
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2015

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: 001-34686

Hawaiian Telcom Holdco, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-1710376
(I.R.S. Employer Identification No.)

1177 Bishop Street
Honolulu, Hawaii 96813
(Address of principal executive offices)

808-546-4511
(Registrant's telephone number, including area code)

Not Applicable
(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 definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer
(Do not check if 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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of May 4, 2015, 10,757,666 shares of the registrant's common stock were outstanding.

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PART I — FINANCIAL STATEMENTS**Item 1. Condensed Consolidated Financial Statements (Unaudited)****Hawaiian Telcom Holdco, Inc.
Condensed Consolidated Statements of Income
(Unaudited, dollars in thousands, except per share amounts)**

	Three Months Ended	
	March 31,	
	2015	2014
Operating revenues	\$ 97,114	\$ 97,072
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization)	40,183	40,948
Selling, general and administrative	29,732	29,266
Depreciation and amortization	21,280	18,720
Total operating expenses	91,195	88,934
Operating income	5,919	8,138
Other income (expense):		
Interest expense	(4,337)	(4,188)
Interest income and other	7	10
Total other expense	(4,330)	(4,178)
Income before income tax provision	1,589	3,960
Income tax provision	614	1,592
Net income	\$ 975	\$ 2,368
Net income per common share -		
Basic	\$ 0.09	\$ 0.22
Diluted	\$ 0.09	\$ 0.21
Weighted average shares used to compute net income per common share -		
Basic	10,692,198	10,528,039
Diluted	11,272,922	11,271,827

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited, dollars in thousands)

	Three Months Ended	
	March 31,	
	2015	2014
Net income	\$ 975	\$ 2,368
Other comprehensive income (loss) -		
Unrealized holding gains (losses) arising during period	2	(3)
Retirement plan loss	(2,018)	(289)
Income tax credit on comprehensive loss	779	117
Other comprehensive loss, net of tax	(1,237)	(175)
Comprehensive income (loss)	<u>\$ (262)</u>	<u>\$ 2,193</u>

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, dollars in thousands, except per share amounts)

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 26,940	\$ 39,885
Receivables, net	32,357	32,662
Material and supplies	9,791	9,337
Prepaid expenses	3,688	3,598
Deferred income taxes	6,840	6,840
Other current assets	3,512	3,481
Total current assets	83,128	95,803
Property, plant and equipment, net	568,169	565,956
Intangible assets, net	36,704	37,328
Goodwill	12,104	12,104
Deferred income taxes	81,568	81,626
Other assets	10,554	9,151
Total assets	<u>\$ 792,227</u>	<u>\$ 801,968</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 3,000	\$ 3,000
Accounts payable	45,218	50,499
Accrued expenses	14,956	19,399
Advance billings and customer deposits	15,170	14,686
Other current liabilities	5,901	6,790
Total current liabilities	84,245	94,374
Long-term debt	288,863	289,423
Employee benefit obligations	99,432	99,366
Other liabilities	15,968	14,271
Total liabilities	488,508	497,434
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, par value of \$0.01 per share, 245,000,000 shares authorized and 10,757,666 and 10,673,292 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	108	107
Additional paid-in capital	169,967	170,521
Accumulated other comprehensive loss	(25,184)	(23,947)
Retained earnings	158,828	157,853
Total stockholders' equity	303,719	304,534
Total liabilities and stockholders' equity	<u>\$ 792,227</u>	<u>\$ 801,968</u>

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 975	\$ 2,368
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	21,280	18,720
Employee retirement benefits	(1,952)	(3,475)
Provision for uncollectibles	1,248	513
Stock based compensation	375	1,074
Deferred income taxes	837	1,685
Changes in operating assets and liabilities:		
Receivables	(943)	957
Material and supplies	(91)	459
Prepaid expenses and other current assets	(121)	810
Accounts payable and accrued expenses	(3,782)	(10,010)
Advance billings and customer deposits	484	(210)
Other current liabilities	(185)	89
Other	808	390
Net cash provided by operating activities	<u>18,933</u>	<u>13,370</u>
Cash flows from investing activities:		
Capital expenditures	(29,172)	(23,939)
Net cash used in investing activities	<u>(29,172)</u>	<u>(23,939)</u>
Cash flows from financing activities:		
Repayments of capital lease and installment financing	(1,382)	(489)
Repayment of debt	(750)	(750)
Proceeds from installment financing	354	—
Taxes paid related to net share settlement of equity awards	(928)	(1,005)
Net cash used in financing activities	<u>(2,706)</u>	<u>(2,244)</u>
Net change in cash and cash equivalents	(12,945)	(12,813)
Cash and cash equivalents, beginning of period	<u>39,885</u>	<u>49,551</u>
Cash and cash equivalents, end of period	<u>\$ 26,940</u>	<u>\$ 36,738</u>
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 3,953	\$ 3,824

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telco Holdco, Inc.
Condensed Consolidated Statement of Changes in Stockholders' Equity
(Unaudited, dollars in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2015	10,673,292	\$ 107	\$ 170,521	\$ (23,947)	\$ 157,853	\$ 304,534
Stock based compensation	—	—	375	—	—	375
Exercise of warrant agreement	12,300	—	—	—	—	—
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	72,074	1	(929)	—	—	(928)
Net income	—	—	—	—	975	975
Other comprehensive loss, net of tax	—	—	—	(1,237)	—	(1,237)
Balance, March 31, 2015	<u>10,757,666</u>	<u>\$ 108</u>	<u>\$ 169,967</u>	<u>\$ (25,184)</u>	<u>\$ 158,828</u>	<u>\$ 303,719</u>
Balance, January 1, 2014	10,495,856	\$ 105	\$ 167,869	\$ (4,716)	\$ 149,754	\$ 313,012
Stock based compensation	—	—	1,074	—	—	1,074
Exercise of warrant agreement	13,511	—	—	—	—	—
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	74,824	1	(1,006)	—	—	(1,005)
Net income	—	—	—	—	2,368	2,368
Other comprehensive loss, net of tax	—	—	—	(175)	—	(175)
Balance, March 31, 2014	<u>10,584,191</u>	<u>\$ 106</u>	<u>\$ 167,937</u>	<u>\$ (4,891)</u>	<u>\$ 152,122</u>	<u>\$ 315,274</u>

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business

Business Description

Hawaiian Telcom Holdco, Inc. and subsidiaries (the “Company”) is the incumbent local exchange carrier for the State of Hawaii with an integrated telecommunications network. The Company offers a variety of telecommunication services to residential and business customers in Hawaii including local telephone, network access and data transport, long distance, Internet, television and wireless phone service. The Company also provides communications equipment sales and maintenance, data center colocation and network managed services.

Organization

The Company has one direct wholly-owned subsidiary, Hawaiian Telcom Communications, Inc. which has two direct wholly-owned subsidiaries — Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. Hawaiian Telcom, Inc. operates the regulated local exchange carrier and Hawaiian Telcom Services Company, Inc. operates all other businesses.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America and pursuant to rules and regulations of the U.S. Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted and condensed. In the opinion of the Company’s management, all adjustments (consisting of only normal and recurring accruals) have been made to present fairly the results of operations, comprehensive income, financial position and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these financial statements should be read in conjunction with the Company’s audited consolidated financial statements as of and for the year ended December 31, 2014.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market accounts with maturities at acquisition of three months or less. The majority of cash balances at March 31, 2015 are held in one bank in demand deposit accounts.

Supplemental Non-Cash Investing and Financing Activities

Accounts payable included \$15.2 million and \$13.3 million at March 31, 2015 and 2014, respectively, for additions to property, plant and equipment.

Taxes Collected from Customers

The Company presents taxes collected from customers and remitted to governmental authorities on a gross basis, including such amounts in the Company’s reported operating revenues. Such amounts represent primarily Hawaii state general excise taxes and Hawaii Public Utility Commission fees. Such taxes and fees amounted to \$2.0 million and \$1.8 million for the three months ended March 31, 2015 and 2014, respectively.

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Earnings per Share

Basic earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing earnings by the weighted average shares outstanding during the period. Diluted earnings per share is calculated by dividing earnings, adjusted for the effect, if any, from assumed conversion of all potentially dilutive common shares outstanding, by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. The denominator used to compute basic and diluted earnings per share was as follows:

	Three Months Ended	
	March 31,	
	2015	2014
Basic earnings per share - weighted average shares	10,692,198	10,528,039
Effect of dilutive securities:		
Employee and director restricted stock units	73,457	124,012
Warrants	507,267	619,776
Diluted earnings per share - weighted average shares	11,272,922	11,271,827

The computation of weighted average dilutive shares outstanding excluded grants of restricted stock units convertible into 86,608 shares of common stock for the three month periods ended March 31, 2014. The unrecognized compensation on a per unit basis for these restricted stock units was greater than the average market price of the Company's common stock for the period presented. Therefore, the effect would be anti-dilutive. For the three months ended March 31, 2015, there were no restricted stock units that were anti-dilutive to earnings per share.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard which provides guidance for revenue recognition. The new accounting standard will supersede the current revenue recognition requirements and most industry-specific guidance. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard will be effective for the Company in the first quarter of 2017 and either full retrospective or modified retrospective adoption is permitted. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of this accounting standard on the Company's financial position, results of operations and cash flows.

In August 2014, the FASB issued an accounting standard with new guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. Management must evaluate whether it is probable that known conditions or events, considered in the aggregate, would raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions or events are identified, the standard requires management's mitigation plans to alleviate the doubt or a statement of the substantial doubt about the entity's ability to continue as a going concern to be disclosed in the financial statements. The standard is effective for fiscal years and interim periods beginning after December 15, 2016 with early adoption permitted. The Company is currently evaluating the impact of adoption of this accounting standard.

In April 2015, the FASB issued an accounting standard simplifying the presentation of debt issuance costs. The new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability which is consistent with debt discounts. The standard requires retrospective adoption and will be effective beginning in the first quarter of 2017 for the Company. Early adoption is permitted. The Company is currently evaluating the impact and timing of adopting this new accounting standard.

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3. Receivables

Receivables consisted of the following (dollars in thousands):

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Customers and other	\$ 36,546	\$ 36,417
Allowance for doubtful accounts	(4,189)	(3,755)
	<u>\$ 32,357</u>	<u>\$ 32,662</u>

4. Long-Lived Assets

Property, plant and equipment consisted of the following (dollars in thousands):

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Property, plant and equipment	\$ 865,592	\$ 843,589
Less accumulated depreciation	(297,423)	(277,633)
	<u>\$ 568,169</u>	<u>\$ 565,956</u>

Depreciation expense amounted to \$20.7 million and \$18.0 million for the three months ended March 31, 2015 and 2014, respectively.

The gross carrying amount and accumulated amortization of identifiable intangible assets are as follows (dollars in thousands):

	<u>March 31, 2015</u>			<u>December 31, 2014</u>		
	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
Subject to amortization — Customer relationships	\$ 21,709	\$ 12,408	\$ 9,301	\$ 21,709	\$ 11,799	\$ 9,910
Trade name and other	320	217	103	320	202	118
	<u>22,029</u>	<u>12,625</u>	<u>9,404</u>	<u>22,029</u>	<u>12,001</u>	<u>10,028</u>
Not subject to amortization — Brand name	27,300	—	27,300	27,300	—	27,300
	<u>27,300</u>	<u>—</u>	<u>27,300</u>	<u>27,300</u>	<u>—</u>	<u>27,300</u>
	<u>\$ 49,329</u>	<u>\$ 12,625</u>	<u>\$ 36,704</u>	<u>\$ 49,329</u>	<u>\$ 12,001</u>	<u>\$ 37,328</u>

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Amortization expense amounted to \$0.6 million and \$0.7 million for the three months ended March 31, 2015 and 2014, respectively. Estimated amortization expense for the next five years and thereafter is as follows (dollars in thousands):

2015 (remaining months)	\$	1,874
2016		2,101
2017		1,703
2018		1,308
2019		1,188
Thereafter		1,230
	<u>\$</u>	<u>9,404</u>

5. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following (dollars in thousands):

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Salaries and benefits	\$ 11,491	\$ 15,910
Interest	2,462	2,550
Other taxes	1,003	939
	<u>\$ 14,956</u>	<u>\$ 19,399</u>

Other current liabilities consisted of the following (dollars in thousands):

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Other postretirement benefits, current	\$ 2,660	\$ 2,660
Installment financing contracts, current	1,902	2,787
Other	1,339	1,343
	<u>\$ 5,901</u>	<u>\$ 6,790</u>

6. Long-Term Debt

Long-term debt consisted of the following (dollars in thousands):

	<u>Interest Rate at March 31, 2015</u>	<u>Final Maturity</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Term loan	5.00%	June 6, 2019	\$ 295,388	\$ 296,138
Original issue discount			(3,525)	(3,715)
			291,863	292,423
Current			3,000	3,000
Noncurrent			<u>\$ 288,863</u>	<u>\$ 289,423</u>

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The term loan outstanding at March 31, 2015 provides for interest at the Alternate Base Rate, a rate which is indexed to the prime rate with certain adjustments as defined, plus a margin of 3.00% or a Eurocurrency rate on deposits of one, two, three or six months but no less than 1.00% per annum plus a margin of 4.00%. The Company has selected the Eurocurrency rate as of March 31, 2015 resulting in an interest rate currently at 5.00%.

The term loan provides for interest payments no less than quarterly. In addition, quarterly principal payments of \$0.8 million are required. The balance of the loan is due at maturity on June 6, 2019. The Company must prepay, generally within three months after year end, 50% or 25% of excess cash flow, as defined. The percent of excess cash flow required is dependent on the Company's leverage ratio. The excess cash flow payment due for the year ended December 31, 2014 was not significant. The Company must also make prepayments on loans in the case of certain events such as large asset sales.

The Company also has a revolving credit facility which was extended on April 9, 2015 to mature on December 6, 2018. The facility has an available balance of \$30.0 million with no amounts drawn as of or for the periods ended March 31, 2015 and 2014. A commitment fee is payable quarterly to the lender under the facility. Interest on amounts outstanding is based on, at the Company's option, the bank prime rate plus a margin of 3.0% to 6.0% or the Eurocurrency rate for one, two, three or six month periods plus a margin of 4.0% to 5.5%. The margin is dependent on the Company's leverage, as defined in the agreement, at the time of the borrowing.

Maturities

The annual requirements for principal payments on long-term debt as of March 31, 2015 are as follows (dollars in thousands):

Year ended December 31,	
2015 (remainder of year)	\$ 2,250
2016	3,000
2017	3,000
2018	3,000
2019	284,138
	<u>\$ 295,388</u>

Capitalized Interest

Interest capitalized by the Company amounted to \$0.3 million and \$0.2 million for the three months ended March 31, 2015 and 2014, respectively.

7. Employee Benefit Plans

The Company sponsors a defined benefit pension plan, with benefits frozen as of March 1, 2012, and postretirement health and life insurance benefits for union employees. The Company also sponsors a cash balance pension plan for nonunion employees, with benefits frozen as of April 1, 2007, and certain management employees receive postretirement health and life insurance under grandfathered provisions of a terminated plan.

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The following provides the components of benefit costs (income) for the three months ended March 31, 2015 and 2014 (dollars in thousands):

Pension

	Three Months Ended March 31,	
	2015	2014
Interest cost	\$ 2,073	\$ 2,208
Expected asset return	(3,394)	(3,178)
Amortization of loss	22	29
Net periodic benefit income	(1,299)	(941)
Settlement loss	850	—
Net benefit income	<u>\$ (449)</u>	<u>\$ (941)</u>

Other Postretirement Benefits

	Three Months Ended March 31,	
	2015	2014
Service cost	\$ 259	\$ 230
Interest cost	589	602
Amortization of loss	149	15
Net periodic benefit cost	<u>\$ 997</u>	<u>\$ 847</u>

During the three months ended March 31, 2015, the Company's pension plans paid lump-sum benefits to plan participants in full settlement of obligations due amounting to \$6.6 million. This resulted in the recognition of a loss on settlement for both the union and management pension plans amounting to \$0.9 million for the three months ended March 31, 2015. Because of the settlements, the Company measured its pension plan obligations and plan assets as of March 31, 2015 in determining its employee benefit obligations as of that date. The Company used discount rates of 3.54% to 3.57% to measure the plan obligations as of that date. Plan assets were measured at fair value also as of March 31, 2015. The new measurement resulted in a charge to other comprehensive loss of \$2.2 million for the three months ended March 31, 2015.

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2014 that it expected to contribute \$10.0 million to its pension plan in 2015. As of March 31, 2015, the Company has contributed \$2.0 million. The Company presently anticipates contributing the full amount during the remainder of 2015.

8. Income Taxes

Income tax expense differs from the amounts determined by applying the statutory federal income tax rate of 34% to the income before income tax provision for the following reasons (dollars in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
Income tax at federal rate	\$ 540	\$ 1,346
Increase (decrease) resulting from:		
State income taxes, net of federal income tax	67	167
Compensation deduction limitation	124	118
Other permanent differences	106	62
Capital goods excise tax credit	(223)	(101)
Total income tax expense	<u>\$ 614</u>	<u>\$ 1,592</u>

The Company evaluates its tax positions for liability recognition. As of March 31, 2015, the Company had no unrecognized tax benefits. No interest or penalties related to tax assessments were recognized in the Company's condensed consolidated statements of operations for the three months ended March 31, 2015 or 2014. All tax years from 2011 remain open for both federal and Hawaii state purposes.

9. Stock Compensation

The Company has an equity incentive plan. The Compensation Committee of the Company's Board of Directors may grant awards under the plan in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The maximum number of shares issuable under the equity incentive plan is 1,400,000 shares. All grants under the equity incentive plan will be issued to acquire shares at the fair value on date of grant.

