Hawaiian Telcom

Legal Department
P.O. Box 2200
Honolulu, Hawaii 96841
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November 5, 2010

VIA HAND DELIVERY (ORIGINAL + 6 COPIES)

Mr. Clyde Sonobe, Administrator
Cable Television Division
Department of Commerce & Consumer Affairs
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Re: In re Application of Hawaiian Telcom Services Company, Inc. for a Cable Franchise

Dear Mr. Sonobe:

We are enclosing an original and six (6) copies of the amended and restated application of Hawaiian Telcom Services Company, Inc. ("Applicant") for a cable franchise for the island of Oahu. This is to be treated as a new filing and we hereby withdraw our prior application. Also enclosed, in a sealed envelope, are an original and six (6) copies of binders labeled "Confidential" that contain information Applicant considers to be confidential, proprietary, and/or competitively sensitive. Applicant respectfully requests that the contents of the "Confidential" binders not be disclosed to third parties without Applicant's prior written consent.

Thank you for your consideration of this amended and restated application.

Very truly yours,

Hawaiian Telcom Services Company, Inc.

John T. Komeiji
Senior Vice President and General Counsel

STATE OF HAWAII
APPLICATION FOR ISSUANCE OF A CABLE FRANCHISE
OF
HAWAIIAN TELCOM SERVICES COMPANY, INC.
(Amended and Restated as of November 5, 2010)

I. Introduction

In accordance with chapter 440G, Hawai'i Revised Statutes ("HRS"), and Hawai'i Administrative Rules ("HAR"), especially §16-133-2, §16-133-9, an applicant for a cable franchise is required to submit a written application, in a form designated by the Director of the Department of Commerce and Consumer Affairs ("DCCA"). This Application represents that form with respect to the grant of a new cable franchise. Submission of the completed Application, and its acceptance by DCCA, are necessary State conditions for the requested issuance of a cable franchise.

Applicant is advised to be familiar with the provisions of chapter 440G, HRS, and administrative rules chapters 131, 132 and 133 of Title 16 of HAR promulgated pursuant to the statute.

The State reserves the right to require an Applicant to submit to the State further and more detailed information than is called for by these instructions, or than may be included in any Application, about any matters concerning which the State may inquire.

II. Use of Application Form

The application forms have been designed to elicit pertinent data that will be used in evaluating the Application. Applicant should provide answers/responses to questions sequentially. If the answer to a particular question is no, or "not applicable," please state.

Applicant is encouraged, although not required, to supply answers/responses on the enclosed forms. If Applicant utilizes another format, it should specify, at the top of each page of its proposal, the form and question number which applies, and ensure that each question is fully answered.

Applicant shall provide an original and five (5) copies of its Application and three (3) electronic copies on CD/DVD.

III. General Information

A. State the name, location of its business office, mailing address and telephone number of Applicant.

Hawaiian Telcom Services Company, Inc.
P.O. Box 2200
Honolulu, Hawaii 96841
808-643-3456

B. Provide a summary of the Application for a new franchise.

Applicant seeks a fifteen (15) year franchise for the geographical area encompassing the island of Oahu, City and County of Honolulu. Applicant is in the daunting position of attempting to enter, and be financially viable in, a market long monopolized by the incumbent cable provider, which already serves an estimated 94% of Oahu households. Applicant will deliver its Hawaiian Telcom TV service over the fiber and copper network infrastructure of its sister company, Hawaiian Telcom, Inc. Issuing a cable franchise to Applicant is in the best interests of Oahu and its residents. It would provide needed competition and choice in a market long dominated by the incumbent cable provider, providing benefits in terms of pricing, content, value, customer service, more advanced IPTV technology and innovative products and services, and other benefits that competition brings. Applicant is dedicated to providing its alternative video service to the residents of Oahu, as seen by the substantial sums Applicant has committed to its Hawaiian Telcom TV project since 2006. Applicant seeks a franchise with terms that appropriately reflect the unique competitive challenge facing it and that will allow it to be financially viable, especially in the critical early years.

C. Authorization

State the names, addresses, and occupations of all persons who are authorized to represent or act on behalf of Applicant in those matters pertaining to the Application.

1. For each person so authorized, Applicant shall state the limits, if any, of the Authority of the individual to make representatives or act on behalf of Applicant with respect to matters pertaining to the Application.

2. The requirement to make such disclosure shall continue until the State shall have accepted or rejected Applicant's application or until Applicant withdraws its application.

John F. Komeiji, Senior VP and General Counsel
Francis K. Mukai, VP, Associate General Counsel & Secretary

D. History and experience

Provide a narrative account of Applicant's history and experience to demonstrate its ability to furnish efficient and dependable service to the public.

A: Applicant and its affiliates have served the communications needs of the State of Hawaii for over one hundred years. Hawaiian Telcom, Inc., the incumbent local exchange carrier for the State of Hawaii and the sister company of Applicant, was formed in 1883, when King David Kalakaua granted Mutual Telephone Company, the predecessor to Hawaiian Telcom, Inc., a charter to provide telephone service in the Islands. Applicant was formed in 2004 in connection with The Carlyle Group's acquisition of Verizon's Hawaii businesses, in order to provide to the State the non-regulated services not being performed by Hawaiian Telcom, Inc., including the high-speed Internet, directories, and wireless businesses. In 2007, Applicant sold its directories business to HYP Media Holdings LLC, which entered into an agreement with Applicant to publish the white and yellow pages print telephone directories under the *Hawaiian Telcom* brand. In December 2008, Applicant and certain Hawaiian Telcom affiliates filed for bankruptcy protection under chapter 11 in order to effect a debt restructuring. On October 28, 2010, Applicant and its affiliates emerged from chapter 11 in a financially more stable position with substantially less debt.

Hawaiian Telcom Companies, Multiple Services
Applicant and its ILEC sister company, Hawaiian Telcom, Inc., offer a range of communications services and products. Applicant currently offers high-speed Internet (HSI), long distance, advanced communication and network services, and wireless phone service.

Competitive and Responsive
By being locally managed, Applicant will be able to be more competitive and responsive to Hawaii's businesses and residents. Applicant's mission is to incorporate Island values, take the time to understand the needs of its customers, and be more nimble and flexible in responding to them.

The Hawaiian Telcom Senior Management Team

Eric K. Yeaman, President and Chief Executive Officer
Mr. Yeaman is President and Chief Executive Officer of Applicant, a telecommunications company based in Honolulu, Hawaii that provides high-speed Internet services, long distance service, advanced communication and network services, and wireless service. He also is President and Chief Executive Officer of Hawaiian Telcom Holdco, Inc. ("Holdco"), the ultimate parent of Applicant and the largest full-service provider of communications services and products in Hawaii, as well as President and Chief Executive Officer of Hawaiian Telcom, Inc., the State's incumbent local exchange carrier. Holdco and its subsidiaries have approximately 1,450 employees, with operations that serve all of the major Hawaiian Islands. Mr. Yeaman, who was appointed to his position in 2008, previously served as Senior

Executive Vice President and Chief Operating Officer of Hawaiian Electric Company, Inc. from January 2008 to June 2008.

Rose M. Hauser, Senior VP and Chief Information Officer
Ms. Hauser is responsible for Hawaiian Telcom's overall information technology strategy and direction, which includes selecting, engineering and implementing new, key technologies and systems that support the delivery of new products and services. Ms. Hauser has extensive experience in information technology and billing systems in the telecommunications industry. She also is responsible for developing and managing the strategic supplier relationships in the IT area.

Robert F. Reich, Senior VP, Chief Financial Officer and Treasurer
Mr. Reich oversees all of Hawaiian Telcom's financial operations, including treasury, financial analysis and reporting, corporate and regulatory accounting, tax and investor relations. He is responsible for developing and implementing financial systems and reporting structures to ensure Hawaiian Telcom is a highly efficient provider of services and model of financial integrity.

Michael F. Edl, Senior VP – Network Services
Mr. Edl oversees numerous key functions relating to Hawaiian Telcom's network, including engineering, planning and construction, network reliability, field operations, operations support and provisioning. Mr. Edl has more than 30 years of experience in telecommunications operations.

John T. Komeiji, Senior VP and General Counsel
Mr. Komeiji is responsible for is responsible for our legal, government affairs, support services and external affairs. Prior to joining us, Mr. Komeiji was senior partner at Watanabe Ing & Komeiji LLP from 1998 to June 2008, where his practice focused on litigation of complex commercial, personal injury and professional liability matters. He is the past president of the Hawaii State Bar Association.

