
**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, 2008

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, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Number of shares of common stock outstanding as of August 13, 2008: 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,	
	2008	2007 As Restated - see Note 17	2008	2007 As Restated - see Note 17
Operating revenues	\$ 115,253	\$ 121,404	\$ 227,688	\$ 246,867
Operating expenses:				
Cost of services and sales (exclusive of depreciation and amortization)	42,727	46,660	86,162	91,405
Selling, general and administrative	41,121	40,978	84,879	85,270
Settlement with BearingPoint	—	—	—	(45,681)
Depreciation and amortization	39,305	38,009	78,682	79,757
Total operating expenses	<u>123,153</u>	<u>125,647</u>	<u>249,723</u>	<u>210,751</u>
Operating income (loss)	<u>(7,900)</u>	<u>(4,243)</u>	<u>(22,035)</u>	<u>36,116</u>
Other income (expense):				
Interest expense	(22,494)	(20,435)	(45,671)	(41,105)
Loss on early extinguishment of debt	(794)	(7,780)	(3,456)	(7,780)
Gain (loss) on interest rate swap	168	—	(567)	—
Interest income and other	501	141	1,093	284
Total other expense	<u>(22,619)</u>	<u>(28,074)</u>	<u>(48,601)</u>	<u>(48,601)</u>
Loss from continuing operations before provision (credit) for income taxes	(30,519)	(32,317)	(70,636)	(12,485)
Provision (credit) for income taxes	<u>—</u>	<u>(200)</u>	<u>—</u>	<u>1,700</u>
Loss from continuing operations	(30,519)	(32,117)	(70,636)	(14,185)
Income from discontinued operations, net of tax	<u>—</u>	<u>53,528</u>	<u>—</u>	<u>51,133</u>
Net income (loss)	<u>\$ (30,519)</u>	<u>\$ 21,411</u>	<u>\$ (70,636)</u>	<u>\$ 36,948</u>

See accompanying notes to condensed consolidated financial statements.

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

	<u>June 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 71,817	\$ 8,772
Segregated cash	—	271,464
Receivables, net	59,991	65,392
Material and supplies	6,594	6,600
Prepaid expenses	5,448	3,343
Other current assets	5,658	4,890
Total current assets	<u>149,508</u>	<u>360,461</u>
Property, plant and equipment, net	771,704	794,051
Deferred financing and other assets	20,731	25,891
Intangible assets, net	<u>434,351</u>	<u>457,437</u>
Total assets	<u>\$ 1,376,294</u>	<u>\$ 1,637,840</u>
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	\$ 50,485	\$ 54,099
Accrued expenses	22,810	27,396
Income taxes payable	—	1,150
Advance billings and customer deposits	16,492	15,496
Current maturities of long-term debt	—	263,000
Other current liabilities	7,877	16,648
Total current liabilities	<u>97,664</u>	<u>377,789</u>
Long-term debt	1,074,500	989,700
Employee benefit obligations	62,128	57,176
Other liabilities	12,848	11,695
Total liabilities	<u>1,247,140</u>	<u>1,436,360</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	428,979	428,565
Accumulated other comprehensive loss	(8,800)	(6,696)
Accumulated deficit	(291,025)	(220,389)
Total stockholder's equity	<u>129,154</u>	<u>201,480</u>
Total liabilities and stockholder's equity	<u>\$ 1,376,294</u>	<u>\$ 1,637,840</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,	
	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ (70,636)	\$ 36,948
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	78,682	82,328
Deferred income taxes, net	—	(54,900)
Employee retirement benefits	4,952	4,633
Provision for uncollectibles	4,937	5,273
Write-down of software costs	—	18,593
Loss on early extinguishment of debt	3,456	7,780
Loss on interest rate swap	567	—
Changes in operating assets and liabilities:		
Receivables	464	19,777
Material and supplies	5	2,333
Prepaid expenses and other current assets	(2,873)	(3,719)
Accounts payable and accrued expenses	(1,679)	(55,021)
Income taxes payable	(1,150)	—
Advance billings and customer deposits	995	243
Other current liabilities	(7,461)	2,736
Other, net	1,965	3,638
Net cash provided by operating activities	12,224	70,642
Cash flows from investing activities:		
Capital expenditures	(39,768)	(42,352)
Transfer of segregated cash	271,464	—
Net cash provided by (used in) investing activities	231,696	(42,352)
Cash flows from financing activities:		
Proceeds from issuance of debt	86,800	932,000
Payment of settlement on swap	(2,675)	—
Repayment of debt	(265,000)	(954,000)
Debt issuance costs	—	(6,348)
Net cash used in financing activities	(180,875)	(28,348)
Net change in cash and cash equivalents	63,045	(58)
Cash and cash equivalents, beginning of period	8,772	4,752
Cash and cash equivalents, end of period	\$ 71,817	\$ 4,694
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 44,729	\$ 57,878
Income taxes paid	1,150	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 except share information)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount				
Balance, January 1, 2008	1,000	\$ —	\$ 428,565	\$ (6,696)	\$ (220,389)	\$ 201,480
Stock based compensation	—	—	414	—	—	414
Net loss	—	—	—	—	(70,636)	(70,636)
Other comprehensive income (loss)						
Loss on cash flow hedging derivatives	—	—	—	(2,059)	—	(2,059)
Unrealized loss on investments	—	—	—	(45)	—	(45)
Balance, June 30, 2008	<u>1,000</u>	<u>\$ —</u>	<u>\$ 428,979</u>	<u>\$ (8,800)</u>	<u>\$ (291,025)</u>	<u>\$ 129,154</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 with an integrated telecommunications network servicing approximately 533,000 switched access lines as of June 30, 2008. The Company also served approximately 256,000 long distance lines and had 93,000 High-Speed Internet (HSI) 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.

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, 2007, that are included in the Company's annual report on 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 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. The Company insures current incidents with external carriers.

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and money market accounts with maturities at acquisition of three months or less. The majority of cash balances at June 30, 2008 are held in one short-term U.S. Treasury money-market account.