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As of March 31, 2015, all awards were restricted stock units. Activity with respect to outstanding restricted stock units for the three months ended March 31, 2015 and 2014 was as follows:

	<u>Shares</u>	<u>Weighted- Average Grant-Date Fair Value</u>
2015		
Nonvested at January 1, 2015	245,752	\$ 27
Granted	120,973	26
Vested	(107,788)	28
Forfeited	(17,827)	27
Nonvested at March 31, 2015	<u>241,110</u>	<u>\$ 26</u>
2014		
Nonvested at January 1, 2014	260,734	\$ 18
Granted	157,481	29
Vested	(109,399)	25
Nonvested at March 31, 2014	<u>308,816</u>	<u>\$ 23</u>

The Company recognized compensation expense of \$0.4 million and \$1.1 million for the three months ended March 31, 2015 and 2014, respectively. The fair value as of the vesting date for the restricted stock units that vested during the three months ended March 31, 2015 and 2014 was \$2.5 million and \$2.7 million, respectively. Upon vesting, unit holders have the option to net share-settle to cover the required withholding tax and the remaining amount is converted into an equivalent number of shares of common stock. The total shares withheld were 35,714 and 34,573 for the three months ended March 31, 2015 and 2014, respectively, and were based on the value of the restricted stock units as determined by the Company's closing stock price on the date of vesting. Total payments for the employees' tax obligations to the tax authorities amounted to \$0.9 million and \$1.0 million for the three months ended March 31, 2015 and 2014, respectively. Other than reimbursements for tax withholdings, there was no cash received under all share-based arrangements. In March 2014, the terms of certain restricted stock units were modified which resulted in the restricted stock units vesting as of the date of the modification. The Company recognized the incremental value of \$0.6 million as additional expense in the first quarter of 2014.

10. Stockholders' Equity

Warrants

In 2010, the Company issued warrants to purchase 1,481,055 shares of common stock for \$14.00 per share. The warrants to purchase shares may be exercised anytime from January 26, 2011 to the maturity on October 28, 2015. The warrants may be exercised on a cashless basis whereby a portion of the exercised warrants are tendered in lieu of payment for the exercise price. During the three months ended March 31, 2015 and 2014, warrants were exercised on a cashless basis resulting in the issuance of 12,300 shares and 13,511 shares of common stock, respectively.

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Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows (dollars in thousands):

	<u>Unrealized Gain (Loss) on Investments</u>	<u>Retirement Plans</u>	<u>Total</u>
2015			
January 1, 2015	\$ (64)	\$ (23,883)	\$ (23,947)
Other comprehensive income (loss) for 2015	<u>2</u>	<u>(1,239)</u>	<u>(1,237)</u>
March 31, 2015	<u>\$ (62)</u>	<u>\$ (25,122)</u>	<u>\$ (25,184)</u>
2014			
January 1, 2014	\$ (60)	\$ (4,656)	\$ (4,716)
Other comprehensive loss for 2014	<u>(3)</u>	<u>(172)</u>	<u>(175)</u>
March 31, 2014	<u>\$ (63)</u>	<u>\$ (4,828)</u>	<u>\$ (4,891)</u>

Reclassifications out of accumulated other comprehensive income (loss) for the three months ended March 31, 2015 and 2014 were as follows (dollars in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Retirement plans		
Amortization of (gain) loss and settlement loss	\$ 1,021	\$ (289)
Income tax credit (charge) on comprehensive income	<u>(388)</u>	<u>117</u>
Net of tax	<u>\$ 633</u>	<u>\$ (172)</u>

The amortization of (gain) loss was recognized primarily in selling, general and administrative expense for the periods ended March 31, 2015 and 2014.

11. Commitments and Contingencies

Trans-Pacific Submarine Cable

In August 2014, the Company entered into an agreement with several other telecommunication companies to build and operate a trans-Pacific submarine cable system. The total system cost is expected to be \$245 million and is primarily composed of a supply contract with the lead contractor. The Company will contribute \$25 million over the multi-year construction period for a fractional ownership in the system. In addition, the Company will construct a cable landing station in Hawaii and provide cable landing services. The system is expected to be completed in December 2016. As of March 31, 2015, the Company had paid \$2.3 million to the cable contractor for the cable build.

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The Company anticipates having excess capacity on its share of the trans-Pacific cable that it will make available to other carriers for a fee. The Company is in the process of contracting with other carriers for long-term indefeasible right of use, or IRU, agreements for fiber circuit capacity. The Company may receive up-front payments for services to be delivered over a period of up to 25 years. The Company has entered into an agreement for the sale of capacity for \$5.0 million. As of March 31, 2015, the Company had received up-front payments, as provided for in the agreement, which are held in escrow amounting to \$2.0 million. The funds in escrow will be released to the Company when the trans-Pacific cable is ready for service. The restricted cash is reflected in other assets in the condensed consolidated balance sheet. A liability to provide services in the future for the same amount is included in other liabilities.

Collective Bargaining Agreement

The Company has a collective bargaining agreement with the International Brotherhood of Electrical Workers Local 1357 (“IBEW”) that expires on December 31, 2017. The agreement covers approximately half of the Company’s work force.

Third Party Claims

In the normal course of conducting its business, the Company is involved in various disputes with third parties, including vendors and customers. The outcome of such disputes is generally uncertain and subject to commercial negotiations. The Company periodically assesses its liabilities in connection with these matters and records reserves for those matters where it is probable that a loss has been incurred and the loss can be reasonably estimated. Based on management’s most recent assessment, the Company believes that the risk of loss in excess of liabilities recorded is not material for all outstanding claims and disputes and the ultimate outcome of such matters will not have a material adverse effect on the Company’s results of operations, cash flows or financial position.

Litigation

The Company is involved in litigation arising in the normal course of business. The outcome of litigation is not expected to have a material adverse impact on the Company’s condensed consolidated financial statements.

12. Fair Value of Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate the fair value.

Cash and cash equivalents, accounts receivable and accounts payable — The carrying amount approximates fair value. The valuation is based on settlements of similar financial instruments all of which are short-term in nature and generally settled at or near cost. Cash is measured at Level 1.

Investment securities — The fair value of investment securities is based on quoted market prices. Investment securities are included in other assets on the condensed consolidated balance sheets.

Debt — The fair value of debt is based on the value at which the debt is trading among holders.

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The estimated fair value of financial instruments is as follows (dollars in thousands):

	<u>Carrying Value</u>	<u>Fair Value</u>
March 31, 2015		
Assets - investment in U.S. Treasury obligations	\$ 811	\$ 811
Liabilities - long-term debt (carried at cost)	291,863	296,496
December 31, 2014		
Assets - investment in U.S. Treasury obligations	\$ 808	\$ 808
Liabilities - long-term debt (carried at cost)	292,423	296,908

Fair Value Measurements

Fair value for accounting purposes is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Assets measured at fair value on a recurring basis represent investment securities included in other assets. Liabilities carried at amortized cost with fair value disclosure on a recurring basis represent long-term debt. A summary is as follows (dollars in thousands):

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Asset value measurements using:		
Quoted prices in active markets for identical assets (Level 1)	\$ 811	\$ 808
Significant other observable inputs (Level 2)	—	—
Significant unobservable inputs (Level 3)	—	—
	<u>\$ 811</u>	<u>\$ 808</u>
Liability value measurements using:		
Quoted prices in active markets for identical liabilities (Level 1)	\$ —	\$ —
Significant other observable inputs (Level 2)	296,496	296,908
Significant unobservable inputs (Level 3)	—	—
	<u>\$ 296,496</u>	<u>\$ 296,908</u>

13. Segment Information

The Company operates in two reportable segments of telecommunications and data center colocation. This conclusion is based on how resources are allocated and performance is assessed by the Chief Executive Officer, the Company's chief operating decision maker. The telecommunications segment provides local voice services, long distance voice services, high-speed internet and video. In addition, the segment provides network access which includes data transport. Various related telephony services are provided including equipment and managed services. The data center colocation segment provides physical colocation, virtual colocation and various related telephony services.

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The following table provides operating financial information for the Company's reportable segments for the three months ended March 31, 2015 and 2014 (dollars in thousands):

	Tele- communications	Data Center Colocation	Intersegment Elimination	Total
March 31, 2015				
Operating revenues	\$ 94,836	\$ 2,597	\$ (319)	\$ 97,114
Depreciation and amortization	20,728	552	—	21,280
Operating income (loss)	6,246	(327)	—	5,919
Capital expenditures	22,752	479	—	23,231
March 31, 2014				
Operating revenues	\$ 94,876	\$ 2,405	\$ (209)	\$ 97,072
Depreciation and amortization	18,313	407	—	18,720
Operating income	8,042	96	—	8,138
Capital expenditures	23,061	345	—	23,406

Intersegment revenue represents primarily network access services provided by the telecommunications segment for data center colocation. For the three months ended March 31, 2015 and 2014, total operating income above reconciles to the condensed consolidated statement of income as follows (dollars in thousands):

	Three Months Ended March 31,	
	2015	2014
Operating income	\$ 5,919	\$ 8,138
Corporate other expense	(4,330)	(4,178)
Income before income tax provision	\$ 1,589	\$ 3,960

The following table provides information on the Company's revenue, net of intersegment eliminations, by product group (dollars in thousands):

	Three Months Ended March 31,	
	2015	2014
Local voice and other retail services	\$ 63,210	\$ 62,936
Network access services	31,307	31,731
Data center colocation	2,597	2,405
	\$ 97,114	\$ 97,072

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance (including our anticipated cost structure) and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues," "assumption" or the negative of these terms or other comparable terminology. These statements (including statements related to our anticipated cost structure) are only predictions. Actual events or results may differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to:

- failures in critical back-office systems and IT infrastructure or a breach of our data security systems;
- our ability to provide customers with reliable and uninterrupted service;
- our ability to fund capital expenditures for network enhancements;
- our ability to maintain arrangements with third-party service providers;
- changes in regulations and legislation applicable to providers of telecommunications services;
- a reduction in rates we are allowed to charge our customers as dictated by regulatory authorities;
- changes in demand for our products and services;
- technological changes affecting the telecommunications industry;
- economic conditions in Hawaii;
- our ability to retain experienced personnel;
- our ability to utilize net operating loss carryforwards or fund tax payments;
- our indebtedness could adversely affect our financial condition;
- risks of severe weather and natural disasters;
- the ability of shareholders to influence corporate decisions; and
- future sales of a substantial amount of common stock may depress our stock price.

These and other factors may cause our actual results to differ materially from any forward-looking statement. Refer to our Annual Report on Form 10-K for a detailed discussion of risks that could materially adversely affect our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business operations.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements are made as of the date of issuance of these quarterly condensed consolidated financial statements, we assume no obligation to update or revise them or to provide reasons why actual results may differ.

We do not undertake any responsibility to release any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of issuance of these quarterly condensed consolidated financial statements. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this quarterly report.

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Background

In the following discussion and analysis of financial condition and results of operations, unless the context otherwise requires, “we,” “us” or the “Company” refers, collectively, to Hawaiian Telcom Holdco, Inc. and its subsidiaries.

Segments and Sources of Revenue

We operate in two reportable segments (telecommunication and data center colocation) based on how resources are allocated and performance is assessed by our chief operating decision maker. Our chief operating decision maker is our Chief Executive Officer.

Telecommunications

The telecommunications segment derives revenue from the following sources:

Local Telephone Services — We receive revenue from providing local exchange telephone services. These revenues include monthly charges for basic service, local private line services and enhanced calling features such as voice mail, caller ID and 3-way calling.

Network Access Services — We receive revenue for access to our network for wholesale carrier data, business customer data including Dedicated Internet Access, switched carrier access and subscriber line charges imposed on end users. Switched carrier access revenue compensates us for origination, transport and termination of calls for long distance and other interexchange carriers.

Long Distance Services — We receive revenue from providing long distance services to our customers.

High-Speed Internet (“HSI”) Services — We provide HSI to our residential and business customers.

Video Services — Our video services marketed as Hawaiian Telcom TV is an advanced entertainment service.

Equipment and managed services — We provide installation and maintenance of customer premise equipment as well as managed service for customer telephone and IT networks.

Wireless — We receive revenue from wireless services, including the sale of wireless handsets and other wireless accessories.

Data Center Colocation

The data center colocation segment provides physical colocation, virtual colocation and various related telephony services.

Results of Operations for the Three Months Ended March 31, 2015 and 2014

Operating Revenues

The following tables summarize our volume information (lines or subscribers) as of March 31, 2015 and 2014, and our operating revenues for the three months ended March 31, 2015 and 2014. For comparability, we also present volume information as of March 31, 2015 compared to December 31, 2014.

Volume Information

As of March 31, 2015 compared to March 31, 2014

	March 31, 2015	March 31, 2014	Change	
			Number	Percentage
Voice access lines				
Residential	165,074	182,375	(17,301)	-9.5%
Business	187,300	192,202	(4,902)	-2.6%
Public	3,733	4,073	(340)	-8.3%
	<u>356,107</u>	<u>378,650</u>	<u>(22,543)</u>	<u>-6.0%</u>
High-Speed Internet lines				
Residential	93,090	91,429	1,661	1.8%
Business	19,624	19,404	220	1.1%
Wholesale	796	936	(140)	-15.0%
	<u>113,510</u>	<u>111,769</u>	<u>1,741</u>	<u>1.6%</u>
Long distance lines				
Residential	104,527	115,019	(10,492)	-9.1%
Business	76,916	79,108	(2,192)	-2.8%
	<u>181,443</u>	<u>194,127</u>	<u>(12,684)</u>	<u>-6.5%</u>
Video services				
Subscribers	29,721	20,279	9,442	46.6%
Homes Enabled	166,000	130,000	36,000	27.7%

As of March 31, 2015 compared to December 31, 2014

	March 31, 2015	December 31, 2014	Change	
			Number	Percentage
Voice access lines				
Residential	165,074	169,488	(4,414)	-2.6%
Business	187,300	188,534	(1,234)	-0.7%
Public	3,733	3,830	(97)	-2.5%
	<u>356,107</u>	<u>361,852</u>	<u>(5,745)</u>	<u>-1.6%</u>
High-Speed Internet lines				
Residential	93,090	92,875	215	0.2%
Business	19,624	19,589	35	0.2%
Wholesale	796	814	(18)	-2.2%
	<u>113,510</u>	<u>113,278</u>	<u>232</u>	<u>0.2%</u>
Long distance lines				
Residential	104,527	107,342	(2,815)	-2.6%
Business	76,916	77,899	(983)	-1.3%
	<u>181,443</u>	<u>185,241</u>	<u>(3,798)</u>	<u>-2.1%</u>
Video services				
Subscribers	29,721	28,124	1,597	5.7%
Homes Enabled	166,000	160,000	6,000	3.8%

Operating Revenues (dollars in thousands)

	Three Months Ended March 31,		Change	
	2015	2014	Amount	Percentage
Wireline Services				
Local voice services	\$ 31,769	\$ 33,775	\$ (2,006)	-5.9%
Network access services				
Business data	7,006	6,624	382	5.8%
Wholesale carrier data	14,333	14,386	(53)	-0.4%
Subscriber line access charge	8,656	9,169	(513)	-5.6%
Switched carrier access	1,312	1,552	(240)	-15.5%
	<u>31,307</u>	<u>31,731</u>	<u>(424)</u>	<u>-1.3%</u>
Long distance services	5,309	5,906	(597)	-10.1%
High-Speed Internet	11,328	10,544	784	7.4%
Video	7,522	4,754	2,768	58.2%
Equipment and managed services	4,265	4,489	(224)	-5.0%
Wireless	451	593	(142)	-23.9%
Other	2,566	2,875	(309)	-10.7%
	<u>94,517</u>	<u>94,667</u>	<u>(150)</u>	<u>-0.2%</u>
Data center colocation	2,597	2,405	192	8.0%
	<u>\$ 97,114</u>	<u>\$ 97,072</u>	<u>\$ 42</u>	<u>0.0%</u>
Channel				
Business	\$ 41,575	\$ 42,512	\$ (937)	-2.2%
Consumer	37,533	35,823	1,710	4.8%
Wholesale	15,644	15,937	(293)	-1.8%
Other	2,362	2,800	(438)	-15.6%
	<u>\$ 97,114</u>	<u>\$ 97,072</u>	<u>\$ 42</u>	<u>0.0%</u>

A decrease in local voice services revenues was caused primarily by the decline of voice access lines. Continued competition in the telecommunications industry has increasingly resulted in customers using technologies other than traditional phone lines for voice and data. Residential customers are increasingly using wireless services in place of traditional wireline phone services as well as moving local voice service to VoIP technology offered by competitors. Generally, VoIP technology offered by cable providers is less expensive than traditional wireline phone service, requiring us to respond with more competitive pricing. Additionally, Competitive Local Exchange Carriers (CLECs) and our cable competitor continue to focus on business customers and selling services to our customer base.

In an effort to slow the rate of line loss, we are continuing retention and acquisition programs, and are increasingly focusing efforts on bundling of services. We have instituted various “saves” tactics designed to focus on specific circumstances where we believe customer churn is controllable. These tactics include targeted offers to “at risk” customers as well as other promotional tools designed to enhance customer retention. We also emphasize win-back and employee referral programs. Additionally, we are intensifying our efforts relative to developing tools and training to enhance our customer service capability to improve customer retention and growth.

Business data revenues for the three months ended March 31, 2015 increased when compared to the prior year periods because of business win-backs and increasing bandwidth needs from our customers. Wholesale carrier data revenue for the three months ended March 31, 2015 was comparable to prior year period. The impact of the decline in voice access lines is reflected in subscriber line access charges and switched carrier access charges. Switched carrier access revenue is also adversely impacted by reduced switched access rates in conjunction with the revised regulatory regime for intercarrier compensation.

The decrease in long distance revenue was primarily because of the decline in long distance lines and customers moving to wireless and VoIP based technologies for long distance calling.

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HSI revenues increased when compared to the prior year as a result of year-over-year increases in total HSI subscribers as well as premium pricing on higher bandwidth offerings.

We are continuing the roll out of Hawaiian Telcom TV to selected areas as we expand the number of homes enabled. Our volume is increasing as more homes become enabled for video service. We expect to expand both the availability and the capabilities of our Hawaiian Telcom TV service over the next several years through additional capital investment and innovation.

Equipment and managed services revenues have decreased because of fewer sales and installations of customer premise equipment for certain large institutional customers during the three months ended March 31, 2015 compared to the same period in the prior year. Revenue from equipment sales varies from period to period based on the volume of large installation projects. The volume of such projects has declined in recent quarters as customers chose more hosted solutions in lieu of purchasing equipment. The outlook for future periods is uncertain.

Wireless revenues and other service revenues decreased as we attempt to focus our marketing efforts on other services.

Data center colocation revenues increased when compared to the prior year as a result of year-over-year increases in both virtual colocation utilization and physical colocation space occupied at the Company's primary data center location.

Operating Costs and Expenses

The following table summarizes our costs and expenses for all segments for the three months ended March 31, 2015 compared to the costs and expenses for the three months ended March 31, 2014 (dollars in thousands):

	Three Months Ended		Change	
	2015	2014	Amount	Percentage
Cost of revenues (exclusive of depreciation and amortization)	\$ 40,183	\$ 40,948	\$ (765)	-1.9%
Selling, general and administrative expenses	29,732	29,266	466	1.6%
Depreciation and amortization	21,280	18,720	2,560	13.7%
	<u>\$ 91,195</u>	<u>\$ 88,934</u>	<u>\$ 2,261</u>	<u>2.5%</u>

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Total operating costs and expenses for the data center colocation segment amounted to \$2.9 million and \$2.3 million for the three months ended March 31, 2015 and 2014, respectively. The increase from the prior year was generally because of greater employee related costs in the data center colocation segment.