Bradley J. Fisher, Senior VP - Strategy and Marketing
Mr. Fisher has an extensive communications background, including 13 years experience in developing, managing and marketing new products and services at Bell Canada, Canada's largest communications provider. At Bell Canada, Brad served as Vice President, Consumer Internet Services from 2005 to 2008 and as General Manager, Services Development from 2000 to 2005, where he led the innovation, design and implementation of new products and new lines of business for Bell Canada's voice, video and internet divisions. Mr. Fisher leads Applicant's Hawaiian Telcom TV team.

Craig Inouye, Senior VP - Sales
Mr. Inouye oversees Hawaiian Telcom's sales organizations, encompassing residential, general business and enterprise customers. Prior to joining Hawaiian Telcom, Prior to joining the Company, Mr. Inouye worked at Sun Innovation

Holding, LTD from June 2004 to July 2008, where he served as Director. Mr. Inouye began his career in telecommunications at our predecessor GTE Hawaiian Tel, where he worked for more than a decade.

William Chung, VP - Human Resources & Labor Relations
Mr. Chung leads Hawaiian Telcom's human resources function, serving a workforce of approximately 1,450 employees. He has more than 20 years of experience in human resources.

In addition to the above-described Senior Management Team, Applicant has the following managers dedicated to its video service business:

Ernest Villicana, Director - Video Product Management
Mr. Villicana, who joined Applicant in June 2010, has over twenty (20) years of experience in the cable television industry in both marketing and sales. Most recently, Mr. Villicana was, for eight (8) years, Time Warner Cable's Vice President of Marketing and Programming in the San Diego market. Prior to that, he was Vice President of Marketing and Sales for three (3) years. He will be responsible for Applicant's Hawaiian Telcom TV product strategy, product management, product development, and content programming and packaging.

Nolan Pong, Senior Manager-MDU Sales
Mr. Pong, who joined Applicant in April 1981, has over twenty-nine (29) years of experience in the telecommunication industry in both Information Technology and Sales. He will be responsible for Applicant's Hawaiian Telcom TV sales channels primarily in the multi-dwelling unit market.

Bob Toguchi, Senior Manager-Video Sales
Mr. Toguchi, who joined Applicant in October 2006, has over twelve (12) years of experience in the cable television industry in both marketing and sales. Most recently, Mr. Toguchi was, for seven (7) years, sales and marketing manager for Craig TV in the Honolulu market. He will be responsible for Applicant's Hawaiian Telcom TV sales channels including multi-dwelling units, door-to-door, hospitality, and ad sales.

E. Description of Proposed System

1. Provide a description of the Applicant's proposed system, including such detail to support the Application and to permit a proper evaluation of the merits of the Application.

A: Unlike traditional RF-based cable systems, Applicant's design utilizes Internet Protocol Television (IPTV) packet technology to deliver all-digital, video services over second-generation Digital Subscriber Line (DSL) facilities, based on VDSL2 technologies, that are owned by Hawaiian Telcom, Inc. but used by both Applicant and Hawaiian Telcom, Inc. A services agreement governing services in place between Hawaiian Telcom, Inc. and Applicant was amended to include Applicant's use of Hawaiian Telcom, Inc.'s second-generation DSL facilities.

This services agreement ensures that transactions between Applicant and Hawaiian Telcom, Inc. are conducted on an arms' length basis and there is no improper cross-subsidy. Under the agreement, services provided by Applicant are charged at the lower of fair market value (FMV) or the fully distributed cost (FDC), whereas the services provided to Applicant are charged at the higher of FMV or FDC. These internal charges will not impact the rates or prices that Applicant will charge for its video services. Ultimately, for a deregulated set of offers such as video services, all rates are based on market forces and on what consumers are willing to pay. A copy of this services agreement and relevant amendment are attached as Exhibit III.E.1.

Applicant's use of IPTV packet technology is highly beneficial to the State of Hawaii and its residents as it does not require a massive coaxial cable build-out (e.g., planting new poles, building new underground vaults and manholes, digging/trenching streets, etc.) in order to provide service.

A diagram of the Applicant's overall system design, which is located at the Applicant's new video headend facility, is illustrated in Exhibit IX.C attached hereto. It should be noted that systems that combine the use of a video headend, MPEG encoding, and IP transport have been in operation for years in the United States, Europe, and Asia.

Hawaiian Telcom, Inc.'s existing network is a typical telco architecture consisting of copper cable loops starting from central offices or remote digital loop carriers to the customer premises. Over these loops that provide landline telephone service, Applicant provides broadband pipes utilizing DSL. The existing network infrastructure is being upgraded to VDSL2, which is a second-generation DSL. Applicant's video service will be delivered over the second-generation DSL facilities. This architecture is preferred because it utilizes existing copper facilities already in place; allows greater bandwidth to customers for a host of new services; is something Hawaiian Telcom, Inc. already knows how to engineer, provision, and maintain; doesn't require Hawaiian Telcom, Inc. to re-tool its work force; and is a natural evolution to Applicant's broadband strategies for DSL.

All central offices that are equipped with advanced DSL switches will be able to provide video services to households within a 5,000-foot local loop distance of that central office. Hawaiian Telcom, Inc. is installing outside plant utility boxes to accommodate new facilities to allow for increased bandwidth supporting high speed Internet service and applications such as video service. Outside plant utility boxes are extensions from the nearest central office, and are used to extend coverage and service reach to households that are beyond the 5,000-foot local loop distance from the central office serving that household. See Exhibit III.E.2 for a product description of the outside plant utility boxes.

Applicant believes that utilizing world-class products, combined with its highly-skilled service organization, will deliver a competitive, quality product to its subscribers with best-in-class headend components to provide all-digital content and signal carriage via its advanced IPTV network.

Applicant will be able to offer a full suite of services and equipment in its IPTV system design that brings advanced digital video quality and flexibility in the services and applications in interactive television.

Applicant's design concept is to provide a component level flexible design that is repeatable for as many times as necessary to provide the programming content required. The system design employs an IP output encoder scheme to provide the greatest flexibility with output aggregators. Applicant's vendors have successfully engineered similar models to the one to be deployed. Applicant's headend provider's client list represents a significant number of the largest video content providers in the world.

Applicant's network hierarchy specific to the video subsystem is shown above. This design is used in other deployed IPTV architecture documentation but only including network element areas associated with video delivery. The network is comprised of the following major elements:

- A headend providing linear video channels and video-on-demand (VOD) content aggregation.
- The access network between the central office and multiple or single dwelling living units

2. State the length of the franchise term sought in this Application.

A: The length of the franchise term sought in this Application is fifteen (15) years, consistent with H.R.S. Section 440G-8(d), subject to early termination of the franchise term by Applicant in the event legislation is enacted providing for a national franchise and Applicant obtains a national franchise to provide video service in the service area.

3. Describe the geographical area covered by the Application.

The island of Oahu

4. Provide the census tract numbers for the proposed franchise area.

A: Applicant intends to provide video service to all census tract areas on Oahu. However, the military bases on Oahu require separate cable franchises - to date, Applicant has not filed a franchise application for any military base on Oahu. Applicant's service rollout plan includes rural and homestead areas where Hawaiian Telcom, Inc. is the telephone service provider. The census tract numbers for the proposed franchise area are listed in the maps attached to this Application as Exhibit III.E.4. For convenience, the URLs for the maps (obtained from the State of Hawaii DBEDT website) are set forth below:

http://www.hawaii.gov/dbedt/gis/maps/oahu_tracts.pdf
http://www.hawaii.gov/dbedt/gis/maps/honolulu_tracts.pdf

5. State whether Applicant holds an existing authorization to access the public rights-of-way in the geographical area covered by the Application.

A: Applicant, through its sister company Hawaiian Telcom, Inc., has authorization to access the public rights-of-way in the geographical area covered by the Application. Hawaiian Telcom, Inc.'s authorization is derived from Chapter XLV of the Session Laws of 1874, signed by King Kalakaua on August 4, 1874 and entitled "An Act for the Encouragement and Aid of any Company now Incorporated, or that may be Hereafter Incorporated, for the Transmission of Intelligence by Electricity" (the "Act"), and from the Charter that created Mutual Telephone Company, the predecessor to Hawaiian Telcom, Inc. The Act authorized the Minister of the Interior, among other things, to permit any company that "may be hereinafter incorporated in this Kingdom . . . for the transmission of intelligence by electricity" to "construct lines of Telegraph upon and along the highways and public roads and across the lands and waters of this Kingdom", and to "take up and set apart for the use of such Telegraph Company . . . sufficient land and premises for Telegraph Stations and other needful uses in operating said Telegraph line or lines". The Charter document in turn sets forth Mutual Telephone Company's "franchise" to operate a telephone company, specifically vesting Mutual Telephone Company with "all the powers, privileges, rights and immunities mentioned in" the Act. Applicant will comply with all applicable governmental regulations regarding the use and occupation of public rights-of-way in the delivery of video service, including any police powers of the County in which the service is delivered.

