UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 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	**16-1710376**
(State or other jurisdiction of incorporation or organization)	(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 [X] 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 [X] 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 [X]	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 [X]

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 [X] No [ ]

As of November 9, 2015, 11,466,398 shares of the registrant's common stock were outstanding.

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PART I — FINANCIAL INFORMATION

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 September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating revenues	$ 100,905	$ 97,252	$ 294,208	$ 291,109
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	41,013	42,621	120,415	124,858
Selling, general and administrative	33,146	28,294	92,645	86,280
Depreciation and amortization	22,551	19,717	65,772	57,321
Total operating expenses	96,710	90,632	278,832	268,459
Operating income	4,195	6,620	15,376	22,650
Other income (expense):				
Interest expense	(4,148)	(4,103)	(12,651)	(12,401)
Interest income and other	4	13	15	27
Total other expense	(4,144)	(4,090)	(12,636)	(12,374)
Income before income tax provision	51	2,530	2,740	10,276
Income tax provision (credit)	(54)	1,014	1,204	4,155
Net income	$ 105	$ 1,516	$ 1,536	$ 6,121
Net income per common share -				
Basic	$ 0.01	$ 0.14	$ 0.14	$ 0.58
Diluted	$ 0.01	$ 0.13	$ 0.14	$ 0.54
Weighted average shares used to compute net income per common share -				
Basic	11,040,299	10,586,690	10,844,478	10,567,036
Diluted	11,318,641	11,311,691	11,275,655	11,329,328

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$ 105	$ 1,516	$ 1,536	$ 6,121
Other comprehensive income (loss) -				
Unrealized holding gains (losses) arising during period	(1)	(3)	(1)	(4)
Retirement plan gain (loss)	(8,786)	43	(6,711)	(202)
Income tax credit (provision) on comprehensive income	3,357	(17)	2,565	83
Other comprehensive income (loss), net of tax	(5,430)	23	(4,147)	(123)
Comprehensive income (loss)	$ (5,325)	$ 1,539	$ (2,611)	$ 5,998

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 28,845	$ 39,885
Receivables, net	33,580	32,662
Material and supplies	9,126	9,337
Prepaid expenses	5,085	3,598
Deferred income taxes	6,481	6,840
Other current assets	3,633	3,481
Total current assets	86,750	95,803
Property, plant and equipment, net	572,242	565,956
Intangible assets, net	35,454	37,328
Goodwill	12,104	12,104
Deferred income taxes	82,917	81,626
Other assets	10,133	9,151
Total assets	$ 799,600	$ 801,968
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	$ 3,000	$ 3,000
Accounts payable	44,707	50,499
Accrued expenses	15,331	19,399
Advance billings and customer deposits	16,540	14,686
Other current liabilities	6,630	6,790
Total current liabilities	86,208	94,374
Long-term debt	287,752	289,423
Employee benefit obligations	102,762	99,366
Other liabilities	17,467	14,271
Total liabilities	494,189	497,434
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, par value of $0.01 per share, 245,000,000 shares authorized and 11,122,880 and 10,673,292 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	111	107
Additional paid-in capital	174,005	170,521
Accumulated other comprehensive loss	(28,094)	(23,947)
Retained earnings	159,389	157,853
Total stockholders' equity	305,411	304,534
Total liabilities and stockholders' equity	$ 799,600	$ 801,968

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows from operating activities:		
Net income	$ 1,536	$ 6,121
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	65,772	57,321
Employee retirement benefits	(3,315)	(10,557)
Provision for uncollectibles	2,640	2,493
Stock based compensation	1,087	3,066
Deferred income taxes	1,633	4,770
Changes in operating assets and liabilities:		
Receivables	(3,558)	(1,350)
Material and supplies	211	(685)
Prepaid expenses and other current assets	(2,538)	(1,421)
Accounts payable and accrued expenses	(3,222)	1,296
Advance billings and customer deposits	4,054	(50)
Other current liabilities	(693)	(568)
Other	1,988	1,380
Net cash provided by operating activities	65,595	61,816
Cash flows from investing activities:		
Capital expenditures	(76,732)	(76,474)
Funds released from restricted cash account	400	—
Net cash used in investing activities	(76,332)	(76,474)
Cash flows from financing activities:		
Proceeds from stock issuance	3,342	—
Loan refinancing costs	(150)	—
Proceeds from installment financing	2,779	2,085
Repayment of capital lease and installment financing	(3,083)	(2,014)
Repayment of debt	(2,250)	(2,250)
Taxes paid related to net share settlement of equity awards	(941)	(1,021)
Net cash used in financing activities	(303)	(3,200)
Net change in cash and cash equivalents	(11,040)	(17,858)
Cash and cash equivalents, beginning of period	39,885	49,551
Cash and cash equivalents, end of period	$ 28,845	$ 31,693
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	$ 11,234	$ 11,033

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2015	10,673,292	$ 107	$ 170,521	$ (23,947)	$ 157,853	$ 304,534
Stock based compensation	—	—	1,087	—	—	1,087
Exercise of warrant agreement	376,333	4	3,338	—	—	3,342
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	73,255	—	(941)	—	—	(941)
Net income	—	—	—	—	1,536	1,536
Other comprehensive loss, net of tax	—	—	—	(4,147)	—	(4,147)
Balance, September 30, 2015	11,122,880	$ 111	$ 174,005	$ (28,094)	$ 159,389	$ 305,411
Balance, January 1, 2014	10,495,856	$ 105	$ 167,869	$ (4,716)	$ 149,754	$ 313,012
Stock based compensation	—	—	3,066	—	—	3,066
Exercise of warrant agreement	15,361	—	—	—	—	—
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	75,888	1	(1,022)	—	—	(1,021)
Net income	—	—	—	—	6,121	6,121
Other comprehensive loss, net of tax	—	—	—	(123)	—	(123)
Balance, September 30, 2014	10,587,105	$ 106	$ 169,913	$ (4,839)	$ 155,875	$ 321,055

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, television, Internet, long distance 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 September 30, 2015 are held in one bank in demand deposit accounts. During the nine months ended September 30, 2015, funds amounting to $0.4 million in a restricted cash account held in conjunction with a lease agreement provision were released and deposited into unrestricted cash.

Supplemental Non-Cash Investing and Financing Activities

Accounts payable included $14.5 million and $15.1 million at September 30, 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 $2.1 million and $6.1 million for the three and nine months ended September 30, 2015, and $1.9 million and $5.5 million for the three and nine months ended September 30, 2014, respectively.

