
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2007

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: 333-131152

Hawaiian Telcom Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "Accelerated Filer" and "Large Accelerated Filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

Number of shares of common stock outstanding as of August 14, 2007: 1,000

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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

Hawaiian Telcom Communications, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues	\$ 121,404	\$ 127,757	\$ 246,867	\$ 253,791
Operating expenses:				
Cost of services and sales (exclusive of depreciation and amortization)	46,660	52,847	91,405	115,197
Selling, general and administrative	40,978	42,025	85,270	85,351
Settlement with BearingPoint	—	—	(45,681)	—
Depreciation and amortization	38,009	42,971	79,757	81,247
Total operating expenses	125,647	137,843	210,751	281,795
Operating income (loss)	(4,243)	(10,086)	36,116	(28,004)
Other income (expense):				
Interest expense	(29,591)	(29,299)	(59,275)	(56,348)
Loss on early extinguishment of debt	(7,780)	—	(7,780)	—
Other income and expense, net	141	148	284	212
Total other expense	(37,230)	(29,151)	(66,771)	(56,136)
Loss from continuing operations before provision for income taxes	(41,473)	(39,237)	(30,655)	(84,140)
Provision (benefit) for income taxes	(3,900)	600	(3,300)	1,243
Loss from continuing operations	(37,573)	(39,837)	(27,355)	(85,383)
Income from discontinued operations, net of tax	58,984	7,607	64,303	14,562
Net income (loss)	<u>\$ 21,411</u>	<u>\$ (32,230)</u>	<u>\$ 36,948</u>	<u>\$ (70,821)</u>

See accompanying notes to condensed consolidated financial statements.

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

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,694	\$ 4,752
Receivables, net	65,843	100,370
Material and supplies	7,582	9,915
Prepaid expenses	8,262	4,894
Assets held for sale	186,647	—
Deferred income taxes	50,000	—
Other current assets	7,184	7,690
Total current assets	<u>330,212</u>	<u>127,621</u>
Property, plant and equipment, net	793,145	818,172
Deferred financing and other assets	44,403	46,372
Intangible assets, net	515,707	583,220
Goodwill	—	136,779
Total assets	<u>\$ 1,683,467</u>	<u>\$ 1,712,164</u>
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	\$ 35,547	\$ 91,690
Accrued expenses	22,606	23,941
Advance billings and customer deposits	15,783	15,540
Current maturities of long-term debt	8,600	26,500
Liabilities associated with assets held for sale	8,000	—
Other current liabilities	6,498	3,764
Total current liabilities	<u>97,034</u>	<u>161,435</u>
Long-term debt	1,376,400	1,380,500
Deferred income taxes	5,400	10,300
Employee benefit obligations	55,508	50,874
Other liabilities	7,784	7,016
Total liabilities	<u>1,542,126</u>	<u>1,610,125</u>
Commitments and contingencies (Note 13)		
Stockholder's equity		
Common stock, par value of \$0.01 per share, 1,000 shares authorized and issued	—	—
Additional paid-in capital	428,270	428,118
Accumulated other comprehensive income	13,838	11,636
Accumulated deficit	(300,767)	(337,715)
Total stockholder's equity	<u>141,341</u>	<u>102,039</u>
Total liabilities and stockholder's equity	<u>\$ 1,683,467</u>	<u>\$ 1,712,164</u>

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income (loss)	\$ 36,948	\$ (70,821)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	82,328	85,629
Deferred income taxes, net	(54,900)	3,000
Employee retirement benefits	4,633	5,621
Provision for uncollectibles	5,273	10,683
Write-down of software costs	18,593	—
Loss on early extinguishment of debt	7,780	—
Changes in operating assets and liabilities:		
Receivables	19,777	(29,291)
Material and supplies	2,333	(77)
Other current assets	(3,719)	(2,709)
Accounts payable and accrued expenses	(54,778)	6,835
Other current liabilities	2,736	(2,818)
Other, net	3,638	972
Net cash provided by operating activities	70,642	7,024
Cash flows from investing activities:		
Capital expenditures	(42,352)	(66,139)
Net cash used in investing activities	(42,352)	(66,139)
Cash flows from financing activities:		
Proceeds from issuance of debt	932,000	241,000
Repayment of debt	(954,000)	(189,500)
Debt issuance costs	(6,348)	—
Net cash provided by (used in) financing activities	(28,348)	51,500
Net change in cash and cash equivalents	(58)	(7,615)
Cash and cash equivalents, beginning of period	4,752	10,321
Cash and cash equivalents, end of period	\$ 4,694	\$ 2,706
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 57,878	\$ 58,509
Income taxes paid	1,350	—

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Communications, Inc.
Condensed Consolidated Statements of Changes in Stockholder's Equity
(Unaudited, dollars in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount				
Balance, January 1, 2007	1,000	\$ —	\$ 428,118	\$ 11,636	\$ (337,715)	\$ 102,039
Stock based compensation	—	—	152	—	—	152
Net income	—	—	—	—	36,948	36,948
Other comprehensive income (loss) -						
Gains on cash flow hedging derivatives	—	—	—	2,224	—	2,224
Unrealized loss on investments	—	—	—	(22)	—	(22)
Balance, June 30, 2007	<u>1,000</u>	<u>\$ —</u>	<u>\$ 428,270</u>	<u>\$ 13,838</u>	<u>\$ (300,767)</u>	<u>\$ 141,341</u>

See accompanying notes to condensed consolidated financial statements.

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

1. Description of Business

Business Description

Hawaiian Telcom Communications, Inc. and subsidiaries (the "Company") is the incumbent local exchange carrier for the State of Hawaii and is estimated to be the tenth largest incumbent local exchange carrier in the United States with an integrated telecommunications network servicing approximately 581,000 switched access lines as of June 30, 2007. The Company also served approximately 270,000 long distance lines and had 92,000 High-Speed Internet connections as of that date.

Organization

The Company has two direct 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. Hawaiian Telcom Insurance Company, Incorporated is a captive insurance subsidiary of Hawaiian Telcom, Inc. and, until December 31, 2003, provided auto liability, general liability and worker's compensation insurance to its parent. The captive subsidiary continues to settle claims related to incidents which occurred prior to January 1, 2004.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company pursuant to the rules and regulations of the 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 pursuant to such rules and regulations. In the opinion of the Company's management, all adjustments (consisting of only normal and recurring accruals) have been made to present fairly the financial position, the results of operations 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, 2006, that are included in the Company's Form 10-K.

The Subsidiary and Parent Guarantors

Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. guarantee the Company's senior notes and notes payable to banks. Financial statements of the subsidiary guarantors have not been presented as Hawaiian Telcom Communications, Inc. has no independent assets or operations, the guarantees are full and unconditional and joint and several, and the assets of Hawaiian Telcom Insurance Company, Incorporated, which are excluded from the guarantee, are not significant.

Hawaiian Telcom Holdco, Inc. ("Holdco"), the Company's parent, also is a guarantor for the Company's notes payable to banks. Financial statements of Holdco have not been presented as it has no independent assets, liabilities or operations and the guarantees are full and unconditional and joint and several.

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 taxes represent primarily Hawaii state excise taxes. Such taxes amounted to \$2.1 million and \$4.5 million for the three and six months ended June 30, 2007, and \$2.0 million and \$2.7 million for the three and six months ended June 30, 2006, respectively.

Earnings per Share

Because the Company has only one shareholder, Holdco, and has no common stock trading in a public market, information on earnings (loss) per share is not meaningful and has not been presented.

Stock Based Compensation

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 123(R), “Share-Based Payment,” the Company accounts for stock-based compensation at fair value using the prospective method for all new awards granted, modified or settled after January 1, 2006. The following table illustrates the effect on net income (loss) for the three and six months ended June 30, 2007 and 2006 if the fair value method had been applied to all outstanding options (dollars in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net income (loss), as reported	\$ 21,411	\$ (32,230)	\$ 36,948	\$ (70,821)
Add: Stock option related employee compensation expense included in net income (loss)	89	18	152	24
Deduct: Total stock option related employee compensation expense determined under fair value based method for all awards	(417)	(466)	(808)	(920)
Pro forma net income (loss)	<u>\$ 21,083</u>	<u>\$ (32,678)</u>	<u>\$ 36,292</u>	<u>\$ (71,717)</u>

Reclassifications

Certain amounts presented for cost of services and sales and selling, general and administrative expenses for the three and six months ended June 30, 2006 have been reclassified to conform to the presentation for the three and six months ended June 30, 2007.