F. State the approximate month and year that Applicant intends to commence its proposed video service. If Applicant intends to implement a pilot program before offering its proposed video service to the public, please describe the nature of the pilot program and time frames for implementation.

A: See confidential Exhibit III.F.

G. State Applicant's proposed plans and schedule of expenditures for or in support of the use of public, educational, and governmental (PEG) access channels and facilities including the following:

1. The amount Applicant proposes for the annual access operating fee payments to the Director or the Director's designee for PEG access purposes. If this proposed payment is based on a percentage of revenue, explain how the percentage will be calculated.

A: Applicant is committed to supporting community access to the PEG channels and is willing to discuss with the DCCA appropriate annual access operating fee payments for PEG access purposes.

2. The amount Applicant proposes for the annual capital fund payments to the Director or the Director's designee for PEG access purposes. Explain how Applicant proposes to calculate this amount.

   A: Applicant's understanding is that the requirements for capital funding are negotiated on an annual basis directly between the video provider and the PEG provider. Applicant is committed to supporting the same process and contributing to the annual capital fund, as appropriate.

3 The PEG Access channel capacity, transmission and distribution network

   a. Provide information on PEG access capacity, design, technology, performance and architecture.

   A: PEG access will be provided via fiber-based transmission from the PEG provider to Applicant's headend. Applicant does not have a formal construction plan and schedule for the required interconnections between the PEG access cable networks and Applicant's video network, but it intends to work with the PEG provider toward completion of the interconnections by the time of commercial launch. Hawaiian Telcom, Inc.'s tariffed video transport service will be utilized to transport PEG channels from the PEG provider's location to Applicant's video headend. The tariffed video transport service will utilize 45mb bandwidth to provide a quality signal for each channel. Applicant is willing to cover the costs for direct connection so that there are no ongoing recurring costs to the PEG access provider.

   b. The number of PEG access channels Applicant proposes to provide.

   A: Applicant is willing to provide the same number of PEG channels as are being provided by the incumbent cable provider.

   c. The impact of technological advances on PEG access channels.

   A: Since Applicant's service is based on IP technologies, it already enables video on demand services that are more responsive than traditional cable-based platforms. Future advances under development may be enable traditional video programming to be combined with related interactive data in interesting ways, e.g., adding related web displays or interactive graphs may also be part of the viewers experience.

H. State Applicant's proposed plans for support for Hawaii Public Broadcasting.

A: Applicant is committed to supporting Hawaii Public Broadcasting and is willing to discuss appropriate annual access operating fee payments for PEG access purposes with the DCCA.

IV. Affidavit

No Application will be accepted without an affidavit, notarized, on behalf of the Applicant, attesting to the following:

This application is submitted by the undersigned that has been duly authorized to make the representations herein on behalf of the Applicant.

Applicant understands that representations in this application may be made part of or be relied upon in developing the Franchise Documents, and are enforceable against Applicant, in the event a franchise is renewed as a consequence of this application.

Applicant recognizes that all representations made in this application are binding upon it and that inaccuracy of or failure to adhere to any such representations may result in revocation of any franchise that may be granted as a consequence of this application.

Consent is hereby given to the State to make inquiry into the legal, character, technical, financial and other qualifications of Applicant and any controlling entities by contacting any persons or organizations named herein as references, or by any other appropriate means.

The Applicant certifies and guarantees that the responses are within the financial capability of the proposed system, and to deliver a cable communications system which is consistent with the responses contained within this application.

The signatory hereto declares that the entire contents of this application are true and correct to the best of his knowledge, information and belief.

Firm Name Hawaiian Telcom Services Company, Inc.

Affiant's Signature

Affiant's Name John T. Komeiji

Official Position SVP and General Counsel

Subscribed and sworn to before me
This 5th day of November, 2010

Elaine R. Perry ELAINE R. PERRY
Notary Public, State of Hawaii
My commission expires: Sept. 5, 2011

ELAINE R. PERRY NOTARY 95-362 PUBLIC STATE OF HAWAII

Doc Date: 11/5/10 # Pages: 77
Name: ELAINE R. PERRY First Circuit
Doc. Description: State of Hawaii Application for Issuance of a Cable Franchise of HTSCI - Amended (Affidavit)
Elaine R. Perry 11/5/10
Signature Date
NOTARY CERTIFICATION

ELAINE R. PERRY NOTARY 95-362 PUBLIC STATE OF HAWAII

V. Qualifications

As part of the franchising process, Applicant shall provide DCCA information regarding its financial, legal, technical and character qualifications.

A. Legal and Ownership Qualifications

1. If Applicant is a corporation, state where Applicant was incorporated.

2. Ownership and Control Information

   Provide the following information for all principals, officers, directors of Applicant,[1] and for beneficial owners of one percent or more of the outstanding stock or other ownership interest in Applicant. Beneficial owners include, but are not limited to individuals, corporations, partnerships, joint ventures and unincorporated associations. Beneficial owners also include all prospective owners, including those to whom offers to become owners have been made and the offer has not been rejected.

   To the extent that the information below is fully contained in SEC Form 10K filings, those filings may be submitted in lieu of the information below. Identify the page number and section in the Form 10K filings where the applicable information can be found.

   Name (if individual) ______________________

   (if organized) ______________________

   Complete Mailing Address ______________________
   ____
   ____

   Nature of Interest: Partner [ ] Officer [ ]
   Stockholder/Owner [ ] Director [ ]

   Profession or occupation ______________________

   Name of employer ______________________

   Address of employer ______________________
   ____
   ____

1 If Applicant is a subsidiary of another controlling entity, provide the requested information for all controlling entities.

Number of shares of each class of stock or ownership interest in Applicant (including stock options, stock subscriptions, and partnership options):____________________

Method of payment for interest (cash, notes, services, etc.)[1]:

____

If shares are used for security to obtain funds to pay for them, disclose full details of the transaction: __________________

____
____
____

Percentage of ownership of partnership, voting stock or equity interest: __
____

A: Applicant Hawaiian Telcom Services Company, Inc.

Applicant is a Delaware corporation. The following are the names and titles of the directors and officers of Applicant. Their mailing address is c/o Hawaiian Telcom Services Company, Inc., P.O. Box 2200, Honolulu, HI 96841. None of the officers or directors of Applicant own stock in Applicant.

Directors
Eric K. Yeaman, Chairman
John T. Komeiji
Robert F. Reich

Officers	Title
Eric K. Yeaman	President and Chief Executive Officer
Michael F. Edl	Senior Vice President – Network Services
Bradley J. Fisher	Senior Vice President – Strategy & Marketing
Rose M. Hauser	Senior Vice President & Chief Information Officer
Craig T. Inouye	Senior Vice President – Sales
John T. Komeiji	Senior Vice President & General Counsel
Robert F. Reich	Senior Vice President, Chief Financial Officer & Treasurer
William G. Chung	Vice President – Human Resources & Labor Relations
John K. Duncan	Vice President & Controller
Francis K. Mukai	Vice President, Associate General Counsel & Secretary

1 If notes, fully disclose terms thereof, including interest rate, repayment schedule and dedication or circling of further income stream, if any. If services, disclose the method of valuation.

Hawaiian Telcom Communications, Inc., with mailing address at P.O. Box 2200, Honolulu, HI 96841, owns 100% of the outstanding stock of Applicant.

Hawaiian Telcom Communications, Inc. and Hawaiian Telcom Holdco, Inc.

The following are the names, mailing addresses, and titles of the directors and officers of Hawaiian Telcom Communications, Inc. ("Communications") and Hawaiian Telcom Holdco, Inc. ("Holdco") (the directors and officers of each entity are identical). Their mailing address is c/o Hawaiian Telcom, P.O. Box 2200, Honolulu, HI 96841. None of the officers or directors own stock in Communications or Holdco, but certain officers and non-employee directors have been granted restricted stock units in the stock of Holdco.