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Basic earnings per share - weighted average shares	11,040,299	10,586,690	10,844,478	10,567,036
Effect of dilutive securities:				
Employee and director restricted stock units	19,045	122,530	76,058	153,752
Warrants	259,297	602,471	355,119	608,540
Diluted earnings per share - weighted average shares	11,318,641	11,311,691	11,275,655	11,329,328

The computation of weighted average dilutive shares outstanding excluded grants of restricted stock units convertible into 84,259 of common stock for the three months ended September 30, 2015. 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 nine months ended September 30, 2015 and for the three and nine months ended September 30, 2014, 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 issued a new accounting standard which provides guidance for revenue recognition which was amended in July 2015. The amendment deferred the effective date for the Company to the first quarter of 2018 with either full retrospective or modified retrospective adoption permitted. Early adoption is allowed from the first quarter of 2017. 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 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 2016 for the Company. Early adoption is permitted. The Company is currently evaluating the impact and timing of adopting this new accounting standard and the impact it will have on the Company’s financial position, results of operations and cash flows.

3. Receivables

Receivables consisted of the following (dollars in thousands):

	September 30, 2015	December 31, 2014
Customers and other	$ 37,453	$ 36,417
Allowance for doubtful accounts	(3,873)	(3,755)
	$ 33,580	$ 32,662

4. Long-Lived Assets

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

	September 30, 2015	December 31, 2014
Property, plant and equipment	$ 910,799	$ 843,589
Less accumulated depreciation	(338,557)	(277,633)
	$ 572,242	$ 565,956

Depreciation expense amounted to $22.0 million and $63.9 million for the three and nine months ended September 30, 2015, respectively. Depreciation expense amounted to $19.0 million and $55.1 million for the three and nine months ended September 30, 2014, respectively.

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

	September 30, 2015			December 31, 2014		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Subject to amortization:						
Customer relationships	$ 21,709	$ 13,628	$ 8,081	$ 21,709	$ 11,799	$ 9,910
Trade name and other	320	247	73	320	202	118
	22,029	13,875	8,154	22,029	12,001	10,028
Not subject to amortization:						
Brand name	27,300	—	27,300	27,300	—	27,300
	27,300	—	27,300	27,300	—	27,300
	$ 49,329	$ 13,875	$ 35,454	$ 49,329	$ 12,001	$ 37,328

Amortization expense amounted to $0.6 million and $1.9 million for the three and nine months ended September 30, 2015, respectively. Amortization expense amounted to $0.7 million and $2.2 million for the three and nine months ended September 30, 2014, respectively. Estimated amortization expense for the next five years and thereafter is as follows (dollars in thousands):

2015 (remaining months)	$ 624
2016	2,101
2017	1,703
2018	1,308
2019	930
Thereafter	1,488
	$ 8,154

5. Accrued Expenses and Other Current Liabilities

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

	September 30, 2015	December 31, 2014
Salaries and benefits	$ 11,750	$ 15,910
Interest	2,531	2,550
Other taxes	1,050	939
	$ 15,331	$ 19,399

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

	September 30, 2015	December 31, 2014
Other postretirement benefits, current	$ 2,660	$ 2,660
Installment financing contracts, current	2,733	2,787
Other	1,237	1,343
	$ 6,630	$ 6,790

6. Long-Term Debt

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

	Interest Rate at September 30, 2015	Final Maturity	September 30, 2015	December 31, 2014
Term loan	5.00 %	June 6, 2019	$ 293,888	$ 296,138
Original issue discount			(3,136)	(3,715)
			290,752	292,423
Current			3,000	3,000
Noncurrent			$ 287,752	$ 289,423

The term loan outstanding at September 30, 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 September 30, 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 September 30, 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 September 30, 2015 are as follows (dollars in thousands):

Years ended December 31,	
2015 (remainder of year)	$ 750
2016	3,000
2017	3,000
2018	3,000
2019	284,138
	$ 293,888

Capitalized Interest

Interest capitalized by the Company amounted to $0.3 million and $0.8 million for the three and nine months ended September 30, 2015, respectively. Interest capitalized by the Company amounted to $0.3 million and $0.8 million for the three and nine months ended September 30, 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.

The following provides the components of benefit costs (income) for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

Pension

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest cost	$ 2,107	$ 2,208	$ 6,164	$ 6,624
Expected asset return	(3,146)	(3,178)	(9,906)	(9,534)
Amortization of loss	24	29	5	87
Net periodic benefit income	(1,015)	(941)	(3,737)	(2,823)
Settlement loss	4,118	—	6,366	—
Net benefit expense (income)	$ 3,103	$ (941)	$ 2,629	$ (2,823)

Other Postretirement Benefits

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Service cost	$ 259	$ 230	$ 777	$ 691
Interest cost	589	602	1,767	1,805
Amortization of loss	150	15	449	45
Net periodic benefit cost	$ 998	$ 847	$ 2,993	$ 2,541

During the three and nine months ended September 30, 2015, the Company's pension plan for union employees paid lump-sum benefits to plan participants in full settlement of obligations due amounting to $25.7 million and $45.5 million, respectively. During the nine months ended September 30, 2015, the Company's pension plan for management employees paid lump sum benefits in full settlement amounting to $0.6 million. The Company's pension plan for management employees paid such benefits for the first quarter of 2015 only. This resulted in the recognition of a loss on settlement for both pension plans amounting to $4.1 million and $6.4 million for the three and nine months ended September 30, 2015, respectively. Because of the settlements, the Company measured its union pension plan obligations and plan assets as of September 30, 2015. The Company had previously measured its union plan obligations and plan assets as of June 30, 2015 and March 31, 2015 and its management pension plan obligations and plan assets as of March 31, 2015 in determining its employee benefit obligations as of those dates. The Company used discount rates of 4.03%, 4.09% and 3.54% as of September 30, June 30 and March 31, 2015, respectively, to measure the union pension plan obligations. The Company used a discount rate of 3.57% to measure the management plan obligations as of March 31, 2015. The new measurements resulted in other comprehensive loss of $9.0 million and $ 7.3 million for the three and nine months ended September 30, 2015, respectively.

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 September 30, 2015, the Company has contributed $7.6 million. The Company expects to contribute $9.3 million for the year ended December 31, 2015. The lower expected contribution than previously reported is because of changes in funding requirements.

8. Income Taxes

The income tax provision (credit) 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income tax at federal rate	$ 17	$ 860	$ 932	$ 3,494
Increase (decrease) resulting from:				
State income taxes, net of federal income tax	3	101	116	411
Permanent difference for compensation limitation	14	177	242	531
Expense reflected in tax basis	(158)	—	53	—
Other permanent differences	55	1	209	249
Capital goods excise tax credit	15	(125)	(348)	(530)
Total income tax provision (credit)	$ (54)	$ 1,014	$1,204	$ 4,155

The Company evaluates its tax positions for liability recognition. As of September 30, 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 and nine months ended September 30, 2015 or 2014. All tax years from 2011 remain open for both federal and Hawaii state tax 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 with 748,000 shares remaining to be issued at September 30, 2015. All grants under the equity incentive plan will be issued to acquire shares at the fair value on date of grant.