3. Recently Issued Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” which allows entities to choose to measure many financial instruments and certain other assets and liabilities at fair value. The Company is in the process of evaluating the impact this standard will have on its financial statements. This standard is effective for the Company’s fiscal year beginning January 1, 2008.

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R).” Under this new standard, companies must recognize a net liability or asset to report the funded status of their defined benefit pension and other postretirement benefit plans on their balance sheets. The change in the funded status is to be recognized through comprehensive income the year in which the change occurs. In addition, companies are required to obtain the measurement of defined benefit plan assets and obligations as of the date of its fiscal year-end statement of financial position. The Company is in the process of evaluating the impact this standard will have on its financial statements. This standard is effective for the Company as of the end of its fiscal year ending December 31, 2007.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 provides a common definition for fair value under generally accepted accounting principles, establishes a framework for measuring fair value and expands disclosure requirements for fair value measurements. The Company is in the process of evaluating the impact this standard will have on its financial statements. This standard is effective for the Company’s fiscal year beginning January 1, 2008.

4. Discontinued Operations

On April 29, 2007, the Company entered into an agreement to sell its directories publishing segment for \$435.0 million to an unrelated entity. The sale is subject to certain conditions including approval of the Hawaii Public Utilities Commission. The sale is expected to close no later than the first quarter of 2008.

The following table summarizes the revenue and expenses of the discontinued operations (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues	\$ 16,245	\$ 16,917	\$ 33,915	\$ 32,402
Operating expenses, includes amortization of \$643 and \$2,571 for 2007 and \$2,191 and \$4,382 for 2006	9,761	8,410	21,212	16,040
Income before income taxes	6,484	8,507	12,703	16,362
Provision (benefit) for income taxes	(52,500)	900	(51,600)	1,800
Income from discontinued operations	<u>\$ 58,984</u>	<u>\$ 7,607</u>	<u>\$ 64,303</u>	<u>\$ 14,562</u>

The tax benefit recognized during the three and six months ended June 30, 2007 represents primarily the partial reversal of a valuation allowance on deferred income tax assets. The amount of the reversal is based on the estimated expected benefit the Company will realize for tax return purposes upon the sale of the directories publishing segment. The Company will continue to assess the recoverability of deferred income tax assets and the related valuation allowance. To the extent that the amount of estimated tax benefit changes based on additional facts as to the Company's level of income or loss, such that the amount of the valuation allowance were to increase or decrease, the additional tax cost or benefit will be recognized at that time.

The following table presents the condensed balance sheet of the discontinued operations as of June 30, 2007 (dollars in thousands):

Current assets	\$ 10,355
Intangible assets, net	39,513
Goodwill	<u>136,779</u>
Total assets held for sale	<u>\$ 186,647</u>
Current liabilities associated with discontinued operations	<u>\$ 8,000</u>

5. Receivables

Receivables for the Company consisted of the following (dollars in thousands):

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Customers and other	\$ 88,248	\$ 106,426
Receivable from BearingPoint	—	24,129
Allowance for doubtful accounts	<u>(22,405)</u>	<u>(30,185)</u>
	<u>\$ 65,843</u>	<u>\$ 100,370</u>

6. Accrued Expenses

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

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Salaries and benefits	\$ 12,160	\$ 12,142
Other taxes	976	1,496
Interest	<u>9,470</u>	<u>10,303</u>
	<u>\$ 22,606</u>	<u>\$ 23,941</u>

7. Long-Term Debt

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

	<u>Interest Rate at June 30, 2007</u>	<u>Final Maturity</u>	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Notes payable to banks, revolving credit facility	7.59%	April 30, 2012	\$ 25,000	\$ 160,000
Notes payable to banks, Tranche C term loan	7.61%	June 1, 2014	860,000	—
Notes payable to banks, Tranche A term loan	NA	NA	—	300,000
Notes payable to banks, Tranche B term loan	NA	NA	—	447,000
Senior floating rate notes	10.86%	May 1, 2013	150,000	150,000
Senior fixed rate notes	9.75%	May 1, 2013	200,000	200,000
Senior subordinated notes	12.50%	May 1, 2015	<u>150,000</u>	<u>150,000</u>
			1,385,000	1,407,000
Current portion			<u>8,600</u>	<u>26,500</u>
			<u>\$ 1,376,400</u>	<u>\$ 1,380,500</u>

Notes Payable to Banks

On June 1, 2007, the Company entered into a new bank credit facility which consists of an amended revolving credit facility and a Tranche C term loan with a syndicate of financial institutions. The new Tranche C facility was used to repay \$109.0 million of the existing revolving credit facility and the balance due on the Company's Tranche A and Tranche B term loans.

The amended revolving credit facility has a principal balance of \$200.0 million which will mature on April 30, 2012. Of the \$200.0 million revolver commitment, only \$90.0 million is currently available to the Company. On or before June 1, 2008, the Company may elect to increase the available commitment by up to \$110.0 million such that the full \$200.0 million is available for borrowing. As of June 30, 2007, the available balance on the facility amounted to \$64.8 million (subject to covenants described below and a \$0.2 million outstanding letter of credit).

The Tranche C term loan has an original principal amount of \$860.0 million. The Tranche C term loan facility will mature on June 1, 2014 and will amortize with quarterly principal payments beginning September 30, 2007 amounting to \$2.1 million per quarter with the balance due at maturity. The maturity will be April 30, 2012 if the Company is not able to obtain approval of the Hawaii Public Utilities Commission to allow certain guaranty agreements to be extended through June 1, 2014. The facility provides for a one percent prepayment premium for certain refinancing transactions through June 1, 2008 and no premium thereafter. The obligations under the bank credit facilities are guaranteed by Holdco and each subsidiary with certain exceptions. In addition, the bank credit facilities are collateralized by substantially all of the Company's assets.

Borrowings under the bank credit facilities bear interest at a rate equal to the applicable margin plus, at the Company's option, either: (a) a base rate determined by reference to the higher of (1) prime rate, as defined, and (2) the federal funds rate plus ½ of 1%; or (b) a Eurocurrency rate on deposits for one-, two-, three- or six-month periods (or nine- or twelve-month periods if, at the time of the borrowing, all lenders agree to make such a duration available).

A commitment fee is payable to the lenders under the revolving credit facility.

The bank credit facilities contain various negative and affirmative covenants that restrict, among other things, incurrence of additional indebtedness, payment of dividends, redemptions of stock, other distributions to shareholders and sales of assets. In addition, there are financial covenants consisting of a leverage ratio and a maximum level of capital expenditures.

In connection with the June 2007 refinancing, the Company paid \$6.3 million in underwriting fees, agency fees and legal costs. The refinancing costs were accounted for in accordance with Emerging Issues Task Force ("EITF") 96-19, "Modification of Debt Instruments with Different Terms" and EITF 98-14, "Debtor's Accounting for Changes in Line-of-Credit or Revolving Debt Agreements." The Company compared each syndicated lenders' loan under the Tranche C term loan with the syndicated lenders' loan under the Tranche A and Tranche B term loans. A similar comparison was done for the revolving credit facility. For loans under the Tranche C term loan that were substantially different, the Company recorded the exchange of debt instruments as debt extinguishment, expensed deferred financing costs associated with the extinguished debt and capitalized third-party costs associated with the new loans. For loans under the Tranche C term loan that were not substantially different, the Company accounted for the exchange of debt instruments as a refinancing and expensed third-party costs associated with the refinancing. As a result of the refinancing, the Company expensed \$5.2 million of deferred financing costs and \$2.6 of refinancing costs resulting in a loss on early extinguishment of debt of \$7.8 million. In addition, the Company capitalized \$3.7 million of refinancing fees.