Total operating costs and expenses for the telecommunications segment amounted to \$88.3 million and \$86.6 million, after eliminations, for the three months ended March 31, 2015 and 2014, respectively. Explanations for the increase are the same as those below explaining changes in costs and expenses for all segments. Certain of the changes in costs and expenses for the three months ended March 31, 2015 compared to the same period in the prior year are because of a lower number of employees. The reduced number of employees is both in the telecommunications segment and on an overall basis.

The Company's total number of employees on a Company-wide basis as of March 31, 2015 was 1,336 compared to 1,380 as of March 31, 2014. Employee related costs are included in both cost of revenues and selling, general and administrative expenses.

Cost of revenues consists of costs we incur to provide our products and services including those for operating and maintaining our networks, installing and maintaining customer premise equipment, and cost of services sold directly associated with various products. Cost of revenues for the three month period ended March 31, 2015 decreased when compared to the prior year period because of lower manpower related costs of \$0.5 million on a reduced number of employees.

Selling, general and administrative expenses include costs related to sales and marketing, information systems and other administrative functions. For the three months ended March 31, 2015, the increase is because of the pension settlement loss of \$0.9 million recognized in the first quarter of 2015. This was offset by the decline in stock compensation related costs of \$0.7 million caused primarily by a one-time charge in the first quarter of 2014.

Depreciation and amortization for the three month period ended March 31, 2015 was higher than the same period in the prior year because of asset additions to support growth in the business.

Other Income and (Expense)

The following tables summarize other income (expense) for the three months ended March 31, 2015 and 2014 (dollars in thousands).

	Three Months Ended		Change	
	March 31, 2015	2014	Amount	Percentage
Interest expense	\$ (4,337)	\$ (4,188)	\$ (149)	3.6%
Interest income and other	7	10	(3)	-30.0%
	<u>\$ (4,330)</u>	<u>\$ (4,178)</u>	<u>\$ (152)</u>	<u>3.6%</u>

Interest expense increased for the three month period because of interest on new installment financing incurred at the end of 2014. Interest capitalized amounted to \$0.3 million and \$0.2 million for the three months ended March 31, 2015 and 2014, respectively.

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Income Tax Provision

We had effective tax rates of 38.6% and 40.2% for the three months ended March 31, 2015 and 2014, respectively. We consider a variety of factors in determining the effective tax rate, including our forecasted full-year pretax results, the U.S. federal statutory rate, expected nondeductible expenses and estimated state taxes.

As of December 31, 2014, net operating losses available for carry forward through 2034 amounted to \$105.9 million for federal purposes and \$113.1 million for state purposes. Availability of net operating losses in future periods may be subject to additional limitations if there is a deemed change in control for income tax reporting purposes. Such change in control will be determined for income tax reporting purposes based on future changes in stock ownership.

Liquidity and Capital Resources

As of March 31, 2015, we had cash of \$26.9 million. From an ongoing operating perspective, our cash requirements in 2015 consist of supporting the development and introduction of new products, capital expenditure projects, pension funding obligations and other changes in working capital. A combination of cash-on-hand and cash generated from operating activities will be used to fund our cash requirements.

We have continued to take actions to conserve cash and improve liquidity. Efforts have also been taken to generate further operating efficiencies and focus on expense management. We have focused on improving operating results, including efforts to simplify product offerings, improve our customer service experience and increase our revenue enhancement activities. There can be no assurance that these additional actions will result in improved overall cash flow. We continue to have sizable retirement obligations for our existing employee base. Any sustained declines in the value of pension trust assets or higher levels of pension lump sum benefit payments will increase the magnitude of future plan contributions.

Agreements with the Hawaii Public Utilities Commission and the debt agreements of Hawaiian Telecom Communications, Inc. limit the ability of our subsidiaries to pay dividends to the parent company and restrict the net assets of all of our subsidiaries. This can limit our ability to pay dividends to our shareholders. As the parent company has no operations, debt or other obligations, this restriction has no other immediate impact on our operations.

Cash Flows for Three Months Ended March 31, 2015 and 2014

Our primary source of funds continues to be cash generated from operations. We use the net cash generated from operations to fund network expansion and modernization. We expect that our capital spending requirements will continue to be financed through internally generated funds. We also expect to use cash generated in future periods for debt service. Additional debt or equity financing may be needed to fund additional development activities or to maintain our capital structure to ensure financial flexibility.

Net cash provided by operations amounted to \$18.9 million for the three months ended March 31, 2015. Our cash flows from operations are impacted by our results of operations, changes in working capital and payments on certain long-term pension liabilities. Net cash provided by operations amounted to \$13.4 million for the three months ended March 31, 2014. The increase in cash provided by operations was because of improved management of working capital.

Cash used in investing activities was \$29.2 million for the three months ended March 31, 2015 and was comprised of capital expenditures. Cash used in investing activities included capital expenditures of \$23.9 million for the three months ended March 31, 2014. The level of capital expenditures for 2015 is expected to be in the high-\$90 million range as we invest in systems to support new product introductions and transform our network to enable next-generation technologies.

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Cash used in financing activities for the three months ended March 31, 2015 and 2014 was related primarily to the repayment of our debt and satisfaction of other obligations.

Outstanding Debt and Financing Arrangements

As of March 31, 2015, we had outstanding \$295.4 million in aggregate long-term debt with a maturity date of June 2019. We do not expect to generate the necessary cash flow from operations to repay the facility in its entirety by the maturity date and repayment is dependent on our ability to refinance the credit facility at reasonable terms. The ability to refinance the indebtedness at reasonable terms before maturity cannot be assured.

Contractual Obligations

During the three months ended March 31, 2015, the Company's future contractual obligations have not changed materially from the amounts disclosed as of December 31, 2014 in our Form 10-K.

We do not maintain any off balance sheet financing or other arrangements.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in consolidated financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on the condensed consolidated financial statements and thus actual results could differ from the amounts reported and disclosed herein. The Company's critical accounting policies that require the use of estimates and assumptions were discussed in detail in our Annual Report on Form 10-K for the year ended December 31, 2014, and have not changed materially from that discussion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2015, our floating rate obligations consisted of \$295.4 million of debt outstanding under our term loan facility. Accordingly, our earnings and cash flow are affected by changes in interest rates. Based on our borrowings at March 31, 2015 and assuming a 1.0 percentage point increase or decrease in the average interest rate under these borrowings, we estimate that our annual interest expense would increase or decrease by approximately \$3.0 million.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Eric K. Yeaman, Chief Executive Officer and acting principal financial officer, has evaluated the disclosure controls and procedures of Hawaiian Telcom Holdco, Inc. (the "Company") as of March 31, 2015. Mr. Yeaman is temporarily acting as principal financial officer while the Company's chief financial officer position is vacant. Based on Mr. Yeaman's evaluation, as of March 31, 2015, he has concluded that the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective in ensuring that information required to be disclosed by the Company in reports the Company files or submits under the Securities Exchange Act of 1934:

- (1) is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and
- (2) is accumulated and communicated to the Company's management, including the Company's principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Certifications

The certifications attached hereto as Exhibits 31.1 and 32.1 should be read in conjunction with the disclosures set forth herein.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Other than ordinary routine litigation incidental to the business, we are not involved in any material pending legal proceedings that are likely to have a material adverse effect on us.

Item 1A. Risk Factors

See Part I, Item 1a, “Risk Factors,” of our 2014 Annual Report for a detailed discussion of risk factors related to our business, results of operations and financial condition.

Item 5. Other Information.

Earnings Release

Hawaiian Telcom Holdco, Inc. issued a press release on May 4, 2015 announcing its 2015 first quarter earnings. This information, attached as Exhibit 99.1, is being furnished to the SEC pursuant to Item 2.02 of Form 8-K.

Results of Stockholder Vote at Annual Meeting

On May 1, 2015, the Company held its Annual Meeting of Stockholders, at which the following matters were submitted to a vote of the stockholders:

	<u>For</u>	<u>Withheld</u>	<u>Broker Non-Votes</u>
1. Election of Directors			
Richard A. Jalkut	9,329,135	92,228	298,740
Kurt M. Cellar	9,271,384	149,979	298,740
Walter A. Dods Jr.	9,290,708	130,655	298,740
Warren H. Haruki	9,254,967	166,396	298,740
Steven C. Oldham	9,329,184	92,179	298,740
Bernard Phillips III	9,294,159	127,204	298,740
Eric K. Yeaman	9,267,709	153,654	298,740

Based on the votes set forth above, the director nominees were duly elected.

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
2. Approval of Amended and Restated Bylaws	9,696,477	16,294	1,810	5,522

Based on the votes set forth above, the Amended and Restated Bylaws were duly approved.

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
3. Ratification of selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2015	9,705,914	10,875	3,314	0

Based on the votes set forth above, the appointment of Deloitte & Touche LLP was duly ratified.

Amended and Restated Bylaws

On May 1, 2015, the Company's stockholders approved the Company's Amended and Restated Bylaws. A summary of the changes can be found in the Company's 2015 Proxy Statement. The Amended and Restated Bylaws are attached as Exhibit 3.2.

Election of Director

On May 1, 2015, the Company's Board of Directors voted to increase the number of directors that constitute the Board of Directors from seven to eight, and to appoint Meredith J. Ching to fill the vacancy created by the increase in the number of directors. Ms. Ching's appointment was effective immediately, with her initial term to expire at the 2016 annual meeting of the Company's stockholders. Ms. Ching will be eligible to receive the approved 2015 non-employee director compensation, including an annual cash retainer of \$50,000 (as adjusted for the partial year of service in 2015) and \$1,500 per meeting of the Board of Directors which she attends, and a grant of restricted stock units valued at \$65,000 (as adjusted for the partial year of service in 2015) pursuant to the Company's 2010 Equity Incentive Plan. Director compensation is described in the section entitled "Compensation of Directors" in Company's Proxy Statement filed with the Commission on March 23, 2015, which description is incorporated herein by reference.

Appointment of Chief Financial Officer.

On May 4, 2015, the Company announced the appointment of Dan T. Bessey as the Company's Chief Financial Officer. Mr. Bessey is expected to begin his employment on May 11, 2015.

Mr. Bessey, age 50, previously served as the Chief Financial Officer of Cesca Therapeutics Inc., a biotechnology company, from March 2013. From 2008 to 2012, Mr. Bessey served as Vice President and Chief Financial Officer of SureWest Communications, a telecommunications company. Before becoming Chief Financial Officer of SureWest Communications, Mr. Bessey served in a number of key financial leadership roles within the company, including but not limited to Vice President of Finance, Controller and Director of Corporate Finance beginning in 1995. Prior to joining SureWest Communications, Mr. Bessey was with Ernst & Young LLP. Mr. Bessey is a Certified Public Accountant.

The Company entered into an offer letter with Mr. Bessey dated effective as of May 1, 2015 (the "Offer Letter"), which provides for an annual base salary of \$340,000, a signing bonus of \$50,000, opportunity to receive an annual performance payment under the Company's Performance Compensation at a target level of 65% of annual base salary, and an annual award of restricted stock units under the Company's 2010 Equity Incentive Plan at a target level of 85% of his annual base salary (as adjusted for the partial year of service in 2015). He also is eligible to receive severance benefits under the Company's Executive Severance Plan. Each of the Company's Performance Compensation Plan, 2010 Equity Incentive Plan and Executive Severance Plan is described in the Company's Proxy Statement filed with the Commission on March 23, 2015.

A copy of the press release announcing the appointment of Mr. Bessey as Chief Financial Officer of the Company and Ms. Ching as a director is furnished as Exhibit 99.2 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A copy of the Offer Letter is filed as Exhibit 10.26.

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Item 6. Exhibits

See Exhibit Index following the signature page of this Report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 4, 2015

HAWAIIAN TELCOM HOLDCO, INC.

/s/ Eric K. Yeaman
Eric K. Yeaman
Chief Executive Officer and
Acting Chief Accounting Officer

EXHIBIT INDEX

3.2	Amended and Restated Bylaws of Hawaiian Telcom Holdco, Inc. effective May 1, 2015.
10.25	Third Amendment to Amended and Restated Revolving Line of Credit Agreement, dated as of April 9, 2015, by and among Hawaiian Telcom Communications, Inc., First Hawaiian Bank, as agent, and each of the lenders from time to time party thereto.
10.26*	Employment Offer Letter, effective as of May 1, 2015, by and between Dan T. Bessey and Hawaiian Telcom Holdco, Inc.
31.1	Certification of Chief Executive Officer and Acting Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Acting Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Press Release dated May 4, 2015 announcing first quarter earnings.
99.2	Press release dated May 4, 2015, announcing the appointment of Meredith J. Ching to the Company's Board of Directors and the appointment of Dan T. Bessey as the Company's Chief Financial Officer.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Identifies each management contract or compensatory plan or arrangement

AMENDED AND RESTATED BYLAWS
OF
HAWAIIAN TELCOM HOLDCO, INC.
(a Delaware corporation)
(Effective as of May 1, 2015)

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**AMENDED AND RESTATED BYLAWS
OF
HAWAIIAN TELCOM HOLDCO, INC.**

(Effective as of May 1, 2015)

ARTICLE I

OFFICES

Section 1.1 Location. The address of the registered office of Hawaiian Telcom Holdco, Inc. (the "Corporation") in the State of Delaware and the name of the registered agent at such address shall be as specified in the Certificate of Incorporation. The Corporation may also have other offices at such places within or without the State of Delaware as the Board of Directors of the Corporation (the "Board of Directors") may from time to time designate or the business of the Corporation may require.

Section 1.2 Change of Location. In the manner permitted by law, the Board of Directors or the registered agent may change the address of the Corporation's registered office in the State of Delaware and the Board of Directors may make, revoke or change the designation of the registered agent.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 2.1 Annual Meeting. The annual meeting of the stockholders of the Corporation for the election of Directors and for the transaction of such other business as may properly come before the meeting shall be held at the registered office of the Corporation, or at such other place within or without the State of Delaware as the Board of Directors may fix by resolution or as set forth in the notice of the meeting.

Section 2.2 Special Meetings. Special meetings of stockholders, unless otherwise prescribed by law, may only be called by the Chairman of the Board of Directors (the "Chairman of the Board"), by order of a majority of the whole Board of Directors or by holders of common stock who hold a majority of the outstanding common stock entitled to vote generally in the election of Directors. Stock ownership for these purposes may be evidenced in any manner prescribed by Rule 14a-8(b)(2) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Special meetings of stockholders shall be held at such time and any such place, within or without the State of Delaware as the Board of Directors may fix by resolution or as set forth in the notice of the meeting; provided, however, that any special meeting called by stockholders pursuant to this Section 2.2 shall comply with the notice, administrative and other requirements of Section 2.9 in addition to the other requirements of this Article II.

Section 2.3 List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger of the Corporation shall prepare and make, or cause to be prepared and made, at least ten (10) days before every meeting of stockholders, a complete list, based upon the

record date for such meeting determined pursuant to Section 5.8, of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting at the Corporation's principal place of business. The list also shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

The stock ledger shall be the only evidence as to who are the stockholders entitled (A) to examine the stock ledger or the list of stockholders entitled to vote at any meeting, (B) to inspect the books of the Corporation, or (C) to vote in person or by proxy at any meeting of stockholders.

Section 2.4 Notice of Meetings to Stockholders. Written notice of each annual and special meeting of stockholders, other than any meeting the giving of notice of which is otherwise prescribed by law, stating the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered or mailed, in writing, at least ten (10) but not more than sixty (60) days before the date of such meeting, to each stockholder entitled to vote thereat. If mailed, such notice shall be deposited in the United States mail, postage prepaid, directed to such stockholder at the address as the same appears on the records of the Corporation. Notice given by electronic transmission shall be effective (A) if by facsimile, when faxed to a number where the stockholder has consented to receive notice; (B) if by electronic mail, when mailed electronically to an electronic mail address at which the stockholder has consented to receive such notice; (C) if by posting on an electronic network together with a separate notice of such posting, upon the later to occur of the posting or the giving of separate notice of the posting; or (D) if by other form of electronic communication, when directed to the stockholder in the manner consented to by the stockholder. An affidavit of the Secretary, an Assistant Secretary or the transfer agent of the Corporation that notice has been duly given shall be evidence of the facts stated therein.

Section 2.5 Adjourned Meetings and Notice Thereof. Any meeting of stockholders may be adjourned from time to time to reconvene at the same or some other place, and the Corporation may transact at any adjourned meeting any business which might have been transacted at the original meeting. Notice need not be given of the adjourned meeting if the time and place thereof and the means of remote communications, if any, by which holders of shares having a majority of the voting power of the capital stock of the Corporation may be deemed to be present or represented by proxy and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken, unless (A) any adjournment caused the original meeting to be adjourned for more than thirty (30) days after the date originally fixed therefor, or (B) a new record date is fixed for the adjourned meeting. A meeting of the stockholders may be adjourned only by the Chairman of the Board or holders of shares having a majority of the voting power of the capital stock of the Corporation present or represented by proxy at such meeting. If notice of an adjourned meeting is given, such notice shall be given to each stockholder of record entitled to vote at the adjourned meeting in the manner prescribed in Section 2.4 for the giving of notice of meetings.

Section 2.6 Quorum. At any meeting of stockholders, except as otherwise expressly required by law or by the Certificate of Incorporation, the holders of record of at least a majority of the outstanding shares of capital stock entitled to vote or act at such meeting shall be present or represented by proxy in order to constitute a quorum for the transaction of any business, but less than a quorum shall have power to adjourn any meeting until a quorum shall be present. When a quorum is once present to organize a meeting, the quorum cannot be destroyed by the subsequent withdrawal or revocation of the proxy of any stockholder. Shares of capital stock owned by the Corporation or by another corporation, if a majority of the shares of such other corporation entitled to vote in the election of Directors is held by the Corporation, shall not be counted for quorum purposes or entitled to vote. Notwithstanding the foregoing, when specified business is to be voted on by a class or series voting separately as a class or series, the holders of a majority of the voting power of the shares of such class or series shall constitute a quorum for the transaction of such business for the purposes of taking action on such business.