Supplemental Non-Cash Investing and Financing Activities

Accounts payable included \$6.2 million and \$5.5 million at June 30, 2008 and 2007, respectively, for additions to property, plant and equipment.

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Segregated Cash

At December 31, 2007, the Company presented segregated cash which represented cash proceeds from the sale of its directories publishing segment as such funds were required to be used to repay long term debt based on a requirement by the Hawaii Public Utilities Commission (HPUC) and terms of its bank debt agreement. As such repayments had been made by June 30, 2008 there is no segregated cash at that date.

Taxes Collected from Customers

The Company presents taxes collected from customers and remitted to governmental authorities on a gross basis, including such amounts in the Company's reported operating revenues. Such amounts represent primarily Hawaii state excise taxes and HPUC fees. Such taxes and fees amounted to \$1.7 million and \$3.4 million for the three and six months ended June 30, 2008, and \$2.3 million and \$4.7 million for the three and six months ended June 30, 2007, 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 summarizes the effect on net income (loss) for the three and six months ended June 30, 2008 and 2007 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,	
	2008	2007	2008	2007
Net income (loss), as reported	\$ (30,519)	\$ 21,411	\$ (70,636)	\$ 36,948
Add: Stock option related employee compensation expense included in net income (loss)	168	89	414	152
Deduct: Total stock option related employee compensation expense determined under fair value based method for all awards	(316)	(417)	(709)	(808)
Pro forma net income (loss)	<u>\$ (30,667)</u>	<u>\$ 21,083</u>	<u>\$ (70,931)</u>	<u>\$ 36,292</u>

Interest expense allocation

Interest expense has been allocated to discontinued operations based on the amount of debt required to be repaid as a result of the sale of the directories publishing segment in November 2007. Interest has been allocated for periods prior to the sale.

3. Recently Issued Accounting Pronouncements

In May 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" which identifies the sources of accounting principles and the framework of selecting principles to be used in preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. SFAS No. 162 is effective sixty days following the United States Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board's related amendments to remove the GAAP hierarchy from auditing standards. The adoption of SFAS No. 162 is not expected to have any effect on the Company's consolidated financial position, results of operations, or cash flows.

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In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." This standard requires enhanced disclosures related to derivative instruments and hedging activities. 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, 2009.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) establishes principles and requirements for how an acquiring company recognizes and measures the assets acquired (including goodwill), the liabilities assumed and any noncontrolling interest. 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, 2009.

4. Discontinued Operations

On April 29, 2007, the Company entered into an agreement to sell its Directories Publishing segment to an unrelated entity. The sale was consummated on November 30, 2007.

The following table summarizes the results of the discontinued operations, which were reclassified from continuing operations, for the three and six months ended June 30, 2007 (dollars in thousands):

	<u>Three Months Ended June 30, 2007</u>	<u>Six Months Ended June 30, 2007</u>
Operating revenues	\$ 16,245	\$ 33,915
Operating expenses, includes amortization of \$643 and \$2,571 for the three and six months, respectively	9,761	21,212
Income from operations of discontinued segment	6,484	12,703
Interest expense	(9,156)	(18,170)
Loss from discontinued segment before benefit for income taxes	(2,672)	(5,467)
Benefit for income taxes	(56,200)	(56,600)
Income from discontinued operations	<u>\$ 53,528</u>	<u>\$ 51,133</u>

The net proceeds from the sale were required by the HPUC and the bank debt agreement to be used to repay debt.

5. Receivables

Receivables consisted of the following (dollars in thousands):

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Customers and other	\$ 78,812	\$ 89,433
Allowance for doubtful accounts	(18,821)	(24,041)
	<u>\$ 59,991</u>	<u>\$ 65,392</u>

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6. Accrued Expenses

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

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Salaries and benefits	\$ 11,799	\$ 16,732
Other taxes	2,375	1,559
Interest	<u>8,636</u>	<u>9,105</u>
	<u>\$ 22,810</u>	<u>\$ 27,396</u>

7. Long-Term Debt

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

	<u>Interest Rate at June 30, 2008</u>	<u>Final Maturity</u>	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Notes payable to banks, revolving credit facility	4.74%	April 30, 2012	\$ 89,800	\$ 57,000
Notes payable to banks, Tranche C term loan	5.20%	June 1, 2014	484,700	695,700
Senior floating rate notes	8.49%	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>
			1,074,500	1,252,700
Current portion			<u>—</u>	<u>263,000</u>
			<u>\$ 1,074,500</u>	<u>\$ 989,700</u>

Notes Payable to Banks

In January 2008, the Company repaid \$211.0 million of the Tranche C debt using the proceeds from the sale of the directories publishing segment. In addition, the amount of revolver availability decreased from \$200.0 million at December 31, 2007 to \$90.0 million at June 30, 2008. As a result of the repayment of debt and reduction in the availability of the revolving credit facility, the Company expensed deferred financing costs resulting in a loss on early extinguishment of debt of \$0.8 million and \$3.5 million for the three and six months ended June 30, 2008, respectively.

In January 2008, the Company had requested a permanent reduction in the revolver commitment to \$150.0 million. On June 1, 2008, the revolver availability further declined to the \$90.0 million level when a provision in the Company's credit agreement which permitted it to increase the available commitment to \$150.0 million lapsed. The HPUC denied the Company's request for approval to invoke this provision of the credit agreement.

One of the syndicated lenders is an affiliate of The Carlyle Group, a private equity firm, with an approximately one 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.

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 maintains interest rate swap agreements to manage fluctuations in cash flows resulting from adverse changes in interest rates on its term loans and notes. The interest rate swap agreements have a cumulative notional amount that ranges from \$430.2 million at June 30, 2008 to a balance of \$202.4 million at maturity on December 31, 2010.