As of September 30, 2015, all awards were restricted stock units. Activity with respect to outstanding restricted stock units for the nine months ended September 30, 2015 and 2014 was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
2015		
Nonvested at January 1, 2015	245,752	$ 27
Granted	140,909	26
Vested	(109,426)	28
Forfeited	(101,520)	26
Nonvested at September 30, 2015	175,715	$ 26
2014		
Nonvested at January 1, 2014	260,734	18
Granted	155,146	31
Vested	(111,037)	25
Forfeited	(7,221)	23
Nonvested at September 30, 2014	297,622	$ 24

The Company recognized compensation expense of $0.2 million and $1.1 million for the three and nine months ended September 30, 2015, respectively. The Company recognized compensation expense of $1.0 million and $3.1 million for the three and nine months ended September 30, 2014, respectively. The fair value as of the vesting date for the restricted stock units that vested during the nine months ended September 30, 2015 and 2014 was $2.6 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 36,171 and 35,147 for the nine months ended September 30, 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 nine months ended September 30, 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 were exercisable 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 nine months ended September 30, 2015 and 2014, warrants were exercised on a cashless basis resulting in the issuance of 137,636 shares and 15,361 shares of common stock, respectively. In addition, another 238,697 warrants were exercised for cash consideration of $3.3 million during the nine months ended September 30, 2015. Warrants to purchase 504,621 shares of common stock were outstanding at September 30, 2015.

Accumulated Other Comprehensive Income (Loss)

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

	Unrealized Gain (Loss) on Investments	Retirement Plans	Total
Three Months Ended September 30, 2015			
July 1, 2015	$ (64)	$(22,600)	$(22,664)
Other comprehensive income (loss) for 2015	(1)	(5,429)	(5,430)
September 30, 2015	$ (65)	$(28,029)	$(28,094)
Nine Months Ended September 30, 2015			
January 1, 2015	$ (64)	$(23,883)	$(23,947)
Other comprehensive income (loss) for 2015	(1)	(4,146)	(4,147)
September 30, 2015	$ (65)	$(28,029)	$(28,094)
Three Months Ended September 30, 2014			
July 1, 2014	$ (61)	$ (4,801)	$ (4,862)
Other comprehensive income (loss) for 2014	(3)	26	23
September 30, 2014	$ (64)	$ (4,775)	$ (4,839)
Nine Months Ended September 30, 2014			
January 1, 2014	$ (60)	$ (4,656)	$ (4,716)
Other comprehensive loss for 2014	(4)	(119)	(123)
September 30, 2014	$ (64)	$ (4,775)	$ (4,839)

Reclassifications out of accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2015 and 2014 were as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Retirement plans				
Amortization of (gain) loss and settlement loss	$ 4,292	$ 43	$ 6,820	$(202)
Income tax credit (charge) on comprehensive income	(1,631)	(17)	(2,592)	83
Net of tax	$ 2,661	$ 26	$ 4,228	$(119)

The amortization of (gain) loss and settlement loss was recognized primarily in selling, general and administrative expense for the periods ended September 30, 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 in exchange 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 the first half of 2017. As of September 30, 2015, the Company had paid $3.0 million to the cable contractor for construction with all such costs capitalized to telephone plant under construction.

The Company will have 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 agreements for the sale of capacity for $27.0 million plus fees to activate assigned capacity, and for operations and maintenance. As of September 30, 2015, the Company had received up-front payments of $4.2 million. One of the capacity sale agreements requires $2.0 million to be held in escrow. 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.

Connect America Fund Phase II

In conjunction with reforming the Universal Service Fund, the Federal Communications Commission ("FCC") established the Connect America Fund ("CAF") which provides incremental support to broadband service providers. CAF Phase II is the long-term component of the program. In August 2015, the Company notified the FCC that it is accepting CAF Phase II support which amounts to $4.4 million in annual funding. Support will be retroactive through the beginning of 2015, net of certain other receipts from the Universal Service Fund, and will continue for six years. Under the terms of the CAF Phase II, the Company will offer broadband service at 10 Mbps downstream and 1 Mbps upstream or better to approximately 11,000 eligible locations in high-cost areas in the State of Hawaii and will provide voice and broadband services at reasonable rates.

For the three and nine months ended September 30, 2015, the Company recognized $2.2 million of the first year funds as revenue in the condensed consolidated statement of income.

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.

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

	Carrying Value	Fair Value
September 30, 2015		
Assets - investment in U.S. Treasury obligations	$ 809	$ 809
Liabilities - long-term debt (carried at cost)	290,752	295,927
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):

	September 30, 2015	December 31, 2014
Asset value measurements using:		
Quoted prices in active markets for identical assets (Level 1)	$ 809	$ 808
Significant other observable inputs (Level 2)	—	—
Significant unobservable inputs (Level 3)	—	—
	$ 809	$ 808
Liability value measurements using:		
Quoted prices in active markets for identical liabilities (Level 1)	$ —	$ —
Significant other observable inputs (Level 2)	295,927	296,908
Significant unobservable inputs (Level 3)	—	—
	$295,927	$296,908

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, video, high-speed internet and long distance voice services. 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.

The following table provides operating financial information for the Company's reportable segments for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Tele-communications	Data Center Colocation	Intersegment Elimination	Total
Three Months Ended September 30, 2015				
Operating revenues	$ 98,475	$ 2,762	$ (332)	$ 100,905
Depreciation and amortization	21,978	573	—	22,551
Operating income (loss)	4,352	(157)	—	4,195
Three Months Ended September 30, 2014				
Operating revenues	$ 95,040	$ 2,485	$ (273)	$ 97,252
Depreciation and amortization	19,298	419	—	19,717
Operating income (loss)	6,723	(103)	—	6,620
Nine Months Ended September 30, 2015				
Operating revenues	$ 287,123	$ 8,143	$ (1,058)	$ 294,208
Depreciation and amortization	64,080	1,692	—	65,772
Operating income (loss)	16,170	(794)	—	15,376
Capital expeditures	69,395	699	—	70,094
Nine Months Ended September 30, 2014				
Operating revenues	$ 284,617	$ 7,213	$ (721)	$ 291,109
Depreciation and amortization	56,078	1,243	—	57,321
Operating income (loss)	22,888	(238)	—	22,650
Capital expeditures	76,949	468	—	77,417

Intersegment revenue represents primarily network access services provided by the telecommunications segment for data center colocation. For the three and nine months ended September 30, 2015 and 2014, total operating income above reconciles to the condensed consolidated statement of income as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating income	$ 4,195	$ 6,620	$ 15,376	$ 22,650
Corporate other expense	(4,144)	(4,090)	(12,636)	(12,374)
Income before income tax provision	$ 51	$ 2,530	$ 2,740	$ 10,276

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Local voice and other retail services	$ 65,280	$63,694	$191,634	$189,583
Network access services	32,863	31,073	94,431	94,313
Data center colocation	2,762	2,485	8,143	7,213
	$100,905	$97,252	$294,208	$291,109

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;
- the effect our indebtedness could have on our financial condition;
- the effect of severe weather and natural disasters;
- the ability of shareholders to influence corporate decisions; and
- the effect future sales of a substantial amount of common stock may have on 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.

