**UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF HAWAII**

| | | |
|---|---|---|
| **In re:** | : | **Case No. 08-02005** |
| | : | **Chapter 11** |
| **HAWAIIAN TELCOM COMMUNICATIONS, INC., *et al.*,** | : | **(Jointly Administered)** |
| | : | **HEARING** |
| **Debtors.**[1] | : | **DATE: April 28, 2009** |
| | : | **TIME: 9:30 a.m.** |
| | : | **JUDGE: Honorable Lloyd King** |

**SECOND EXTENSION ORDER WITH RESPECT TO FINAL ORDER (I) AUTHORIZING USE OF CASH COLLATERAL PURSUANT TO SECTION 363 OF BANKRUPTCY CODE, AND (II) PROVIDING ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES PURSUANT TO SECTIONS 361, 362, AND 363 OF BANKRUPTCY CODE**

Upon (A) the motion (the "***Motion***"), dated February 17, 2009, of Hawaiian Telcom Holdco, Inc. and its affiliated debtors, Hawaiian Telcom Communications, Inc. ("***HTC***"), Hawaiian Telcom, Inc., Hawaiian Telcom Services Company, Inc., Hawaiian Telcom IP Video Investment, LLC, Hawaiian Telcom IP Video Research, LLC, Hawaiian Telcom IP Service Delivery Investment, LLC, Hawaiian Telcom IP Service Delivery Research, LLC, as

[1] The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: Hawaiian Telcom Communications, Inc. (0376); Hawaiian Telcom Holdco, Inc. (9868); Hawaiian Telcom, Inc. (9500); Hawaiian Telcom Services Company, Inc. (5722); Hawaiian Telcom IP Service Delivery Investment, LLC (9423); Hawaiian Telcom IP Service Delivery Research, LLC (9685); Hawaiian Telcom IP Video Investment, LLC (9295); and Hawaiian Telcom IP Video Research, LLC (9571). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 1177 Bishop Street, Honolulu, HI 96813.

0802005090430000000000005

debtors and debtors in possession (each, individually a "***Debtor***" and, collectively, the "***Debtors***"), for entry of an order (1) extending the Debtors' use of Cash Collateral, as defined in that certain *Final Order (I) Authorizing Use of Cash Collateral Pursuant to Section 363 of Bankruptcy Code, and (II) Providing Adequate Protection to Prepetition Secured Parties Pursuant to Sections 361, 362, and 363 of Bankruptcy Code*, dated January 15, 2009 (the "***Final Order***") [Doc. No. 291][2] and (2) modifying certain terms of the Final Order; and based upon the Declarations of Robert F. Reich, Senior Vice President, Chief Financial Officer and Treasurer of HTC, Kevin Nystrom, Chief Operating Officer of HTC, and Suneel Mandava, Director of Lazard Frères & Co., LLC, in support of the Motion, and (B) the Debtors' statement (the "***Statement***") in further support of the Motion, dated April 17, 2009; and notice of the Motion and the relief requested therein having been given; and a hearing having been held on April 28, 2009 to consider the Motion, Statement, and the relief requested therein (the "***Hearing***"); and the Debtors having modified the relief requested as set forth herein; and upon all of the pleadings filed with the Court and all of the proceedings held before the Court, and after due deliberation and consideration and good and sufficient cause appearing therefor, it is hereby ORDERED AS FOLLOWS:

---

[2] Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Final Order.

1. The Motion is hereby granted to the limited extent provided herein.

2. Decretal paragraph 2(i) of the Final Order is hereby amended by deleting the text therein and inserting "June 30, 2009 (the "***Outside Date***")" in lieu thereof.