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 loss. 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, 2008, the Company had a \$9.3 million unrealized gain and a \$2.1 million unrealized loss, respectively, included in other comprehensive income (loss). 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. The fair value of the interest rate swaps reflecting a liability of \$6.6 million and \$6.5 million is included in other current liabilities and other liabilities, as applicable, on the condensed consolidated balance sheets as of June 30, 2008 and December 31, 2007, respectively. For the three and six months ended June 30, 2008, the ineffectiveness related to the change in fair value of the hedges resulted in a gain on the interest rate swap of \$0.2 million and in a loss on the interest rate swap \$0.6 million, respectively. The gain and loss are recognized in the condensed consolidated statement of operations.

In January 2008, the Company terminated one of its swaps with a notional value of \$115.4 million. As a result, the Company paid \$2.7 million which represented the fair value of the hedge on the settlement date. The swap was previously designated as a cash flow hedge maturing December 31, 2010. The fair value adjustments to the hedged instrument are being recognized as an increase to interest expense over the remaining term of the previously hedged instrument.

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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 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 months and six months ended June 30, 2008 and 2007 (dollars in thousands):

Pension

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Service cost	\$ 2,019	\$ 2,241	\$ 4,038	\$ 5,468
Interest cost	2,854	3,018	5,708	6,130
Expected asset return	(3,260)	(4,134)	(6,520)	(8,037)
Net periodic benefit cost	1,613	1,125	3,226	3,561
Termination benefit cost	—	—	420	1,860
Settlement gain	—	—	—	(876)
Curtailment gain	—	(1,378)	—	(1,378)
Total benefit cost (income)	\$ 1,613	\$ (253)	\$ 3,646	\$ 3,167

Other Postretirement Benefits

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Service cost	\$ 327	\$ 398	\$ 654	\$ 796
Interest cost	577	548	1,154	1,096
Net periodic benefit cost	\$ 904	\$ 946	\$ 1,808	\$ 1,892

During the first quarter of 2008, the Company provided an early retirement benefit to selected employees in conjunction with a planned reduction in the Company's workforce which resulted in a cost of \$0.4 million.

During the first quarter of 2007, the Company provided an early retirement benefit to selected employees. The cost of such benefit amounted to \$1.9 million. Upon retirement, the majority of such employees elected lump sum payments 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 previously disclosed in its financial statements for the year ended December 31, 2007 that it expected to contribute \$0.6 million to its pension plan in 2008. As of June 30, 2008, the Company has contributed \$0.2 million. The Company presently anticipates contributing the remainder of the amount during the third quarter of 2008.

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10. Income Taxes

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Benefit at federal rate	\$ (10,682)	\$ (11,311)	\$ (24,723)	\$ (4,370)
Increase (decrease) resulting from:				
State income taxes, net of federal benefit	(1,221)	(1,293)	(2,825)	(499)
Valuation allowance	11,903	12,404	27,548	6,569
Provision (credit) for income taxes	\$ —	\$ (200)	\$ —	\$ 1,700

A valuation allowance has been provided at June 30, 2008 and December 31, 2007 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, 2008, the Company had no unrecognized tax benefits. No interest or penalties related to tax assessments were recognized in the Company's condensed consolidated statements of operations for the six months ended June 30, 2008 or 2007. 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.

The Company recognized compensation expense of \$0.2 million and \$0.4 million during the three and six months ended June 30, 2008, respectively. Similarly, the Company recognized compensation expense of \$0.1 million and \$0.2 million during the three and six months ended June 30, 2007, respectively.

In the second quarter of 2008, the Company entered into an employment agreement which entitled one executive to receive an option grant for 42,800 shares or 10% of the outstanding shares of Holdco at a price of \$100 per share. The options may only be exercised in the case of a qualified initial public offering (IPO) of shares of Holdco and the amount subject to exercise will depend, in part, on the amount of proceeds from the IPO. Compensation cost for this option grant will be recognized at such time that it is concluded that an IPO is probable of occurring.

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12. Comprehensive Income (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,	
	2008	2007	2008	2007
Net income (loss)	\$ (30,519)	\$ 21,411	\$ (70,636)	\$ 36,948
Other comprehensive income (loss) -				
Gains (losses) on cash flow hedging derivatives	9,277	5,291	(2,059)	2,224
Unrealized loss on investments	(102)	(21)	(45)	(22)
Other comprehensive income (loss)	9,175	5,270	(2,104)	2,202
Comprehensive income (loss)	\$ (21,344)	\$ 26,681	\$ (72,740)	\$ 39,150

13. Commitments 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. Effective February 6, 2007, the Company and BearingPoint entered into an agreement to settle disputes and transition work to a third party 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.

Third Party Claims

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

Litigation

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

14. Related Party Transactions

In 2005, the Company entered into a management consulting agreement with The Carlyle Group (the “Sponsor”). The agreement allows the Company access to the Sponsor’s expertise in areas such as corporate management, financial transactions, product strategy, investment, acquisitions and other matters that relate to the Company’s business, administration and policies. Under the agreement, the Company incurred advisory fees of \$0.3 million and \$0.5 million for the three and six months ended June 30, 2008, respectively. The costs incurred in 2007 were the same as those incurred in 2008.

The Company maintains certain cash balances in a bank that is affiliated with the non-executive Chairman of the Board of the Company. The Chairman of the Company is also the non-executive Chairman of that bank.

15. Fair Value Measurements

Effective January 1, 2008, the Company adopted SFAS No. 157, “Fair Value Measurements,” which provides a framework for measuring fair value. As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Assets measured at fair value on a recurring basis at June 30, 2008 represent investment securities included in deferred financing and other assets. Liabilities measured at fair value on a recurring basis consist of derivative liabilities at June 30, 2008 related to the Company’s interest rate swap agreements. A summary of assets and liabilities is as follows (dollars in thousands):

	<u>Assets</u>	<u>Liabilities</u>
Fair value measurements at June 30, 2008 using:		
Quoted prices in active markets for identical assets (Level 1)	\$ 3,321	\$ —
Significant other observable inputs (Level 2)	—	6,583
Significant unobservable inputs (Level 3)	—	—
	<u>\$ 3,321</u>	<u>\$ 6,583</u>

16. Segment Information

The Company operates in two reportable segments (Wireline Services and Other) based on how resources are allocated and performance is assessed by the Company's chief operating decision maker. 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 HSI, long distance services, customer premise equipment, data solutions, billing and collection, and pay telephone services. The Company also is currently incurring certain costs related to the development of a video services offering. The Other segment consists primarily of wireless services.