Directors
Richard A. Jalkut, Chairman
Kurt M.Cellar
Warren H. Haruki
Steven C. Oldham
Bernard R. Phillips III
Eric K. Yeaman

Officers	Title
Eric K. Yeaman	Chief Executive Officer and President
Michael F. Edl	Senior Vice President – Network Services
Bradley J. Fisher	Senior Vice President – Strategy and Marketing
Rose M. Hauser	Senior Vice President and Chief Information Officer
Craig T. Inouye	Senior Vice President – Sales
John T. Komeiji	Senior Vice President and General Counsel
Robert F. Reich	Senior Vice President, Chief Financial Officer and Treasurer
William G. Chung	Vice President – Human Resources and Labor Relations
John K. Duncan	Vice President and Controller
Francis K. Mukai	Vice President, Associate General Counsel and Secretary

Applicant is a wholly-owned subsidiary of Communications, which in turn is a wholly-owned subsidiary of Holdco. Communications and Holdco have a mailing address of c/o Hawaiian Telcom, P.O. Box 2200, Honolulu, HI 96841.

Pursuant to the Plan of Reorganization, on October 28, 2010, when Applicant, Holdco, and certain affiliates emerged from chapter 11, the senior secured creditors in the chapter 11 proceedings became the owners of nearly all of the new equity of the reorganized Holdco. See confidential Exhibit V.A.2 for the beneficial owners of 1% or more of the outstanding stock of Holdco. Pursuant to the Plan of Reorganization, Holdco is in the process of registering with the Securities and Exchange Commission and has filed an application to become a publicly-traded company listed on The NASDAQ Stock Market.

3. General Ownership Information

To be completed by each organization or corporation who filled out Section V.A above.

a. List all principals, officers, corporate directors, and beneficial owners of one percent or more of your own stock or ownership interest.[1]

b. For each name below that is the name of an organization or corporation, complete a new Section V.A for the entity until all ownership interests are identified at the level of individual owners of one percent or more. Tabulate the data in Form A-1 below.

Name of Organization: ______________________

Address: ______________________
____
____

A: See response to Section V.A above.

4. Provide information on Stock of Applicant corporation in Form A-2:

Form A-2

Class of Stock	Par Value	Vote Per Share	No. Shares Authorized	No. Shares Issued	No. Shares Subscribed	Total No. Stockholders
Common	No Par	1	1	1	1	1

5. Additional Information

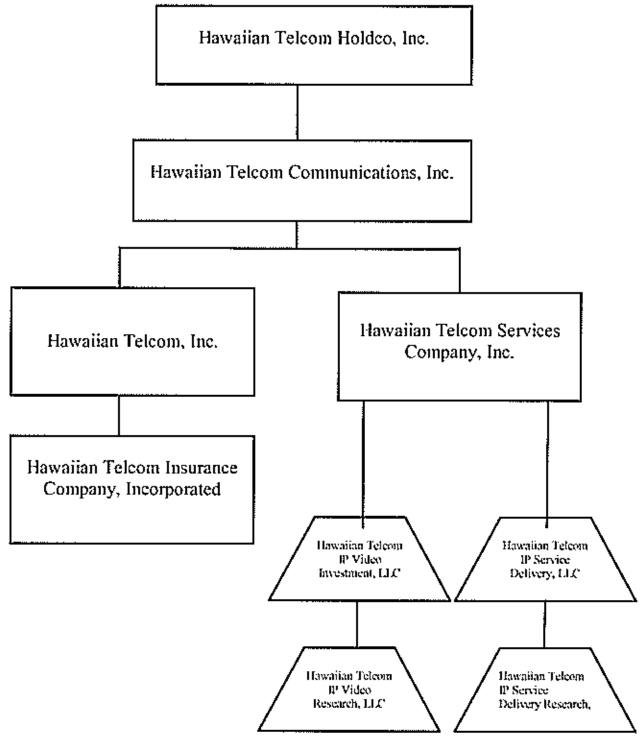
a. Is Applicant directly or indirectly controlled by another corporation or legal entity? If "yes," please explain.

A: Yes, Applicant is wholly-owned by Hawaiian Telcom Communications, Inc., which in turn is wholly-owned by Hawaiian Telcom Holdco, Inc. See response to Section V.A above

b. Provide a current organizational chart including any parent organizations and affiliates controlled by Applicant, showing the relationship between the Applicant and all principals and ultimate beneficial owners of the Applicant including all controlling/ ownership entities in the change of command. The organizational

1 If Applicant is a subsidiary of another controlling entity, provide the information noted above for all controlling entities.

chart should show all vertical and horizontal affiliates by degree or extent of control/ownership interest.



c. Detail agreements or procedures, if any, which assure that policy and operational control over the proposed video services system shall remain vested in Applicant. Also provide complete description of all entities and organizations which may comprise or be part of or related to controlling business entity.

A: Applicant's Board of Directors and management have policy and operational control over Applicant's proposed video services business. As described in Section V.A.5.a above, Applicant is a wholly-owned subsidiary of Hawaiian Telcom Communications, Inc., a holding company which in turn is wholly-owned by Hawaiian Telcom Holdco, Inc. Hawaiian Telcom, Inc., which is the ILEC for the State of Hawaii, owns the network over which Applicant will deliver its video service and is also a wholly-owned subsidiary of Hawaiian Telcom Communications, Inc.

6. Obligations of the Applicant

a. Does Applicant have any other obligations or securities authorized or outstanding which bear voting rights either absolutely or upon any contingency?

A: No

b. Is any owner of any equity interest obligated or expected to be obligated to repay, guarantee or otherwise be responsible for any outstanding debt of Applicant? If recourse exists with respect to the assets of some but not all equity owners, disclose details of different treatment.

A: No

c. Is Applicant obligated or expected to be obligated to repay, guarantee or otherwise be responsible for any outstanding debt of any equity interest in the Applicant? If recourse exists with respect to the assets of some but not all equity owners, disclose details of different treatment.

A: No

7. Ownership Disclosure

a. Applicant, including all shareholders and parties with any financial interest in the Applicant, must fully disclose all agreements and understandings with any person, firm, group, association or corporation with respect to the ownership and control of the franchise, including but not limited to agreements regarding the management or day-to-day business of any material portion of the Applicant's video services operations. This includes agreements between local investors and national companies. Failure to reveal such agreements will be considered withholding of pertinent information and will be considered cause to withhold or revoke award of the franchise.

A: There are no such agreements or understandings with respect to the ownership and control of the franchise.

b. Please append copies of any written agreements made regarding the ownership or control of the video services system. Use the space provided to outline any oral agreements or understandings regarding the ownership or control of the video services system. Indicate the existence and description (including price and time-of-exercise provisions) of stock options, buy-out agreements, buy-back or exchange of stock (or other interests) or options that could affect the ownership structure of Applicant. Treat specifically the possible effects on the interests of minority owners and local investors. (A "local investor" shall mean any individual who resides within the State of Hawaii or any corporation, partnership or business association owned or controlled by any individual(s) who reside in such area.)

A: There are no such agreements regarding the ownership or control of the video services system.

c. Provide all agreements, documents or other materials covering relationships, interest rights and responsibilities for ownership entities other than a corporation, including but not limited prospectuses, offering statements, solicitations and repayment agreements.

A: There are no such agreements, documents or other materials.

d. Is Applicant or any principal assisting any equity owner in obtaining funds with which to pay for shares? If so, disclose full details of the transaction.

A: No.

e. Is any dividend payment guaranteed or any class of shareholders to be treated differently from any other class? If so, please explain.

A: No.

f. Please provide the most recent Form 10-K, if any, for all related or controlling entities of Applicant.

A: Attached as Exhibit V.A.7.f is a copy of the recent Form 10/A of Hawaiian Telcom Holdco, Inc., which contains information comparable to that in a Form 10-K.

8. Future Ownership Issues

Provide a complete description of any pending or planned changes in the ownership structure of the Applicant including such changes pending or planned for any ownership interests in the Applicant or any of its parent companies.

A: None. On October 28, 2010, as part of its emergence from chapter 11, the equity of Applicant's ultimate corporate parent, Hawaiian Telcom Holdco, Inc., was extinguished, and nearly all of the new equity of Hawaiian Telcom Holdco, Inc. was issued to the senior secured creditors in the chapter 11 proceeding.

B. Character Qualifications

Please provide the following information about Applicant and any controlling entities (hereinafter collectively referred to in this section as "Applicant"). Please identify all controlling entities for which information is provided.

1. For the ten-year period immediately preceding the filing of the application, please provide the following information as to Applicant:

    a. Has any court entered any judgment, decree or order which determined that Applicant engaged in any activity that involved:

        i. unfair or deceptive trade practices, perjury, fraud, dishonesty, organized crime or racketeering; or
        ii. violation of applicable federal, state, or local cable communications law or rules; or
        iii. violation of cable franchise provisions; or
        iv. violation of the rules, regulations, codes of conduct, or ethics of a self-regulatory trade or professional organization?
        v. If so, please describe each such judgment, order or decree and provide a copy thereof.