3. Decretal paragraph 9(c) of the Final Order is hereby amended by deleting the text therein and inserting the following in lieu thereof:

> "(c) **Adequate Protection Payments**. The Debtors shall pay to the Prepetition Agent on an ongoing basis (i) the current cash payment of interest at the non-default rates at the times provided for in the Prepetition Credit Agreement; *provided, however,* that, during the period from March 1, 2009 up to and including June 30, 2009 (the "***Extension Period***"), such obligations shall be satisfied by (y) the payment of cash interest calculated at the non-default rates with respect to $300 million of the outstanding Senior Secured Debt, and (z) the deemed payment of interest with respect to the balance of the outstanding Senior Secured Debt, with such amount being included in the amount of Senior Secured Debt, each without prejudice to the rights of the Prepetition Secured Parties to assert the entitlement to payment or accrual of interest at the default rates of interest as provided for in accordance with the Prepetition Financing Documents during the Extension Period or any subsequent period up to and including the Extended Date (provided that, in the event the Outside Date is not extended pursuant to Paragraph 29 of this Order, interest shall accrue and be paid up to and including the later of the Outside Date and the Extended Date (as defined below), as the case may be) on the Prepetition Obligations (whether or not such interest payments are included in the Budget), (ii) immediately upon entry of this Order, cash payments equal to all accrued and unpaid non-default rate interest, fees and expenses (including, but not limited to, the documented fees and expenses of legal counsel and other professionals retained by the Prepetition Secured Parties (including the fees of Houlihan Lokey pursuant to the terms of its engagement letter, dated November 6, 2008, between Houlihan Lokey, the Company and Weil, Gotshal &

Manges LLP, as counsel to the Prepetition Agent and Prepetition Lenders)) then owing with respect to the Prepetition Obligations or provided for in the Prepetition Financing Documents, and (iii) from time to time after the Petition Date, the current cash payment of documented fees and expenses as and when due and payable under the Prepetition Financing Documents, including, but not limited to, the documented fees and expenses of legal counsel and other professionals retained by the Prepetition Secured Parties (payments made pursuant to clauses (i), (ii) and (iii) above are hereinafter collectively referred to as "***Adequate Protection Payments***"); all of the amounts to be paid pursuant to the foregoing clauses (ii) and (iii) shall be paid regardless of whether such amounts accrued prior to or after the Petition Date, and shall be paid without further motion, fee application, or order of the Court; *provided, however*, that the Debtors, the United States Trustee, the Committee and the Noteholders shall have the right to object to the payment of any such amounts in the manner provided in Paragraph 22 of this Order; and, *provided, further*, notwithstanding anything to the contrary in this Order, the Adequate Protection Payments shall be subject to any parties' rights to seek recharacterization (under section 506(b) of the Bankruptcy Code or otherwise) of such payments as payments in satisfaction of principal amounts due under the Prepetition Financing Documents; *provided, moreover*, that the Prepetition Agent shall distribute such monies to the Prepetition Secured Parties, including the Other Secured Parties, in accordance with the terms and provisions of the Prepetition Financing Documents."

4. Decretal paragraph 24 of the Final Order is hereby amended by deleting the text therein and inserting the following in lieu thereof:

***Preservation of Challenge Rights***. (a) With a full reservation and no release, waiver, or discharge of any rights of the Committee or any other party in interest as provided in the following subparagraph, each Debtor and each of its affiliates in its individual capacity hereby forever releases, waives, and discharges each Prepetition Secured Party (whether in its prepetition or postpetition capacity), together with their respective officers, directors, employees, agents, attorneys, professionals, affiliates, subsidiaries, assigns and/or successors (collectively, the "***Released Parties***"), from any and all claims and causes of action arising out of, based upon or related to, in