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

	<u>Wireline Services</u>	<u>Other</u>	<u>Intersegment Elimination</u>	<u>Total</u>
For the three months ended and as of June 30, 2008				
Operating revenues	\$ 113,163	\$ 2,397	\$ (307)	\$ 115,253
Depreciation and amortization	39,283	22	—	39,305
Loss from continuing operations	(29,815)	(397)	(307)	(30,519)
Assets	1,375,357	937	—	1,376,294
For the six months ended June 30, 2008				
Operating revenues	\$ 223,232	\$ 5,077	\$ (621)	\$ 227,688
Depreciation and amortization	78,628	54	—	78,682
Loss from continuing operations	(69,334)	(681)	(621)	(70,636)
Capital expenditures	39,768	—	—	39,768
Assets as of December 31, 2007	\$ 1,636,413	\$ 1,427	\$ —	\$ 1,637,840
For the three months ended June 30, 2007				
Operating revenues	\$ 118,908	\$ 2,820	\$ (324)	\$ 121,404
Depreciation and amortization	38,009	—	—	38,009
Loss from continuing operations	(30,150)	(1,643)	(324)	(32,117)
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	(9,870)	(3,714)	(601)	(14,185)
Capital expenditures	42,352	—	—	42,352

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17. Restatement

In preparing its condensed consolidated financial statements for the quarter ended June 30, 2008, the Company's management determined that interest expense on certain debt obligations that were required to be repaid using proceeds from the sale of the Directories Publishing segment in November 2007, was previously reported as interest expense within continuing operations in error, and should have been reported as part of discontinued operations for the three and six month periods ended June 30, 2007. As a result, certain interest expense amounts in the condensed consolidated statements of operations have been restated from loss from continuing operations to income from discontinued operations for such periods as summarized below (dollars in thousands). The error had no impact on the Company's previously reported condensed consolidated balance sheets, condensed consolidated statements of cash flows, condensed consolidated statements of changes in stockholder's equity or operating income (loss) and net income (loss) within the condensed consolidated statements of operations presented in this Form 10-Q.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Three months ended June 30, 2007:			
Interest expense	\$ (29,591)	\$ 9,156	\$ (20,435)
Total other expense	(37,230)	9,156	(28,074)
Loss from continuing operations before provision for income tax	(41,473)	9,156	(32,317)
Provision (credit) for income taxes	(3,900)	3,700	(200)
Loss from continuing operations	(37,573)	5,456	(32,117)
Income from discontinued operations, net of tax	58,984	(5,456)	53,528
Six months ended June 30, 2007:			
Interest expense	\$ (59,275)	\$ 18,170	\$ (41,105)
Total other expense	(66,771)	18,170	(48,601)
Loss from continuing operations before provision for income tax	(30,655)	18,170	(12,485)
Provision (credit) for income taxes	(3,300)	5,000	1,700
Loss from continuing operations	(27,355)	13,170	(14,185)
Income from discontinued operations, net of tax	64,303	(13,170)	51,133

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

The fiscal 2007 financial information within the following Management’s Discussion and Analysis of Financial Condition and Results of Operations has been updated to reflect the effects of the restatement as more fully described in Note 17 to the Unaudited Condensed Consolidated Financial Statements included in Item 1, Part I of this Form 10-Q.

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 our 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 annual report on Form 10-K for the year ended December 31, 2007 for a detailed discussion of 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 Services and Other) based on how resources are allocated and performance is assessed by our chief operating decision maker.

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Overview

We operate the incumbent 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 (HSI) and other Internet, and other telecommunication services and sales.

Wireline Services

The Wireline Services 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.

Internet Services – We provide HSI and dial-up Internet to our residential and business customers.

Other Telecommunication Services and Sales – Other services and sales include inside wire maintenance, and installation and maintenance of customer premise equipment. We are also incurring certain costs related to the potential development of a video services offering.

Other

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

Results of Operations

We reported a net loss of \$30.5 million and net income of \$21.4 million for the three months ended June 30, 2008 and 2007, respectively.

We reported a net loss of \$70.6 million and net income of \$36.9 million for the six months ended June 30, 2008 and 2007, respectively.

Recent Developments

During the first quarter of 2008, the Company's Chief Executive Officer along with certain other senior executives resigned and the Board of Directors engaged Kroll Zolfo Cooper LLC, a corporate recovery and advisory firm, to provide interim executive management services to the Company. In the second quarter of 2008, we appointed a new Chief Executive Officer. From October 2007 through the first quarter of 2008, we reduced our management headcount by approximately 100 positions and are pursuing other initiatives designed to improve the Company's operating results.

We are in the process of developing a revised strategic plan which is focusing on the introduction of new products, simplifying our existing product offerings, improving our customer service experience, leveraging our network infrastructure, improving processes and systems, and rebuilding customer confidence in the Company. Our revised strategic plan, once complete, will also serve as the basis of our yearly operating plans. In order to execute our plan we intend to initiate a variety of programs across the business operations to advance our core strategies which we believe will improve our operating results and enhance our cash flow and liquidity.

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Operating Revenues

The following tables summarize our volume and revenue information as of or through June 30, 2008 and June 30, 2007. For comparability, we also present customer activity as of June 30, 2008 compared to March 31, 2008.