One of the syndicated lenders is an affiliate of The Carlyle Group, a private equity firm, with an approximately five percent participation in the Tranche C term loan. The Carlyle Group formed the Company as its sponsor and is deemed an affiliate of the Company.

Maturities

The annual requirements for principal payments on long-term debt including the new bank credit agreement as of June 30, 2007 are as follows (dollars in thousands):

<u>Year ended December 31,</u>	
2007 (balance of year)	\$ 4,300
2008	8,600
2009	8,600
2010	8,600
2011	8,600
Thereafter	<u>1,346,300</u>
	<u>\$ 1,385,000</u>

8. Derivative Instruments and Hedging Activities

The Company utilizes a combination of fixed-rate and variable-rate debt to finance its operations. The variable-rate debt exposes the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to mitigate the interest rate risk on a portion of its variable-rate borrowings. To meet this objective, management entered into six interest rate swap agreements to manage fluctuations in cash flows resulting from adverse changes in interest rates on its term loans and notes.

Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability of cash flows associated with the Company's variable-rate debt obligations are reported in accumulated other comprehensive income. These amounts are subsequently reclassified into interest expense as a yield adjustment of the hedged interest payment in the same period in which the related interest payments affect earnings. For the three and six months ended June 30, 2007, the Company had a \$5.3 million unrealized gain and a \$2.2 million unrealized gain, respectively, included in other comprehensive income. For the three and six months ended June 30, 2006, the Company had a \$5.4 million and \$13.4 million unrealized gain, respectively, included in other comprehensive income. The fair value of the interest rate swap of \$13.8 million and \$11.6 million is included in deferred financing and other assets on the consolidated balance sheet at June 30, 2007 and December 31, 2006, respectively.

9. Employee Benefit Plans

The Company sponsors a defined benefit pension plan and postretirement medical and life insurance benefits for union employees. The Company also sponsors a cash balance pension plan for nonunion employees.

The Company accrues the costs, as determined by an actuary, of the pension and the postretirement benefits over the period from the date of hire until the date the employee becomes fully eligible for benefits. The following provides the components of benefit costs (income) for the three and six months ended June 30, 2007 and 2006 (dollars in thousands):

Pension

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	\$ 2,241	\$ 3,011	\$ 5,468	\$ 6,136
Interest cost	3,018	2,810	6,130	5,652
Expected asset return	(4,134)	(4,000)	(8,037)	(8,029)
Net periodic benefit cost	1,125	1,821	3,561	3,759
Termination benefit cost	—	—	1,860	—
Settlement gain	—	—	(876)	—
Curtailment gain	(1,378)	—	(1,378)	—
Total benefit cost (income)	\$ (253)	\$ 1,821	\$ 3,167	\$ 3,759

Other Postretirement Benefits

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	\$ 398	\$ 500	\$ 796	\$ 1,000
Interest cost	548	482	1,096	964
Net periodic benefit cost	\$ 946	\$ 982	\$ 1,892	\$ 1,964

During the first quarter of 2007, the Company provided a one-time early retirement benefit to selected employees. The cost of such benefit amounted to \$1.9 million. Upon retirement, the majority of such employees elected a lump sum payment resulting in deemed settlements of \$22.0 million and a gain on settlement of \$0.9 million. In addition, the Company froze the benefits in the pension plan for nonunion employees effective April 1, 2007. The curtailment associated with this plan amendment resulted in a gain of \$1.4 million which was recognized in the second quarter of 2007 when the plan amendment was adopted.

The Company expects to contribute \$2.6 million to its pension plan in the third quarter of 2007.

10. Income Taxes

The provision (benefit) for income taxes differs from the amounts determined by applying the statutory federal income tax rate of approximately 35% to loss from continuing operations before provision (benefit) for income taxes for the following reasons (dollars in thousands):

	Three Months Ended June 30, 2007		Six Months Ended June 30, 2007	
	2007	2006	2007	2006
Benefit at federal rate	\$ (14,516)	\$ (13,733)	\$ (10,729)	\$ (29,449)
Increase (decrease) resulting from:				
State income taxes, net of federal benefit	(1,659)	(1,569)	(1,226)	(3,366)
Valuation allowance	12,275	15,902	8,655	34,058
Provision (benefit) for income taxes	<u>\$ (3,900)</u>	<u>\$ 600</u>	<u>\$ (3,300)</u>	<u>\$ 1,243</u>

A valuation allowance has been provided at June 30, 2007 and December 31, 2006 by the Company for the deferred tax assets because of the uncertainty of future realization of such amounts. The Company will continue to assess the recoverability of deferred tax assets and the related valuation allowance. To the extent that the Company generates taxable income in future periods and it determines that such valuation allowance is no longer required, the tax benefit of the remaining deferred tax assets will be recognized at that time.

The Company evaluates its tax positions in accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109." As of June 30, 2007 and for the six month period then ended, the Company had no unrecognized tax benefits. No interest or penalties related to tax assessments were recognized in the Company's statements of operations for the six months ended June 30, 2007 or 2006. All tax years since the Company's inception in 2004 remain open for both federal and Hawaii state purposes.

11. Stock Option Plan

On November 8, 2005, Holdco adopted the Stock Option Plan of Hawaiian Telcom Holdco, Inc. (the "Plan") that permits the grant of options to its key employees and independent directors and those of its wholly owned subsidiaries. The purpose of the Plan is primarily to align compensation for key executives with the performance of the Company. All options are to be granted at an exercise price that is greater than or equal to the fair value of the common stock of Holdco on the date the stock option is granted.

In May 2007, options for an additional 5,166 shares were granted at an exercise price of \$1,000 per share. The Company recognized \$89,000 and \$152,000 of compensation expense during the three and six months ended June 30, 2007, respectively, related to its option grants. Similarly, the Company recognized compensation expense of \$18,000 and \$24,000 during the three and six months ended June 30, 2006, respectively.

12. Comprehensive Loss

A summary of components of comprehensive income (loss) is as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net income (loss)	\$ 21,411	\$ (32,230)	\$ 36,948	\$ (70,821)
Other comprehensive income -				
Gains on cash flow hedging derivatives	5,291	5,401	2,224	13,428
Unrealized gain (loss) on investments	(21)	(59)	(22)	1
Other comprehensive income	5,270	5,342	2,202	13,429
Comprehensive income (loss)	\$ 26,681	\$ (26,888)	\$ 39,150	\$ (57,392)

13. Commitment and Contingencies

BearingPoint

The Company had previously engaged BearingPoint to build and operate an information technology solution environment including software applications and systems and hardware that the Company uses in its business. The Company had agreed to a fixed fee for build services and operate services. Effective February 6, 2007, the Company and BearingPoint entered into an agreement to settle disputes and transition work to a third party. The settlement provided for a payment to the Company of \$52.0 million, which was received in March 2007, as well as waiving obligations to pay all outstanding BearingPoint invoices (amounting to \$38.6 million at February 6, 2007 including certain accrued costs).

During the year ended December 31, 2006 and for the period from January 1, 2007 to February 6, 2007, the Company recorded recoveries contractually due under the BearingPoint agreement of \$24.1 million and \$2.2 million, respectively. The remaining settlement consideration was recognized upon settlement in the first quarter of 2007 resulting in a gain on settlement of \$45.7 million. The settlement gain was net of a charge for \$18.6 million representing the write-down of certain software costs for the estimated additional costs to remediate deficiencies in certain systems that had been developed by BearingPoint.

Litigation

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

14. Segment Information

The Company has two reportable segments consisting of Wireline Services and Other based on how the Company's chief operating decision maker makes decisions about allocating resources and assessing performance. The Wireline Services segment provides local telephone service including voice and data transport, enhanced custom calling features, network access, directory assistance and private lines. In addition, the Wireline Services segment provides High-Speed Internet, video services (in development), long distance services, customer premise equipment distribution, data solutions, billing and collection, and pay telephone services. The Other segment consists primarily of wireless services.