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.

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.

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

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 and Nine Months Ended September 30, 2015 and 2014

Operating Revenues

The following tables summarize our volume information (lines or subscribers) as of September 30, 2015 and 2014, and our operating revenues for the three and nine months ended September 30, 2015 and 2014. For comparability, we also present volume information as of September 30, 2015 compared to June 30, 2015.

Volume Information

As of September 30, 2015 compared to September 30, 2014

	September 30, 2015	September 30, 2014	Change Number	Change Percentage
Voice access lines				
Residential	156,311	173,656	(17,345)	(10.0)%
Business	185,393	189,207	(3,814)	(2.0)%
Public	3,589	3,954	(365)	(9.2)%
	345,293	366,817	(21,524)	(5.9)%
High Speed Internet lines				
Residential	93,202	92,265	937	1.0 %
Business	19,835	19,552	283	1.4 %
Wholesale	727	853	(126)	(14.8)%
	113,764	112,670	1,094	1.0 %
Long distance lines				
Residential	98,637	109,702	(11,065)	(10.1)%
Business	75,375	78,207	(2,832)	(3.6)%
	174,012	187,909	(13,897)	(7.4)%
Video services				
Subscribers	34,009	25,766	8,243	32.0 %
Homes Enabled	183,000	152,000	31,000	20.4 %

As of September 30, 2015 compared to June 30, 2015

	September 30, 2015	June 30, 2015	Change	
			Number	Percentage
Voice access lines				
Residential	156,311	160,819	(4,508)	(2.8)%
Business	185,393	185,975	(582)	(0.3)%
Public	3,589	3,638	(49)	(1.3)%
	345,293	350,432	(5,139)	(1.5)%
High Speed Internet lines				
Residential	93,202	93,338	(136)	(0.1)%
Business	19,835	19,759	76	0.4 %
Wholesale	727	749	(22)	(2.9)%
	113,764	113,846	(82)	(0.1)%
Long distance lines				
Residential	98,637	101,648	(3,011)	(3.0)%
Business	75,375	75,719	(344)	(0.5)%
	174,012	177,367	(3,355)	(1.9)%
Video services				
Subscribers	34,009	31,921	2,088	6.5 %
Homes Enabled	183,000	175,000	8,000	4.6 %

Operating Revenues (dollars in thousands)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Change Amount	Change Percentage
Telecommunication Services				
Local voice services	$ 31,080	$ 32,668	$ (1,588)	(4.9)%
Network access services				
Business data	7,103	6,470	633	9.8 %
Wholesale carrier data	14,245	14,416	(171)	(1.2)%
Subscriber line access charge	8,527	8,786	(259)	(2.9)%
Switched carrier access and subsidies	2,988	1,401	1,587	113.3 %
	32,863	31,073	1,790	5.8 %
High Speed Internet	11,513	10,909	604	5.5 %
Video	8,677	6,531	2,146	32.9 %
Long distance services	5,137	5,554	(417)	(7.5)%
Equipment and managed services	5,993	4,818	1,175	24.4 %
Wireless	406	515	(109)	(21.2)%
Other	2,474	2,699	(225)	(8.3)%
	98,143	94,767	3,376	3.6 %
Data center colocation	2,762	2,485	277	11.1 %
	$ 100,905	$ 97,252	$ 3,653	3.8 %
Channel				
Business	$ 43,362	$ 41,728	$ 1,634	3.9 %
Consumer	38,080	37,141	939	2.5 %
Wholesale	17,234	15,817	1,417	9.0 %
Other	2,229	2,566	(337)	(13.1)%
	$ 100,905	$ 97,252	$ 3,653	3.8 %

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Change Amount	Change Percentage
Telecommunication Services				
Local voice services	$ 93,714	$ 98,806	$ (5,092)	(5.2)%
Network access services				
Business data	20,812	19,806	1,006	5.1 %
Wholesale carrier data	42,368	43,082	(714)	(1.7)%
Subscriber line access charge	25,745	26,985	(1,240)	(4.6)%
Switched carrier access and subsidies	5,506	4,440	1,066	24.0 %
	94,431	94,313	118	0.1 %
High Speed Internet	34,183	32,206	1,977	6.1 %
Video	24,479	16,759	7,720	46.1 %
Long distance services	15,550	17,176	(1,626)	(9.5)%
Equipment and managed services	15,037	14,030	1,007	7.2 %
Wireless	1,283	1,646	(363)	(22.1)%
Other	7,388	8,960	(1,572)	(17.5)%
	286,065	283,896	2,169	0.8 %
Data center colocation	8,143	7,213	930	12.9 %
	$294,208	$ 291,109	$ 3,099	1.1 %
Channel				
Business	$126,118	$ 126,308	$ (190)	(0.2)%
Consumer	113,494	109,312	4,182	3.8 %
Wholesale	47,874	47,523	351	0.7 %
Other	6,722	7,966	(1,244)	(15.6)%
	$294,208	$ 291,109	$ 3,099	1.1 %

A decrease in local voice services revenues for both the three and nine month periods was caused by the continued 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 and nine months ended September 30, 2015 increased when compared to the same periods in the prior year as demand for data services continues to grow. Wholesale carrier data revenue for the nine months ended September 30, 2015 decreased when compared to the nine months ended September 30, 2014. This was primarily because of various customer special service charges in the second quarter of 2014. Wholesale carrier revenue for the three months ended September 30, 2015 was generally comparable to the same period in the prior year. The impact of the decline in voice access lines is reflected in subscriber line access charges.

Switched carrier access revenue includes government subsidies from the Universal Service Fund. In conjunction with reforming the Universal Service Fund, the Federal Communications Commission ("FCC") established the Connect America Fund ("CAF") which provides incremental support to broadband service providers. CAF Phase II is the long-term component of the program. In August 2015, we notified the FCC that we have accepted CAF Phase II support which amounts to $4.4 million in annual funding. This support is retroactive through the beginning of 2015 and will continue for six years. Under the terms of the CAF Phase II, we will offer broadband service at 10 Mbps downstream and 1 Mbps upstream or better to approximately 11,000 eligible locations in high-cost areas in the State of Hawaii and will provide voice and broadband services at reasonable rates. As of September 30, 2015, we recognized $2.2 million of the first year funds as revenue in the condensed consolidated statement of income.

HSI revenues increased for the three and nine months ended September 30, 2015 when compared to the prior year periods as a result of a 1.0% year-over-year increase in total HSI subscribers, a rate increase as well as premium pricing on higher bandwidth offerings.