Volume Information

June 2008 compared to June 2007

	June 30, 2008	June 30, 2007	Change	
			Number	Percentage
Switched access lines				
Residential	307,394	345,556	(38,162)	-11.0%
Business	220,578	229,716	(9,138)	-4.0%
Public	5,388	5,649	(261)	-4.6%
	<u>533,360</u>	<u>580,921</u>	<u>(47,561)</u>	<u>-8.2%</u>
High-Speed Internet lines				
Residential	76,243	73,891	2,352	3.2%
Business	15,767	16,162	(395)	-2.4%
Wholesale	1,453	1,590	(137)	-8.6%
	<u>93,463</u>	<u>91,643</u>	<u>1,820</u>	<u>2.0%</u>
Long distance lines				
Residential	172,323	184,758	(12,435)	-6.7%
Business	83,788	85,430	(1,642)	-1.9%
	<u>256,111</u>	<u>270,188</u>	<u>(14,077)</u>	<u>-5.2%</u>

June 2008 compared to March 2008

	June 30, 2008	March 31, 2008	Change	
			Number	Percentage
Switched access lines				
Residential	307,394	317,858	(10,464)	-3.3%
Business	220,578	222,065	(1,487)	-0.7%
Public	5,388	5,525	(137)	-2.5%
	<u>533,360</u>	<u>545,448</u>	<u>(12,088)</u>	<u>-2.2%</u>
High-Speed Internet lines				
Residential	76,243	76,747	(504)	-0.7%
Business	15,767	15,932	(165)	-1.0%
Wholesale	1,453	1,551	(98)	-6.3%
	<u>93,463</u>	<u>94,230</u>	<u>(767)</u>	<u>-0.8%</u>
Long distance lines				
Residential	172,323	175,961	(3,638)	-2.1%
Business	83,788	84,237	(449)	-0.5%
	<u>256,111</u>	<u>260,198</u>	<u>(4,087)</u>	<u>-1.6%</u>

Operating Revenues (dollars in thousands)

For Three Months

	Three Months Ended June 30,		Change	
	2008	2007	Amount	Percentage
Wireline Services				
Local services	\$ 49,067	\$ 52,625	\$ (3,558)	-6.8%
Network access services	34,653	34,993	(340)	-1.0%
Long distance services	9,546	10,012	(466)	-4.7%
High-Speed Internet and other Internet	8,750	8,756	(6)	-0.1%
Other services and sales	11,147	12,522	(1,375)	-11.0%
	<u>113,163</u>	<u>118,908</u>	<u>(5,745)</u>	<u>-4.8%</u>
Other	2,090	2,496	(406)	-16.3%
	<u>\$ 115,253</u>	<u>\$ 121,404</u>	<u>\$ (6,151)</u>	<u>-5.1%</u>

For Six Months

	Six Months Ended June 30,		Change	
	2008	2007	Amount	Percentage
Wireline Services				
Local services	\$ 98,649	\$ 106,562	\$ (7,913)	-7.4%
Network access services	67,763	75,723	(7,960)	-10.5%
Long distance services	18,509	18,285	224	1.2%
High-Speed Internet and other Internet	17,550	17,784	(234)	-1.3%
Other services and sales	20,761	23,717	(2,956)	-12.5%
	<u>223,232</u>	<u>242,071</u>	<u>(18,839)</u>	<u>-7.8%</u>
Other	4,456	4,796	(340)	-7.1%
	<u>\$ 227,688</u>	<u>\$ 246,867</u>	<u>\$ (19,179)</u>	<u>-7.8%</u>

For the three months ended June 30, 2008, local services revenues decreased \$3.6 million, or 6.8%, compared to same period in 2007. For the first half of 2008, local service revenue decreased \$7.9 million, or 7.4% compared to the first half of 2007. The decrease in revenues was caused by the decline in switched access lines.

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 technologies other than traditional phone lines for voice and data. Residential customers are increasingly moving local voice service to VoIP technology offered by cable providers, 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 HSI and cable broadband service. Additionally, Competitive Local Exchange Carriers (CLECs) continue to focus on business customers and selling services to our 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.

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

For the three months ended June 30, 2008, network access services revenue was comparable to the three months ended June 30, 2007. For the six months June 30, 2008, network access revenue decreased by \$8.0 million, or 10.5%, compared to the same period in the prior year. Network access revenue in the first quarter of 2007 was beneficially impacted by revenue assurance efforts that concluded with additional billing to certain wholesale customers amounting to approximately \$3.3 million. Also contributing to the network access revenue decrease for the six month period was the erosion of switched access lines as well as billing adjustments in connection with the resolution of various wholesale disputes recognized in the first quarter of 2008.

Long distance revenues decreased \$0.5 million, or 4.7%, for the quarter ended June 30, 2008 compared to the quarter ended June 30, 2007. Long distance revenues increased \$0.2 million, or 1.2%, for the six months ended June 30, 2008 when compared to the same period in the prior year. The decrease in long distance revenue in the second quarter of 2008 was caused by the decline in switched access line customers. For the year to date period, the impact of the decrease in customers was offset by a higher than normal volume of billing credits that adversely impacted the first quarter of 2007 related to the resolution of various billing matters. This resulted in a net increase in long distance revenues for the year to date period.

HSI and other Internet revenues for three months ended June 30, 2008 were comparable to the same period in the prior year. HSI and other Internet revenues decreased \$0.2 million, or 1.3%, for the first half of 2008 compared to the first half of 2007. While the number of HSI lines increased, this was offset by an overall reduction in rates as a result of competitive rate pressures. Late in 2007, the Company began offering HSI residential customers the option of purchasing higher speed services in an effort to enhance revenues and attract new customers. The Company is continuing to enhance its network in order to broaden its higher speed service offerings.

Other services and sales decreased \$1.4 million, or 11.0%, for the three months ended June 30, 2008 compared to the three months ended June 30, 2007. Other services and sales decreased \$3.0 million, or 12.5%, for the six months ended June 30, 2008 as compared to the same period in the prior year. The decrease was related to the decline in sales and installations of customer premise equipment.

Other revenues, primarily consisting of revenues generated from our wireless operation, decreased \$0.4 million, or 16.3%, for the three months ended June 30, 2008 compared to the same period in the prior year. Other revenue for the six months ended June 30, 2008 decreased \$0.3 million, or 7.1%, as compared to the six months ended June 30, 2007. We had approximately 14,900 wireless subscribers as of June 30, 2008.