Through the first quarter of 2007, the Company operated another segment, Publishing, which comprised the sale of advertising in printed and electronic directories in Hawaii. On April 29, 2007, the Company entered into an agreement to sell its Publishing segment. As disclosed in Note 4, the Publishing business has been classified as discontinued operations and, accordingly, is not presented in the segment results below. In connection therewith, the Company reevaluated its structure for reporting financial results and identified the Wireline Services and Other segments.

The following tables provide operating financial information for the Company's two reportable segments (dollars in thousands):

	<u>Wireline</u>	<u>Other</u>	<u>Intersegment Elimination</u>	<u>Total</u>
For the three months ended and as of June 30, 2007				
Operating revenues	\$ 118,908	\$ 2,820	\$ (324)	\$ 121,404
Depreciation and amortization	38,009	—	—	38,009
Loss from continuing operations	(35,606)	(1,643)	(324)	(37,573)
Assets	1,495,634	1,186	—	1,496,820
For the six months ended June 30, 2007				
Operating revenues	\$ 242,071	\$ 5,397	\$ (601)	\$ 246,867
Depreciation and amortization	79,757	—	—	79,757
Loss from continuing operations	(23,040)	(3,714)	(601)	(27,355)
Capital expenditures	42,352	—	—	42,352
Assets as of December 31, 2006	\$ 1,530,702	\$ 1,170	\$ —	\$ 1,531,872
For the three months ended June 30, 2006				
Operating revenues	\$ 126,026	\$ 2,003	\$ (272)	\$ 127,757
Depreciation and amortization	42,971	—	—	42,971
Loss from continuing operations	(37,803)	(1,762)	(272)	(39,837)
For the six months ended June 30, 2006				
Operating revenues	\$ 250,546	\$ 3,750	\$ (505)	\$ 253,791
Depreciation and amortization	81,247	—	—	81,247
Loss from continuing operations	(80,938)	(3,940)	(505)	(85,383)
Capital expenditures	66,139	—	—	66,139

The following reconciles segment assets to total reported assets as of June 30, 2007 and December 31, 2006 (dollars in thousands).

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Segment assets	\$ 1,496,820	\$ 1,531,872
Assets held for sale (Publishing assets)	186,647	180,292
Total assets	<u>\$ 1,683,467</u>	<u>\$ 1,712,164</u>

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:

- our ability to operate as a stand-alone telecommunications provider;
- our ability to build and operate the IT infrastructure;
- our ability to implement our anticipated cost structure;
- our ability to enter into arrangements with third-party service providers;
- changes in regulations and legislation applicable to providers of telecommunications services;
- changes in demand for our products and services; and
- technological changes affecting the telecommunications industry.

These and other factors may cause our actual results to differ materially from any forward-looking statement. Refer to our Form 10-K, for a detailed discussion on risks that could materially adversely affect our business, financial condition or 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 this quarterly report and, except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission (“SEC”), 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 publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this quarterly report. 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 Communications, Inc., wholly-owned by Hawaiian Telcom Holdco, Inc., and its subsidiaries.

Segments and Sources of Revenue

We operate in two reportable segments (Wireline and Other) based on how our chief operating decision maker makes decisions about allocating resources and assessing performance.

Overview

We operate the local telecommunications company that serves business and residential customers in the State of Hawaii. We offer our customers a variety of telecommunication services including local telephone, network access, long distance, High-Speed Internet and other Internet, and other telecommunication services and sales. At June 30, 2007, we had approximately 673,000 switched access lines and High-Speed Internet connections.

Since our inception in 2005, our principal activities have been the start-up, operation and improvement of the acquired telephone assets to serve the State of Hawaii. We are focused on driving core revenues, controlling expenses and stabilizing our operating systems.

Wireline

The Wireline 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 from charges established to compensate us for origination, transport and termination of calls for long distance and other interexchange carriers. These include subscriber line charges imposed on end users, and switched and special access charges paid by carriers and others.

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

High-Speed Internet and Other Internet — We receive revenue from monthly recurring charges for High-Speed Internet and dial-up Internet access services.

Other Telecommunication Services and Sales — Other services and sales include inside line care and sale and maintenance of customer premise equipment. We are currently incurring development costs related to our plan to provide digital television services.

Other

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

Results of Operations

We reported net income of \$21.4 million and a net loss of \$32.2 million for the three months ended June 30, 2007 and 2006, respectively.

We reported net income of \$36.9 million and a net loss of \$70.8 million for the six months ended June 30, 2007 and 2006, respectively.

Operating Revenues

The following tables summarize our volume and revenue information as of or through June 30, 2007 and June 30, 2006. For comparability, we also present customer activity as of June 30, 2007 compared to March 31, 2007.

Volume Information

June 2007 compared to June 2006

	June 30, 2007	June 30, 2006	Change	
			Number	Percentage
Switched access lines				
Residential	345,556	390,483	(44,927)	-11.5%
Business	229,716	229,983	(267)	-0.1%
Public	5,649	5,901	(252)	-4.3%
	<u>580,921</u>	<u>626,367</u>	<u>(45,446)</u>	<u>-7.3%</u>
High-Speed Internet lines				
Residential	73,891	73,872	19	0.0%
Business	16,162	15,381	781	5.1%
Wholesale	1,590	2,233	(643)	-28.8%
	<u>91,643</u>	<u>91,486</u>	<u>157</u>	<u>0.2%</u>
Long distance lines				
Residential	184,758	204,417	(19,659)	-9.6%
Business	85,430	84,174	1,256	1.5%
	<u>270,188</u>	<u>288,591</u>	<u>(18,403)</u>	<u>-6.4%</u>

June 2007 compared to March 2007

	June 30, 2007	March 31, 2007	Change	
			Number	Percentage
Switched access lines				
Residential	345,556	357,809	(12,253)	-3.4%
Business	229,716	231,079	(1,363)	-0.6%
Public	5,649	5,676	(27)	-0.5%
	<u>580,921</u>	<u>594,564</u>	<u>(13,643)</u>	<u>-2.3%</u>
High-Speed Internet lines				
Residential	73,891	74,988	(1,097)	-1.5%
Business	16,162	15,990	172	1.1%
Wholesale	1,590	1,821	(231)	-12.7%
	<u>91,643</u>	<u>92,799</u>	<u>(1,156)</u>	<u>-1.2%</u>
Long distance lines				
Residential	184,758	189,284	(4,526)	-2.4%
Business	85,430	86,252	(822)	-1.0%
	<u>270,188</u>	<u>275,536</u>	<u>(5,348)</u>	<u>-1.9%</u>

Operating Revenues (dollars in thousands)

For Three Months

	<u>Three Months Ended June 30,</u>		<u>Change</u>	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>Percentage</u>
Wireline				
Local services	\$ 53,086	\$ 57,961	\$ (4,875)	-8.4%
Network access services	34,532	38,378	(3,846)	-10.0%
Long distance services	10,012	10,733	(721)	-6.7%
High-Speed Internet and other Internet	8,756	10,238	(1,482)	-14.5%
Other services and sales	12,522	8,716	3,806	43.7%
	<u>118,908</u>	<u>126,026</u>	<u>(7,118)</u>	<u>-5.6%</u>
Other	<u>2,496</u>	<u>1,731</u>	<u>765</u>	<u>44.2%</u>
	<u>\$ 121,404</u>	<u>\$ 127,757</u>	<u>\$ (6,353)</u>	<u>-5.0%</u>

For Six Months

	<u>Six Months Ended June 30,</u>		<u>Change</u>	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>Percentage</u>
Wireline				
Local services	\$ 107,596	\$ 115,308	\$ (7,712)	-6.7%
Network access services	74,689	76,607	(1,918)	-2.5%
Long distance services	18,285	20,672	(2,387)	-11.5%
High-Speed Internet and other Internet	17,784	19,760	(1,976)	-10.0%
Other services and sales	23,717	18,199	5,518	30.3%
	<u>242,071</u>	<u>250,546</u>	<u>(8,475)</u>	<u>-3.4%</u>
Other	<u>4,796</u>	<u>3,245</u>	<u>1,551</u>	<u>47.8%</u>
	<u>\$ 246,867</u>	<u>\$ 253,791</u>	<u>\$ (6,924)</u>	<u>-2.7%</u>

For the three months ended June 30, 2007, local services revenues decreased \$4.9 million, or 8.4%, as compared to same period in 2006. For the first half of 2007, local services revenue decreased \$7.7 million, or 6.7%, compared to the first half of 2006. The decrease in revenue was related primarily to the decline in the volume of switched access lines and higher levels of billing adjustments for local service partially offset by lower deferrals of estimated activation fee revenue during 2007.