Section 2.7 Voting. At each meeting of stockholders, all matters shall be decided by a majority of the votes cast at such meeting by the holders of shares of capital stock present or represented by proxy and entitled to vote thereon with a quorum being present (except in cases where a greater number of votes is required by law, the Certificate of Incorporation or these Bylaws). At any meeting of stockholders, each stockholder holding, as of the record date, shares of stock entitled to be voted on any matter at such meeting shall have one vote on each such matter submitted to vote at such meeting for each such share of stock held by such stockholder, as of the record date, as shown by the list of stockholders entitled to vote at the meeting, unless the Certificate of Incorporation provides for more or less than one vote for any share, on any matter, in which case every reference in these Bylaws to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy, provided that no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only so long as, it is coupled with an interest, whether in the stock itself or in the Corporation generally, sufficient in law to support an irrevocable power. Such proxy must be filed with the Secretary of the Corporation or the Secretary's representative, or a copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 2.7 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

The Board of Directors, the Chairman of the Board, the Chief Executive Officer, or the person presiding at a meeting of stockholders may appoint one or more persons to act as inspectors of voting at any meeting with respect to any matter to be submitted to a vote of stockholders at such meeting, with such powers and duties, not inconsistent with applicable law, as may be appropriate.

Section 2.8 Action by Consent of Stockholders. Any action required or permitted to be taken by the stockholders of the Company must be effected at a duly called annual or special meeting of the Company and may not be effected by any consent in writing of such stockholders.

Section 2.9 Nature of Business at Meetings of Stockholders; Notice Procedures. No business may be transacted at any meeting of stockholders, other than business that is either (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (B) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (C) otherwise properly brought before the meeting by any stockholder of the Corporation (1) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.9 and on the record date for the determination of stockholders entitled to notice of and to vote at such meeting and (2) who complies with the notice procedures set forth in this Section 2.9.

In addition to any other applicable requirements, for business to be properly brought before any meeting of stockholders by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety days nor more than one hundred twenty days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs. Notwithstanding the previous sentence, for purposes of determining whether a stockholder's notice shall have been timely received for the annual meeting of stockholders in 2010, a stockholder's notice must have been received not later than February 1, 2010 nor earlier than January 1, 2010. Subject to the information requirements of this Section 2.9, any special meetings called by stockholders pursuant to Section 2.2 shall be preceded by a notice of such stockholders to the Secretary, to be delivered to or mailed and received at the principal executive offices of the Corporation, not less than ninety days nor more than one hundred twenty days prior to the date specified in such notice for such special meeting. The location of such meeting shall be at the discretion of the Board of Directors.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the meeting (A) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (B) the name and record address of such stockholder, (C) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (D) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (E) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting.

No business shall be conducted at any meeting of stockholders except business brought before the meeting in accordance with the procedures set forth in this Section 2.9; provided, however, that, once business has been properly brought before the meeting in accordance with such procedures, nothing in this Section 2.9 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of a meeting determines that business was not properly brought before the meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.9, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.9, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. The Chairman of the Board shall preside at all meetings of the stockholders. If the Chairman of the Board is not present, the Chief Executive Officer or the President shall preside over such meeting, and, if the Chief Executive Officer or the President is not present at the meeting, a majority of the Board of Directors present at such meeting shall elect one of their members to so preside.

Notwithstanding anything in this Section 2.9 to the contrary, only persons nominated for election as a Director at an annual or special meeting pursuant to Section 3.4 will be considered for election at such meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1 General Powers. The property, business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. The Board of Directors may exercise all such powers of the Corporation and have such authority and do all such lawful acts and things as are permitted by law, the Certificate of Incorporation or these Bylaws.

Section 3.2 Number of Directors. The Board of Directors of the Corporation shall consist of no fewer than five members and no more than nine members. The number of members that constitute the Board of Directors shall be determined from time to time by resolution of the Board of Directors. One of the Directors shall be the Chief Executive Officer of the Corporation.

Section 3.3 Qualification. Directors must be natural persons but need not be stockholders of the Corporation. The Chairman of the Board shall be elected from among the Directors, and the Chairman of the Board, or at the election of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of stockholders and of the Board of Directors at which the Chairman of the Board is present. The Chairman of the Board shall have such other powers and perform such other duties as may be assigned from time to time by the Board of Directors or provided in these Bylaws. The Chief Executive Officer shall report to the Chairman of the Board..

Section 3.4 Election.

(A) The Corporation will hold its first annual meeting of stockholders following the effectiveness of these Bylaws on a date to be determined by the Board of Directors during calendar year 2010. Prior to such time, the Directors of the Corporation shall be those holding office at the time of the effectiveness of these Bylaws or those appointed by the Board of Directors to fill any vacancies in accordance with Section 3.7 hereof. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, after the first meeting of the Corporation at which Directors are elected, Directors of the Corporation shall be elected in each year at the annual meeting of stockholders, or at a special meeting in lieu of the annual meeting called for such purpose, by the vote of the plurality of the votes cast at any meeting for the election of Directors at which a quorum is present.

(B) Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors of the Corporation, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of Directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing Directors, (1) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (2) by any stockholder of the Corporation (a) who is a stockholder of record on the date of the giving of the notice provided for in this Section 3.4(B) and on the record date for the determination of stockholders entitled to notice of and to vote at such meeting and (b) who complies with the notice procedures set forth in this Section 3.4(B).

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (1) in the case of an annual meeting, not less than ninety days nor more than one hundred twenty days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; provided further, that for purposes of

determining whether a stockholder's notice shall have been timely received for the annual meeting of stockholders in 2010, a stockholder's notice must have been received not later than February 1, 2010 nor earlier than January 1, 2010; and (2) in the case of a special meeting of stockholders called for the purpose of electing Directors, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (1) as to each person whom the stockholder proposes to nominate for election as a Director (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (d) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (2) as to the stockholder giving the notice (a) the name and record address of such stockholder, (b) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (c) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (d) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (e) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a Director if elected.

No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.4(B). If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 3.5 Term. Each Director shall hold office until such Director's successor is duly elected and qualified, except in the event of the earlier termination of such Director's term of office by reason of death, resignation, removal or other reason.

Section 3.6 Resignation and Removal. Any Director may resign at any time upon written notice to the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the Secretary. The resignation of any Director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any Director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of Directors.

Section 3.7 Vacancies. Vacancies in the Board of Directors and newly created Directorships resulting from any increase in the authorized number of Directors shall be filled by a majority of the Directors then in office, though less than a quorum, or by a sole remaining Director.

If one or more Directors shall resign (or are removed) from the Board of Directors effective at a future date, a majority of the Directors then in office, but not including those who have so resigned at a future date, shall have power to fill such vacancy or vacancies, the vote thereon to take effect and the vacancy to be filled when such resignation or resignations shall become effective, and each Director so chosen shall hold office as provided in this Section 3.7 in the filling of other vacancies.

Each Director chosen to fill a vacancy on the Board of Directors shall hold office until the next annual election of Directors and until such Director's successor shall be elected and qualified.

Section 3.8 Quorum and Voting. Unless the Certificate of Incorporation provides otherwise, at all meetings of the Board of Directors a majority of the total number of Directors shall be present to constitute a quorum for the transaction of business. A Director interested in a contract or transaction may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes the contract or transaction. In the absence of a quorum, a majority of the Directors present may adjourn the meeting, without notice other than announcement at the meeting, until a quorum shall be present.

Unless the Certificate of Incorporation provides otherwise, members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment such that all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting.

The vote of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the Certificate of Incorporation, these Bylaws or applicable law shall require a vote of a greater number.

Section 3.9 Regulations. The Board of Directors may adopt such rules and regulations for the conduct of the business and management of the Corporation, not inconsistent with law or the Certificate of Incorporation or these Bylaws, as the Board of Directors may deem proper. The Board of Directors may hold its meetings and cause the books and records of the Corporation to be kept at such place or places within or without the State of Delaware as the Board of Directors may from time to time determine. A member of the Board of Directors, or a member of any committee designated by the Board of Directors, shall, in the performance of such member's duties, be fully protected in relying in good faith upon the books of account or reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care by the Board of Directors or any committee of the Board of Directors, or in relying in good faith upon other records of the Corporation.

Section 3.10 Annual Meeting. An annual meeting of the Board of Directors shall be called and held for the purpose of organization, election of officers and transaction of any other business. If such meeting is held promptly after and at the place specified for the annual meeting of stockholders, no notice of the annual meeting of the Board of Directors need be given. Otherwise, such annual meeting shall be held at such time (not more than thirty (30) days after the annual meeting of stockholders) and place as may be specified in a notice of the meeting.

Section 3.11 Regular Meetings. Regular meetings of the Board of Directors shall be held at the time and place, within or without the State of Delaware, as shall from time to time be determined by the Board of Directors. After there has been such determination and notice thereof has been given to each member of the Board of Directors, no further notice shall be required for any such regular meeting. Except as otherwise provided by law, any business may be transacted at any regular meeting.

Section 3.12 Special Meetings. Special meetings of the Board of Directors may, unless otherwise prescribed by law, be called from time to time by the Chairman of the Board, and shall be called by the Chairman of the Board, the Chief Executive Officer or the Secretary upon the written request of a majority of the whole Board of Directors then in office directed to the Chairman of the Board, the Chief Executive Officer or the Secretary. Except as provided below, notice of any special meeting of the Board of Directors, stating the time, place and purpose of such special meeting, shall be given to each Director.

Section 3.13 Notice of Meetings; Waiver of Notice. Notice of any meeting of the Board of Directors shall be deemed to be duly given to a Director (A) if mailed and addressed to such Director at the address as it appears upon the books of the Corporation, or at the address last made known in writing to the Corporation by such Director as the address to which such notices are to be sent, at least five (5) days before the day on which such meeting is to be held if sent by U.S. mail or at least two (2) days before the day on which the meeting is to be held if sent by overnight courier, or (B) if sent to such Director at such address by electronic mail or facsimile not later than 24 hours before the time when such meeting is to be held, or (C) if delivered to such Director personally or orally, by telephone or otherwise, not later than 24 hours before the time when such meeting is to be held. Each such notice shall state the time and place of the meeting and the purposes thereof.

Notice of any meeting of the Board of Directors need not be given to any Director if waived by such Director in writing whether before or after the holding of such meeting, or if such Director is present at such meeting. Any meeting of the Board of Directors shall be a duly constituted meeting without any notice thereof having been given if all Directors then in office shall be present thereat.

Section 3.14 Committees of Directors. The Board of Directors may, by resolution or resolutions passed by a majority of the Board of Directors, designate one or more committees, each committee to consist of one or more of the Directors of the Corporation.

Except as hereinafter provided, vacancies in membership of any committee shall be filled by the vote of a majority of the Board of Directors. The Board of Directors may

designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of a committee (and the alternate appointed pursuant to the immediately preceding sentence, if any), the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Members of a committee shall hold office for such period as may be fixed by a resolution adopted by a majority of the Board of Directors, subject, however, to removal at any time by the vote of a majority of the Board of Directors.

Section 3.15 Powers and Duties of Committees. Any committee, to the extent provided in the resolutions of the Board of Directors creating such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to stockholders, any action or matter expressly required by law or the Certificate of Incorporation to be submitted to stockholders for approval or (ii) adopting, amending or repealing the Bylaws of the Corporation.

Each committee may adopt its own rules of procedure and may meet at stated times or on such notice as such committee may determine. Except as otherwise permitted by these Bylaws, each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

Section 3.16 Compensation of Directors. Each independent Director shall be entitled to receive for attendance at each meeting of the Board of Directors or any duly constituted committee thereof which such Director attends, such fee as is fixed by the Board of Directors (or by the appropriate committee). The fees to such independent Directors may be fixed in unequal amounts among them, taking into account their respective relationships to the Corporation in other capacities. These provisions shall not be construed to preclude any Director from receiving compensation in serving the Corporation in any other capacity. All Directors shall be reimbursed by the Corporation for travel expenses.

Section 3.17 Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all of the members of the Board of Directors or of such committee consent thereto in writing or by electronic transmission, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee.

ARTICLE IV

OFFICERS

Section 4.1 Principal Officers. The Corporation shall have such officers as may be necessary or desirable for the business of the Corporation. The principal officers of the

Corporation shall be elected by the Board of Directors and shall include a Chief Executive Officer (who may also be the President), a Chief Financial Officer and a Secretary and may, at the discretion of the Board of Directors, also include a Chairman of the Board, a President, a Chief Operating Officer, one or more Vice Presidents, a Treasurer and a Controller. The Corporation shall have such other officers as may from time to time be appointed by the Board of Directors or the Chief Executive Officer. All officers chosen by the Board of Directors shall have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof. Except as otherwise provided in the Certificate of Incorporation or these Bylaws, one person may hold the offices and perform the duties of any two or more of said principal offices. None of the principal officers need be a Director of the Corporation.

Section 4.2 Election of Principal Officers; Term of Office. The principal officers of the Corporation shall be elected annually by the Directors at such annual meeting of the Board of Directors. Failure to elect any principal officer annually shall not dissolve the Corporation. If the Board of Directors shall fail to fill any principal office at an annual meeting, or if any vacancy in any principal office shall occur, or if any principal office shall be newly created, such principal office may be filled at any regular or special meeting of the Board of Directors. Each principal officer shall hold office until such officer's successor is duly elected and qualified, or until such officer's earlier death, resignation or removal.

Section 4.3 Subordinate Officers; Agents and Employees. In addition to the principal officers, the Corporation may have one or more Assistant Treasurers, Assistant Secretaries, and such other subordinate officers, agents and employees as the Board of Directors may deem advisable, each of whom shall hold office for such period and have such authority and perform such duties as the Board of Directors, the Chairman of the Board, the Chief Executive Officer, or any officer designated by the Board of Directors, may from time to time determine. The Board of Directors at any time may appoint and remove, or may delegate to any principal officer the power to appoint and to remove, any subordinate officer, agent or employee of the Corporation.

Section 4.4 Delegation of Duties of Officers. The Board of Directors may delegate the duties and powers of any officer of the Corporation to any other officer, agent or Director for a specified period of time for any reason that the Board of Directors may deem sufficient.

Section 4.5 Removal of Officers. Any officer of the Corporation may be removed, with or without cause, by resolution adopted by a majority of the Directors then in office at any regular or special meeting of the Board of Directors or by a written consent signed by all of the Directors then in office. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of such officer's successor, death, resignation or removal, whichever event shall first occur, except as otherwise provided in an employment contract or an employee plan.

Section 4.6 Resignations. Any officer may resign at any time by giving written notice of resignation to the Board of Directors, to the Chairman of the Board, to the Chief Executive Officer or to the Secretary. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified in the notice, the acceptance of a resignation shall not be necessary to make the resignation effective.

Section 4.7 Vacancies. Any vacancy among the officers, whether caused by death, resignation, removal or any other cause, shall be filled in the manner prescribed for election or appointment to such office.

Section 4.8 Action with Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, the Chief Executive Officer or any other officer of the Corporation authorized by the Chairman of the Board or the Chief Executive Officer shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

Section 4.9 Compensation. The salaries of the officers shall be fixed from time to time by the Board of Directors or a committee thereof (in the case of executive officers), by the Chief Executive Officer (in the case of officers other than executive officers), or as otherwise permitted by the Board of Directors.

Section 4.10 Officers of Operating Companies, Regions or Divisions. The Chief Executive Officer shall have the power to appoint, remove and prescribe the terms of office, responsibilities and duties of the officers of the operating companies, regions or divisions, other than those who are officers of the Corporation appointed by the Board of Directors.

Section 4.11 Chief Executive Officer. The Chief Executive Officer shall, in the absence of the Chairman of the Board, preside at all meetings of the stockholders and of the Board of Directors at which the Chief Executive Officer is present. The Chief Executive Officer shall be the chief executive officer of the Corporation and shall have general supervision over the business and affairs of the Corporation and shall be responsible for carrying out the policies and objectives established by the Board of Directors. The Chief Executive Officer shall have all powers and duties usually incident to the office of the Chief Executive Officer, except as specifically limited by a resolution of the Board of Directors. The Chief Executive Officer shall have such other powers and perform such other duties as may be assigned from time to time by the Board of Directors.

Section 4.12 President. The President shall, in the absence of the Chairman of the Board or the Chief Executive Officer, preside at all meetings of the stockholders and of the Board of Directors at which the President is present. In the absence of a Chief Executive Officer, the President shall be the chief executive officer of the Corporation and shall have general supervision over the business and affairs of the Corporation and shall be responsible for carrying out the policies and objectives established by the Board of Directors. The President shall have all powers and duties usually incident to the office of the President, except as specifically limited by a resolution of the Board of Directors. The President shall have such other powers and perform such other duties as may be assigned from time to time by the Board of Directors.

Section 4.13 Chief Financial Officer. The Chief Financial Officer shall be responsible for all functions and duties related to the financial affairs of the Corporation, and may also serve as the Treasurer of the Corporation. The Chief Financial Officer may, in the discretion of the Board of Directors, be the chief accounting officer of the Corporation and shall have supervision over the maintenance and custody of the accounting operations of the Corporation.

If any assistant financial officer is appointed, the assistant financial officer, or one of the assistant financial officers, if there are more than one, in the order of their rank as fixed by the Board of Directors or, if they are not so ranked, the assistant financial officer designated by the Board of Directors, shall, in the absence or disability of the Chief Financial Officer or in the event of such officer's refusal to act, perform the duties and exercise the powers of the Chief Financial Officer, and shall have such powers and discharge such duties as may be assigned from time to time pursuant to these Bylaws or by the Board of Directors.

Section 4.14 Vice President. In the absence or disability of the Chief Executive Officer or if the office of Chief Executive Officer be vacant, the Vice Presidents in the order determined by the Board of Directors, or if no such determination has been made, in the order of their seniority, shall perform the duties and exercise the powers of the Chief Executive Officer, subject to the right of the Board of Directors at any time to extend or confine such powers and duties or to assign them to others. Any Vice President may have such additional designation in such Vice President's title as the Board of Directors may determine. The Vice Presidents shall generally assist the Chief Executive Officer in such manner as the Chief Executive Officer shall direct. Each Vice President shall have such other powers and perform such other duties as may be assigned from time to time by the Board of Directors or the Chief Executive Officer.

Section 4.15 Secretary. The Secretary shall act as Secretary of all meetings of stockholders and of the Board of Directors at which the Secretary is present, shall record all the proceedings of all such meetings in a book to be kept for that purpose, shall have supervision over the giving and service of notices of the Corporation, and shall have supervision over the care and custody of the records and, if one is adopted by the Corporation, the seal of the Corporation. The Secretary shall have all powers and duties usually incident to the office of Secretary, except as specifically limited by a resolution of the Board of Directors. The Secretary shall have such other powers and perform such other duties as may be assigned from time to time by the Board of Directors or the Chief Executive Officer.