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Transition Costs and Other Cost Structure Changes

We are continuing to incur certain expenses in our efforts to become a stand-alone provider of telecommunication services as well as certain costs associated with the realignment of our management workforce. In addition, the Company continues to incur costs related to improvements to the functionality of certain IT systems as well as manual work around efforts. These expenses, referred to as contingency costs (both for internal labor and contracted services), represent additional amounts paid to external vendors and internal personnel to maintain acceptable operating performance until certain system improvements can be completed. The major components of such expenses incurred for the three and six months ended June 30, 2008 and 2007 are summarized as follows (dollars in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Employee separation and relocation costs	\$ 45	\$ 2,008	\$ 3,461	\$ 2,901
Sarbanes-Oxley controls development	—	767	—	767
Pension termination benefits	—	(1,303)	420	(319)
Transition management team	1,149	—	2,212	—
Contingency internal labor costs	—	1,532	—	2,157
Contingency contracted services	1,477	5,197	3,348	11,520
Other	1,620	305	2,467	899
	<u>\$ 4,291</u>	<u>\$ 8,506</u>	<u>\$ 11,908</u>	<u>\$ 17,925</u>

Operating Costs and Expenses

The following tables summarize our costs and expenses for the three and six months ended June 30, 2008 compared to the costs and expenses for the three and six months ended June 30, 2007 (dollars in thousands):

	<u>Three Months Ended June 30,</u>		<u>Change</u>	
	<u>2008</u>	<u>2007</u>	<u>Amount</u>	<u>Percentage</u>
Cost of services and sales (exclusive of depreciation and amortization)	\$ 42,727	\$ 46,660	\$ (3,933)	-8.4%
Selling, general and administrative expenses	41,121	40,978	143	0.3%
Depreciation and amortization	39,305	38,009	1,296	3.4%
	<u>\$ 123,153</u>	<u>\$ 125,647</u>	<u>\$ (2,494)</u>	<u>-2.0%</u>

	<u>Six Months Ended June 30,</u>		<u>Change</u>	
	<u>2008</u>	<u>2007</u>	<u>Amount</u>	<u>Percentage</u>
Cost of services and sales (exclusive of depreciation and amortization)	\$ 86,162	\$ 91,405	\$ (5,243)	-5.7%
Selling, general and administrative expenses	84,879	85,270	(391)	-0.5%
Settlement with BearingPoint	—	(45,681)	45,681	-100.0%
Depreciation and amortization	78,682	79,757	(1,075)	-1.3%
	<u>\$ 249,723</u>	<u>\$ 210,751</u>	<u>\$ 38,972</u>	<u>18.5%</u>

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The Company's total headcount as of June 30, 2008 was 1,474 compared to 1,663 as of June 30, 2007. 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 \$3.9 million, or 8.4%, for the three months ended June 30, 2008 compared to the three months ended June 30, 2007. Cost of services and sales decreased by \$5.2 million, or 5.7%, for the six months ended June 30, 2008 compared to the same period in the prior year. The decrease for both the three and six month periods was primarily caused by the decline in costs related to sales and installations of customer premise equipment, lower modem costs related to new HSI subscribers, lower handset subsidies as a result of a reduction in new wireless subscribers as well as other cost saving measures including lower headcount.

Selling, general and administrative expenses include costs related to sales and marketing, customer service, information systems and other administrative functions. Selling, general and administrative expenses for the three months ended June 30, 2008 were comparable to the three months ended June 30, 2007. Selling, general and administrative expenses for the six months ended June 30, 2008 were comparable to the same period in the prior year. Decreases in costs can be attributed to our cost reduction efforts including lower salaries and wages in connection with the reduction in headcount, reductions in pension and other benefits, reduced taxes (other than income taxes) on lower revenues and reduced advertising costs. These cost reduction efforts were fully offset by certain increased costs for information technology and severance costs as a result of employee separations during the first quarter of 2008.

Effective February 6, 2007, the Company and BearingPoint entered into an agreement to settle disputes and transition work to a third party 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.

Depreciation and amortization increased by \$1.3 million, or 3.4%, for the three months ended June 30, 2008 compared to same period in 2007. The increase was primarily due to certain assets which became fully depreciated in 2007 which beneficially impacted the second quarter of 2007. Depreciation and amortization decreased \$1.1 million, or 1.3%, for the six months ended June 30, 2008 when compared to the six months ended June 30, 2007. The decrease resulted primarily from the reduced declining balance rates for intangible amortization and certain assets which became fully depreciated in 2007.

Interest Expense

Interest expense increased by \$2.1 million, or 10.1%, for the three months ended June 30, 2008 compared to the three months ended June 30, 2007. Interest expense increased by \$4.6 million, or 11.1%, for the first half of 2008 compared to the same period in the prior year. The increase was primarily because of additional debt when adjusted for the allocation of interest expense to the directories publishing segment for the quarter ended June 30, 2007 and the six months ended June 30, 2007 offset, in part, by reduced rates. Interest expense on debt repaid using the proceeds from the sale of the directories publishing segment has been allocated to discontinued operations. Subsequent to the sale of the directories publishing segment on November 30, 2007, all interest on the residual debt is allocated to continuing operations.

Loss on Early Extinguishment of Debt

In January 2008, we repaid \$211.0 million of the Tranche C debt using the proceeds from the sale of the directories publishing segment. In addition, the amount of revolver availability decreased from \$200.0 million at December 31, 2007 to \$90.0 million at June 30, 2008. As a result of the repayment of debt and reduction in the availability of the revolving credit facility, we expensed deferred financing costs resulting in a loss on early extinguishment of debt of \$0.8 million and \$3.5 million for the three and six months ended June 30, 2008, respectively.

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Income Tax Expense

A valuation allowance has been provided at June 30, 2008 and December 31, 2007 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. The sale was consummated on November 30, 2007.