We are continuing the roll out of Hawaiian Telcom TV to selected areas on Oahu 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.

The decrease in long distance revenue for the three and nine months ended September 30, 2015 compared to the prior year periods was primarily because of the decline in long distance lines and customers moving to wireless and VoIP based technologies for long distance calling.

Equipment and managed services revenues increased for both the three and nine months ended September 30, 2015 when compared to the same periods in the prior year because of large contract installations for certain institutional customers. Revenue from equipment sales varies from period to period based on the volume of large installation projects.

Wireless revenues and other service revenues decreased for the three and nine months ended September 30, 2015 compared to the prior year periods as we focus our marketing efforts on other telecommunication and data center services.

Data center colocation revenues increased for the three and nine months ended September 30, 2015 when compared to the prior year periods as a result of year-over-year increased virtual colocation services and data security related sales.

Operating Costs and Expenses

The following tables summarize our costs and expenses for all segments and by segments for the three and nine months ended September 30, 2015 compared to the costs and expenses for the three and nine months ended September 30, 2014 (dollars in thousands):

	Three Months Ended September 30,		Change	
	2015	2014	Amount	Percentage
Cost of revenues (exclusive of depreciation and amortization)	$ 41,013	$ 42,621	$ (1,608)	(3.8)%
Selling, general and administrative expenses	33,146	28,294	4,852	17.1 %
Depreciation and amortization	22,551	19,717	2,834	14.4 %
	$ 96,710	$ 90,632	$ 6,078	6.7 %
By segment —				
Data center colocation	$ 2,919	$ 2,588	$ 331	12.8 %
Telecommunications	93,791	88,044	5,747	6.5 %
	$ 96,710	$ 90,632	$ 6,078	6.7 %

	Nine Months Ended September 30,		Change	
	2015	2014	Amount	Percentage
Cost of revenues (exclusive of depreciation and amortization)	$ 120,415	$ 124,858	$ (4,443)	(3.6)%
Selling, general and administrative expenses	92,645	86,280	6,365	7.4 %
Depreciation and amortization	65,772	57,321	8,451	14.7 %
	$ 278,832	$ 268,459	$ 10,373	3.9 %
By segment —				
Data center colocation	$ 8,937	$ 7,451	$ 1,486	19.9 %
Telecommunications	269,895	261,008	8,887	3.4 %
	$ 278,832	$ 268,459	$ 10,373	3.9 %

The increase in operating costs and expenses for the data center colocation segment for the three and nine months ended September 30, 2015 compared to the same periods in the prior year is because of greater costs for leased circuits of $0.1 million and $0.4 million, respectively, with increased service volumes. In addition, for the three and nine month periods, depreciation increased $0.2 million and $0.4 million, respectively, on asset additions in our data center to support expected business growth.

The change in operating costs and expenses for the telecommunications segment for the three and nine months ended September 30, 2015 compared to the same periods in 2014 are the same as those below explaining changes in costs and expenses for all segments.

The Company's total number of employees as of September 30, 2015 was 1,287 compared to 1,388 as of September 30, 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. Costs of revenue for the three months ended September 30, 2015 decreased when compared to the prior year period because of lower wages and benefits of $1.8 million on lower headcount from natural attrition. In addition, costs declined on lower electricity charges of $1.2 million on lower rates and usage from various power saving initiatives. These decreases were offset by increased content costs for Hawaiian Telcom TV of $1.2 million as we add subscribers. Costs of revenues for the nine months ended September 30, 2015 decreased from the prior year period for the same reasons including a decline in wages and benefits of $4.3 million and lower electricity costs of $4.0 million, which were offset by an increase in content costs for Hawaiian Telcom TV of $4.5 million.

Selling, general and administrative expenses include costs related to sales and marketing, information systems and other administrative functions. For the three and nine months ended September 30, 2015, the increase is because of the pension settlement loss of $4.1 million and $6.4 million, respectively. The settlement loss occurred because of a large number of employee retirements in 2015.

Depreciation and amortization for the three month and nine month periods ended September 30, 2015 was higher than the same periods in the prior year because of asset additions to support growth in the business for next-generation services such as video, and higher speed internet and data.

Other Income and (Expense)

The following tables summarize other income (expense) for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands).

	Three Months Ended September 30,		Change	
	2015	2014	Amount	Percentage
Interest expense	$(4,148)	$ (4,103)	$ (45)	1.1 %
Interest income and other	4	13	(9)	(69.2)%
	$(4,144)	$ (4,090)	$ (54)	1.3 %

	Nine months ended September 30,		Change	
	2015	2014	Amount	Percentage
Interest expense	$ (12,651)	$ (12,401)	$ (250)	2.0 %
Interest income and other	15	27	(12)	(44.4)%
	$ (12,636)	$ (12,374)	$ (262)	2.1 %

Interest expense increased for the three and nine month periods because of interest on new installment financing incurred at the end of 2014. Interest capitalized amounted to $0.3 million and $0.8 million for the three and nine months ended September 30, 2015, respectively. Interest capitalized amounted to $0.3 million and $0.8 million for the three and nine months ended September 30, 2014, respectively.

Income Tax Provision

We had effective tax rates of 43.9% and 40.4% for the nine months ended September 30, 2015 and 2014, respectively. The effective tax rate for the three months ended September 30, 2015 is not meaningful given the relatively low level of pretax income. The effective tax rates increased for the year-to-date periods as permanent differences between financial reporting and income tax income, primarily related to non-deductible compensation, increased relative to pretax income. 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 tax purposes and $113.1 million for state tax 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 is determined for income tax reporting purposes based on cumulative changes in stock ownership over a defined period.

Liquidity and Capital Resources

As of September 30, 2015, we had cash of $28.8 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 continued 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 Telcom 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 Nine Months Ended September 30, 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 $65.6 million for the nine months ended September 30, 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 $61.8 million for the nine months ended September 30, 2014. The increase in cash provided by operations was because of a decline in contributions to our pension plans of $1.1 million from the nine months ended September 30, 2014 to the nine months ended September 30, 2015. In addition, during the nine months ended September 30, 2015, we received $2.2 million on an advance billing on long-term fiber circuit capacity for our trans-Pacific submarine cable system.

Cash used in investing activities for the nine months ended September 30, 2015 was primarily comprised of capital expenditures of $76.7 million. Cash used in investing activities included capital expenditures of $76.5 million for the nine months ended September 30, 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.

Cash used in financing activities for the nine months ended September 30, 2015 and 2014 was related primarily to the repayment of our debt and satisfaction of other obligations. In addition, we received $3.3 million upon the exercise of warrants for cash during the nine months ended September 30, 2015. In October 2015, we received an additional $3.3 million upon the exercise of warrants for cash before the warrant expiration on October 28, 2015.