Section 4.16 Treasurer. The Treasurer shall have general supervision over the care and custody of the funds and over the receipts and disbursements of the Corporation and shall cause the funds of the Corporation to be deposited in the name of the Corporation in such banks or other depositories as the Board of Directors may designate. The Treasurer shall have supervision over the care and safekeeping of the securities of the Corporation. The Treasurer shall have all powers and duties usually incident to the office of Treasurer, except as specifically limited by a resolution of the Board of Directors. The Treasurer shall have such other powers and perform such other duties as may be assigned from time to time by the Board of Directors or the Chief Executive Officer.

Section 4.17 Controller. The Controller shall have supervision over the maintenance and custody of the accounting operations of the Corporation, including the keeping of accurate accounts of all receipts and disbursements and all other financial transactions and may, in the discretion of the Board of Directors, be the chief accounting officer of the Corporation. The Controller shall have all powers and duties usually incident to the office of Controller, except as specifically limited by a resolution of the Board of Directors. The Controller shall have such other powers and perform such other duties as may be assigned from time to time by the Board of Directors or the Chief Financial Officer.

ARTICLE V

CAPITAL STOCK

Section 5.1 Issuance of Certificates of Stock. The shares of capital stock of the Corporation shall be represented by certificates unless the Board of Directors shall by resolution or resolutions provide that some or all of any or all classes or series of stock of the Corporation shall be uncertificated shares of stock. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by a certificate shall be entitled to a certificate or certificates in such form as shall be approved by the Board of Directors, certifying the number of shares of capital stock of the Corporation owned by such stockholder. The Board of Directors may appoint a bank or trust company organized under the laws of the United States or any state thereof to act as its transfer agent or registrar, or both in connection with the transfer of any class or series of securities of the Corporation.

Section 5.2 Signatures on Stock Certificates. Certificates for shares of capital stock of the Corporation shall be signed and countersigned by, or in the name of the Corporation by, the Chief Executive Officer, the President or a Vice President and by, or in the name of the Corporation by, the Secretary, the Treasurer, an Assistant Secretary or an Assistant Treasurer. Any of or all the signatures on the certificates may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such signer were such officer, transfer agent or registrar at the date of issue.

Section 5.3 Stock Ledger. A record of all certificates for capital stock issued by the Corporation shall be kept by the Secretary or any other officer or employee of the Corporation designated by the Secretary or by any transfer clerk, transfer agent, or registrar appointed pursuant to Section 5.4 hereof. Such record shall show the name and address of the person, firm or corporation in which certificates for capital stock are registered, the number of shares represented by each such certificate, the date of each such certificate, and in case of certificates which have been canceled, the dates of cancellation thereof.

The Corporation shall be entitled to treat the holder of record of shares of capital stock as shown on the stock ledger as the owner thereof and as the person entitled to receive dividends thereon, to vote such shares and to receive notice of meetings, and for all other purposes. The Corporation shall not be bound to recognize any equitable or other claim to or interest in any share of capital stock on the part of any other person whether or not the Corporation shall have express or other notice thereof, except that a person who is the beneficial owner of shares (if held in a voting trust or by a nominee on behalf of such person), upon providing documentary evidence of beneficial ownership of such shares and satisfying such other conditions as are provided under applicable law, may inspect the books and records of the Corporation.

Section 5.4 Regulations Relating to Transfer. The Board of Directors may make such rules and regulations as it may deem expedient, not inconsistent with law, the Certificate of Incorporation or these Bylaws, concerning issuance, transfer and registration of certificates for shares of capital stock of the Corporation. The Board of Directors may appoint, or authorize any principal officer to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars and may require all certificates for capital stock to bear the signature or signatures of any of them.

Section 5.5 Transfers. Transfers of capital stock shall be made on the books of the Corporation only upon delivery to the Corporation or its transfer agent of (A) a written direction of the registered holder named in the certificate or such holder's attorney lawfully constituted in writing, (B) the certificate for the shares of capital stock being transferred, and (C) a written assignment of the shares of capital stock evidenced thereby.

Section 5.6 Cancellation. Each certificate for capital stock surrendered to the Corporation for exchange or transfer shall be canceled and no new certificate or certificates shall be issued in exchange for any existing certificate (other than pursuant to Section 5.7) until such existing certificate shall have been canceled.

Section 5.7 Lost, Destroyed, Stolen and Mutilated Certificates. In the event that any certificate for shares of capital stock of the Corporation shall be mutilated, the Corporation shall issue a new certificate in place of such mutilated certificate. In case any such certificate shall be lost, stolen or destroyed, the Corporation may, in the discretion of the Board of Directors or a committee designated thereby with power so to act, issue a new certificate for capital stock in the place of any such lost, stolen or destroyed certificate. The applicant for any substituted certificate or certificates shall surrender any mutilated certificate or, in the case of any lost, stolen or destroyed certificate, furnish satisfactory proof of such loss, theft or destruction of such certificate and of the ownership thereof. The Board of Directors or such committee may, in its discretion, require the owner of a lost or destroyed certificate, or such owner's representatives, to furnish to the Corporation a bond with an acceptable surety or sureties and in such sum as will be sufficient to indemnify the Corporation against any claim that may be made against it on account of the lost, stolen or destroyed certificate or the issuance of such new certificate. A new certificate may be issued without requiring a bond when, in the judgment of the Board of Directors, it is proper to do so.

Section 5.8 Fixing of Record Dates.

(A) The Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to any other action, for the purpose of determining stockholders entitled to notice of or to vote at such meeting of stockholders or any adjournment thereof, or to receive payment of any dividend or other distribution or allotment of any rights, or to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Except as provided in Section 5.8(B), if no record date is fixed by the Board of Directors, (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day immediately preceding the day on which notice is given, or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held and (2) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(B) A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

ARTICLE VI

INDEMNIFICATION

Section 6.1 Power to Indemnify. Subject to Section 6.2, the Corporation shall indemnify any Director or “executive officer” (as such term is defined in Rule 405 promulgated under the Securities Act of 1933, as amended) of the Corporation, and may indemnify any employee or agent of the Corporation who is not a Director or executive officer, who was or is a party or is threatened to be made a party to, or testifies in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature, by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, employee benefit plan, trust or other enterprise, against all expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred or suffered by such person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person’s conduct was unlawful, to the fullest extent permitted by law as the same exists or may hereafter be amended; provided, however, that, except with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The Corporation may enter into agreements with any such person for the purpose of providing for such indemnification. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person’s conduct was lawful.

Section 6.2 Authorization of Indemnification. Subject to Section 6.1, any indemnification under this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, executive officer, employee or agent of the Corporation is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 6.1. Such determination shall be made (A) by the majority vote of Directors who were not parties to such action, suit or proceeding (even if such majority vote constitutes less than a quorum), or (B) if the majority vote of Directors who were not parties to such action, suit or proceeding so directs (even if such majority vote constitutes less than a quorum), by independent legal counsel in a written opinion. To the extent, however, that a Director, executive officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 6.1, or in defense of any claim, issue or matter therein, such person shall (in the case of a Director or executive officer of the Corporation) and may (in the case of an employee or agent of the Corporation who is not a Director or executive officer of the Corporation) be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 6.3 Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 6.2, and notwithstanding the absence of any determination thereunder, any Director or executive officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Section 6.1. The basis of such indemnification by a court shall be a determination by such court that indemnification of the Director or executive officer is proper in the circumstances because such person has met the applicable standards of conduct set forth in Section 6.1. Neither a contrary determination in the specific case under Section 6.2 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the Director or executive officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 6.3 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the Director or executive officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6.4 Expenses Payable in Advance. Expenses incurred by a Director, executive officer, employee or agent in defending or testifying in a civil, criminal, administrative or investigative action, suit or proceeding shall (in the case of a Director or executive officer of the Corporation) and may (in the case of an employee or agent of the Corporation who is not a Director or executive officer of the Corporation) be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Director, executive officer, employee or agent to repay such amount if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such person is not entitled to be indemnified by the Corporation against such expenses as authorized by this Article VI, and the Corporation may enter into agreements with such persons for the purpose of providing for such advances. The rights to indemnification and to the advancement of expenses conferred in Sections 6.1 and 6.4 hereof shall be contract rights and such rights shall continue as to such Director, executive officer, employee or agent who has ceased to be such and shall inure to the benefit of their respective heirs, executors and administrators.

Section 6.5 Nonexclusivity and Survival. The indemnification and advancement of expenses permitted by this Article VI shall not be deemed exclusive of any other rights to which any person may be entitled under any statute, the Corporation's Certificate of Incorporation or Bylaws, any agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding an office, and shall continue as to a person who has ceased to be a Director, executive officer, employee or agent of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6.6 Insurance. The Corporation shall have power to purchase and maintain insurance to protect itself and any person who is or was a Director, executive officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, employee benefit plan, trust or other enterprise against any expense, liability or loss asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the provisions of this Article VI or otherwise.

Section 6.7 Certain Definitions. For purposes of this Article VI, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its Directors, executive officers, employees or agents, so that any person who is or was a Director, executive officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a Director, executive officer, employee or agent of another corporation, limited liability company, partnership, joint venture, employee benefit plan, trust or other enterprise, shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

Section 6.8 Modification. Any repeal or modification of the foregoing provisions of this Article VI shall not adversely affect any right or protection hereunder of a Director, executive officer, employee or agent of the Corporation in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to the time of such repeal or modification.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1 Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 7.2 Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary of the Corporation. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Corporation's Treasurer or by an Assistant Secretary or Assistant Treasurer.

Section 7.3 Reliance Upon Books, Reports and Records. Each Director, member of any committee designated by the Board of Directors, and officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such Director, committee member, or officer reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care or on behalf of the Corporation.

Section 7.4 Fiscal Year. The fiscal year of the Corporation shall be from January 1 to December 31, inclusive, in each year, or such other annual period as the Board of Directors may designate.

Section 7.5 Time Periods. In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

Section 7.6 Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Certificate of Incorporation.

Section 7.7 Execution of Contracts and Other Instruments. Except as these Bylaws may otherwise provide, the Board of Directors or its duly appointed and authorized committee may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. Except as so authorized or otherwise expressly provided in these Bylaws, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 7.8 Loans. No loans shall be contracted on behalf of the Corporation and no negotiable paper shall be issued in its name, unless and except as authorized by the Board of Directors or its duly appointed and authorized committee. Such authorization may be in the form a signed policy or other blanket authority specified by the Board of Directors from time to time. When so authorized by the Board of Directors or such committee, any officer or agent of the Corporation may effect loans and advances at any time for the Corporation from any bank, trust company, or other institution, or from any firms, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes, bonds or other evidences of indebtedness of the Corporation and, when authorized as aforesaid, may mortgage, pledge, hypothecate or transfer any and all stocks, securities and other property, real or personal, at any time held by the Corporation, and to that end endorse, assign and deliver the same as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation. Such authorization may be general or confined to specific instances.

Section 7.9 Bank Accounts. The Board of Directors or its duly appointed and authorized committee from time to time may authorize the opening and keeping of general and/or special bank accounts with such banks, trust companies or other depositories as may be selected by the Board of Directors or its duly appointed and authorized committee or by any officer or officers or agent or agents of the Corporation to whom such power may be delegated from time to time by the Board of Directors. The Board of Directors or its duly appointed and authorized committee may make such rules and regulations with respect to said bank accounts, not inconsistent with the provisions of these Bylaws, as are deemed advisable.

Section 7.10 Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes, acceptances or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers or agent or agents of the Corporation, and in such manner, as shall be determined from time to time by resolution of the Board of Directors or its duly appointed and authorized committee. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories may be made, without counter signature, by the Chief Executive Officer, the President, any vice president, the Chief Financial Officer, any assistant financial officer or any other officer or agent of the Corporation to whom the Board of Directors or its duly appointed and authorized committee, by resolution, shall have delegated such power or by hand stamped impression in the name of the Corporation.

Section 7.11 Waiver of Notice. Whenever any notice is required to be given under any provision of law, the Certificate of Incorporation, or these Bylaws, a written waiver thereof, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, Directors, or members of a committee of Directors, need be specified in any written waiver of notice unless so required by the Certificate of Incorporation.

Section 7.12 Amendment. Subject to Section 6.8 hereof, these Bylaws may be amended as provided in the Certificate of Incorporation.

**THIRD AMENDMENT TO
AMENDED AND RESTATED REVOLVING LINE OF CREDIT AGREEMENT**

This THIRD AMENDMENT TO AMENDED AND RESTATED REVOLVING LINE OF CREDIT AGREEMENT (this "Amendment") is dated and effective as of April 9, 2015 (the "Effective Date") and entered into by and among HAWAIIAN TELCOM COMMUNICATIONS, INC., a Delaware corporation (the "Borrower"), FIRST HAWAIIAN BANK, a Hawaii corporation, as the agent for the Lenders referred to below ("Agent"), and FIRST HAWAIIAN BANK, a Hawaii corporation, and each of the other Lenders from time to time made a party hereto (each individually referred to herein as a "Lender" and collectively as "Lenders").

RECITALS

WHEREAS, the Borrower, Agent and Lenders are parties to that certain Revolving Line of Credit Agreement dated as of October 28, 2010, as amended and restated by that certain Amended and Restated Revolving Line of Credit Agreement dated as of October 3, 2011 as amended by Amendment to Amended and Restated Revolving Line of Credit Agreement dated February 29, 2012 and further amended by Consent and Amendment to Amended and Restated Revolving Line of Credit Agreement dated April 22, 2013, and by Consent dated June 6, 2013 (the "Revolving Credit Agreement"), which sets forth the terms and conditions under which the Lenders agreed to advance, and the Borrower agreed to borrow, Loans and Letters of Credit in the aggregate principal amount not to exceed Thirty Million Dollars (\$30,000,000.00) (the "Line of Credit"). All capitalized terms used herein, unless otherwise defined herein, shall have the same meanings as those ascribed to them in the Revolving Credit Agreement, after giving effect to the amendments set forth herein.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

1. Amendment to Revolving Credit Agreement. The Termination Date under the Revolving Credit Agreement is hereby extended and amended from October 3, 2015 to December 6, 2018.
 2. Upfront Fee. Concurrently herewith, Borrower shall pay to the Lenders the Upfront Fee equal to \$150,000.00, which shall be shared with the Lenders according to their respective Pro Rata Shares.
 3. Representations and Warranties. As an essential inducement to the Agent and the Lenders to execute this Amendment, the Borrower hereby represents that all of the representations and warranties set forth in Section 5 of the Revolving Credit Agreement are true and correct in all material respects with the same force and effect as though such representations and warranties had been made as of the Effective Date of this Amendment.
 4. Conformance. The Loan Documents are hereby amended to conform with this Third Amendment, but in all other respects shall continue in full force and effect.
 5. Continuance of Security. The performance of the obligations of the Borrower under the Revolving Credit Agreement, as hereby amended, the Note and any other Loan Documents to which it is a party, shall be fully secured by and entitled to the benefits of all of the security documents/guaranties/direct liability agreements described in the Revolving Credit, as hereby amended, Agreement and the other Loan Documents, and any modifications, extensions, renewals or replacements thereof.
-

6. Continuing Guaranty. The Guarantors hereby consent to the foregoing amendments, reaffirm their obligations under that certain Guaranty dated October 28, 2010, executed by the Guarantors in favor of First Hawaiian Bank, as amended and restated by that certain Amended and Restated Guaranty dated as of October 3, 2011, and covenant that the execution and delivery of this Amendment shall not in any way affect, impair or diminish their respective obligations under the Guaranty.
7. No Offsets. As of the date hereof, the Borrower has no claims, defenses or offsets against the Lenders, or the Agent or against the Borrower's obligations under the "Loan Documents", as herein amended, whether in connection with the negotiations for or closing of the Revolving Commitment, of this Amendment, or otherwise, and if any such claims, defenses or offsets exist, they are hereby irrevocably waived and released. As of the date hereof, the Guarantors have no claims, defenses or offsets against the Lender or against the Guarantors' obligations under the Guaranty, whether in connection with the negotiations for or closing of the Facility, of this Amendment, or otherwise, and if any such claims, defenses or offsets exist, they are hereby irrevocably waived and released.
8. No Waiver. This Amendment is made on the express condition that nothing herein contained shall in any way be construed as affecting, impairing or waiving any rights of the Lenders under any of the Loan Documents, as herein amended.
9. Entire Agreement. This Amendment incorporates all of the agreements between the parties relating to the amendment of the Loan Documents and supersedes all other prior or concurrent oral or written letters, agreements or understandings relating to such amendment. This Amendment shall constitute and be deemed amendments to any inconsistent provisions of any commitment letter issued by the Lenders to the Borrower in connection with the amendment to the Loan Documents and, upon the execution of this Amendment, any such commitment letter shall be deemed superseded by this Amendment and cancelled.
10. Headings. The headings of paragraphs and subparagraphs herein are inserted only for convenience and reference, and shall in no way define, limit or describe the scope or intent of any provisions of this Amendment.
11. Governing Law; Severability. This Amendment is executed and delivered, and shall be construed and enforced, in accordance with and governed by the laws of the State of Hawaii. If any provision of this Amendment is held to be invalid or unenforceable, the validity or enforceability of the other provisions of this Amendment shall remain unaffected.
12. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument, and in making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart.
13. Binding Effect. This Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that Borrower shall not assign this Amendment or any of the rights, duties or obligations of Borrower hereunder without the prior written consent of Agent and Lenders.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

HAWAIIAN TELCOM COMMUNICATIONS, INC.

By: /s/ Eric K. Yeaman
Name: Eric K. Yeaman
Title: Chief Executive Officer

“Borrower”

FIRST HAWAIIAN BANK, a Hawaii corporation

By: /s/ Derek Chang
Name: Derek Chang
Title: Vice President

“Agent/Lender”

HAWAIIAN TELCOM HOLDCO, INC.

By: /s/ Eric K. Yeaman
Name: Eric K. Yeaman
Title: Chief Executive Officer

HAWAIIAN TELCOM, INC.

By: /s/ Eric K. Yeaman
Name: Eric K. Yeaman
Title: Chief Executive Officer

HAWAIIAN TELCOM SERVICES COMPANY, INC.

