



***United States Attorney
Southern District of New York***

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U.S. ARRESTS MISSOURI MAN FOR FRAUDULENT SCHEME
INVOLVING HAWAIIAN AIRLINES' BANKRUPTCY

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today the arrest of PAUL BOGHOSIAN in St. Louis, Missouri, on federal charges relating to a fraudulent scheme involving the bankruptcy proceedings for Hawaiian Airlines, Inc. ("HAL"). HAL filed for Chapter 11 bankruptcy in 2003 in the United States Bankruptcy Court for the District of Hawaii (the "Bankruptcy Court").

According to a federal complaint unsealed today, BOGHOSIAN controls Hawaiian Investment Partners Group LLC ("HIP"), an entity which has submitted one of two competing groups that have submitted reorganization plans for HAL in the Bankruptcy Court. As charged in the Complaint, BOGHOSIAN made a number of misrepresentations to the Bankruptcy Court, among others, regarding HIP's ability in fact to provide approximately \$300 million in new equity funding and financing in order to carry out HIP's reorganization plan for HAL.

In addition, the Complaint charges that BOGHOSIAN, in order to obtain funding to continue efforts to get the HIP reorganization plan approved by the Bankruptcy Court,

agreed to pay a bribe of approximately \$500,000 to an FBI undercover agent (the "UC"), who portrayed himself as a hedge fund manager, in return for a loan of approximately \$2.5 million from the UC's hedge fund.

In a disclosure statement filed with the Bankruptcy Court on November 11, 2004, BOGHOSIAN and other HIP Plan proponents allegedly made certain financial projections regarding their reorganization plan and indicated that HIP would provide at least approximately \$200 million in new equity funding to HAL, and that HIP had obtained a commitment for an additional approximately \$100 million line of credit for HAL. As proof of HIP's funding, BOGHOSIAN and others allegedly submitted affidavits to the Bankruptcy Court indicating that BOGHOSIAN had immediate and exclusive access to approximately \$500 million from the E&M Trust. As further proof of the E&M Trust's financial resources, certain documents were allegedly submitted to the Bankruptcy Court which purported to reflect cash balances in accounts controlled by the E&M Trust, copies of which are included as exhibits to the Complaint.

The Complaint charges that, beginning in or about January 2005, BOGHOSIAN solicited funds from the UC's hedge fund, requesting approximately \$2 million in "mobilization funds" to cover, among other things, legal expenses related to the HAL reorganization. BOGHOSIAN allegedly informed the UC that BOGHOSIAN had commitments for additional funding, but that the funds had not been transmitted. Later, the Complaint alleges,

BOGHOSIAN inquired whether the UC's hedge fund would provide the approximately \$200 million in equity funding required for the HIP Plan.

According to the Complaint, on or about February 21, 2005, the UC and BOGHOSIAN met in Manhattan. During that meeting, the Complaint alleges that the UC informed BOGHOSIAN that the supporting documents submitted to the Bankruptcy Court on behalf of HIP were bogus.

According to the Complaint, the UC warned BOGHOSIAN that the HAL deal would collapse because there was no real funding. The UC also allegedly told BOGHOSIAN, in substance, that in order to induce the UC to cause his hedge fund to make a loan under these circumstances, the UC wanted a kickback of approximately \$500,000 from the loan proceeds. The Complaint alleges that BOGHOSIAN stated that he would require the UC's hedge fund to commit to approximately \$2 million in mobilization funds as well as the approximately \$500,000 to be paid back to the UC, which BOGHOSIAN indicated that he would describe as a transaction fee. Later that same day, BOGHOSIAN allegedly caused a promissory note for approximately \$2.5 million to be executed in favor of the UC's hedge fund, and BOGHOSIAN also executed a memorandum of understanding concerning the loan which was transmitted to the UC.

On or about February 25, 2005, the Complaint alleges that the UC again spoke with BOGHOSIAN and informed BOGHOSIAN, in substance, that the UC had learned additional facts which

demonstrated that the E&M Trust did not have the funds which had been represented to the Bankruptcy Court. Specifically, the UC told BOGHOSIAN that the UC had contacted ABN-Amro Bank and learned that the account number listed in documents submitted to the Bankruptcy Court was not a valid ABN-Amro account number, and advised BOGHOSIAN that BOGHOSIAN should contact the bank for himself if he were curious. BOGHOSIAN allegedly stated that he was curious, but not as curious as the UC. On or about that same date, the UC wired approximately \$8,000 that BOGHOSIAN stated he critically needed to cover travel and legal costs to attend a deposition, connected with the HAL bankruptcy proceedings.

The Complaint alleges that on or about March 4, 2005, BOGHOSIAN was deposed and falsely testified, among other things, that he had no concerns about the ability of the E&M Trust to provide the necessary financial backing for the HIP Plan, and that he had not spoken with anyone about providing alternative financing; he had not solicited any additional investment in connection with HAL since in or about September 2003; the UC's hedge fund had approached him about investing; he received an offer from the UC's hedge fund for investment in connection with HAL, and accepted it although he already had all of his necessary commitments in place; there were no terms relating to the investment by the UC's hedge fund other than those contained in the promissory note; and the approximately \$2.5 million from the UC's hedge fund was available to him on request, but that BOGHOSIAN had not drawn on it because he did not currently

require the funds.

BOGHOSIAN was arrested by FBI agents earlier today in St. Louis, Missouri while meeting with the UC to accept the approximately \$2.5 million loan from the UC's hedge fund and to arrange payment of the UC's approximately \$500,000 bribe.

The Complaint was filed in two counts. Count One charges BOGHOSIAN with conspiracy to commit bankruptcy fraud, and Count Two charges BOGHOSIAN with commercial bribery. Each count carries a maximum penalty of 5 years in prison.

BOGHOSIAN, 50, resides in St. Louis, Missouri.

Mr. KELLEY praised the efforts of the Federal Bureau of Investigation for their investigation of this case. Mr. KELLEY also thanked the United States Attorney's Office for the Eastern District of Missouri for its assistance.

Assistant United States Attorney RICHARD D. OWENS and Special Assistant United States Attorney WILLIAM J. STELLMACH are in charge of the prosecution.

The charges contained in the Complaint are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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