The decline in switched access lines reflects two categories of factors:

- General industry trends — continued competition in the telecommunications industry has increasingly resulted in customers using other technologies rather than traditional phone lines for voice and data. Residential customers are increasingly moving local voice service to VoIP technology offered with cable services, as well as using wireless services in place of traditional wireline. Also, residential “second lines” continue to be disconnected as customers switch from dial-up Internet services to DSL and cable broadband service. Additionally, Competitive Local Exchange Carriers, CLECs, continue to focus on business customers and successfully sell services to our embedded customer base.

- Specific impact of our systems implementation effort — our on-going effort to stabilize our systems has limited our ability to launch new products and robustly support customer service requirements for both residential and business customers. As our systems stabilization progresses, the impact of this effort is expected to have a diminished effect on switched access line loss.

In an effort to slow the rate of line loss, we have instituted retention, loyalty and acquisition programs, and are increasingly focusing efforts on bundling of services. These efforts also include reemphasizing win-back, affinity 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.

For the three months ended June 30, 2007, network access services revenue decreased by \$3.8 million or 10.0%, as compared to the three months ended June 30, 2006. For the six months ended June 30, 2007, network access services revenue decreased by \$1.9 million, or 2.5%, compared to the same period in the prior year. Network access revenue decreased primarily as a result of higher levels of billing adjustments in connection with the resolution of various disputes during the second quarter of 2007 as well as the decline in access lines.

Long distance revenues decreased \$0.7 million, or 6.7%, for the quarter ended June 30, 2007 as compared to the quarter ended June 30, 2006. Long distance revenues decreased \$2.4 million, or 11.5%, for the six months ended June 30, 2007 compared to the same period in the prior year. The revenue decline was primarily related to the reduction in switched access lines (resulting in fewer customers utilizing toll services) and competitive pressures similar to those faced with local service. We continue to promote a flat-rate long distance plan and have included several long distance packages in bundled services to increase marketability to customers. These plans are intended to extend the service life of existing customers who use significant amounts of long distance while attracting new long distance users.

High-Speed Internet (“HSI”) and other Internet revenues decreased \$1.5 million, or 14.5%, for the three months ended June 30, 2007 as compared to the same period in the prior year. HSI and other Internet revenues decreased \$2.0 million, or 10.0%, for the first half of 2007 compared to the first half of 2006. The demand for HSI services, as evidenced by the change in HSI line counts, has increased slightly from 2006 to 2007. However, higher levels of billing credits, elimination of the billing for (and related cost) of a government surcharge and certain promotional pricing programs has caused revenue to decline in 2007 compared to the same periods in 2006. The Company continues to offer the first three months of HSI service at a significantly discounted price in an effort to compete with rate plans offered by other providers.

Other services and sales increased \$3.8 million, or 43.7%, for the three months ended June 30, 2007 as compared to the three months ended June 30, 2006. Other services and sales increased \$5.5 million, or 30.3%, for the six months ended June 30, 2007 as compared to the same period in the prior year. The increase was primarily related to higher levels of customer premise equipment installations and corresponding maintenance arrangements.

We are continuing to be successful selling wireless services to our local customers. Wireless revenues increased \$0.8 million, or 44.2%, for the three months ended June 30, 2007 as compared to the same period in the prior year. Revenue for the six months ended June 30, 2007 increased \$1.6 million, or 47.8%, as compared to the six months ended June 30, 2006. The increase is primarily because of the increase subscribers. We had approximately 21,000 and 12,000 external wireless subscribers as of June 30, 2007 and 2006, respectively.

Transition Costs and Other Cost Structure Changes

We are continuing to incur expenses in our efforts to become a stand-alone provider of telecommunication services. The major components of such expenses incurred for the three and six months ended June 30, 2007 and 2006 are summarized as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Employee separation costs	\$ 1,465	\$ —	\$ 2,358	\$ —
Pension non periodic costs and gains	(1,303)	—	(319)	—
Sarbanes-Oxley controls development	767	—	767	—
Employee relocation costs	543	508	543	877
Expense component of BearingPoint contract to build information technology infrastructure and other BearingPoint transition	—	—	—	1,842
Verizon transition and other services, components estimated by management to reflect transition services net of expense recovery from BearingPoint to defer costs of transition services because of delay in completion	—	390	—	23,048
Facilities renovation costs	—	1,886	—	1,886
Other	305	3,793	899	6,215
	<u>\$ 1,777</u>	<u>\$ 6,577</u>	<u>\$ 4,248</u>	<u>\$ 33,868</u>

We expect that these costs will continue during 2007 and will decline as we move towards completing our transition.

In addition to the costs outlined above, the Company incurred systems related remediation and work around costs of \$6.8 million and \$13.8 during the three and six months ended June 30, 2007, respectively. These expenses, referred to as contingency costs, represent additional amounts paid to external vendors and internal personnel to maintain acceptable operating performance until certain system remediation work led by Accenture can be completed. These costs are expected to decline as the year progresses and to cease by year end as the systems remediation activities are completed.

Operating Costs and Expenses

The following tables summarize our costs and expenses for the three and six months ended June 30, 2007 compared to the costs and expenses for the three and six months ended June 30, 2006 (dollars in thousands):

For Three Months

	Three Months Ended June 30,		Change	
	2007	2006	Amount	Percentage
Costs of services and sales	\$ 46,660	\$ 52,847	\$ (6,187)	-11.7%
Selling, general and administrative expenses	40,978	42,025	(1,047)	-2.5%
Depreciation and amortization	38,009	42,971	(4,962)	-11.5%
	<u>\$ 125,647</u>	<u>\$ 137,843</u>	<u>\$ (12,196)</u>	<u>-8.8%</u>

For Six Months

	<u>Six Months Ended June 30,</u>		<u>Change</u>	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>Percentage</u>
Costs of services and sales	\$ 91,405	\$ 115,197	\$ (23,792)	-20.7%
Selling, general and administrative expenses	85,270	85,351	(81)	-0.1%
Settlement with BearingPoint	(45,681)	—	(45,681)	N/A
Depreciation and amortization	79,757	81,247	(1,490)	-1.8%
	<u>\$ 210,751</u>	<u>\$ 281,795</u>	<u>\$ (71,044)</u>	<u>-25.2%</u>

The Company's total headcount as of June 30, 2007 was 1,663 compared to 1,841 as of June 30, 2006. Employee related costs are included in both cost of services and sales and selling, general and administrative expenses.

Cost of services and sales 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 goods sold directly associated with various products. Costs of services and sales decreased by \$6.2 million, or 11.7%, for the three months ended June 30, 2007 as compared to the three months ended June 30, 2006. Costs of services and sales decreased by \$23.8 million, or 20.7%, for the six months ended June 30, 2007 compared to the same period in the prior year. The decrease for the three month period can be primarily attributed to our cost reduction efforts including lower salaries and wages in connection with the reduction in headcount, reductions in pensions and other benefits, facilities rents, utilities and other facilities costs. For the six month period the decline relates primarily to \$23.0 million of costs incurred in the first quarter of 2006 to Verizon under the Transition Services Agreement, as well as the cost reduction efforts referred to above. These reductions were offset, in part, by costs for services required to replace those that previously were being provided by Verizon as well as additional costs associated with the increase in customer premise equipment installations.