    A: No

    b. Has any administrative entity made any finding or entered any order or decree which determined that Applicant engaged in any activity that involved:

        i. unfair or deceptive trade practices, perjury, fraud, dishonesty, organized crime or racketeering; or
        ii. violation of applicable federal, state, or local cable communications laws or rules; or
        iii. violation of cable franchise provisions; or
        iv. violation of the rules, regulations, codes of conduct, or ethics of a self-regulatory trade or professional organization?
        v. If so, please describe each such finding, order or decree and provide a copy thereof.

    A: No

    c. Has there been any formal investigations or examinations other than routine or customary audits, inspections and investigations, that terminated in any agreements, undertakings, consents or orders, resolutions, ordinances, or revocation, suspension or alteration of a cable or multi-channel video service franchise involving Applicant or its affiliates?

A: No.

d. Has Applicant or its affiliates ever been unable to obtain a bond in connection with the construction or operation of its cable or multi-channel video service system or with the network infrastructure to be utilized by Applicant to deliver the proposed video service?

A: No

e. Has Applicant or any of its officers, directors, or management employees been convicted of any felony criminal offense, which involved perjury, misrepresentation, fraud, theft, or bribery? If so, please provide full information concerning each such condition.

A: No

2. Has any cable or multi-channel video service franchise held by Applicant been suspended or revoked? If so, please state the relevant circumstances for each such suspension or revocation.

A: No.

3. Has any application submitted by Applicant for a new cable or multi-channel video service franchise been denied or withdrawn after receipt of a formal or informal notice of intent to deny? If so, please state the relevant circumstances for each such denial or withdrawal.

A: No.

4. Has any application for a transfer of a cable or multi-channel video service franchise to Applicant been denied or withdrawn after receipt of a formal or informal notice of intent to deny? If so, please state the relevant circumstances for each such denial or withdrawal.

A: No.

5. Has any application submitted by Applicant for a renewal of a cable or multi-channel video service franchise been denied or withdrawn after receipt of a formal or informal notice of intent to deny? If so, please state the relevant circumstances for each such denial or withdrawal.

A: No.

C. Cable or Multi-channel Video Service Holdings Owned By Applicant

Existing Cable or Multi-channel Video Service Franchise Interest

Please provide the following information for the five largest holdings (franchisee/license and systems) in which Applicant or any principal[1] owns one percent or more of stock or other equity interest. Tabulate the data in Form A-3.

Form A-3

Location of System					
Date of Franchise/License Award or Acquisition (indicate whether award or purchase)					
Franchise Term					
Date of Expiration					
Homes in Franchise Area					
Homes Passed					
Number of Subscribers					
Route Miles					
Channel Capacity					
Number of Local Origination, Access, and Institutional Channels					
Name and Addresses of Local Government Officials Responsible for Cable or Video service Operations[2]					
Franchise Fee(as % of total gross cable-related revenues)					

A: Not applicable.

1 For purposes of this form, "principal" means any officer or director of Applicant, and any person, firm, corporation, subsidiary, joint venture or other entity, who or which owns or controls one percent or more of the voting stock (or any equivalent voting interest of a partnership or joint) of an Applicant.

2 If a cable system encompasses agreements with more then one franchising authority, provide the requested information for each franchising authority.

D. Financial Qualifications

1. Applicant's Financial Statements

Provide the latest audited financial statements of the Applicant that have been audited by an independent Certified Public Accountant. Such audited financial statements are to be full disclosure financial statements prepared in accordance with Generally Accepted Accounting Principles and contain at a minimum, Balance Sheets, a Statement of Income, a Statement of Changes in Equity, a Statement of Cash Flows, and a full set of related footnotes.

A: See the audited financial statements of Hawaiian Telcom Holdco, Inc. at pages F-1 through F-61 in Hawaiian Telcom Holdco, Inc.'s Form 10/A attached as Exhibit V.A.7.f. There are no audited financial statements for Applicant only.

2. Start-up costs

Provide the detailed anticipated start-up costs for the proposed video service along with a time frame for recovery of those costs.

A: See confidential Exhibit V.D.2.

3. Source of Financing

Describe in detail financing plans for any construction, expansion and the continuing operation of the Applicant's multi-channel video service. Document the debt or financing that is to be provided by any funding organization. If the funding is to be provided through any parent, then the ability to obtain financing and sources of the parent must be documented.

a. Equity - What are the sources and amount of equity capital? List all committed sources and the amount committed. Indicate whether such source and amount is committed and or merely a projected plan of possible financing.

   A: See confidential Exhibit V.D.3.a.

b. Long-Term Debt - What are the sources and amount of long-term debt? List all committed sources and the amount committed. Indicate whether such source and amount is committed and or merely a projected plan of possible financing. Specify any covenants in the debt agreements which may constrain the application of the debt to finance the Hawaii system.

A: See confidential Exhibit V.D.3.a.

c. Short-term Debt - What are the sources and amount of short-term debt? List all committed sources and the amount committed. Indicate whether such source and amount is committed and or merely a projected plan of possible financing. Specify any covenants in the debt agreements which may constrain the application of the debt to finance the Hawaii system.

A: See confidential Exhibit V.D.3.a.

d. Provide the name, title, address and telephone number of an appropriate contact person of each lending institution or other source providing financing or other financial services to Applicant.

A: See confidential Exhibit V.D.3.a.

4. Terms of Financing

Provide details of the terms of any financing arrangements with Applicant's parent company or any other affiliated entities, if any.

a. For each source of debt financing. provide the following information

Form A-4

Amount -	Long Term	$_________	Term Length	______
Amount--	Short Term	$_________	Term Length	______

b. List conditions under which the financing is to be made available. List restrictions on availability or use of funds.

c. List interest rates, payback and other terms.

d. List collateral involved.

e. List guarantors.

f. Attach copies of any related agreements made in connection with financing of this project.

g. Describe any interrelationships between any source of debt financing and Applicant or any principal.

h. Describe any limitations on the sale of stock by individual holders in this project.

i. Describe any buy-out or buy-back stock provisions.

j. Describe any assignments or intended assignments of stock voting rights.

A: See confidential Exhibit V.D.4.

5. Operator Liability

a. Will any other entity besides the Applicant be legally liable for the obligation and performance of the Applicant's video service?

A: No

b. If the Applicant proposes that persons or entities other than the Applicant shall be legally liable for the obligations and performances of its video service, provide complete financial data for said persons or entities or indicate where such data is located in the application, and state clearly the degree to which they will incur such liability.

A: Not applicable

6. Documentation of Financial Viability

a. Provide an annual report and SEC Form 10K for Applicant's parent company.

A: Hawaiian Telcom Holdco, Inc. has not yet had to produce an annual report or Form 10-K. However, attached as Exhibit V.A.7.f is a copy of Hawaiian Telcom Holdco, Inc.'s recent Form 10/A, which contains information comparable to that in a Form 10-K.

b. How much of the Applicant's line of credit is presently uncommitted and will be applied and committed to any construction and the operation of its video service?

A: See confidential Exhibit V.D.6.

c. If the Applicant is a division or subsidiary of any other entity, and will have financing provided by or through such entity, please provide the proposed debt instrument, describing terms of payment for operations and any proposed construction or upgrades and the parties involved in these payments.

A: See confidential Exhibit V.D.4.

d. If future refinancing is anticipated, describe proposed terms and arrangements.

A: Not applicable.

7. Previous Systems Financed

Describe in detail the financing arrangements utilized by Applicant and/or parent and/or principals to acquire or construct cable systems within the past ten years.

A: Not applicable

8. Contact in Outside Audit Firm

For Applicant, any parent company, and the principals, provide the name, title, address and telephone number of an appropriate contact person in each outside audit firm utilized within the past five years.

A: Ms. Tertia Freas
Audit Engagement Partner
Deloitte & Touche LLP
1132 Bishop Street, Suite 1200
Honolulu, Hawaii 96813
Tel. No. 808- 543-0713

VI. FINANCIAL PRO FORMA

Please provide the information indicated for years one through ten in financial statements which request ten year projections. Applicant shall include subtotals as appropriate for each five year interval.

Please respond to **all** required items in the order requested and in the basic format listed. If Applicant does not submit a designated form but chooses to present the information in another format, then please so state. All financial projections shall be on a calendar year basis commencing on January 1st unless prior approval for a different starting date is obtained from the State.

All Pro Forma projections should be made in NOMINAL DOLLARS.

