which \$14.4 million was released during the nine months ended September 30, 2014. The funds held in this account are under the control of a third party. Accordingly, these funds are classified as restricted cash in the Company's unaudited Consolidated Balance Sheets.

The Company evaluated whether the pass-through trusts formed are variable interest entities ("VIEs") required to be consolidated by the Company under applicable accounting guidance, and determined that the pass-through trusts are VIEs. The Company determined that it does not have a variable interest in the pass-through trusts. Neither the Company nor Hawaiian invested in or obtained a financial interest in the pass-through trusts. Rather, Hawaiian has an obligation to make interest and principal payments on its equipment notes held by the pass-through trusts, which are fully and unconditionally guaranteed by the Company. Neither the Company nor Hawaiian intends to have any voting or non-voting equity interest in the pass-through trusts or to absorb variability from the pass-through trusts. Based on this analysis, the Company determined that it is not required to consolidate the pass-through trusts.

Litigation and Contingencies

The Company is subject to legal proceedings arising in the normal course of its operations. Management does not anticipate that the disposition of any currently pending proceeding will have a material effect on the Company's operations, business or financial condition.

General Guarantees and Indemnifications

In the normal course of business, the Company enters into numerous aircraft financing and real estate leasing arrangements that have various guarantees included in the contract. It is common in such lease transactions for the lessee to agree to indemnify the lessor and other related third-parties for tort liabilities that arise out of or relate to the lessee's use of the leased aircraft or occupancy of the leased premises. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by their gross negligence or willful misconduct. Additionally, the lessee typically indemnifies such parties for any environmental liability that arises out of or relates to its use of the real estate leased premises. The Company believes that it is insured (subject to deductibles) for most tort liabilities and related

indemnities described above with respect to the aircraft and real estate that it leases. The Company cannot estimate the potential amount of future payments, if any, under the foregoing indemnities and agreements.

Credit Card Holdback

Under the Company's bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back 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 the Company's unaudited Consolidated Balance Sheets, totaled \$5.0 million at September 30, 2014 and December 31, 2013.

In the event of a material adverse change in the business, the holdback could increase to an amount up to 100% of the applicable credit card air traffic liability, which would also cause an increase in the level of restricted cash. If the Company is unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material adverse impact on the Company.

11. Supplemental Cash flow Information

Non-cash investing and financing activities for the nine months ended September 30, 2014 and 2013 were as follows:

	Nine months ended September 30,	
	2014	2013
	(in thousands)	
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through a capital lease	\$—	\$11,840

12. Condensed Consolidating Financial Information

The following condensed consolidating financial information is presented in accordance with Regulation S-X paragraph 210.3-10 because, in connection with the issuance by two pass-through trusts formed by Hawaiian (which is also referred to in this Note 12 as Subsidiary Issuer / Guarantor) of pass-through certificates, as discussed in Note 10, the Company (which is also referred to in this Note 12 as Parent Issuer / Guarantor), is fully and unconditionally guaranteeing the payment obligations of Hawaiian, which is a 100% owned subsidiary of the Company, under equipment notes issued by Hawaiian to purchase new aircraft, and will fully and unconditionally guarantee those obligations in connection with the future issuance of equipment notes by Hawaiian.

Condensed consolidating financial statements are presented in the following tables:

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Three months ended September 30, 2014

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenue	\$—	\$638,414	\$ 1,145	\$(97)	\$639,462
Operating Expenses:					
Aircraft fuel, including taxes and delivery	—	182,219	—	—	182,219
Wages and benefits	—	114,469	—	—	114,469
Aircraft rent	—	26,724	—	—	26,724
Maintenance materials and repairs	—	51,029	264	—	51,293
Aircraft and passenger servicing	—	31,848	—	—	31,848
Commissions and other selling	—	32,024	11	(20)	32,015
Depreciation and amortization	—	23,654	730	—	24,384
Other rentals and landing fees	5	23,632	—	—	23,637
Other	1,246	45,291	244	(77)	46,704
Total	1,251	530,890	1,249	(97)	533,293
Operating Income (Loss)	(1,251)	107,524	(104)	—	106,169
Nonoperating Income (Expense):					
Undistributed net income of subsidiaries	37,900	—	—	(37,900)	—
Interest expense and amortization of debt discounts and issuance costs	(2,260)	(14,844)	—	—	(17,104)
Interest income	47	424	—	—	471
Capitalized interest	—	1,834	—	—	1,834
Losses on fuel derivatives	—	(27,892)	—	—	(27,892)
Other, net	—	(5,114)	—	—	(5,114)
Total	35,687	(45,592)	—	(37,900)	(47,805)
Income (Loss) Before Income Taxes	34,436	61,932	(104)	(37,900)	58,364
Income tax expense (benefit)	(1,139)	23,928	—	—	22,789
Net Income (Loss)	\$35,575	\$38,004	\$(104)	\$(37,900)	\$35,575
Comprehensive Income (Loss)	\$42,610	\$45,039	\$(104)	\$(44,935)	\$42,610