Selling, general and administrative includes expenses related to sales and marketing, customer service, information systems and other administrative functions. Selling, general and administrative expenses were lower by \$1.0 million, or 2.5%, for the three months ended June 30, 2007 as compared to the three months ended June 30, 2006. Selling, general and administrative expenses were substantially unchanged for the six months ended June 30, 2007 when compared to the same period in the prior year. The decrease for three month period ended June 30, 2007 is attributable to the cost reduction efforts referred to above, specifically lower salaries and wages, reduced costs for pensions and other benefits and lower bad debt expense. These cost savings were substantially offset by the \$6.8 million of contingency costs described above related to systems remediation and work around costs. Although selling, general and administrative expenses were substantially unchanged for the six month period, the \$13.8 million of contingency costs incurred in 2007 entirely offset the cost savings achieved. These contingency costs are expected to decline as the year progresses and to cease by year end as the systems remediation activities are completed.

Effective February 6, 2007, the Company and BearingPoint entered into an agreement to settle disputes and transition work to a third party. The settlement provides for a payment to us of \$52.0 million, which was received in March 2007, as well as waiving obligations to pay all outstanding BearingPoint invoices (amounting to approximately \$38.6 million at February 6, 2007 including certain accrued costs).

During the year ended December 31, 2006 and for the period from January 1, 2007 to February 6, 2007, we recorded recoveries contractually due under the BearingPoint agreement of \$24.1 million and \$2.2 million, respectively. The remaining settlement consideration was recognized upon settlement in the first quarter of 2007 resulting in a gain on settlement of \$45.7 million. The settlement gain was net of a

charge for \$18.6 million representing the write-down of certain software costs for the estimated additional costs to remediate deficiencies in certain systems that had been developed by BearingPoint.

Our cost structure has gone through significant changes during 2006 and 2007. The most significant area of change is related to the composition of third-party service providers utilized in our operations such as Verizon, BearingPoint and Accenture.

Through March 31, 2006, Verizon provided services to us under the Transition Services Agreement. The cost of such services amounted to \$0.4 million and \$29.5 million for the three and six months ended June 30, 2006, respectively.

We previously had an agreement with BearingPoint to build and operate our information technology infrastructure. The costs of operating our information technology infrastructure amounted to \$5.4 million and \$8.4 million for the three and six months ended June 30, 2006, respectively. There was no cost incurred in 2007.

In conjunction with the transition to us from BearingPoint of the responsibility for the build and operate of our information technology infrastructure, we began utilizing the services of Accenture late in the third quarter of 2006. Fees to Accenture for operate services amounted to \$3.2 million and \$4.1 million for the three and six months ended June 30, 2007.

We have taken steps and are evaluating further actions to reduce the cost of operations. During the first quarter of 2007, we offered enhanced retirement benefits that resulted in the voluntary reduction of 60 employees. In addition, we have recently completed the previously announced transition of our directory assistance services to a third party.

Depreciation and amortization decreased by \$5.0 million, or 11.5%, for the three months ended June 30, 2007 when compared to same period in 2006. The decrease resulted primarily from certain assets which became fully depreciated in the second quarter of 2007. Depreciation and amortization decreased by \$1.5 million, or 1.8%, for the six months ended June 30, 2007 when compared to the six months ended June 30, 2006. The decrease was caused by fully depreciated assets as previously discussed offset by an increase related to depreciation on new information technology infrastructure placed in service on April 1, 2006.

Interest Expense and Loss on Early Extinguishment of Debt

Interest expense increased by \$0.3 million, or 1.0%, for the three months ended June 30, 2007 compared to the three months ended June 30, 2006. Interest expense increased by \$2.9 million, or 5.2%, for the first half of 2007 compared to the same period in the prior year. The increase was primarily because of higher interest rates.

In connection with the retirement of debt we incurred a \$7.8 million charge to income which represented unamortized debt issuance and refinancing costs. This transaction is more fully described under "Outstanding Debt and Financing Arrangements."

Income Tax Expense

A valuation allowance has been provided at June 30, 2007 and December 31, 2006 for our deferred tax assets because of the uncertainty as to the realization of such assets. We will continue to assess the recoverability of deferred tax assets and the related valuation allowance. To the extent that we generate taxable income in future years and it is determined that such valuation allowance is no longer required, the tax benefit of the remaining deferred tax assets will be recognized at such time.

Discontinued Operations

Income from discontinued operations is attributable to our directories publishing business. On April 29, 2007, we entered into an agreement to sell our directories publishing segment for \$435.0 million.

Income from discontinued operations amounted to \$59.0 million and \$7.6 million for the three months ended June 30, 2007 and 2006, respectively. Income from discontinued operations amounted to \$64.3 million and \$14.6 million for the six months ended June 30, 2007 and 2006, respectively.

Income from discontinued operations before income taxes decreased by \$2.0 million for the three months ended June 30, 2007 compared to the same period in the prior year. Income from discontinued operations before income tax decreased by \$3.7 million for the six months ended June 30, 2007 when compared to the six months ended June 30, 2006. The decrease was caused primarily by higher fees incurred to L.M. Berry offset by a reduction in our own publishing costs. Our agreement with L.M. Berry provides for them to receive a percentage of revenue for their services for sales, publishing, printing and distribution of our directories published beginning in 2006. The fees for publishing services amounted to \$14.2 million and \$6.6 million for the six months ended June 30, 2007 and 2006, respectively.

The tax benefit recognized in the second quarter of 2007 represents primarily the partial reversal of a valuation allowance on deferred income tax assets. The amount of the reversal is based on the estimated expected benefit we will realize for tax return purposes upon the sale of the directories publishing segment. We will continue to assess the recoverability of deferred income tax assets and the related valuation allowance. To the extent that the amount of estimated tax benefit changes based on additional facts as to the our level of income or loss, such that the amount of the valuation allowance were to increase or decrease, the additional tax cost or benefit will be recognized at that time.

Other Business Matters

During 2006, we announced our effort to develop a network capable of providing integrated digital television, high-speed broadband and voice services in order to provide additional bundled service offerings to new and existing customers. In conjunction therewith, an application for a video franchise is pending with the State of Hawaii, Department of Commerce and Consumer Affairs, Cable Television Division. We have developed plans to build out our network to offer such services. We are working with our vendors to develop the requisite hardware and software platform and are negotiating for programming content. Our ability to provide an attractive and profitable video offering will depend significantly on the results of these regulatory and infrastructure development efforts.

State Regulatory Proceedings

As discussed in our Annual Report on Form 10-K for the 2006 fiscal year, there currently is pending before the Hawaii Public Utilities Commission ("HPUC") a proceeding, initiated on October 6, 2006, concerning our service quality and performance levels and standards in relation to our wholesale and retail customers. The HPUC, as part of its approval of the 2005 acquisition pursuant to which Hawaiian Telcom acquired Verizon's Hawaii assets, had called for such service quality review to take place beginning six months after the systems cutover from Verizon, which occurred April 1, 2006. The Consumer Advocate of the State of Hawaii, the Department of Defense, Time Warner Telecom of Hawaii LLP and Pacific LightNet, Inc. are parties to the proceeding. In general, the HPUC is examining the effect that the 2005 acquisition had on our wholesale and retail customers, including whether any audit or other remedy should be required to mitigate any negative effects. The HPUC also is addressing whether any of the current service quality standards with which we are required to comply should be modified or eliminated and whether any new standards should be enacted, including whether a procedure should be established to impose fines for any failure to meet the service standards. We have submitted our Statement of Position and responded to interrogatories submitted by the other parties, which have also submitted their respective Statements of Position and responded to our interrogatories. Subsequently, the parties met collaboratively to discuss areas of agreement and disagreement and will meet again to

further discuss the issues. Pending HPUC approval of a proposed revision to the current schedule, Reply Statements of Position will be filed on August 31 and Hawaiian Telcom's Reply Statement of Position will be filed on September 14, 2007. The HPUC has not indicated whether it will hold a hearing.

While we do not believe this proceeding will have a material adverse effect on our combined financial position, results of operations or cash flows, we cannot predict the outcome of this proceeding.