By: /s/ Eric K. Yeaman
Name: Eric K. Yeaman
Title: Chief Executive Officer

“Guarantor”

May 1, 2015

Mr. Dan T. Bessey
3020 Latham Drive
Sacramento CA 95864

Dear Dan:

This letter confirms our discussions regarding your employment with Hawaiian Telcom Holdco, Inc. and any of its subsidiaries and affiliates as may employ you from time to time (collectively, and together with any successor thereto, the "Company"). The purpose of this letter is to summarize the terms of your employment. Notwithstanding anything herein to the contrary, you will be an employee at-will of the Company.

1. **Start Date:** May 11, 2015, or other date mutually agreed upon in writing by you and the Chief Executive Officer.
2. **Position:** Senior Vice President, Chief Financial Officer and Treasurer.
3. **Direct Report:** You will report to the Chief Executive Officer.
4. **Base Salary:** \$340,000 per year (the "Base Salary"), payable in accordance with the Company's customary payroll practices.

Paydays are expected to be every other Friday (total of 26 pay days a year). Your paycheck will be delivered to you or made available to you on such dates. If a payday falls on a holiday or weekend, you may pick up your paycheck on the weekday immediately preceding the payday.

5. **Signing Bonus:** You will be eligible to receive a signing bonus in the amount of \$50,000 that will be paid to you in your first paycheck. If your employment is terminated prior to the one-year anniversary of your Start Date, you must repay a pro-rated amount (based on the number of days of employment during the first year) of the signing bonus within 30 days following your termination date.

6. **Annual Performance Award:** You will be eligible to participate in an annual performance compensation plan ("Performance Compensation Plan") established by the Company's Board of Directors (the "Board") or Compensation Committee thereof, at a target level that is specified by the Compensation Committee (currently specified as sixty-five percent (65%) of your eligible salary) as it may be amended from time to time by the Board or Compensation Committee. The actual performance award, if any, shall be pursuant to the terms and conditions set forth in the Performance Compensation Plan and shall be payable at such time as performance awards are paid to other senior executive officers who participate therein. Payment of any annual performance award will be subject to your continued employment with the Company through the date the performance award is paid pursuant to the Performance Compensation Plan.

7. **Equity Award:** Subject to approval by the Board or the Compensation Committee, you will be eligible to receive equity awards from time to time pursuant to the Company's 2010 Equity Incentive Plan initially representing eighty-five percent (85%) of your annual Base Salary with such terms and conditions as determined by the Board or the Compensation Committee, in its sole discretion. In addition, you will receive, effective the Start Date of your employment, an initial restricted stock unit award under the Company's 2010 Equity Incentive Plan comprising 9,033 restricted stock units that will have a grant date that is the Start Date of employment and will be governed by the terms of the Restricted Stock Unit Agreement attached hereto as Exhibit A. It is expressly understood that your entitlement to participation in the 2010 Equity Incentive Plan is not a guarantee that the award referenced herein will attain any particular value in the future.

8. **Employee Benefits:** You will be eligible to participate in Company employee benefit plans and programs commensurate with your position and seniority. This currently includes three (3) weeks of vacation for each completed twelve (12) month period of service with a maximum carryover of six (6) weeks, accrued for the first year of employment depending on month of hire per the Company vacation policy. Please note that the Company reserves the right to change its benefits package at its sole discretion.

9. **Severance Benefits:** You will be eligible to participate and receive the severance benefits provided in the Company's Executive Severance Plan, subject to all of the terms and conditions thereof. You hereby acknowledge and agree that the only severance benefits you are eligible to receive from the Company will be pursuant to the Executive Severance Plan.

10. **Pre-employment Controlled Substance Testing:** This offer of employment is conditioned upon a satisfactory pre-employment controlled substance test, which will be conducted at the Company's direction before you are allowed to start work, as well as I-9 verification and a satisfactory background check. Additionally, your employment may be terminated if information that you provided in connection with your employment is determined by the Company to be false, inaccurate, or misleading.

11. **Certain Restrictions:** You must execute the Hawaiian Telcom Business Protection Agreement attached hereto as Exhibit B. Additionally, you will be subject to the policies, practices and procedures maintained by the Company as set forth in the Company's Code of Business Conduct, employee handbook and other Company policies, which may be modified from time to time. You understand that this offer is conditioned upon an inquiry into your criminal conviction record for the past ten years, and if the Company determines that you have a criminal conviction record that bears a rational relationship to the duties and responsibilities of your intended position, this offer of employment may be withdrawn.

12. **Arbitration:** You agree to sign the Arbitration Agreement attached hereto as Exhibit C.

13. Interpretation and Severability: The words of this letter will be interpreted according to their common meaning. If any provision of this letter is deemed unenforceable for any reason, said provision will not affect the remaining terms of this letter and a court, upon motion by the Company, may amend said provision so as to render it valid and enforceable while providing to the Company the maximum protections permitted by law. Hawaii law will govern the interpretation and enforcement of this letter.

If you agree with the terms of employment set forth in this letter, please indicate your understanding and agreement by executing in the space provided and returning this letter, complete with signed Exhibits B and C to me by May 1, 2015. By executing in the space provided, you acknowledge that no promises, representations, understandings or agreements, either oral or in writing, were made with you that are inconsistent with the terms of this letter and that this letter will, in any event, supersede any such prior or contemporaneous promises, representations, understandings, or agreements.

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I look forward to working with you in building, developing and integrating the Company into a strong business with a positive community presence.

Sincerely,

/s/ Eric K. Yeaman
Eric K. Yeaman
President and Chief Executive Officer

Understood, accepted and agreed to effective as of May 1, 2015

/s/ Dan T. Bessey
Dan T. Bessey

EXHIBIT A
RESTRICTED STOCK UNIT AGREEMENT

**RESTRICTED STOCK UNIT AGREEMENT FOR EXECUTIVES
PURSUANT TO THE
HAWAIIAN TELCOM 2010 EQUITY INCENTIVE PLAN**

* * * * *

Participant: Dan T. Bessey

Grant Date: May 1, 2015

Total Maximum Number of Restricted Stock Units granted: 14,114 (the "Total Maximum RSUs")

Total Target Number of Restricted Stock Units: 9,033 (the "Total Target RSUs")

* * * * *

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Hawaiian Telcom Holdco, Inc., a Delaware corporation (the "Company"), and the Participant specified above, pursuant to the Hawaiian Telcom 2010 Equity Incentive Plan (the "Plan"), which is administered by the Compensation Committee of the Board of Directors of the Company (the "Committee"); and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Company to grant the Restricted Stock Units ("RSUs") provided herein to the Participant, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt.** This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the grant of the RSUs hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan.

2. **Grant of Restricted Stock Unit Award.** The Company hereby grants to the Participant, as of the Grant Date specified above, the Total Maximum RSUs specified above. The Total Maximum RSUs is determined by adding the Time-Based RSUs and the Maximum Performance-Based RSUs as defined in Section 3(a) below. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or

is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason. The Participant shall not have the rights of a stockholder in respect of the Shares underlying this Award until such Shares are delivered to the Participant in accordance with Section 4.

3. **Vesting.**

(a) **General.** Except as otherwise provided in this Section 3, RSUs subject to this Award shall vest as follows:

- (i) **Time-Based RSUs.** Fifty percent (50%) of the Total Target RSUs (the "**Time-Based RSUs**") shall vest in equal installments of twelve and one-half percent (12.5%) of the Total Target RSUs on March 12, 2016, March 12, 2017, March 12, 2018, and March 12, 2019, (or if the Company's shares are not traded such day on an established national or regional securities exchange, the vesting date shall be the immediately prior day on which the Company's shares are traded on an established national or regional securities exchange), subject to the Participant's continued employment by the Company or one of its Subsidiaries through each such vesting date; and
- (ii) **Performance-Based RSUs.** An amount of RSUs equal to the Target PBRsUs (as defined below) multiplied by 1.5625 (the "**Maximum Performance-Based RSUs**" or "**Maximum PBRsUs**") shall vest on the vesting dates and in the amounts set forth in this Section 3(a)(ii) based upon the Company's performance over one year for revenue and Adjusted EBITDA and over two years for total shareholder return of the Company in comparison to the NASDAQ Telecommunications Index (the "**Index**"), subject to the Participant's continued employment with the Company or one of its Subsidiaries through each vesting date, and provided further, in no event may the Participant vest in any of the PBRsUs pursuant to this Section 3(a)(ii) in the event the FY2015 Adjusted EBITDA performance is below Threshold (as shown in the table below). "**Target PBRsUs**" shall mean the Total Target RSUs less the Time-Based RSUs. The Committee shall determine the extent to which the performance goals set forth herein are achieved and the total number of PBRsUs that will vest pursuant to this Section 3(a)(ii) in its sole and absolute discretion. For purposes of clarity, in no event may Participant vest in more than the Maximum PBRsUs pursuant to this Section 3(a)(ii).

On the Determination Date (as defined below) and on each of the first two annual anniversaries of the Determination Date, an amount of PBRsUs shall vest equal to the product of A times B times C, where:

A = Total Base Percentage of Target PBRsUs Vested (as defined below);

B = TSR Award Modifier (as defined below); and

C = Sixteen and two-thirds percent (16 2/3%) of the Total Target RSUs.

Notwithstanding the foregoing, the Committee in its sole discretion, after consideration of such factors as it deems appropriate, may reduce the number of Performance-Based RSUs that otherwise would vest pursuant to this Section 3(a)(ii).

For purposes of this Section 3(a)(ii), "Total Base Percentage of Target PBRsUs Vested" shall mean (1) Weighted % Vested from Revenue Performance, plus (2) Weighted % Vested from Adjusted EBITDA Performance, each of which shall be determined as follows:

Weighted % Vested from Revenue Performance

Measurement	Weighting	Factor	Amount (\$ in mils)	Base % of Target PBRsUs Vested
FY2015 Revenue	40%			
Threshold		95%	\$ 381.4	75%
Target		100%	\$ 401.5	100%
Maximum		105%	\$ 421.6	125%

Weighted % Vested from Adjusted EBITDA Performance

Measurement	Weighting	Factor	Amount (\$ in mils)	Base % of Target PBRsUs Vested
FY2015 Adjusted EBITDA	60%			
Threshold		95%	\$ 114.4	75%
Target		100%	\$ 120.4	100%
Maximum		105%	\$ 126.4	125%

In the event of performance between Threshold and Target or between Target and Maximum, straight-line interpolation will determine the weighted percentages set forth above. If performance is below Threshold, the applicable weighted percentage will equal zero percent (0%). In no event may the Weighted % Vested from Revenue Performance or the Weighted % Vested from Adjusted EBITDA Performance exceed 125%.

For purposes of this Section 3(a)(ii), "TSR Award Modifier" shall have the meaning set forth below based on the Company's TSR relative performance which shall be equal to the Company TSR, minus the Index TSR (each, as defined below), multiplied by 100%:

Level	TSR Relative Performance (Company TSR minus Index TSR)	TSR Award Modifier
High	+15% and higher	125%
Target	0%	100%
Low	-15% and lower	75%

In the event of TSR relative performance between levels, straight-line interpolation will determine the TSR Award Modifier. The TSR Award Modifier shall never exceed 125% or go below 75%.

For purposes of this Section 3(a)(ii), “TSR” shall mean the aggregate total shareholder return on Shares over the two-year period beginning January 1, 2015 and ending on December 31, 2016 (the “TSR Performance Period”) against the total shareholder return over the same two-year period for the Index. TSR shall be calculated for the Company and Index using:

- A beginning price for the Shares and the Index equal to the trading volume weighted average price over the first 5 trading days in January 2015, and accounting for the reinvestment of dividends over this period (“Beginning Price”), and
- An ending price for the Shares and the Index equal to the trading volume weighted average price over the last 5 trading days in December 2016, and accounting for the reinvestment of dividends over this period (“Ending Price”).

TSR shall be calculated for the Company and the Index as follows:

$$\text{Company TSR} = (\text{Share Ending Price} / \text{Share Beginning Price}) - 1$$

$$\text{Index TSR} = (\text{Index Ending Price} / \text{Index Beginning Price}) - 1$$

The “Determination Date” for the Performance-Based RSUs shall be March 12, 2017 or, if later, the date in fiscal year 2017 on which the Committee determines the Total Base Percentage of PBRsUs Vested, the TSR Award Modifier and the total number of RSUs that will be eligible to vest pursuant to this Section 3(a)(ii), if any; provided, however, the Determination Date shall not be later than the earlier of (i) thirty (30) days following the completion of the Company’s final audited financial statement for fiscal year 2016, and (ii) April 30, 2017.

EXAMPLE: Executive is awarded a grant of 10,000 Total Target RSUs (i.e., 5,000 Target PBRsUs). The FY2015 Revenue and FY2015 Adjusted EBITDA both equal or exceed their respective Maximum levels, and the Company TSR outperforms the Index TSR by more than 15%. Accordingly, on the Determination Date and on each of the first two annual anniversaries of the Determination Date, the following amount of

PBRsUs (equal to one-third of Executive’s Maximum Performance-Based RSUs) would vest, as follows:

No. of Target PBRsUs		Total Base Percentage of Target PBRsUs Vested		TSR Award Modifier	=	
1,666.66	x	125%	x	125%	=	2,604 (rounded down to nearest whole share)

The Shares delivered in respect of PBRsUs that vest pursuant to this Section 3(a)(ii) shall be non-transferable, provided such transfer restrictions shall lapse in equal installments on each of the first three (3) annual anniversaries of the date on which such PBRsUs became vested, except as provided in Sections 3(b) and 3(c) below.

Any determinations made pursuant to Section 3 by the Committee shall be made in the sole and absolute discretion of the Committee and shall be conclusive and binding on the parties for all purposes.

(b) Certain Terminations.

- (i) Upon a Participant’s Termination due to the Participant’s death or Disability, unvested RSUs on the date of death or Disability (as determined by the Committee in its sole discretion) shall become vested at the time specified in, and in the pro-rated amount determined pursuant to, Section 3(b)(iii) below. Any such vested RSUs shall be paid as provided in Section 4 and any transfer restrictions applicable to any Shares previously issued upon vesting of Performance-Based RSUs shall immediately lapse upon the Participant’s Termination.
- (ii) Upon a Participant’s Termination due to the Participant’s Termination by the Company without Cause or Termination by the Participant for Good Reason, unvested RSUs on the date of Termination shall become vested at the time specified in, and in the pro-rated amount determined pursuant to, Section 3(b)(iii) below. Any such vested RSUs shall be paid as provided in Section 4 and any transfer restrictions applicable to any Shares previously issued upon vesting of Performance-Based RSUs shall immediately lapse upon the Participant’s Termination.
- (iii) For purposes of Sections 3(b)(i) and 3(b)(ii) above, (I) the following number of Time-Based RSUs shall become vested immediately upon Termination (and any remaining unvested Time-Based RSUs shall be forfeited immediately upon Termination): (x) the number of Time-Based RSUs scheduled to vest on the next annual anniversary of the Grant Date, multiplied by (y) the ratio, the numerator of which is the number of days that have elapsed from the immediately preceding anniversary of the Grant

Date (or the applicable Grant Date, in the event the date of Termination is less than one year following the Grant Date) to the date of Termination and the denominator of which is 365, and (II) the following number of Performance-Based RSUs shall become vested upon the regularly scheduled vesting date (e.g., the Determination Date or the first or second annual anniversary thereof) next to occur on or after the Termination (and any remaining unvested Performance-Based RSUs shall be forfeited immediately following such Determination Date): (x) the number of Performance-Based RSUs that would otherwise vest on such vesting date based on actual performance as determined pursuant to the provisions of Section 3(a)(ii) above, multiplied by (y) the ratio (A) if the Termination occurs on or before December 31, 2016, the numerator of which is the number of days that elapsed between January 1, 2015 and the Termination and the denominator of which is 730, or (B) if the Termination occurs on or after January 1, 2017, the numerator of which is the number of days that elapsed between the first day of the fiscal year in which the Termination occurred and the Termination and the denominator of which is 365.

(c) **Change in Control.** Upon the occurrence of a Change in Control while the Participant is employed by the Company or its Subsidiaries, all unvested Time-Based RSUs on the date of the Change in Control shall immediately become vested and be paid as provided in Section 4, and all unvested Maximum Performance-Based RSUs on the date of the Change in Control shall immediately become vested based upon performance as of the date of the Change in Control and be paid as provided in Section 4, and any transfer restrictions applicable to any Shares previously issued upon vesting of Performance-Based RSUs or issued pursuant to this Section 3(c) shall immediately lapse upon the Change in Control.

(d) **Leaves of Absence.** Notwithstanding anything stated herein or the Plan to the contrary, if the Participant takes a leave of absence, the Company may, at its discretion, suspend vesting during the period of leave to the extent permitted under applicable local law.

(e) **Forfeiture.** Except as set forth in Section 3(b) above, all unvested RSUs shall be immediately forfeited upon the Participant's Termination for any reason.

4. **Delivery of Shares.** Subject to Sections 10 and 13, RSUs shall be automatically settled in Shares upon vesting of such RSUs. In connection with the delivery of the Shares pursuant to this Agreement, the Participant agrees to execute any documents reasonably requested by the Company. In no event shall a Participant be entitled to receive any Shares with respect to any unvested or forfeited portion of the RSU award.

5. **Dividends and Other Distributions.** The Participant shall be entitled to receive all dividends and other distributions paid with respect to the Shares underlying the RSUs, provided that any such dividends or other distributions will be subject to the same vesting requirements as the underlying RSUs and shall be paid at the time the Shares are delivered pursuant to Section 4.

6. Non-transferability.

(a) Restriction on Transfers. All RSUs, and any rights or interests therein, (i) shall not be sold, exchanged, transferred, assigned or otherwise disposed of in any way at any time by the Participant (or any beneficiary(ies) of the Participant), other than by testamentary disposition by the Participant or by the laws of descent and distribution, (ii) shall not be pledged or encumbered in any way at any time by the Participant (or any beneficiary(ies) of the Participant) and (iii) shall not be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, pledge, transfer, assign, encumber or otherwise dispose of these RSUs, or the levy of any execution, attachment or similar legal process upon these RSUs, contrary to the terms of this Agreement and/or the Plan, shall be null and void and without legal force or effect.

(b) Other Rights. Notwithstanding anything herein to the contrary, the Participant, and any permitted transferee, shall not, directly or indirectly, Transfer any Shares acquired by the Participant or permitted transferee (or his or her estate or legal representative), unless in each such instance the Participant or permitted transferee (or his or her estate or legal representative) shall have first offered to the Company the Shares proposed to be Transferred pursuant to a bona fide offer from a third party. The right of first refusal must be exercised by the Company by delivering to the Participant or permitted transferee (or his or her estate or legal representative) written notice of such exercise within twenty (20) business days of the Company's receipt of written notification of the proposed sale. Upon the exercise of a right of first refusal, the Shares proposed to be sold shall be purchased by the Company at the price per share offered to be paid by the prospective transferee. The notice of exercise of the right of first refusal shall specify the date and location for the closing of such purchase. This right of first refusal shall expire immediately upon the effectiveness of the filing of a Form 10 with the Securities and Exchange Committee or, if later, the date that the Company's shares otherwise become registered with the Securities and Exchange Commission.