A. Form B-1 – Anticipated System Growth and Revenue

							Percentage of Penetration	
Year	Households	Homes Passed	Average Basic* Subs.	Average 2nd Set* Subs.	Average Pay Video programming* Subs.	Other** Services	Pay to Basic	Pay to Homes Passed
5 year subtotal								
5 year subtotal								
Total								

* If there is more than one tier of service offered, provide information for each tier. Show separately, number of subscribers, average rate, annual revenue for each tier of basic and pay video programming and other services. Then show totals for all tiers.

** Break down each type "other" than basic and pay video programming revenues from installation and from monthly rates.

A: See confidential Form B-1.

B. Form B-2 – Anticipated System Growth and Revenue

	Revenue per Subscriber						Revenue (Annual Total)						
Year	Basic (Yearly)*	2nd set* (Yearly)	Pay* (Yearly)	Installation basic pay	FM service	Other** describe	Basic*	2nd set*	Pay*	Installation basic pay	FM service	Advertising	Other describe
1													
5 year subtotal													
5 year subtotal													
Total													

* If there is more than one tier of service offered, provide information for each tier. Show separately, number of subscribers, average rate, annual revenue for each tier of basic and pay video programming and other services. Then show totals for all tiers.
** Break down each type "other" than basic and pay video programming revenues from installation and from monthly rates.

A: See confidential Form B-2.

C. Subscriber and Service Projections

1. Basis of Subscriber Penetration

   Explain how Applicant's subscriber and penetration figures are obtained.

   A: See confidential Exhibit VI.C.1.

2. Projected Growth of Other Services

   Describe in detail the development and projected growth of any service other than basic and pay video service. Be specific on the sources and growth of each component of revenues from all "other" services.

   A: None at this time.

D. Financial Goals

1. State in narrative form, Applicant's financial goals.

   a. State Applicant's financial targets for operating income, pre-tax income, and desired rate of return and answer the following questions:

      1) What is the basis for rate of return?
      2) How is rate of return calculated?
      3) If the discounted cash flow method is used, what is the investment based upon which the return is calculated?
      4) What are the items considered as cash out-flows, in-flows?
      5) What residual value is assumed for the system at the end of the franchise period?

      A: See confidential Exhibit VI.D.1.a.

E. Computation of Income Taxes – complete Forms B-3, B-4, and B-5.

1. Please describe how income taxes are computed.

   a. Will federal income taxes be consolidated with a parent company or other entity?

   b. If not, show treatment of loss carry-forwards and investment tax credits on property placed in service before 1986 (if applicable).

   A: Applicant calculates the income tax provision, current and deferred income taxes along with the valuation allowance based upon various complex estimates and interpretations of income tax laws and regulations. Income taxes are projected to be a part of the Applicant's consolidated income tax calculation.

Form B-3 – INCOME STATEMENT (in 000s)

Year	Revenue	Less Operating Expenses	Equal Operating Income	Less Interest	Less Depreciation & Amortization	Equals Pre-Tax Income	Less Income Taxes	Equals Net Income	Net Income As A % of Revenue	Plus Depreciation & Amortization	Equals Cash Flow*
5 year subtotal											
5 year subtotal											
Total											

* From operations (exclusive of borrowings, acquisitions and fixed assets, debt service payments and other similar items).

A: See confidential Form B-3.

v.62010

Form B-4 – SOURCES AND USES OF FUNDS

Sources of Funds						Use of Funds						
Year	Beginning Cash Balance	Equity Funds	Loans	Revenue	Total Sources	Capital Expenditures	Operating Expenses*	Interest Payments	Income Taxes	Loan Repayment	Dividends	Total Uses
5 year subtotal												
5 year subtotal												
Total												

* Prove a detailed break down of the operating expenses listed in a separate table.

A: See confidential Form B-4.

Form B-5 – Summary of Sources and Uses of Funds (Continued)

Year	Total Sources	Total Uses	Ending Cash Balance	Beginning Balance Loans Outstanding	Payments	Ending Balance Loans Outstanding	Beginning Balance Retailed Earnings or Equity	Profit or (Loss)	Ending Balance Retained Earnings or Equity
5 year subtotal									
5 year subtotal									
Total									

A: See confidential Form B-5.

G. Provide information on anticipated capital expenditures as requested in the Form below.

Form B-6 – Anticipated Capital Expenditures (in $000s)

					Distribution							
Year	Antennas(s) & Towers	Oahu Inter-connects	Headends Incl. Computer	Earth Station	Aerial	Under-ground	Hub Inter-connect	Institutional Network	Drops*	Converters*	Buildings	Leasehold Improvements Furnishings & Fixture
5 year subtotal												
5 year subtotal												
Total												

* Equipment on customer's premises (including capitalized labor).
Note: Include projected replacement capitalization where applicable.

A: See confidential Form B-6.

H. Discuss and describe the method(s) used in determining capitalized overhead and capitalized interest applicable to the system. Provide information on anticipated capital expenditures in the Form below.

Form B- 7 – Anticipated Capital Expenditures (in $000s)

Origination and Access											
Year	Land	Studios	Mobile Vans	Equipment	Interconnects with other systems on Oahu and neighbor Islands	Test Equipment	Vehicles	Pre-Operating	Pay Cable Related Equipment	Other**	Total
5 year subtotal											
5 year subtotal											
Total											

** Describe other capital expenditures.
Note: Include projected replacement capitalizing where applicable.

A: See confidential Form B-7.

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I. Provide information on future subscriber network construction costs in the Form below.

Form B-8 – Future Subscriber Network Construction Costs

Item	Aerial	Underground	Equipment for* Other Services
Distribution Cost Per Mile			
Make Ready			
Engineering			
Labor			
Hardware & Strand			
Cable			
Electronics			
Other			
Total Cost per mile			
Cost per Drop			
Drop Material			
Labor			
Traps & Filters			
Total Cost Per Drop			

A: Form B-8 is designed for traditional cable TV, hybrid/fiber coax networks. Unlike cable TV networks, Applicant's IP-based network is designed to deliver multiple services over a common network platform. Providing cost-per-mile, electronics, labor, etc., while appropriate for cable TV networks, is not applicable to IP-based networks as IPTV is delivered as packets over a shared network infrastructure as opposed to dedicated hybrid fiber/coax outside plant cables. See confidential Exhibit VIII.J.1.

J. Provide information on any planned or anticipated construction for INET facilities in the Form below (see Section IX.O).

Form B-9 – Anticipated Institutional Network Construction Costs

Item	Aerial	Underground
Distribution Cost Per Mile		
Make Ready		
Engineering		
Labor		
Hardware & Strand		
Cable		
Electronics		
Other		
Total Cost per mile		
Cost per Drop		
Drop Material		
Labor		
Traps & Filters		
Total Cost Per Drop		

A: Applicant is willing to work with the DCCA to develop an appropriate INET program for Applicant.

K. Please provide information on Applicant's Depreciation schedule in the Forms below.

Form B-10 – Depreciation Schedule

					Distribution							
Year	Antennas(s) & Towers	Oahu Inter-connects	Headends Incl. Computer	Earth Station	Aerial	Under-ground	Hub Inter-connect	Institutional Network	Drops	Converters	Buildings	Leasehold Improvements Furnishings & Fixture
5 year subtotal												
5 year subtotal												
Total												

A: See confidential Form B-10.

v.62010

Form B-11 – Depreciation Schedule (continued)

	Origination and Access								
Year	Studios	Mobile Vans	Equip-ment	Interconnects with other Systems	Test Equipment	Vehicles	Pay Cable Related Equipment	Other	Total
5 year subtotal									
5 year subtotal									
Total									

L. Provide information on services purchased from any controlling entity (if applicable) in the Form below.

Form B-12 – Services Purchased from any controlling entity (if applicable)

A: Not applicable.

Year	Management Services	Legal	Accounting	Customer Billing	Programming	Engineering & Technical	Other (Please Detail)	Total
5 year subtotal								
5 year subtotal								
Total								

VII. Employee Training and Certification

Describe proposed use of special employee training program. Describe certification processes proposed for technical personnel, describe procedures to be used to verify that field employees are completing work as assigned, and describe methods to be used to check on the quality of field work.

A: Applicant will leverage its relationship with sister company Hawaiian Telcom, Inc. to support its video service business. Many of the skills, processes and procedures involved in Applicant's video business are extensions of the existing expertise of the Hawaiian Telcom organization.

Employee Training Program

Applicant's IPTV technology is based on sending data over Hawaiian Telcom, Inc.'s copper and fiber optic network. Hawaiian Telcom, Inc., the owner of the network over which Applicant will deliver its video service (and over which Applicant already delivers its DSL and other services), is the premier company in Hawaii in the construction of copper facilities. While there are no certification process, per se, for copper installation, Hawaiian Telcom, Inc. has unquestioned ability to construct complex and large scale copper facilities. It is similarly qualified in the construction of fiber systems and has completed a fiber training program on Oahu for its construction splicers.