Liquidity and Capital Resources

Our short-term and long-term liquidity requirements primarily arise from: (i) interest and principal payments related to our senior credit facilities; (ii) capital expenditures; (iii) working capital requirements; and (iv) certain transition related expenditures.

We intend to fund our operations, interest expense, debt principal payments and working capital requirements from our cash from operations and our revolving credit facility, subject to covenant restrictions.

Our ability to service our indebtedness will depend on our ability to generate cash in the future. Given our high level of debt and related debt service requirements, we may not have significant cash available to meet any large unanticipated liquidity requirements, other than from available borrowings, if any, under our revolving credit facility. As a result, we may not retain a sufficient amount of cash to finance growth opportunities, including acquisitions, or unanticipated capital expenditures, or to fund our operations. If we do not have sufficient cash for these purposes, our financial condition and our business could suffer.

On April 29, 2007, we entered into an agreement to sell our directories publishing segment for \$435 million to an unrelated entity. The sale is subject to certain conditions including approval of the Hawaii Public Utilities Commission. The sale is expected to occur no later than the first quarter of 2008. It is expected that the net proceeds will be utilized to repay debt when the sale occurs, which is expected to improve our overall liquidity position.

Cash Flows

Net cash provided by operations of \$70.6 million for the six months ended June 30, 2007 was related primarily to our net income of \$36.9 million as adjusted to exclude non-cash items and working capital movements of \$33.7 million. The most significant non-cash item during the period was depreciation and amortization expense of \$82.3 million. Net cash provided from operations amounted to \$7.0 million for the six months ended June 30, 2006. The increase in cash provided by operations from the first half of 2006 to the same period in 2007 was related primarily to the \$52.0 million received from the BearingPoint settlement and our improved cost structure.

Cash used in investing activities was \$42.4 million and \$66.1 million for the six months ended June 30, 2007 and 2006, respectively, and consisted entirely of capital expenditures. This included \$18.5 million during the first half of 2006 related to our efforts to build our back-office and IT infrastructure. With most transition related capital spending having been completed, we expect our total capital spending in 2007 to be lower than 2006 levels.

Cash used in financing activities was \$28.3 million for the six months ended June 30, 2007. Cash provided by financing activities was \$51.5 million for the six months ended June 30, 2006. All financing activities related to borrowing activity. The net change in borrowing activity from the first half of 2007 compared to the first half of 2006 related primarily to the receipt of \$52.0 million from the BearingPoint settlement which was utilized to repay debt, as well as lower levels of capital expenditures for the first half of 2007 as compared to the first half of 2006.

Outstanding Debt and Financing Arrangements

As of June 30, 2007, we had outstanding \$1,385.0 million in aggregate indebtedness, excluding unused commitments, with \$64.8 million of additional borrowing capacity available, subject to covenant restrictions, under our amended revolving credit facility.

On June 1, 2007, we entered into a new bank credit facility which consists of an amended revolving credit facility and a Tranche C term loan. The new Tranche C facility was used to repay \$109.0 million of the existing revolving credit facility and the balance due on our Tranche A and Tranche B term loans.

The amended revolving credit facility has a principal balance of \$200.0 million which will mature on April 30, 2012. Of the \$200.0 million revolver commitment, only \$90.0 million is currently available to us. On or before June 1, 2008 we may elect to increase the available commitment by up to \$110.0 million such that the full \$200.0 million is available for borrowing. As of June 30, 2007, the available balance on the facility amounted to \$64.8 million (subject to covenants described below and a \$0.2 million outstanding letter of credit).

The Tranche C term loan has an original principal amount of \$860.0 million. The Tranche C term loan will mature on June 1, 2014 and will amortize with quarterly principal payments beginning September 30, 2007 amounting to \$2.1 million per quarter with the balance due at maturity. The maturity will be April 30, 2012 if we are not able to obtain approval of the Hawaii Public Utilities Commission to extend certain guaranty agreements through June 1, 2014. The facility provides for a one percent prepayment premium for certain refinancing transactions through June 1, 2008 and no premium thereafter. The obligations under the bank credit facilities are guaranteed by Holdco and each subsidiary with certain exceptions. In addition, the bank credit facilities are collateralized by substantially all of the Company's assets.

Borrowings under the bank credit facilities bear interest at a rate equal to the applicable margin plus, at our option, either: (a) a base rate determined by reference to the higher of (1) prime rate, as defined, and (2) the federal funds rate plus ½ of 1%; or (b) a Eurocurrency rate on deposits for one-, two-, three- or six-month periods (or nine- or twelve-month periods if, at the time of the borrowing, all lenders agree to make such a duration available).

The bank credit facilities contain various negative and affirmative covenants that restrict, among other things, incurrence of additional indebtedness, payment of dividends, redemptions of stock, other distributions to shareholders and sales of assets. In addition, there are financial covenants consisting of a leverage ratio and a maximum level of capital expenditures.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and certain transition related expenses will depend on our ability to generate cash in the future. This ability, to a certain extent, is subject to general economic, competitive, regulatory and other factors that are beyond our control. We cannot provide assurance that our business will generate sufficient cash flow from operations or that future borrowing will be available to us under our revolving credit facility to enable us to pay our indebtedness or to fund our other liquidity needs. In addition, our cost structure may be higher than currently anticipated. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot provide assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Material Contractual Cash Obligations

During the six months ended June 30, 2007, the Company's future contractual obligations have changed from the amounts disclosed as of December 31, 2006 in our Form 10-K. The following table sets forth our long-term debt and contractual obligations for the next several years (dollars in thousands):

	2007 (Second Half)	2008	2009	2010	2011	2012 and Thereafter	Total
Debt (1):							
Revolving credit facility (2)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 25,000	\$ 25,000
Term loan facility, Tranche C	4,300	8,600	8,600	8,600	8,600	821,300	860,000
Senior notes	—	—	—	—	—	500,000	500,000
Total debt	4,300	8,600	8,600	8,600	8,600	1,346,300	1,385,000
Operating leases	1,634	2,673	2,501	2,368	2,005	7,509	18,690
Supplier contracts (3)	25,459	16,168	2,000	2,000	167	—	45,794
Total	\$ 31,393	\$ 27,441	\$ 13,101	\$ 12,968	\$ 10,772	\$ 1,353,809	\$ 1,449,484

- (1) Interest commitments on debt amount to approximately \$71,224 for the remainder of 2007, \$131,557 to \$129,594 for years 2008 to 2011, \$263,789 cumulative for years 2012 and thereafter, and \$857,316 in the aggregate. The interest commitment was estimated based on the fixed rate where applicable or, for floating rate debt, it was based on the rate in effect at June 30, 2007.
- (2) Based on balance at June 30, 2007.
- (3) Represents payments due under long-term supplier contracts including Accenture.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in consolidated financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on the 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 Form 10-K, and have not changed materially from that discussion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2007, our floating rate obligations consist of \$25.0 million of debt outstanding under our revolving credit facility, \$860.0 million of debt outstanding under our Tranche C term loan facility and \$150.0 million in aggregate principal amount of outstanding senior floating rate notes. Accordingly, our earnings and cash flow are affected by changes in interest rates. Based on our borrowings at June 30, 2007 and assuming a 0.125 percentage point increase in the average interest rate under these borrowings, we estimate that our annual interest expense would increase by approximately \$1.3 million.

We utilize a combination of fixed-rate and variable-rate debt to finance our operations. The variable-rate debt exposes us to variability in interest payments due to changes in interest rates. Our management believes that it is prudent to mitigate our interest rate risk on a portion of our variable-rate borrowings.