7. Code Section 409A. For purposes of Code Section 409A, the regulations and other guidance there under and any state law of similar effect (collectively "Section 409A"), each distribution that is made pursuant to this Agreement is hereby designated as a separate payment. The Participant and the Company intend that all distributions made or to be made under this Agreement comply with, or are exempt from, the requirements of Section 409A so that none of the distributions will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply or be so exempt. Specifically, any distribution made in connection with the Participant's Termination and paid on or before the 15th day of the 3rd month following the end of the Participant's first tax year in which the Participant's Termination occurs or, if later, the 15th day of the 3rd month following the end of the Company's first tax year in which the Participant's Termination occurs, shall be exempt from Section 409A to the maximum extent permitted pursuant to Treasury Regulation Section 1.409A-1(b)(4) and any additional distribution made in connection with the Participant's Termination under this Agreement shall be exempt from Section 409A to the maximum extent permitted pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) (to the extent it is exempt pursuant to such section it will in any event be paid no later than the last day of the Participant's 2nd taxable year following the taxable year in which the Participant's Termination occurs). Notwithstanding the foregoing, if any of the distributions provided in connection with the Participant's Termination do not qualify for any reason to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-

1(b)(4), Treasury Regulation Section 1.409A-1(b)(9)(iii), or any other applicable exemption and the Participant is, at the time of the Participant's Termination, a "specified employee," as defined in Treasury Regulation Section 1.409A-1(i), each such distribution will not be made until the first regularly scheduled payroll date of the 7th month after the Participant's Termination and, on such date (or, if earlier, the date of the Participant's death), the Participant will receive all distributions that would have been made during such period in a single distribution. Any remaining distributions due under this Agreement shall be made as otherwise provided herein. The determination of whether the Participant is a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i) as of the time of such Termination shall be made by the Committee in accordance with the terms of Section 409A.

8. **Entire Agreement; Amendment.** This Agreement, together with the Plan contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

9. **Acknowledgment of Employee.** This award of RSUs does not entitle Participant to any benefit other than that granted under this Agreement. Any benefits granted under this Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation. Participant understands and accepts that the benefits granted under this Agreement are entirely at the discretion of the Company and that the Company retains the right to amend or terminate this Agreement and the Plan at any time, at its sole discretion and without notice.

10. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Hawaii, without reference to the principles of conflict of laws thereof.

11. **Withholdings and Required Deductions.** Prior to any relevant tax, withholding or required deduction event, as applicable, the Participant agrees to make arrangements satisfactory to the Company for the satisfaction of any applicable tax, withholding, required deduction and payment on account obligations of the Company and/or any Affiliate that arise in connection with the RSUs. In this regard, the Participant authorizes the Company and/or any Affiliate, or their respective agents, at their discretion, to satisfy any obligations related to any taxes or other required deductions applicable to the RSUs by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation payable to the Participant by the Company or any Affiliate; (2) withholding from proceeds of the sale of Shares acquired upon settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); (3) withholding of Shares that otherwise would be issued upon settlement of the RSUs; or (4) any other arrangement approved by the Company. Unless the tax obligations or other required deductions described herein are satisfied, the Company shall have no obligation to issue a certificate or book-entry transfer for such Shares.

12. **No Right to Employment.** Any questions as to whether and when there has been a termination of such employment and the cause of such termination shall be determined in the sole discretion of the Committee. Nothing in this Agreement or in the Plan shall interfere with or restrict in any way the rights of the Company or its Subsidiaries to terminate the Participant's employment or service at any time, for any reason and with or without cause.

13. **Notices.** Any notice which may be required or permitted under this Agreement shall be in writing, and shall be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

(a) If such notice is to the Company, to the attention of the General Counsel of the Company or at such other address as the Company, by notice to the Participant, shall designate in writing from time to time.

(b) If such notice is to the Participant, at his/her address as shown on the Company's records, or at such other address as the Participant, by notice to the Company, shall designate in writing from time to time.

14. **Compliance with Laws.** This issuance of RSUs (and the Shares underlying the RSUs) pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, as amended, the 1934 Act and in each case any respective rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. The Company shall not be obligated to issue these RSUs or any of the Shares pursuant to this Agreement if any such issuance would violate any such requirements.

15. **Binding Agreement; Assignment.** This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign (except as provided by Section 6 hereof) any part of this Agreement without the prior express written consent of the Company.

16. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

17. **Headings.** The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

18. **Further Assurances.** Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

19. **Severability.** The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this

Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

HAWAIIAN TELCOM HOLDCO, INC.

By: _____
Name: _____
Title: _____

PARTICIPANT

Name:

EXHIBIT B

HAWAIIAN TELCOM BUSINESS PROTECTION AGREEMENT

EXHIBIT B

HAWAIIAN TELCOM BUSINESS PROTECTION AGREEMENT

This Agreement is between Hawaiian Telcom, Inc. (“Company”) and Dan T. Bessey (referred to here as “I” or “my”).

1. IN CONSIDERATION FOR MY EMPLOYMENT, I AGREE AS FOLLOWS:

1.1 Safeguard of Confidential Information.

My relationship with the Company is intended to be one of trust and confidence. I acknowledge that I may have access to Confidential Information (as defined below) about the Company. During and following my employment with the Company, I shall exercise the highest degree of care in safeguarding the Confidential Information against loss, theft or disclosure and comply with any and all company policies related to such Confidential Information. I shall not use any Confidential Information for any purpose other than Company business.

1.2 Confidential Information

“Confidential Information” means information related to any aspect of the Company’s business that is either not known by Company competitors or is proprietary information that has been developed using Company time and resources.

The following are more specific examples of Confidential Information:

- marketing, sales, promotional, and training materials;
 - information about current and potential customer buying habits, needs or preferences;
 - contact information about decision-makers within companies that do business or that may do business with the Company and other customer specific information related to current or potential customer buying decisions;
 - Company personnel information, including compensation and bonus programs, Company personnel policies, forms and employee names, job descriptions, disciplinary notices or compensation and contact information;
 - forms, software or other information for tracking customer contacts;
 - market or product launches, capital expenditure forecasts or limitations, planned or forecasted network upgrades;
-

- advertising materials and strategies;
- Company vendor agreements;
- distribution methods and strategies, compensation structures and advertising/promotional strategies;
- Any information constituting a “trade secret” within the meaning of the Hawaii Uniform Trade Secrets Act, Haw. Rev. Stat. chapter 482 B.(1)
- internal documents relating to labor relations

1.3 Return of Company Property.

I understand that all Confidential Information is the exclusive property of the Company. I will promptly return all Confidential Information, including copies, notes or summaries, to the Company in the event that my employment is terminated, for any reason.

1.4 Non-competition, Solicitation, or Inducement of Customers or Employees

(A) During my employment and for twelve (12) months following termination for any reason [cumulatively referred to as the “Designated Period”] I shall not: (i) directly or indirectly compete with the Company’s business, products or services in the State of Hawaii nor (ii) directly or indirectly make any contact or communication of any kind for the purpose of soliciting, inviting, inducing, encouraging or requesting any customer to: (a) transfer its business from the Company to me, my business or my new employer’s business; or (b) open a new account with me, my business or my new employer’s business; or (c) otherwise induce or encourage a Company customer to discontinue or reduce its business with the Company.

(B) During the Designated Period, I will not solicit, induce or attempt to induce any employee into terminating his/her employment with the Company.

(1) The Hawaii Uniform Trade Secrets Act defines “Trade Secret” as follows:

“Trade Secret” means information, including a formula, pattern, compilation, program device, method, technique, or process that:

- (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
- (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

[Haw. Rev. Stat. §482B-2]

2. NO OBLIGATIONS UNDER PRIOR, THIRD PARTY AGREEMENTS

I represent that: (i) I am not obligated under any other agreement or understanding that would affect the Company's rights or my performance or duties to the Company. I further represent that I have provided to the Company complete and accurate copies of any non-solicitation, confidentiality, non-competition or similar agreement between me and any former employers that may be in effect.

3. REMEDIES

3.1 Injunctive Relief.

I agree that a breach of any of my promises in this Agreement would irreparably damage the Company. Accordingly, I understand that the Company reserves the right to take prompt court action to stop any breach or threatened breach of this Agreement.

3.2 Accrual and Payment of Commissions Conditioned on Compliance with Agreement.

Notwithstanding any agreement to the contrary, I agree that the accrual and payment of any commissions to me are conditioned on my compliance with this Agreement. I authorize the Company to withhold any commissions where the Company forms a reasonable, good faith belief that I have breached this Agreement. Under the above circumstances, said commissions may be held by the Company, pending a final determination by a court or arbitrator, as the case may be, as to whether I have violated this Agreement. In the event of a final determination that I did not violate this Agreement, the Company shall promptly pay over to me the commissions in dispute, including any interest earned thereon calculated at a rate of six percent per annum. In the event of a final determination that I violated this Agreement, any commissions withheld shall become the exclusive property of the Company. This section 3.2 shall constitute a written authorization for withholding of wages pursuant to Hawaii Revised Statutes section 388-6.

3.3 Attorney Fees.

In the event of any breach of this Agreement, the prevailing party shall be entitled to an award of all costs and attorneys' fees reasonably incurred in defending or enforcing the prevailing party's rights. Attorney's fees shall not be limited by the amount of monetary relief received.

4. EMPLOYMENT AT-WILL

I acknowledge and agree that this Agreement does not alter the employment-at will relationship. I affirm that either I or the Company may terminate the employment relationship at any time, with or without notice, and with or without cause.

5. ADDITIONAL TERMS

5.1 Venue and Governing Law.

I agree that any claim in connection with this Agreement may only be filed in a court of competent jurisdiction in Honolulu, Hawaii. Further, this Agreement shall be interpreted in accordance with the laws of the State of Hawaii.

5.2 Successors and Assigns.

This Agreement shall inure to the benefit of the Company's successors, purchasers, and assigns.

5.3 Severability and Judicial Power to Conform Agreement to Law.

If any provision of this Agreement shall be held invalid, its invalidity shall not affect any other provision of this Agreement that can be given effect without the invalid provision. Further, in the event that a Court determines that any part of this Agreement is unenforceable for any reason, the Court, upon motion by the Company, shall be empowered to modify such term(s) to render the Agreement enforceable while according to the Company the maximum benefit and protection of its interests allowable by law.

6. EMPLOYEE'S UNDERSTANDING

I acknowledge that (i) I have read each and every paragraph of this Agreement; (ii) I have had an opportunity to consult with legal counsel concerning the terms of this Agreement; and (iii) that I fully understand this Agreement. I also acknowledge that this agreement does not supersede any other agreement(s) between me and the Company.

IT IS SO AGREED on this 1st day of May, 2015.

/s/ Dan T. Bessey
Dan T. Bessey

May 1, 2015
Date

EXHIBIT C
ARBITRATION AGREEMENT

EXHIBIT C

ARBITRATION AGREEMENT

In consideration for my employment with Hawaiian Telcom, Inc. or its subsidiary or affiliate, I agree that any legal claim that I may have arising out of or relating to my employment shall be resolved through final and binding arbitration. The Arbitration Rules, Procedures and Protocols of Dispute Prevention & Resolution, Inc., ("DP&R") located in Honolulu, Hawaii, as may be amended from time to time, will apply to this Arbitration Agreement. In the event of a dissolution of DP&R, the procedures established in the Hawaii Uniform Arbitration Act, as amended [Haw. Rev. Stat. Chapter 658A] shall apply. Notwithstanding any law to the contrary, nothing in this Agreement shall empower an arbitrator to provide relief that would exceed that which a court or administrative agency could lawfully provide, according to the cause of action alleged.

Understood, accepted and
agreed to effective on this
1st day of May, 2015

/s/ Dan T. Bessey

Dan T. Bessey

Certification Pursuant To Section 302 of the Sarbanes-Oxley Act of 2002

I, Eric K. Yeaman, Chief Executive Officer and Acting Principal Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawaiian Telcom Holdco, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 4, 2015

/s/ Eric K. Yeaman
Eric K. Yeaman
Chief Executive Officer and
Acting Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hawaiian Telcom Holdco, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric K. Yeaman, Chief Executive Officer and Acting Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 4, 2015

/s/ Eric K. Yeaman

Eric K. Yeaman
Chief Executive Officer and
Acting Principal Financial Officer



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For Immediate Release

Hawaiian Telcom Reports First Quarter 2015 Results

Achieved Consumer Revenue Growth of 4.8 percent

Delivered Business Data Revenue Growth of 5.8 percent

Began Construction of Trans-Pacific Submarine Cable System

HONOLULU (Monday, May 4, 2015) — Hawaiian Telcom Holdco, Inc. (NASDAQ: HCOM) reported financial results for its first quarter ended March 31. The highlights are as follows:

- Revenue totaled \$97.1 million, consistent with the same period a year ago, resulting in Adjusted EBITDA(1) of \$29.2 million, up 0.4 percent year-over-year.
- Consumer revenue increased 4.8 percent year-over-year to \$37.5 million, driven by growth in video and high-speed Internet (HSI) revenue of \$2.8 million and \$0.8 million, respectively.
- Added nearly 1,600 Hawaiian Telcom TV subscribers during the first quarter, ending the quarter with approximately 29,700 subscribers, resulting in penetration of 17.9 percent of households enabled.
- Enabled 6,000 households in the quarter, increasing enabled households on O’ahu to 166,000.
- Business data revenue increased 5.8 percent year-over-year to \$7.0 million, driven by growth in switched Ethernet, IP-VPN and dedicated Internet access revenues.
- Generated net income of \$1.0 million, or \$0.09 per diluted share for the quarter, compared to \$2.4 million or \$0.21 per diluted share in the first quarter of 2014. The decrease was primarily due to a \$2.6 million year-over-year increase in depreciation and amortization as a result of significant investments made to the Company’s broadband fiber network.
- Launched Desktop-as-a-Service and Microsoft’s Cloud Solutions further leveraging the capabilities of the Company’s next-generation fiber network and data center assets.
- Announced the start of construction on the Southeast Asia — United States (SEA-US) trans-Pacific submarine fiber cable system and already entered into a \$5 million agreement for sale of capacity.
- Named “Marketer of the Year” and selected for the “Best Marketing of a New Product/Service” Gold Award by the Hawai’i Chapter of the American Marketing Association.

“Our first quarter results were buoyed by the continued success of our next-generation products and services, made possible by the strategic investments in our broadband fiber network and systems,” said Eric K. Yeaman, Hawaiian Telcom’s president and CEO. “Continued expansion of our next-generation fiber optic network coupled with robust demand for our Hawaiian Telcom TV and high-speed Internet services led to significant growth in our consumer channel, despite healthy competition in the marketplace.

“Business data revenue grew at a steady pace, underscoring the strategic value of our combined network and data center services capabilities. We continue to see growing demand for comprehensive and secure IT solutions in the business sector and have responded by rounding out our cloud services portfolio with the addition of two new cloud-based services: Desktop-as-a-Service as well as Microsoft’s Cloud Solutions including Microsoft Office 365, SharePoint and Lync as Software-as-a-Service offerings.

“Together with our consortium partners, we reached a significant milestone in the quarter with the start of construction on our landmark trans-Pacific submarine fiber cable system. In less than two weeks, we have finalized sales of capacity on the new system equaling 20 percent of our investment.

“Thoughtful investments like these have transformed our Company into Hawai‘i’s technology leader while demonstrating our intimate understanding of the needs of our marketplace as well as our responsibility to serve as positive stewards of our Company. We will continue our commitment to prudently invest in ways that maximize value for our shareholders in the long term,” concluded Yeaman.

First Quarter 2015 Results

First quarter revenue was \$97.1 million, consistent with the first quarter of 2014. Revenue growth in the quarter, driven by video, HSI, IP data products and data center services more than offset the impact from a 6 percent decline in access lines. Adjusted EBITDA was \$29.2 million, up 0.4 percent compared to the same period a year ago.

The Company generated net income of \$1.0 million, or \$0.09 per diluted share for the quarter, compared to \$2.4 million or \$0.21 per diluted share in the first quarter of 2014. The decrease was primarily due to a \$2.6 million increase in depreciation and amortization as a result of significant investments made to the Company’s broadband fiber network.

Consumer Revenue

First quarter consumer revenue totaled \$37.5 million, up 4.8 percent year-over-year primarily driven by revenue growth from the Company’s Hawaiian Telcom TV and HSI services. Revenue growth in video and HSI services continues to more than offset lower revenue from legacy services, and combined video and HSI services now represent 41 percent of consumer revenue, up from 34 percent in the same period a year ago, and 25 percent in the same period two years ago.

Video service revenue grew to \$7.5 million for the quarter, up from \$4.8 million in the same period a year ago, driven by the addition of approximately 9,400 subscribers for a total of approximately 29,700 subscribers at the end of the first quarter. Hawaiian Telcom TV average revenue per user (ARPU) was up approximately 5.8 percent year-over-year. During the quarter, 6,000 additional households were enabled, increasing the total number of households enabled to 166,000 with approximately 57 percent of those households capable of utilizing fiber-to-the-premise technology. Hawaiian Telcom TV penetration of households enabled was approximately 17.9 percent at the end of the first quarter.

Consumer HSI revenue also improved from the same period a year ago, led by a 1.8 percent year-over-year increase in consumer HSI subscribers to approximately 93,100 and a 7.3 percent increase in consumer HSI ARPU due to increased adoption of higher speed offerings. As of March 31, 2015, approximately 93 percent of all video subscribers had double- or triple-play bundles. Revenue increases from video and HSI were partially offset by legacy revenue declines related to consumer voice access and long distance line losses of 9.5 percent and 9.1 percent year-over-year, respectively.

Business Revenue

First quarter business revenue totaled \$41.6 million, compared to \$42.5 million in the first quarter of 2014. Growth from next-generation services, primarily from a 5.8 percent year-over-year increase in business data revenue and a 8.0 percent year-over-year increase in data center revenue, was more than offset by the year-over-year decline in legacy business access and long distance revenues. Driven by increasing customer demand for higher bandwidth services and integrated communications solutions, next-generation services now represent 31 percent of business revenue, up from 29 percent in the same period a year ago, and 23 percent in the same period two years ago.