Hawaiian Telcom, Inc. also has demonstrated expertise in building and maintaining complex IP data networks. The existing IP backbone is maintained by trained data network professionals and technicians who are supporting Applicant's current suite of IP and packet data services over Hawaiian Telcom, Inc.'s core and access network. This includes trained personnel in Hawaiian Telcom, Inc.'s Network Operations Center, Customer Care centers, and installation and repair technicians (200+ employees). Currently, Hawaiian Telcom, Inc. has twenty personnel designated either as Cisco Certified Network Associates, Cisco Certified Network Professionals, or Cisco Certified Internetwork Experts.

All field techs involved in installing Applicant's video service in customers' homes will be required to go through formal video service installation training (currently a five-day class) covering such matters as coax and CAT5 wiring and setting up the residential gateways and set top boxes. There is no certification involved, but the field techs will be required to pass an exam at the end of the class.

Verifying Completion of Assigned Field Work

All work in the field will be centrally controlled by Applicant through the Hawaiian Telcom, Inc. Dispatch Resource Center (DRC), which already monitors all installation orders and repairs statewide for all Hawaiian Telcom entities. Applicant, through the dispatchers at the DRC, will track all jobs via computer systems that are linked to the customer call centers that are generating the orders and trouble tickets. In addition, the

DRC has text messaging, cell phones and, in some cases, GPS monitoring of all technicians, providing multiple means of directing the techs to complete the work as scheduled.

Reporting Requirements

Applicant agrees, and is prepared, to timely file all forms and reports required by the DCCA and by the Federal Communications Commission relating to the provision of its video service and comply with all other applicable federal and state statutes and regulations. Personnel have been trained with regard to the foregoing.

Quality Control

The quality of the field work will be checked in several ways. First, Applicant, through Hawaiian Telcom, Inc.'s centralized Network Operating Center (NOC), will be able to remotely manage and monitor all network elements for its IPTV deployment. The NOC is able to remotely access and test the customer-serving facilities as needed to respond to and resolve network issues. The NOC also receives remote alarms and alerts from serving equipment and monitors the network used to deliver the video service on a 24x7 basis. Second, all pre-installation work will be tested for performance and service availability. The tests will be conducted before installation and during any trouble resolutions. The remote and on-site testing capability will ensure that the work performed will meet industry standards. Applicant will require that the lines serving the customer be tested after installation with state-of-the-art test equipment used in the industry. If the installation does not meet the required industry standard parameters for the service requested by the customer, Applicant will deploy highly-trained technicians equipped with more sophisticated test equipment.

This combination of quality installation, remote testing of installation, and remote testing/evaluation of the serving circuits to the customer provide several layers of independent verification of quality service. In addition, during the early stages of the video service rollout, Applicant will randomly inspect installations for quality workmanship.

See confidential Exhibit VII for additional information.

VIII. Anticipated Construction Practices

A. Use of Turnkey Contractor

1. If any anticipated construction will be undertaken by a turnkey contractor, provide the name of each contractor and his qualifications.

A: Applicant's video service will utilize the existing network infrastructure of Hawaiian Telcom, Inc., which has over 100 years experience with construction of its network. In addition to using its own construction crew, Hawaiian Telcom, Inc. has working agreements with

Verizon Federal, Henkels & McCoy and Volt, all of whom have construction crews with suitable skills to perform work on the network. It is anticipated that any future construction will be performed by the foregoing.

B. Availability of Construction Personnel and Equipment

1. Discuss availability of work crews and equipment to ensure compliance with any construction schedule for line extensions, upgrades, interconnects, etc.

2. Detail outstanding agreements with construction companies or equipment suppliers and provide copies of any commitments regarding these particular projects.

A: Hawaiian Telcom, Inc. has the largest outside plant construction crew in the State of Hawaii that is equipped to build fiber and copper networks on a large scale. Availability of work crews and equipment should not be an issue. See also the response to Question VIII.A.1 above.

C. Construction and Safety Standards

1. Discuss the construction standards and codes dealing with safety and reliability for Applicant's system.

A: Applicant's video service will utilize the existing network infrastructure of Hawaiian Telcom, Inc. Hawaiian Telcom, Inc.'s construction standards are based on industry standards which include NESC, NEC and BICSI. In addition, as a telecommunications carrier currently regulated by the Hawaii Public Utilities Commission ("HPUC"), As a regulated utility, Hawaiian Telcom, Inc.'s construction, safety, and security are subject to regulation by the HPUC. For example, Hawaii Administrative Rules 6-80-87 specifically requires Hawaiian Telcom, Inc. to "[d]esign, construct, install, operate, and maintain its plants, facilities, and equipment in a manner consistent with prudent and generally accepted telecommunications industry practices and standards, except as modified by the commission". Similarly, General Order No. 8 of the HPUC has provisions relating to construction (section 5.1) and safety measures (sections 8.1 and 8.2).

2. Describe planned safety/security provisions for Applicant's system.

A: See response to Question VIII.C.1 above. In addition, Hawaiian Telcom, Inc.'s network has both physical and virtual safety systems. All employees (and contractors/vendors) working on Company premises are required to wear ID badges and the main Hawaiian Telcom, Inc. facility has 24x7 security. Entrance to all other buildings require a card key or key for access. Hawaiian Telcom, Inc.'s systems also employ firewall security to avert any electronic threats.

D. Tower Construction

If new tower construction is required, list or discuss the standards to be followed regarding tower construction, marking and lighting.

A: The proposed video service will utilize the existing network infrastructure of Hawaiian Telcom, Inc. Construction of new towers is not required to implement the video business.

E. Detailed Construction Drawings

With regard to any construction, upgrades, line extensions and other major improvements which will be installed during the next five years, provide:

1. Detailed construction drawing(s)/specification(s) of typical poles.

2. A map illustrating sections of the multi-channel video service distribution system which would be installed overhead and which would be installed underground, and indication of the lengths of these sections to the approximate nearest tenth of a mile.

3. Identification of areas in which existing utility poles would be used, and areas in which new poles would have to be installed, estimated number of new poles which would be required, and the approximate distances between poles.

4. For any underground cable sections which would be installed outside public street rights-of—way, indicate the locations and lengths to the approximate nearest tenth of a mile.

5. Typical trenching profile, showing conduit type, trench width and depth, bedding, embedment, and separation from adjacent utilities.

6. Identification of any freeways, railroads or Waterways (including creeks) to be crossed by the cable distribution system, and locations of crossing.

   A: Not applicable because Applicant will be using Hawaiian Telcom, Inc.'s existing network. Any new construction, upgrades, line extensions or other major improvements during the next five years will be performed by Hawaiian Telcom, Inc. in accordance with its established practices, standards, and procedures. See also the response to Question VIII.C.1 above.

F. Underground Policy

1. Describe the policy proposed for undergrounding cable, including cost sharing with other utilities and proposed arrangements with residential developers.

A: Hawaiian Telcom, Inc. does not have a policy for undergrounding its cable. Rather, it evaluates each situation on a case-by-case basis and selects the most practical (including consideration of economics and timeliness) solution, subject to county zoning ordinances that dictate whether cable is underground or aerial. For new residential developments, the cable is almost always underground, as dictated by local ordinances.

Applicant recognizes the need to work closely with residential developers to provide video service (and in fact the Hawaiian Telcom organization has established working relationships with all residential developers, their general contractors, and their consultants). Applicant recognizes the importance of working with the residential developers. Applicant has a Director – Multi-Dwelling Units who leads Applicant's efforts with these developers. Generally, the requirement to underground is imposed on the residential developer, as a condition of development, so the current practice is for the developer to build the necessary conduits in the public rights-of-ways and turn the conduits over to Hawaiian Telcom, Inc., which then will install the cables and connect each residence at its cost. Hawaiian Telcom, Inc. will work with these developers, as it has in the past, to cooperatively build the network. Applicant works closely with developers well before construction permits are issued to ensure that the necessary support structures are in place to ensure service availability.

Hawaiian Telcom, Inc. has sharing agreements with all electric utility companies and county and state governments in how cost is shared on commonly-used infrastructures. Hawaiian Telcom, Inc. will continue to comply with the provisions of these agreements in its deployment of the network used by Applicant to deliver its video service.