To manage fluctuations in cash flows resulting from adverse changes in interest rates on our term loan facilities and notes, in June 2005, we entered into six interest rate swap agreements to hedge against the effects of increases in interest rates associated with floating rate debt on our term loan facilities and notes. The interest rate swap agreements have a cumulative notional amount that ranges from \$451.4 million at June 30, 2005, to a high of \$704.3 million at September 30, 2006, to a balance of \$253.0 million at maturity on December 31, 2010. The fixed rate is 3.98% for the period from June 30, 2005 to December 30, 2006 and 4.36% from December 31, 2006 to December 31, 2010. The interest rate swaps effectively change the variable-rate cash flow exposure on certain of our debt obligations to fixed cash flows. Under the terms of the interest rate swap agreements, we receive fluctuating interest rate payments and make fixed rate payments, thereby creating the equivalent of fixed-rate interest payments. We do not speculate using derivative financial instruments and do not enter into derivative instruments for any purpose other than cash-flow-hedging purposes. The fair value of the swap agreements amounted to approximately \$13.8 million as of June 30, 2007. Changes in the fair value of these swaps are recognized in other comprehensive income to the extent of the swaps' effectiveness. As of June 30, 2007, approximately \$640.0 million of our \$1,035.0 million variable rate debt outstanding was fixed at 4.36% (plus the applicable margin). Our weighted average cost of debt for the second quarter of 2007 was 8.66%.

By using derivative financial instruments to hedge exposures to changes in interest rates, we expose ourselves to market risk. Market risk may involve the adverse or beneficial effects on the value of a financial instrument resulting from changes in interest rates. While we expect such changes in value may be significant, the market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Market risk may have significantly changed the value of our swap agreements subsequent to the date of the most recent balance sheet presented. However, as our management does not currently intend to terminate our swap agreements prior to their maturities, such changes in value will only result in realization as an effective offset to the variability in cash flows associated with our variable rate debt.

Item 4. Controls and Procedures

We have disclosed to the auditors and to the Audit Committee of the Board of Directors of the Company a material weakness in the design and operation of internal controls which could adversely affect our ability to record, process, summarize, and report financial data. As most recently disclosed in our Form 10-Q filed May 15, 2007, there was a significant change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) as of March 31, 2006 that did not materially affect our internal control over financial reporting during the fiscal quarter ended March 31, 2006. However, the significant change affected our internal control over financial reporting for the fiscal periods thereafter. We previously disclosed a material weakness in internal control over financial reporting and that we are still in the process of evaluating and adjusting the functionality of all new systems and making modifications and enhancements to internal control processes associated with these new systems. Specifically, the Company began processing transactions utilizing newly implemented operating, financial and administrative information technology systems during 2006. BearingPoint built or converted our back-office and IT infrastructure necessary to replace systems previously provided by Verizon but not all of these systems are functioning or functioning in an acceptable manner for our business. The Company continues to adapt to new processes, procedures and controls associated with these new systems.

A material weakness in internal control over financial reporting exists because there is more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented and detected. The material weakness results from significant weaknesses in several information technology systems and change management controls, as well as operating processes and controls needed to fully record, process, summarize and report financial data after our March 31, 2006 transition. These system deficiencies relate to (but are not limited to) the following:

- Accounts receivable balances/subsidiary ledger support,
- Billing and revenue assurance,
- Distribution of expenses and capital,
- Fixed assets and project costing,
- Management reporting,
- Order accuracy and system processing,
- Procurement (including accounts payable) and inventory valuation, and
- Tax and surcharge accuracy.

To help remediate deficiencies in these areas, we engaged the services of Accenture as a strategic partner with specific expertise in information technology processes and system remediation efforts. In addition, we formed a stabilization project team to perform an assessment of our control environment after the March 31, 2006 transition. These continuing activities are intended to facilitate improvement in the design or operation of our internal controls.

Disclosure Controls and Procedures

Under the supervision of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of June 30, 2007 (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in Internal Controls

There was a change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) as of March 31, 2006 that did materially affect our internal control over financial reporting during the fiscal periods thereafter and is reasonably likely to affect our internal control over financial reporting in the future. Deficiencies in certain information technology systems and change management controls have continued during the three months ended June 30, 2007. Remedial measures to address the deficiencies in our internal controls over financial reporting are discussed in more detail below.

In order to facilitate our transition to becoming a stand-alone provider of communication services, Verizon and its affiliates provided us from May 2, 2005 to March 31, 2006 with services pursuant to the Transition Services Agreement. Under such agreement, Verizon and its affiliates provided us with services that were critical to the ongoing operation including, among other things:

- access to certain existing IT systems and applications;
- maintenance and support of certain IT applications and systems;
- support for our residential and business customers;
- accounting, payroll, accounts payable and transaction tax preparation services;
- customer billing operation services;
- network surveillance, maintenance and technical support of switches, relays, DSL and other Internet operations;
- call center support, systems and related services;
- infrastructure maintenance work for inside and outside plant engineering; and
- Internet operations and related support.

The Verizon Transition Services Agreement, including accounting services, ended on March 31, 2006 (Hawaii Time).

Subsequently, we began processing transactions utilizing the information technology systems that BearingPoint assisted us in building, which includes with few exceptions, our operating, financial and administrative systems. We are still in the process of evaluating and adjusting the functionality of all new systems and making modifications and enhancements in internal control processes associated with these systems. We disclosed previously a material weakness in internal control over financial reporting because of the high number of new systems implemented after March 31, 2006 and the Company's continued effort to adapt to the new processes, procedures and controls.

A material weakness in internal control over financial reporting exists because there is more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented and detected. The material weakness results from significant weaknesses in several information technology systems and change management controls, as well as operating processes and controls needed to fully record, process, summarize and report financial data after our March 31, 2006 transition. These system deficiencies relate to (but are not limited to) the following:

- Accounts receivable balances/subsidiary ledger support,
- Billing and revenue assurance,
- Distribution of expenses and capital,
- Fixed assets and project costing,
- Management reporting,
- Order accuracy and system processing,
- Procurement (including accounts payable) and inventory valuation,
- Tax and surcharge accuracy.

To help remediate deficiencies in these areas, we engaged the services of Accenture as a strategic partner with specific expertise in information technology processes and system remediation efforts. In addition, we formed a stabilization project team to perform an assessment of our control environment after the March 31, 2006 transition. These continuing activities are intended to facilitate improvement in the design or operation of our internal controls.

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 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 COMMUNICATIONS, INC.

August 14, 2007

/s/ Michael S. Ruley

Michael S. Ruley
Chief Executive Officer

August 14, 2007

/s/ Paul H. Sunu

Paul H. Sunu
Senior Vice President and Chief Financial Officer

August 14, 2007

/s/ Robert F. Reich

Robert F. Reich
Vice President, Finance and Controller

EXHIBIT INDEX

- 10.49 Amended and Restated Credit Agreement, dated as of June 1, 2007, among Hawaiian Telcom Communications, Inc., Hawaiian Telcom Holdco, Inc., the lenders party thereto, Lehman Commercial Paper Inc., as administrative agent and collateral agent, JPMorgan Chase Bank, N.A., as syndication agent, and the other agents party thereto (incorporated by reference to Exhibit 10.1 on Hawaiian Telcom Communications, Inc.'s Form 8-K, filed with the SEC on June 7, 2007).
- 10.50 Amended and Restated Guarantee and Collateral Agreement, dated as of June 1, 2007, among Hawaiian Telcom Holdco, Inc., Hawaiian Telcom Communications, Inc., Hawaiian Telcom, Inc., Hawaiian Telcom Services Company, Inc. and Lehman Commercial Paper Inc., as collateral agent (incorporated by reference to Exhibit 10.2 on Hawaiian Telcom Communications, Inc.'s Form 8-K, filed with the SEC on June 7, 2007).
- 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.

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

I, Michael S. Ruley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawaiian Telcom Communications, 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)) 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) 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
 - (c) 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.

August 14, 2007

/s/ Michael S. Ruley

Michael S. Ruley
Chief Executive Officer

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

I, Paul H. Sunu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawaiian Telcom Communications, 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)) 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) 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
 - (c) 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.

August 14, 2007

/s/ Paul H. Sunu

Paul H. Sunu

Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Hawaiian Telcom Communications, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael S. Ruley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

August 14, 2007

/s/ Michael S. Ruley

Michael S. Ruley
Chief Executive Officer

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

In connection with the Quarterly Report of Hawaiian Telcom Communications, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul H. Sunu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

August 14, 2007

/s/ Paul H. Sunu

Paul H. Sunu
Senior Vice President and Chief Financial Officer