Wholesale Revenue

First quarter wholesale revenue totaled \$15.6 million, compared to \$15.9 million in the first quarter of 2014. Wholesale carrier data revenue was \$14.3 million, consistent with the same period a year ago. Switched carrier access revenue declined \$0.2 million year-over-year to \$1.3 million, attributable to both the overall decline in voice access lines and minutes of use and the impact of intercarrier compensation reform.

Operating Expenses, Capital Expenditures and Liquidity

Operating expenses, exclusive of depreciation and amortization, non-cash stock compensation, SystemMetrics earn-out and other one-time charges was \$67.9 million, consistent with the first quarter of 2014. The increase in direct cost of services related to video was offset by decreased utilities costs and lower employee salaries and benefit costs.

Capital expenditures totaled \$29.2 million in the first quarter 2015, compared to \$23.9 million in the first quarter 2014. The increase was primarily due to the first SEA-US payment of \$2.3 million, as well as higher success-based spending to support the growth of our next-generation services. Overall, total capital expenditures for 2015 are expected to be in the high-\$90 million range, consistent with the level of capital spending in 2014.

At the end of first quarter 2015, the Company had \$26.9 million in cash and cash equivalents compared to \$39.9 million at the end of 2014. The use of cash is primarily related to higher levels of success-based capital expenditures and temporary uses of working capital. Net Debt(2) was \$264.9 million, resulting in a Net Debt to Adjusted EBITDA ratio as of March 31, 2015 of 2.25x.

Conference Call

The Company will host a conference call to discuss its first quarter 2015 results at 8:00 a.m. (Hawai'i Time), or 2:00 p.m. (Eastern Time) on Monday, May 4, 2015.

To access the call, participants should dial (866) 578-5771 (US/Canada), or (617) 213-8055 (International) ten minutes prior to the start of the call and enter passcode 53582949.

A live webcast of the conference call, including a slide presentation, will be available from the Investor Relations section of the Company's website at <http://hawaiiantel.com>. The webcast will be archived at the same location.

A telephonic replay of the conference call will be available three hours after the conclusion of the call until 11:59 p.m. (Eastern Time) May 11, 2015. Access the replay by dialing (888) 286-8010 and entering passcode 13625059. Alternatively, the replay can be accessed by dialing (617) 801-6888 and entering passcode 13625059.

Use of Non-GAAP Financial Measures

This press release contains information about adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) and Net Debt. These are non-GAAP financial measures used by Hawaiian Telcom management when evaluating results of operations. Management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Detailed reconciliations of Adjusted EBITDA and Net Debt to comparable GAAP financial measures have been included in the tables distributed with this release and are available in the Investor Relations section of www.hawaiiantel.com.

Forward-Looking Statements

In addition to historical information, this release includes certain statements and predictions that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, any statement, projection or estimate that includes or references the words "believes", "anticipates", "intends", "expected", or any similar expression falls within the safe harbor of forward-looking statements contained in the Reform Act. Actual results or outcomes may differ materially from those indicated or suggested by any such forward-looking statement for a variety of reasons, including, but not limited to: failures in Hawaiian Telcom's critical back office systems and IT infrastructure; breach of the our data security systems; increases in the amount of capital expenditures required to execute our business plan; the loss of certain outsourcing agreements, or the failure of any third party to perform under these agreements; adverse changes to applicable laws and regulations; the failure to adequately adapt to technological changes in the telecommunications industry, including changes in consumer technology preferences; adverse economic conditions in Hawaii; the availability of lump sum distributions under our union pension plan; limitations on the ability to utilize net operating losses due to an ownership change under Internal Revenue Code Section 382; the inability to service our indebtedness; limitations imposed on our business from restrictive covenants in the credit agreements; and severe weather conditions and natural disasters. More information on potential risks and uncertainties is available in recent filings with the Securities and Exchange Commission, including Hawaiian Telcom's 2014 Annual Report on Form 10-K. The information contained in this release is as of May 4, 2015. It is anticipated that subsequent events and developments may cause estimates to change, and the Company undertakes no duty to update forward-looking statements.

About Hawaiian Telcom

Hawaiian Telcom (Nasdaq: HCOM), headquartered in Honolulu, is Hawai'i's technology leader, providing integrated communications, broadband, data center and entertainment solutions for business and residential customers. With roots in Hawai'i beginning in 1883, the Company offers a full range of services including Internet, video, voice, wireless, data network solutions and security, colocation, and managed and cloud services supported by the reach and reliability of its next generation fiber network and a 24/7 state-of-the-art network operations center. With employees statewide sharing a commitment to innovation and a passion for delivering superior service, Hawaiian Telcom provides an Always OnSM customer experience. For more information, visit www.hawaiiantel.com.

(1) Adjusted EBITDA is EBITDA plus non-cash stock compensation, SystemMetrics earn-out and other non-recurring costs not expected to occur regularly in the ordinary course of business. EBITDA is defined as net income plus interest expense (net of interest income and other), income taxes, depreciation and amortization and gain on sale of property. The Company believes both of these non-GAAP measures, Adjusted EBITDA and EBITDA, are meaningful performance measures for investors because they are used by our Board and management to evaluate performance, enhance comparability between periods and make operating decisions. Our use of Adjusted EBITDA and EBITDA may not be comparable to similarly titled measures used by other companies in the telecommunications industry. A detailed reconciliation of adjusted Adjusted EBITDA and EBITDA to comparable GAAP financial measures has been included in the tables distributed with this release.

(2) Net Debt provides a useful measure of liquidity and financial health. The Company defines Net Debt as the sum of the face amount of short-term and long-term debt and unamortized premium and/or discount, offset by cash and cash equivalents. A detailed reconciliation of Net Debt has been included in the tables distributed with this release.

Hawaiian Telco Holdco, Inc.
Consolidated Statements of Income
(Unaudited, dollars in thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2015	2014
Operating revenues	\$ 97,114	\$ 97,072
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization)	40,183	40,948
Selling, general and administrative	29,732	29,266
Depreciation and amortization	21,280	18,720
Total operating expenses	91,195	88,934
Operating income	5,919	8,138
Other income (expense):		
Interest expense	(4,337)	(4,188)
Interest income and other	7	10
Total other expense	(4,330)	(4,178)
Income before income tax provision	1,589	3,960
Income tax provision	614	1,592
Net income	\$ 975	\$ 2,368
Net income per common share -		
Basic	\$ 0.09	\$ 0.22
Diluted	\$ 0.09	\$ 0.21
Weighted average shares used to compute net income per common share -		
Basic	10,692,198	10,528,039
Diluted	11,272,922	11,271,827

Hawaiian Telcom Holdco, Inc.
Consolidated Balance Sheets
(Unaudited, dollars in thousands, except per share amounts)

	March 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 26,940	\$ 39,885
Receivables, net	32,357	32,662
Material and supplies	9,791	9,337
Prepaid expenses	3,688	3,598
Deferred income taxes	6,840	6,840
Other current assets	3,512	3,481
Total current assets	83,128	95,803
Property, plant and equipment, net	568,169	565,956
Intangible assets, net	36,704	37,328
Goodwill	12,104	12,104
Deferred income taxes	81,568	81,626
Other assets	10,554	9,151
Total assets	<u>\$ 792,227</u>	<u>\$ 801,968</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 3,000	\$ 3,000
Accounts payable	45,218	50,499
Accrued expenses	14,956	19,399
Advance billings and customer deposits	15,170	14,686
Other current liabilities	5,901	6,790
Total current liabilities	84,245	94,374
Long-term debt	288,863	289,423
Employee benefit obligations	99,432	99,366
Other liabilities	15,968	14,271
Total liabilities	488,508	497,434
Stockholders' equity		
Common stock, par value of \$0.01 per share, 245,000,000 shares authorized and 10,757,666 and 10,673,292 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	108	107
Additional paid-in capital	169,967	170,521
Accumulated other comprehensive loss	(25,184)	(23,947)
Retained earnings	158,828	157,853
Total stockholders' equity	303,719	304,534
Total liabilities and stockholders' equity	<u>\$ 792,227</u>	<u>\$ 801,968</u>

Hawaiian Telco Holdco, Inc.
Consolidated Statements of Cash Flows
(Unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 975	\$ 2,368
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	21,280	18,720
Employee retirement benefits	(1,952)	(3,475)
Provision for uncollectibles	1,248	513
Stock based compensation	375	1,074
Deferred income taxes	837	1,685
Changes in operating assets and liabilities:		
Receivables	(943)	957
Material and supplies	(91)	459
Prepaid expenses and other current assets	(121)	810
Accounts payable and accrued expenses	(3,782)	(10,010)
Advance billings and customer deposits	484	(210)
Other current liabilities	(185)	89
Other	808	390
Net cash provided by operating activities	18,933	13,370
Cash flows from investing activities:		
Capital expenditures	(29,172)	(23,939)
Net cash used in investing activities	(29,172)	(23,939)
Cash flows from financing activities:		
Repayments of capital lease and installment financing	(1,382)	(489)
Repayment of debt	(750)	(750)
Proceeds from installment financing	354	—
Taxes paid related to net share settlement of equity awards	(928)	(1,005)
Net cash used in financing activities	(2,706)	(2,244)
Net change in cash and cash equivalents	(12,945)	(12,813)
Cash and cash equivalents, beginning of period	39,885	49,551
Cash and cash equivalents, end of period	\$ 26,940	\$ 36,738
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 3,953	\$ 3,824

Hawaiian Telecom Holdco, Inc.
Revenue by Category and Channel
(Unaudited, dollars in thousands)

	Three Months Ended March 31,		Change	
	2015	2014	Amount	Percentage
Wireline Services				
Local voice services	\$ 31,769	\$ 33,775	\$ (2,006)	-5.9%
Network access services				
Business data	7,006	6,624	382	5.8%
Wholesale carrier data	14,333	14,386	(53)	-0.4%
Subscriber line access charge	8,656	9,169	(513)	-5.6%
Switched carrier access	1,312	1,552	(240)	-15.5%
	<u>31,307</u>	<u>31,731</u>	<u>(424)</u>	<u>-1.3%</u>
Long distance services	5,309	5,906	(597)	-10.1%
High-Speed Internet	11,328	10,544	784	7.4%
Video	7,522	4,754	2,768	58.2%
Equipment and managed services	4,265	4,489	(224)	-5.0%
Wireless	451	593	(142)	-23.9%
Other	2,566	2,875	(309)	-10.7%
	<u>94,517</u>	<u>94,667</u>	<u>(150)</u>	<u>-0.2%</u>
Data center colocation	2,597	2,405	192	8.0%
	<u>\$ 97,114</u>	<u>\$ 97,072</u>	<u>\$ 42</u>	<u>0.0%</u>
Channel				
Business	\$ 41,575	\$ 42,512	\$ (937)	-2.2%
Consumer	37,533	35,823	1,710	4.8%
Wholesale	15,644	15,937	(293)	-1.8%
Other	2,362	2,800	(438)	-15.6%
	<u>\$ 97,114</u>	<u>\$ 97,072</u>	<u>\$ 42</u>	<u>0.0%</u>

Hawaiian Telco Holdco, Inc.
Schedule of Adjusted EBITDA Calculation
(Unaudited, dollars in thousands)

	Three Months Ended March 31,		LTM Ended March 31,
	2015	2014	2015
Net income	\$ 975	\$ 2,368	\$ 6,706
Income tax provision	614	1,592	4,932
Interest expense and other income and expense, net	4,330	4,178	16,614
Depreciation and amortization	21,280	18,720	80,574
EBITDA	27,199	26,858	108,826
Non-cash stock compensation	375	1,074	3,475
SystemMetrics earn-out	272	272	1,087
Non-recurring costs	476	675	2,249
Pension settlement loss	850	—	850
Severance costs	—	—	197
Wavecom integration costs	—	178	161
Storm Iselle costs	—	—	1,077
Adjusted EBITDA	<u>\$ 29,172</u>	<u>\$ 29,057</u>	<u>\$ 117,922</u>

Hawaiian Telco Holdco, Inc.
Net Debt to LTM Adjusted EBITDA Ratio
(Unaudited, dollars in thousands)

Long-term debt as of March 31, 2015	\$ 291,863
Less cash on hand	(26,940)
Total Net Debt as of March 31, 2015	<u>\$ 264,923</u>
LTM Adjusted EBITDA as of March 31, 2015	\$ 117,922
Total Net Debt to Adjusted EBITDA	2.25x

Hawaiian Telco Holdco, Inc.
Volume Information
(Unaudited)

	March 31, 2015	March 31, 2014	Change	
			Number	Percentage
Voice access lines				
Residential	165,074	182,375	(17,301)	-9.5%
Business	187,300	192,202	(4,902)	-2.6%
Public	3,733	4,073	(340)	-8.3%
	<u>356,107</u>	<u>378,650</u>	<u>(22,543)</u>	<u>-6.0%</u>
High-Speed Internet lines				
Residential	93,090	91,429	1,661	1.8%
Business	19,624	19,404	220	1.1%
Wholesale	796	936	(140)	-15.0%
	<u>113,510</u>	<u>111,769</u>	<u>1,741</u>	<u>1.6%</u>
Long distance lines				
Residential	104,527	115,019	(10,492)	-9.1%
Business	76,916	79,108	(2,192)	-2.8%
	<u>181,443</u>	<u>194,127</u>	<u>(12,684)</u>	<u>-6.5%</u>
Video services				
Subscribers	<u>29,721</u>	<u>20,279</u>	<u>9,442</u>	<u>46.6%</u>
Homes Enabled	<u>166,000</u>	<u>130,000</u>	<u>36,000</u>	<u>27.7%</u>
	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>	Change	
			Number	Percentage
Voice access lines				
Residential	165,074	169,488	(4,414)	-2.6%
Business	187,300	188,534	(1,234)	-0.7%
Public	3,733	3,830	(97)	-2.5%
	<u>356,107</u>	<u>361,852</u>	<u>(5,745)</u>	<u>-1.6%</u>
High-Speed Internet lines				
Residential	93,090	92,875	215	0.2%
Business	19,624	19,589	35	0.2%
Wholesale	796	814	(18)	-2.2%
	<u>113,510</u>	<u>113,278</u>	<u>232</u>	<u>0.2%</u>
Long distance lines				
Residential	104,527	107,342	(2,815)	-2.6%
Business	76,916	77,899	(983)	-1.3%
	<u>181,443</u>	<u>185,241</u>	<u>(3,798)</u>	<u>-2.1%</u>
Video services				
Subscribers	<u>29,721</u>	<u>28,124</u>	<u>1,597</u>	<u>5.7%</u>
Homes Enabled	<u>166,000</u>	<u>160,000</u>	<u>6,000</u>	<u>3.8%</u>



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For Immediate Release

Hawaiian Telcom Appoints New Board Member and CFO to Leadership Team

HONOLULU (Monday, May 4, 2015) — Hawaiian Telcom (Nasdaq: HCOM), Hawai'i's technology leader, today announced the appointment of Dan T. Bessey as its new Chief Financial Officer and Meredith J. Ching, senior vice president of government and community relations of Alexander & Baldwin, Inc. (A&B), as the eighth member of its board of directors.

“As we continue to grow Hawaiian Telcom, we are excited to welcome these seasoned executives to our team,” said president and CEO Eric K. Yeaman. “Dan’s extensive experience in finance and strategic planning in the telecommunications and high technology sectors makes him the ideal financial executive to help us continue to drive Hawaiian Telcom’s performance forward.

“We are fortunate to have Meredith, a respected local business and community leader, as the newest addition to our board. Meredith brings a deep understanding of Hawai'i's business sector, legislative and regulatory environment and communities and appreciates the critical importance of having the proper, next-generation telecommunications infrastructure and services available for Hawai'i's residents and businesses, not only for today but into the future,” Yeaman added.

Bessey joins Hawaiian Telcom from Cesca Therapeutics, a publicly traded bio-technology company based in Rancho Cordova, California, where he served as Chief Financial Officer and managed the Finance and Accounting, Business Planning and Forecasting, Corporate Development, Investor Relations and Human Resources functions. Previously, Bessey spent 17 years at SureWest Communications (merged with Consolidated Communications, Inc. in July 2012), a publicly traded telecommunications company providing voice, video and data services to both residential and commercial customers in the greater Sacramento, California; Kansas City, Kansas and Missouri areas. He began his career at SureWest as its Director of Corporate Finance, was promoted to Controller then Vice President, Finance before being appointed Vice President, Chief Financial Officer responsible for multiple functions including, Finance and Accounting, Business Planning and Forecasting, Mergers and Acquisitions, Treasury Management, Investor Relations, Human Resources and Information Systems. At SureWest, Bessey successfully developed and implemented long-term business and financial strategies that increased profitability and shareholder return.

Bessey earned a bachelor's degree in business administration/accountancy from California State University, Sacramento where he graduated magna cum laude.

Ching has served as a key member of A&B's executive management team since 2007 when she was named senior vice president, government and community relations of the 145-year old Hawai'i company with interests in real estate development, agriculture, natural materials and infrastructure construction. Prior to joining A&B in 1982, Ching held the position of financial analyst with the Dillingham Corporation.

Ching's community involvement currently includes the boards of the Girl Scouts of Hawai'i, Kapi'olani Health Foundation, Hawai'i Agriculture Foundation, Hawai'i Ag & Culinary Alliance and the A&B Sugar Museum. Past community involvement includes service on the boards of Hawai'i Nature Center, Nature Conservancy of Hawai'i, YMCA, HMSA, Pālama Settlement, Neighborhood Justice Center, and Child and Family Service.

Ching's past government service activities included appointments to the State of Hawai'i Commission on Water Resource Management, the State Board of Agriculture, City & County of Honolulu Charter Commission, Mayor's Task Force to develop the Pacific Nations Center and the Governor's Task Force on the Department of Environmental Protection.

Ching holds a bachelor's degree in civil engineering from Stanford University and a master's degree in business administration from the University of California at Los Angeles.

Ching's appointment was effective May 1, 2015 and Bessey's on May 11, 2015.

About Hawaiian Telcom

Hawaiian Telcom (Nasdaq: HCOM), headquartered in Honolulu, is Hawai'i's technology leader, providing integrated communications, broadband, data center and entertainment solutions for business and residential customers. With roots in Hawai'i beginning in 1883, the Company offers a full range of services including Internet, video, voice, wireless, data network solutions and security, colocation, and managed and cloud services supported by the reach and reliability of its next generation fiber network and a 24/7 state-of-the-art network operations center. With employees statewide sharing a commitment to innovation and a passion for delivering superior service, Hawaiian Telcom provides an Always OnSM customer experience. For more information, visit www.hawaiiantel.com.

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