Liquidity and Capital Resources

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

We have operated as a stand-alone service provider since the acquisition of the Company from Verizon Communications, Inc. on May 2, 2005. Our transition to becoming a stand-alone service provider included the requirement to build back-office and IT infrastructure to allow us to migrate off software systems that the Company used prior to the 2005 acquisition. This build requirement generally consisted of integration and installation of software, databases, hardware, operating systems, and internal network systems. On April 1, 2006, we cutover from the legacy Verizon systems to our new back-office and IT infrastructure. While the major network operational systems functioned without significant problems, critical systems related to back-office functions, such as customer care, order management, billing, supply chain, and other systems interfacing with our financial systems, lacked significant functionality. This led to deficiencies in order accuracy, service provisioning, billings and collections, revenue assurance and overall customer service. Despite efforts to improve the functionality of the related systems since 2006, we continued to experience many of these same issues, requiring us to incur significant incremental expenses to retain third-party service providers to provide call center and manual processing services in order to operate our business.

Our original strategic plan was designed to focus on opportunities to leverage our incumbent market position, enhance the penetration of certain underperforming products, introduce new products, services and bundles tailored to the specific needs of the local market, and reposition the Company as a locally branded, managed and operated full service telecommunications provider.

Our ability to execute the initiatives contemplated in our original strategic plan were hindered by the functionality deficiencies experienced after the 2006 cutover to the new operating, financial and administrative information technology systems. Management was required to commit substantial resources to responding to the lack of functionality in the Company's critical back-office systems. As a result, our ability to invest in new technologies, introduce new products and enhance our customer service experience has been delayed and has negatively impacted our financial performance and financial condition.

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We are in the process of developing a revised strategic plan which focuses on the introduction of new products, simplifying our existing product offerings, improving our customer service experience, leveraging our network infrastructure, improving processes and systems and rebuilding customer confidence in the Company. Our revised strategic plan, once complete, will also serve as the basis of our yearly operating plans. In order to execute our plan we intend to initiate a variety of programs across the business operations to advance our core strategies which we believe will improve our operating results and ultimately enhance our cash flow and liquidity.

We are still evaluating the feasibility of various new product offerings and the impact of introducing and maintaining such new products on our liquidity. There can be no assurance that any new product offerings will be successful or even if successful whether the Company will have the resources to fund such product offerings or that investments in new products and services will be recovered. We may also pursue other product development opportunities, cost reduction initiatives, asset rationalization, capital raising opportunities and debt reduction options in our revised strategic plan to improve cash flow and liquidity.

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 sufficient cash available to finance growth opportunities, including acquisitions, significant capital expenditure requirements, or to fund our operations. If we do not have sufficient cash for these purposes, our financial condition and our business could suffer.

Cash Flows

We have continued to take additional steps to improve cost efficiencies and improve liquidity. From October 2007 through the first quarter of 2008, we reduced our management headcount by approximately 100 positions. We have taken a number of other actions to improve operating results, including efforts to simplify product offerings, improve our customer service experience and increase our revenue enhancement activities. There can be no assurance that these additional actions will result in improved overall cash flow.

Net cash provided by operations of \$12.2 million for the six months ended June 30, 2008 was related primarily to our net loss of \$70.6 million as adjusted to exclude non-cash items and working capital movements of \$82.8 million. The most significant non-cash item during the period was depreciation and amortization expense of \$78.7 million. Net cash provided by operations amounted to \$70.6 million for the six months ended June 30, 2007. The first half of 2007 included a receipt of \$52.0 million in conjunction with the BearingPoint settlement.

Cash provided by investing activities was \$231.7 million for the six months ended June 30, 2008. Cash used in investing activities was \$42.4 million for the six months ended June 30, 2007. For the first half of 2008, capital expenditures amounted to \$39.8 million, a decrease of \$2.6 million from the same period in the prior year. We continue to expect our 2008 capital expenditures to be lower than 2007 capital expenditures primarily related to lower levels of spending for our back-office and IT infrastructure. Transfers from segregated cash (cash obtained from the sale of the directories publishing segment to be used to repay long-term debt) amounted to \$271.5 million in the first half of 2008.

Cash used in financing activities was \$180.9 million and \$28.3 million for the six months ended June 30, 2008 and 2007, respectively. All financing activities related to borrowing activity. In January 2008, we repaid \$261.0 million of debt with the remaining proceeds from the sale of the directories publishing segment including \$211.0 million of Tranche C term debt and \$50.0 million on our revolving credit facility. In March 2008, we borrowed nearly all the remaining available principal amount under our revolving credit facility thereby increasing the total amount drawn under our revolver to \$89.8 million and a \$0.1 million letter of credit balance at the end of the second quarter. We drew the remaining available balance on our revolving credit facility in response to uncertain conditions in financial markets.

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Outstanding Debt and Financing Arrangements

As of June 30, 2008, we had outstanding \$1,074.5 million in aggregate indebtedness.

Our 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 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.

Contractual Obligations

During the six months ended June 30, 2008, the Company's future contractual obligations have not changed materially from the amounts disclosed as of December 31, 2007 in our Form 10-K with the exception of the balance on our revolving credit facility, which is now \$89.8 million.

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 annual report on Form 10-K for the year ended December 31, 2007, and have not changed materially from that discussion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2008, our floating rate obligations consisted of \$89.8 million of debt outstanding under our revolving credit facility, \$484.7 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, 2008 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 \$0.9 million if not otherwise impacted by the interest rate swap agreements described below.

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, we maintain 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 \$430.2 million at June 30, 2008 to a balance of \$202.4 million at maturity on December 31, 2010. The fixed rate is 4.36% from December 31, 2006 to December 31, 2010. The interest rate swaps effectively change the variable-rate cash flow exposure on our debt obligations (up to the cumulative notional amount of the swap agreements) 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 amounted to a liability of \$6.6 million as of June 30, 2008. Changes in the fair value of these swaps are recognized in other comprehensive income to the extent of the swaps' effectiveness.

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.