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

Three months ended September 30, 2013

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
	(in thousands)					
Operating Revenue	\$—	\$599,361	\$ (3	) \$(60	) \$599,298
Operating Expenses:						
Aircraft fuel, including taxes and delivery	—	181,334	—	—	181,334	
Wages and benefits	—	112,150	—	—	112,150	
Aircraft rent	—	27,575	—	—	27,575	
Maintenance materials and repairs	—	51,705	—	—	51,705	
Aircraft and passenger servicing	—	31,080	—	—	31,080	
Commissions and other selling	—	32,302	—	(14	) 32,288
Depreciation and amortization	—	22,092	—	—	22,092	
Other rentals and landing fees	—	21,996	—	—	21,996	
Other	1,072	43,530	88	(46	) 44,644
Total	1,072	523,764	88	(60	) 524,864
Operating Income (Loss)	(1,072	) 75,597	(91	) —	74,434
Nonoperating Income (Expense):						
Undistributed net income of subsidiaries	42,686	—	—	(42,686) —	
Interest expense and amortization of debt discounts and issuance costs	(2,207) (11,272) —	—	(13,479)
Interest income	27	146	—	—	173	
Capitalized interest	—	3,005	—	—	3,005	
Gains on fuel derivatives	—	2,536	—	—	2,536	
Other, net	—	749	—	—	749	
Total	40,506	(4,836) —	(42,686) (7,016)
Income (Loss) Before Income Taxes	39,434	70,761	(91	) (42,686	) 67,418
Income tax expense (benefit)	(1,170	) 27,984	—	—	26,814
Net Income (Loss)	\$40,604	\$42,777	\$ (91	) \$(42,686	) \$40,604
Comprehensive Income (Loss)	\$37,520	\$39,693	\$ (91	) \$(39,602	) \$37,520

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
 Nine months ended September 30, 2014

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
	(in thousands)					
Operating Revenue	\$—	\$ 1,737,520	\$ 2,801	\$(281	) \$ 1,740,040
Operating Expenses:						
Aircraft fuel, including taxes and delivery	—	527,497	—	—	527,497	
Wages and benefits	—	334,441	—	—	334,441	
Aircraft rent	—	79,098	—	—	79,098	
Maintenance materials and repairs	—	167,499	503	—	168,002	
Aircraft and passenger servicing	—	92,929	—	—	92,929	
Commissions and other selling	—	94,149	43	(69	) 94,123
Depreciation and amortization	—	69,496	1,464	—	70,960	
Other rentals and landing fees	5	65,850	—	—	65,855	
Other	4,015	134,729	803	(212	) 139,335
Total	4,020	1,565,688	2,813	(281	) 1,572,240
Operating Income (Loss)	(4,020	) 171,832	(12	) —	167,800
Nonoperating Income (Expense):						
Undistributed net income of subsidiaries	64,787	—	—	(64,787) —	
Interest expense and amortization of debt discounts and issuance costs	(6,650) (41,461) —	—	(48,111)
Interest income	126	962	—	—	1,088	
Capitalized interest	—	6,584	—	—	6,584	
Losses on fuel derivatives	—	(28,506) —	—	(28,506)
Other, net	—	(3,804) —	—	(3,804)
Total	58,263	(66,225) —	(64,787) (72,749)
Income (Loss) Before Income Taxes	54,243	105,607	(12	) (64,787	) 95,051
Income tax expense (benefit)	(3,584	) 40,808	—	—	37,224
Net Income (Loss)	\$57,827	\$64,799	\$ (12	) \$(64,787	) \$57,827
Comprehensive Income (Loss)	\$56,435	\$63,407	\$ (12	) \$(63,395	) \$56,435

Condensed Consolidating Statements of Operations and Comprehensive Income
 Nine months ended September 30, 2013

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenue	\$—	\$ 1,623,602	\$ 634	\$(256)	\$ 1,623,980
Operating Expenses:					
Aircraft fuel, including taxes and delivery	—				