Outstanding Debt and Financing Arrangements

As of September 30, 2015, we had outstanding $293.9 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 nine months ended September 30, 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 the 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 September 30, 2015, our floating rate obligations consisted of $293.9 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 September 30, 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 $2.9 million.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Scott K. Barber, our Chief Executive Officer, and Dan T. Bessey, our Chief Financial Officer, have evaluated the disclosure controls and procedures of Hawaiian Telcom Holdco, Inc. (the "Company") as of September 30, 2015. Based on their evaluation, as of September 30, 2015, they have 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 September 30, 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, 31.2, 32.1 and 32.2 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 November 9, 2015 announcing its 2015 third quarter earnings. This information, attached as Exhibit 99.1, is being furnished to the SEC pursuant to Item 2.02 of Form 8-K.

Item 6. Exhibits

See Exhibit Index following the signature page of this Report.

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.

	HAWAIIAN TELCOM HOLDCO, INC.
November 9, 2015	/s/ Scott K. Barber
	Scott K. Barber Chief Executive Officer
November 9, 2015	/s/ Dan T. Bessey
	Dan T. Bessey Chief Financial Officer

EXHIBIT INDEX

31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Press Release dated November 9, 2015 announcing third quarter earnings.
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

Exhibit 31.1

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

I, Scott K. Barber, 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.

November 9, 2015

/s/ Scott K. Barber
Scott K. Barber
Chief Executive Officer

Exhibit 31.2

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

I, Dan T. Bessey, 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.

November 9, 2015

/s/ Dan T. Bessey
Dan T. Bessey
Chief Financial Officer

Exhibit 32.1

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 September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott K. Barber, 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.

November 9, 2015

/s/ Scott K. Barber
Scott K. Barber
Chief Executive Officer

Exhibit 32.2

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 September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan T. Bessey, 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.

November 9, 2015	/s/ Dan T. Bessey
	Dan T. Bessey
	Chief Financial Officer

Exhibit 99.1

Hawaiian Telcom
HAWAII'S TECHNOLOGY LEADER

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For Immediate Release

Hawaiian Telcom Reports Third Quarter 2015 Results

Achieved solid third quarter revenue growth of 3.8 percent
Delivered consumer revenue growth of 2.5 percent
Added nearly 2,100 Hawaiian Telcom TV subscribers
Increased business revenue by 3.9 percent

HONOLULU (Monday, November 9, 2015) -- Hawaiian Telcom Holdco, Inc. (NASDAQ: HCOM) reported financial results for its third quarter ended September 30. The highlights are as follows:

- Revenue of $100.9 million grew by $3.7 million, or 3.8 percent, from $97.3 million in the same period in the prior year, resulting in Adjusted EBITDA(1) of $31.3 million, up 7.8 percent year-over-year.
- Consumer revenue increased 2.5 percent year-over-year to $38.1 million, driven by growth in video and high-speed Internet (HSI) revenue of $2.1 million and $0.5 million, respectively.
- Added nearly 2,100 Hawaiian Telcom TV subscribers during the third quarter, ending the quarter with approximately 34,000 subscribers, resulting in penetration of 18.6 percent of households enabled.
- Fiber-enabled 8,000 households in the quarter, increasing enabled households on O‘ahu to 183,000.
- Business revenue increased 3.9 percent year-over-year to $43.4 million, driven by a $1.2 million year-over-year increase in equipment and managed services revenue, and a 9.8 percent growth in business data revenue.
- Accepted the full amount of the FCC’s Connect America Fund – Phase II (CAF II) support of $4.4 million annually for six years to expand broadband availability and capabilities. CAF II support of $2.2 million was recognized as revenue in the third quarter.
- Generated net income of $0.1 million, or $0.01 per diluted share for the quarter, compared to $1.5 million or $0.13 per diluted share in third quarter of 2014. The decrease was primarily due to a $4.1 million non-cash pension expense related to employee retirements in the quarter, and a $2.8 million anticipated year-over-year increase in depreciation and amortization as a result of continued significant investments to expand the Company’s next-generation broadband fiber network.

“Hawaiian Telcom performed well in the third quarter -- with solid growth in all three channels,” said Scott Barber, Hawaiian Telcom’s president and CEO. “This was the 13th consecutive quarter of year-over-year growth in our consumer revenue and with additional CAF funding secured we will further expand our next-generation fiber optic network to reach more unserved and underserved communities in Hawai‘i.

"Our commercial channel experienced growth in both business and wholesale. Increasing customer demand for high bandwidth IP-based data, cloud services, and integrated communications solutions drove robust growth in business revenue.

"We are keenly focused on providing Hawai'i's businesses, residents and visitors with the next-generation products and services they have come to expect from Hawai'i's technology leader combined with exceptional customer service from our dedicated team of local employees. As Hawai'i's only local full-service communications company, backed by the strength of our next-generation fiber network, Hawaiian Telcom is well positioned to continue growing and increasing long-term shareholder value," concluded Barber.

Third Quarter 2015 Results

Third quarter revenue of $100.9 million represented a 3.8 percent increase compared with $97.3 million in the third quarter of 2014. Revenue growth in the quarter, driven by video, equipment and managed services, and $2.2 million of CAF II support, more than offset the impact from a 5.9 percent decline in access lines. Adjusted EBITDA was $31.3 million, up 7.8 percent year-over-year primarily related to the increase in revenue.

The Company generated net income of $0.1 million, or $0.01 per diluted share for the quarter, compared to $1.5 million, or $0.13 per diluted share in the third quarter of 2014. The decrease was primarily due to a $4.1 million non-cash pension expense related to employee retirements in the quarter, and a $2.8 million anticipated year-over-year increase in depreciation and amortization as a result of significant investments made to the Company's broadband fiber network.

Consumer Revenue

Third quarter consumer revenue totaled $38.1 million, up 2.5 percent year-over-year 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 44 percent of consumer revenue, up from 38 percent in the same period a year ago, and 30 percent in the same period two years ago.

Video service revenue grew to $8.7 million for the quarter, up 32.9% from $6.5 million in the same period a year ago, driven by the addition of approximately 8,200 subscribers for a total of approximately 34,000 subscribers at the end of the third quarter. During the quarter, 8,000 additional households were fiber-enabled, increasing the total number of households enabled to 183,000 with approximately 59 percent of those households capable of utilizing fiber-to-the-premise technology. Hawaiian Telcom TV penetration of households enabled increased to approximately 18.6 percent at the end of the third quarter.

Consumer HSI revenue also improved from the same period a year ago, led by a 1.0 percent year-over-year increase in consumer HSI subscribers to approximately 93,200 and a 4.6 percent increase in consumer HSI ARPU due to increased adoption of higher speed offerings. As of September 30, 2015, approximately 93 percent of all video subscribers had double- or triple-play bundles with HSI. Revenue increases from video and HSI continued to more than offset legacy revenue declines related to consumer voice access and long distance line losses.