Item 4. Controls and Procedures

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 Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”)) as of June 30, 2008 (the “Evaluation Date”). Based upon that evaluation the Chief Executive Officer and Chief Financial Officer conclude that, as of the Evaluation Date, our disclosure controls and procedures were not effective as a result of the material weaknesses described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

The following material weaknesses in the Company’s internal control over financial reporting continue to exist as of the Evaluation Date:

1. We did not maintain effective control for revenues related to completeness, accuracy and timeliness of transactions. Specifically, there is a lack of validation procedures to ensure that services ordered by our customers are provisioned completely, accurately and timely. In addition, effective controls do not exist to ensure that valid customer orders are ultimately transmitted to our billing systems. Timely reconciliations do not exist between ordering and provisioning systems or provisioning to billing systems.

The majority of the information technology systems utilized to process revenue transactions were implemented on or after March 31, 2006. We are still making modifications and enhancements to certain of these systems as well as certain internal control processes associated with these systems.

We continue to experience system functionality issues which prevent certain orders from flowing through seamlessly to our billing systems. This condition causes data to not be synchronized between systems. These current system functionality limitations introduce data integrity concerns and risk of error for certain revenue transactions.

Our remediation efforts are ongoing and management is committed to addressing this material weakness as expeditiously as possible. We have established a task force that has responsibility for reviewing and enhancing the business processes, workflows and internal control procedures related to order entry, provisioning and billing. We also have a team that is responsible for identifying differences between our ordering, provisioning and billing systems, establishing thresholds for acceptable differences and developing processes for resolving differences above established thresholds. In addition, we engaged the services of Accenture as a strategic partner with specific expertise in information technology processes and system remediation efforts. These continuing activities are intended to facilitate improvement in the functionality of our systems and operation of internal controls.

2. We did not maintain effective controls over our accounting for property, plant and equipment related to fixed assets, project costing and recording of asset retirements.

Our fixed asset subsidiary ledger and our project costing records for telephone plant under construction were not reconciled to the general ledger on a timely basis to ensure complete and accurate financial reporting. Also, the project costing subsidiary ledger was not reviewed in a timely manner to properly update project status, creating discrepancies between the project costing subsidiary ledger and the general ledger.

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In addition, the existing process to track and record the retirement of assets is not effective to ensure that disposals and retirements are recorded completely and accurately. Retirements are recorded through estimates and such estimates do not include non-network fixed asset categories. Retirements for non-network fixed asset categories are recorded annually.

Our remediation efforts are ongoing and include an effort to synchronize the status of the project costing records for telephone plant under construction to those maintained by our engineering department, thus facilitating the reconciliation of the project costing subsidiary ledger to the general ledger. We had completed a reconciliation of our fixed asset subsidiary ledger to the general ledger as of December 31, 2007 and are in the process of developing a monthly reconciliation routine. In addition, we are developing a process for accounting personnel to receive actual retirement information to facilitate recording disposals and retirements on a timely and accurate basis.

3. We did not maintain effective controls over access to certain information technology systems, including lack of policies and procedures to ensure the existence of proper authorizations, periodic reviews of security configurations, formal review over administrator activity and procedures for application access removal.

Our remediation efforts are ongoing and include updating formal information technology security policies and procedures to include definition and responsibility assignment of overall IT governance, for application system and shared drive owners, for all user access requests and user access removals, and periodic reviews of security configurations.

Changes in Internal Control over Financial Reporting

The following change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) was made during the fiscal quarter to which this report relates that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As described in Note 17, in preparing its condensed consolidated financial statements for the quarter ended June 30, 2008, the Company's management determined that interest expense on certain debt obligations that were required to be repaid using proceeds from the sale of the Directories Publishing segment was previously reported as interest expense within continuing operations in error, and should have been reported as part of discontinued operations for the three and six month periods ended June 30, 2007. As a result, certain interest expense amounts in the condensed consolidated statements of operations have been restated from loss from continuing operations to income from discontinued operations for such periods.

Based on management's evaluation of the effectiveness of the design and operation of our disclosure controls and procedures and internal controls for the period covered by this report, management concluded that this error resulted from a material weakness in the design of the Company's interim GAAP review process. Specifically, the Company did not maintain effective policies and procedures that were designed at a sufficient level of precision to ensure that the accurate reporting relating to significant non-routine transactions, such as discontinued operations, is identified and appropriately considered in the preparation of the Company's interim financial statements.

In response to the restatement and to remediate the related internal control deficiency, during the second quarter of 2008, management implemented a process to utilize supplemental GAAP/disclosure checklists for non-routine transactions at each reporting period as well as implementing an enhanced level of management reviews. Management believes that these actions have remediated the control weakness in the design of the Company's interim GAAP review process as of the Evaluation Date.

There has been no other change in the Company's internal control over financial reporting during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 13, 2008

/s/ Eric K. Yeaman

Eric K. Yeaman
Chief Executive Officer

August 13, 2008

/s/ Robert F. Reich

Robert F. Reich
Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

- 10.1 Amendment Number Eleven effective as of May 22, 2008 to Application Services Agreement effective as of February 5, 2007, by and between Hawaiian Telcom Communications, Inc. and Accenture LLP (incorporated by reference to Exhibit 10.1 on Hawaiian Telcom Communications, Inc.'s Form 8-K, filed with the SEC on May 29, 2008).
 - 10.2 Amendment Number Twelve effective as of July 28, 2008 to Application Services Agreement effective as of February 5, 2007, by and between Hawaiian Telcom Communications, Inc. and Accenture LLP (incorporated by reference to Exhibit 10.1 on Hawaiian Telcom Communications, Inc.'s Form 8-K, filed with the SEC on July 31, 2008).
 - 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.
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Certification Pursuant To Section 302 of the Sarbanes-Oxley Act of 2002

I, Eric K. Yeaman, 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 13, 2008

/s/ Eric K. Yeaman

Eric K. Yeaman
Chief Executive Officer

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

I, Robert F. Reich, 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 13, 2008

/s/ Robert F. Reich

Robert F. Reich
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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric K. Yeaman, 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 13, 2008

/s/ Eric K. Yeaman

Eric K. Yeaman
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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert F. Reich, 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 13, 2008

/s/ Robert F. Reich

Robert F. Reich
Senior Vice President and Chief Financial Officer