whole or in part, any of the Prepetition Financing Documents, any aspect of the prepetition relationship between any Debtor relating to any of the Prepetition Financing Documents or any transaction contemplated thereby, on the one hand, and any or all of the Released Parties, on the other hand, or any other acts or omissions by any or all of the Released Parties in connection with any of the Prepetition Financing Documents or their prepetition relationship with any Debtor or any affiliate thereof relating to any of the Prepetition Financing Documents or any transaction contemplated thereby, including, without limitation, any claims or defenses as to the amount, extent, validity, priority, or perfection of the Prepetition Liens or the Prepetition Obligations, "lender liability" claims and causes of action, any actions, claims, or defenses under chapter 5 of the Bankruptcy Code ("***Avoidance Actions***"), or any other claims and causes of action (all such claims, defenses, and other actions described in this Paragraph are collectively defined as the "***Claims and Defenses***"). Nothing contained in this subparagraph shall affect the rights of the Committee or any other party in interest to undertake any action with respect to, including, without limitation, any investigation or prosecution of, Claims and Defenses that is permitted in subparagraph (b) of this Paragraph 24.

(b) Notwithstanding anything contained in this Order to the contrary, the Committee shall have standing and authority to appear in the action styled *Lehman Commercial Paper Inc., v. The Official Committee Of Unsecured Creditors Of Hawaiian Telecom Communications, Inc., et al.* (Case No. 09-90023) (the "***Adversary Proceeding***") and prosecute Claims and Defenses on behalf of the Debtors' estates by way of an objection, answer, and/or counterclaim, and to take any and all actions necessary in connection therewith; *provided*, *however*, that the foregoing granting of standing does not modify the prohibition on use of Lenders Funds with respect to a Challenge contained in decretal paragraph 5(c) of the Order, with the rights of (a) the Committee to (i) argue that such prohibition is no longer applicable in light of the Prepetition Agent's commencement of the Adversary Proceeding, or (ii) otherwise seek the use thereof in connection with the Committee's actions in the Adversary Proceeding, and (b) the Prepetition Lenders to oppose such assertions, being expressly reserved.

5. A scheduling conference in connection with the Adversary Proceeding and for the purpose of establishing an expedited schedule for

consideration of the claims raised therein shall be held on May 21, 2009 at 10:30 a.m. (HST).

6. Unless otherwise modified herein, all terms and provisions of the Final Order, as amended by the *First Extension Order With Respect to Final Order (I) Authorizing Use of Cash Collateral Pursuant to Section 363 of Bankruptcy Code, and (II) Providing Adequate Protection to Prepetition Secured Parties Pursuant to Sections 361, 362 and 363 of Bankruptcy Code*, dated February 27, 2009 [Doc. No. 428], remain in full force and effect.

Dated: Honolulu, Hawaii, April 30, 2009.

THE HONORABLE LLOYD KING
UNITED STATES BANKRUPTCY JUDGE

---

APPROVED AS TO FORM AND CONTENT:

[waived]
CURTIS B. CHING
Office of The United States Trustee

/s/ Christopher J. Muzzi
MORRISON & FOERSTER LLP
BRETT H. MILLER
LORENZO MARINUZZI
TODD GOREN

MOSELEY BIEHL TSUGAWA LAU
& MUZZI LLC
CHRISTOPHER J. MUZZI
Attorneys for the Official Committee of Unsecured Creditors

/s/ Brian Rosen
WEIL GOTSHAL & MANGES
BRIAN ROSEN

LYONS BRANDT COOK & HIRAMATSU
JAMES DUCA
Attorneys for the Secured Lenders

/s/ Jerrold K. Guben
O'CONNOR PLAYDON & GUBEN
JERROLD K. GUBEN
Attorneys for the State of Hawaii

---

/s/ Edward C. Dolan
ALSTON HUNT FLOYD & ING
PAUL ALSTON
TINA COLMAN

HOGAN & HARTSON LLP
EDWARD C. DOLAN
KHANG V. TRAN

Attorneys for HYP Media Finance LLC

/s/ Simon K. Klevansky
KLEVANSKY PIPER
VAN ETTEN, LLP
SIMON K. KLEVANSKY

CLEARY GOTTLIEB STEEN
& HAMILTON LLP
JULIET A. DRAKE

Attorneys for
Creditor Goldman Sachs Bank USA

---