Business Revenue

Third quarter business revenue totaled $43.4 million, up 3.9 percent from the same period a year ago, partly due to a $1.2 million year-over-year increase in equipment and managed services revenue. Also contributing to the revenue increase was strong growth from our next-generation services, including a 9.8 percent year-over-year increase in business data revenue, an 11.1 percent increase in data center revenue, and higher business HSI revenue as a result of a 1.4 percent year-over-year increase in business HSI customers. These increases more than offset the year-over-year declines 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 22 percent in the same period two years ago.

Wholesale Revenue

Third quarter wholesale revenue totaled $17.2 million, up 9.0 percent year-over-year, primarily due to $2.2 million of CAF II support recognized in the quarter. Wholesale carrier data revenue declined $0.2 million year-over-year to $14.2 million, mainly due to certain wireless carriers disconnecting lower bandwidth legacy circuits on month-to-month contracts and moving to more efficient fiber-based, higher bandwidth Ethernet circuits on multi-year contracts.

Switched carrier access and subsidies revenue increased $1.6 million year-over-year to $3.0 million, mainly from the CAF II support, partially offset by the impact of the overall decline in voice access lines and minutes of use, along with 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 non-recurring charges, increased 2.0 percent to $69.7 million. The increase was primarily due to higher levels of direct cost of services related to video and equipment and managed services sales, as well as labor overtime due to record-breaking rain in the quarter. These increases were partially offset by lower utility rates and reduced usage.

Capital expenditures totaled $76.7 million in the nine months ended September 30, 2015, consistent with the same period a year ago. Overall, total capital expenditures for 2015 are expected to be in the high- $90 million range.

At the end of third quarter 2015, the Company had $28.8 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 expansion-related and success-based capital expenditures, as well as temporary uses of working capital. Net Debt[2] was $261.9 million, resulting in a Net Leverage Ratio[3] as of September 30, 2015 of 2.2x.

Conference Call

The Company will host a conference call to discuss its third quarter 2015 results at 9:00 a.m. (Hawaii Time), or 2:00 p.m. (Eastern Time) on Monday, November 9, 2015.

To access the call, participants should dial (877) 788-4718 (US/Canada), or (530) 379-4725 (International) ten minutes prior to the start of the call and provide conference ID 58843332.

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 two hours after the conclusion of the call until 11:59 p.m. (Eastern Time) November 16, 2015. Access the replay by dialing (855) 859-2056 or (404) 537-3406 and entering conference ID 58843332.

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; our ability to sell capacity on the new submarine fiber cable project; 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 Hawai‘i; 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 November 9, 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 On℠ 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.

[3] **Net Leverage Ratio** is defined by the Company as Net Debt divided by Last Twelve Months Adjusted EBITDA. A detailed reconciliation of Net Leverage Ratio has been included in the tables distributed with this release.

[4] **Levered Free Cash Flow** provides a useful measure of operational performance and liquidity. The Company defines Levered Free Cash Flow as Adjusted EBITDA less cash interest expense and capital expenditures. A detailed reconciliation of Levered Free Cash Flow has been included in the tables distributed with this release.

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating revenues	$ 100,905	$ 97,252	$ 294,208	$ 291,109
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	41,013	42,621	120,415	124,858
Selling, general and administrative	33,146	28,294	92,645	86,280
Depreciation and amortization	22,551	19,717	65,772	57,321
Total operating expenses	96,710	90,632	278,832	268,459
Operating income	4,195	6,620	15,376	22,650
Other income (expense):				
Interest expense	(4,148)	(4,103)	(12,651)	(12,401)
Interest income and other	4	13	15	27
Total other expense	(4,144)	(4,090)	(12,636)	(12,374)
Income before income tax provision	51	2,530	2,740	10,276
Income tax provision (credit)	(54)	1,014	1,204	4,155
Net income	$ 105	$ 1,516	$ 1,536	$ 6,121
Net income per common share -				
Basic	$ 0.01	$ 0.14	$ 0.14	$ 0.58
Diluted	$ 0.01	$ 0.13	$ 0.14	$ 0.54
Weighted average shares used to compute net income per common share -				
Basic	11,040,299	10,586,690	10,844,478	10,567,036
Diluted	11,318,641	11,311,691	11,275,655	11,329,328

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

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 28,845	$ 39,885
Receivables, net	33,580	32,662
Material and supplies	9,126	9,337
Prepaid expenses	5,085	3,598
Deferred income taxes	6,481	6,840
Other current assets	3,633	3,481
Total current assets	86,750	95,803
Property, plant and equipment, net	572,242	565,956
Intangible assets, net	35,454	37,328
Goodwill	12,104	12,104
Deferred income taxes	82,917	81,626
Other assets	10,133	9,151
Total assets	$ 799,600	$ 801,968
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	$ 3,000	$ 3,000
Accounts payable	44,707	50,499
Accrued expenses	15,331	19,399
Advance billings and customer deposits	16,540	14,686
Other current liabilities	6,630	6,790
Total current liabilities	86,208	94,374
Long-term debt	287,752	289,423
Employee benefit obligations	102,762	99,366
Other liabilities	17,467	14,271
Total liabilities	494,189	497,434
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, par value of $0.01 per share, 245,000,000 shares authorized and 11,122,880 and 10,673,292 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	111	107
Additional paid-in capital	174,005	170,521
Accumulated other comprehensive loss	(28,094)	(23,947)
Retained earnings	159,389	157,853
Total stockholders' equity	305,411	304,534
Total liabilities and stockholders' equity	$ 799,600	$ 801,968

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

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows from operating activities:		
Net income	$ 1,536	$ 6,121
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	65,772	57,321
Employee retirement benefits	(3,315)	(10,557)
Provision for uncollectibles	2,640	2,493
Stock based compensation	1,087	3,066
Deferred income taxes	1,633	4,770
Changes in operating assets and liabilities:		
Receivables	(3,558)	(1,350)
Material and supplies	211	(685)
Prepaid expenses and other current assets	(2,538)	(1,421)
Accounts payable and accrued expenses	(3,222)	1,296
Advance billings and customer deposits	4,054	(50)
Other current liabilities	(693)	(568)
Other	1,988	1,380
Net cash provided by operating activities	65,595	61,816
Cash flows from investing activities:		
Capital expenditures	(76,732)	(76,474)
Funds released from restricted cash account	400	—
Net cash used in investing activities	(76,332)	(76,474)
Cash flows from financing activities:		
Proceeds from stock issuance	3,342	—
Loan refinancing costs	(150)	—
Proceeds from installment financing	2,779	2,085
Repayment of capital lease and installment financing	(3,083)	(2,014)
Repayment of debt	(2,250)	(2,250)
Taxes paid related to net share settlement of equity awards	(941)	(1,021)
Net cash used in financing activities	(303)	(3,200)
Net change in cash and cash equivalents	(11,040)	(17,858)
Cash and cash equivalents, beginning of period	39,885	49,551
Cash and cash equivalents, end of period	$ 28,845	$ 31,693
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	$ 11,234	$ 11,033

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

	Three Months Ended September 30,		Change	
	2015	2014	Amount	Percentage
Telecommunication Services				
Local voice services	$ 31,080	$ 32,668	$ (1,588)	(4.9)%
Network access services				
Business data	7,103	6,470	633	9.8 %
Wholesale carrier data	14,245	14,416	(171)	(1.2)%
Subscriber line access charge	8,527	8,786	(259)	(2.9)%
Switched carrier access and subsidies	2,988	1,401	1,587	113.3 %
	32,863	31,073	1,790	5.8 %
High Speed Internet	11,513	10,909	604	5.5 %
Video	8,677	6,531	2,146	32.9 %
Long distance services	5,137	5,554	(417)	(7.5)%
Equipment and managed services	5,993	4,818	1,175	24.4 %
Wireless	406	515	(109)	(21.2)%
Other	2,474	2,699	(225)	(8.3)%
	98,143	94,767	3,376	3.6 %
Data center colocation	2,762	2,485	277	11.1 %
	$ 100,905	$ 97,252	$ 3,653	3.8 %
Channel				
Business	$ 43,362	$ 41,728	$ 1,634	3.9 %
Consumer	38,080	37,141	939	2.5 %
Wholesale	17,234	15,817	1,417	9.0 %
Other	2,229	2,566	(337)	(13.1)%
	$ 100,905	$ 97,252	$ 3,653	3.8 %

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Change Amount	Change Percentage
Telecommunication Services				
Local voice services	$ 93,714	$ 98,806	$ (5,092)	(5.2)%
Network access services				
Business data	20,812	19,806	1,006	5.1 %
Wholesale carrier data	42,368	43,082	(714)	(1.7)%
Subscriber line access charge	25,745	26,985	(1,240)	(4.6)%
Switched carrier access and subsidies	5,506	4,440	1,066	24.0 %
	94,431	94,313	118	0.1 %
High Speed Internet	34,183	32,206	1,977	6.1 %
Video	24,479	16,759	7,720	46.1 %
Long distance services	15,550	17,176	(1,626)	(9.5)%
Equipment and managed services	15,037	14,030	1,007	7.2 %
Wireless	1,283	1,646	(363)	(22.1)%
Other	7,388	8,960	(1,572)	(17.5)%
	286,065	283,896	2,169	0.8 %
Data center colocation	8,143	7,213	930	12.9 %
	$ 294,208	$ 291,109	$ 3,099	1.1 %
Channel				
Business	$ 126,118	$ 126,308	$ (190)	(0.2)%
Consumer	113,494	109,312	4,182	3.8 %
Wholesale	47,874	47,523	351	0.7 %
Other	6,722	7,966	(1,244)	(15.6)%
	$ 294,208	$ 291,109	$ 3,099	1.1 %

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	LTM Ended September 30, 2015
Net income	$ 105	$ 1,516	$ 1,536	$ 6,121	$ 3,513
Income tax provision	(54)	1,014	1,204	4,155	2,958
Interest expense and other income and expense, net	4,144	4,090	12,636	12,374	16,724
Depreciation and amortization	22,551	19,717	65,772	57,321	86,465
EBITDA	26,746	26,337	81,148	79,971	109,660
Non-cash stock compensation	186	967	1,086	3,066	2,194
SystemMetrics earn-out	(350)	271	194	815	466
Non-recurring costs	550	402	1,419	2,046	1,821
Pension settlement loss	4,118	—	6,366	—	6,366
Severance costs	—	—	—	—	197
Wavecom integration costs	—	74	—	252	87
Storm Iselle costs	—	943	—	943	134
Adjusted EBITDA	$ 31,250	$ 28,994	$ 90,213	$ 87,093	$ 120,925

Hawaiian Telcom Holdco, Inc.
Schedule of Levered Free Cash Flow (4)
(Unaudited, dollars in thousands)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	LTM Ended September 30, 2015
Adjusted EBITDA	$ 31,250	$ 28,994	$ 90,213	$ 87,093	$ 120,925
Cash interest expense	(3,630)	(3,600)	(11,234)	(11,033)	(14,868)
Capital expenditures	(23,816)	(25,159)	(76,732)	(76,474)	(96,964)
Levered Free Cash Flow	$ 3,804	$ 235	$ 2,247	$ (414)	$ 9,093

Hawaiian Telcom Holdco, Inc.
Schedule of Net Leverage Ratio
(Unaudited, dollars in thousands)

Long-term debt as of September 30, 2015	$ 290,752
Less cash on hand	(28,845)
Total Net Debt as of September 30, 2015	$ 261,907
LTM Adjusted EBITDA as of September 30, 2015	$ 120,925
Net Leverage Ratio as of September 30, 2015	2.2 x

Hawaiian Telcom Holdco, Inc.
Volume Information
(Unaudited)

	September 30, 2015	September 30, 2014	Change	
			Number	Percentage
Voice access lines				
Residential	156,311	173,656	(17,345)	(10.0)%
Business	185,393	189,207	(3,814)	(2.0)%
Public	3,589	3,954	(365)	(9.2)%
	345,293	366,817	(21,524)	(5.9)%
High Speed Internet lines				
Residential	93,202	92,265	937	1.0 %
Business	19,835	19,552	283	1.4 %
Wholesale	727	853	(126)	(14.8)%
	113,764	112,670	1,094	1.0 %
Long distance lines				
Residential	98,637	109,702	(11,065)	(10.1)%
Business	75,375	78,207	(2,832)	(3.6)%
	174,012	187,909	(13,897)	(7.4)%
Video services				
Subscribers	34,009	25,766	8,243	32.0 %
Homes Enabled	183,000	152,000	31,000	20.4 %

	September 30, 2015	June 30, 2015	Change	
			Number	Percentage
Voice access lines				
Residential	156,311	160,819	(4,508)	(2.8)%
Business	185,393	185,975	(582)	(0.3)%
Public	3,589	3,638	(49)	(1.3)%
	345,293	350,432	(5,139)	(1.5)%
High Speed Internet lines				
Residential	93,202	93,338	(136)	(0.1)%
Business	19,835	19,759	76	0.4 %
Wholesale	727	749	(22)	(2.9)%
	113,764	113,846	(82)	(0.1)%
Long distance lines				
Residential	98,637	101,648	(3,011)	(3.0)%
Business	75,375	75,719	(344)	(0.5)%
	174,012	177,367	(3,355)	(1.9)%
Video services				
Subscribers	34,009	31,921	2,088	6.5 %
Homes Enabled	183,000	175,000	8,000	4.6 %