2. Indicate whether any undergrounding will occur in areas where utilities are not undergrounded.

A: Undergrounding is generally dictated by county ordinances. In the absence of a county ordinance, Hawaiian Telcom, Inc. most likely would install cables on poles. Aerial installations are generally less costly to construct. Also, if Hawaiian Telcom, Inc. is building facilities to a new area, the electric utilities have or will build electric infrastructure. In these situations, Hawaiian Telcom, Inc. shares the pole cost with the electric utility under their joint pole arrangement

3. Indicate criteria for determining whether underground cable will require a conduit, or can be buried directly.

A: Hawaiian Telcom, Inc.'s established practice is to not direct bury cables, as a matter of engineering design policy. All underground cables are installed in conduits.

4. Indicate the extent to which underground vaults will be used for subscriber taps rather than above-ground pedestals.

A: Underground vaults generally will not be used for subscriber taps. Hawaiian Telcom, Inc. designs its facilities based on existing technology and local zonings/conditions. Underground vaults or boxes are used generally to house passive devices (such as a splice case) that can sustain their function underwater. However, large cross connects and remote electronic equipment serving subscribers are not manufactured "water tight" and therefore are installed above ground (pedestals, cabinets, etc.).

G. Aid-To-Construction Policy

State Applicant's policy regarding aid-to-construction concerning service connections.

A: Hawaiian Telcom, Inc. has a service connection policy that is included in tariffs on file with the Hawaii Public Utilities Commission. An electronic version of the tariff can be accessed through Hawaiian Telcom's web site, www.hawaiiantel.com, under "Service Terms and Conditions", PUC Tariff 20, Section 1, Original Sheet 15. For convenience, the relevant portion of the tariff is attached as Exhibit VIII.G. The attached tariff provides the terms and conditions applicable to service connections. In general, a service connection is allowed for subscribers of up to 320 feet for aerial and 500 feet for underground at no charge.

H. Equitable Extension of Service -- provide the following information concerning policies related to the extension of multi-channel video service to residential subscribers:

1. Describe your proposed policy about multi-channel video service being available to all subscribers in the franchise area.

A: Applicant's video service will be delivered using VDSL2 protocols. These technologies are similar to ADSL which has been used for years in Hawaii to deliver high-speed Internet access. VDSL2 provides the higher bandwidth required to deliver 100% digital video services. Similar to the deployment of ADSL for high-speed Internet access, plans to further extend coverage of Applicant's video service will be based on consumer demand for the service. See confidential Exhibit VIII.J.2.

2. Comment on a policy requiring multi-channel video service to be coextensive with telephone and electric service, and other service providers for telecommunications services.

A: Applicant's proposed video service, which will be delivered via Hawaiian Telcom, Inc.'s high-speed DSL lines, will be coextensive with Hawaiian Telcom, Inc.'s telephone service. Both services are delivered on the same network facilities.

3. Describe plans to provide multi-channel video service to those portions of the franchise area which are presently without service.

A: Similar to the deployment of ADSL for high-speed Internet access, plans to further extend coverage of Applicant's video service will be based on consumer demand for the service.

I. Cable Drop to Schools

Describe Applicant's plan to provide a cable drop and basic cable service at no cost to any school or institution of higher education within the franchise.

A: H.R.S. Section 440G-8.2(e) requires the "cable operator" to "provide a cable drop and basic cable service at no cost to any school or institution of higher education within its service area; provided that service is actually being delivered within a reasonable distance from the school or institution of higher education which may request service." The incumbent cable provider already is providing basic cable service to schools or institutions of higher education; imposing a redundant requirement on Applicant would be wasteful and not provide any benefit to the schools that already have cable. Applicant is willing to discuss with the DCCA appropriate application of the H.R.S. Section 440G-8.2(e) requirement to Applicant.

J. Provide the following construction data by miles in the Form below. If Applicant does not anticipate undertaking any construction, please state here that the form is not applicable.

Form C-1 – Future (Anticipated) Construction Schedule by Miles

A: Applicant's deployment of IPTV video service will not require construction of a separate, dedicated network because its IP-based service will be delivered over Hawaiian Telcom, Inc.'s existing broadband network. Attached as confidential Exhibit VIII.J.1 is Hawaiian Telcom, Inc.'s 5-year construction plan filed with the Hawaii Public Utilities Commission. The five year construction budget includes Applicant's plans for continued broadband network growth and expansion (which will support the IPTV service as it is deployed throughout Applicant's network). Also, see confidential Exhibit VIII.J.2, Hawaiian Telcom, Inc.'s proposed build-out schedule for video service availability on Oahu.

Year	Aerial Plant	Underground Plant with conduit	Underground Plant without conduit	Total Plant	Cumulative Plant completed	Cumulative percentage completed
1						
2						
3						
4						

5						
Total						

K. Provide the proposed schedule of future system construction by census tracts for the basic subscriber network only in the Form below. If Applicant does not anticipate undertaking any construction, please state here that the form is not applicable.

Form C-2 – Construction Schedule by Area
Cumulative Census Tract Progressional Table In Miles

A: As the carrier of last resort, Hawaiian Telcom, Inc. does not plan its network construction based on demographic data. Service is provided to all areas regardless of income quartile. See also confidential Exhibit VIII.J.1 and confidential Exhibit VIII.J.2.

Year	"Low"	"Middle"	"High"	Income Quartile
1				
2				
3				
4				
Year Total				

L. Construction Completion

Provide a complete list of all facilities to be constructed or upgraded, their function and general description, and planned year of completion.

A: Future construction by Hawaiian Telcom, Inc. relating to its network is described in confidential Exhibit VIII.J.1.

M. Quality Control Oversight

Unless discussed in detail within a previous question, describe construction quality control practices to be used to identify inspection, test and reporting points proposed for oversight of system quality during construction. The oversight applies to both the physical construction and the electronic construction.

A: On completion of every work order, technicians must follow a standard check list procedure that must be signed by both the technicians and their managers. See also the response to Question VII above.

N. Construction Complaint Resolution

Describe practices for complaint resolution during construction.

A: Complaints during construction often are resolved by the technicians present at the job site. If necessary, the technician will refer the complaint to his/her manager, who will respond to the complaint. Alternatively, a complaint may be placed directly with the Hawaiian Telcom Customer Relations department (the phone number is listed in the telephone directory), whose function is to resolve complaints.

IX. CHANNEL CAPACITY AND SYSTEM DESIGN

This section requires information on the current and proposed designs of the system, channel capacity, and equipment to be utilized. It will be presumed that the equipment described in response to the questions, or its equivalent, is being used or will be used in actual operation and construction. As an alternative, Applicant may provide detailed specifications for such equipment.

In response to those questions herein regarding headend and reception facilities (IX.C.), earth stations (IX.D.), central facilities (IX.F), and other facilities as appropriate, state backup procedures and facilities and any special maintenance procedures or system configuration techniques intended to ensure the reliability of these critical components.

For any facility proposed that is a relatively new technical design and not in common use by numerous other systems, provide adequate data to demonstrate the technical feasibility and reliability of the equipment and system involved. Include copies of any studies regarding provision of the service in other communities, or any calculations relating to the reliability of service availability and similar factors. The purpose of this information is to permit the State to evaluate the probability that a viable and reliable service will be provided.

A. System Mileage and Configuration

1. Indicate the plant miles of Subscriber Network. If a separate institutional cable is discussed, indicate the miles of Institutional Network. Indicate the mileage of any other network facilities and describe the functions of those facilities. Indicate the extent to which any overlap exists between the Subscriber Network and Institutional Network.

Form D-1

Plant Miles:	Aerial	Underground	Total
Subscriber Network—basic subscriber system			Approx. 13,500 miles
Institutional Network (if separate institutional cable is proposed).			See response to Question IX.O below
Other (explain).			N/A

2. Describe the configuration of Applicant's overall system, including microwave, coaxial cable, fiber optic, or other intraconnect, as well as multiple headend or hub facilities that will be used to provide coverage to the complete franchise area.

A: Applicant's video network is comprised of the following major elements:

- Applicant's super headend, providing local, linear channel, and VOD content acquisition

Acquisition and aggregation of national-level linear TV programming and on-demand content acquisition is received via satellite and undersea fiber at Applicant's headend, Local channels are received using a combination of direct fiber optic connections and over the air antenna receivers. All content is digitized, packetized and encrypted at Applicant's headend, and transported across Applicant's private IP backbone network. Applicant's initial system deployment consists of a single headend, but the distributed architecture provides flexibility to add headends as required.

- Hawaiian Telcom, Inc.'s access network between its central offices and the subscribers' homes.

Applicant's video system will transport video content via Hawaiian Telcom, Inc.'s second-generation DSL network. This transport and access network consists primarily of fiber facilities between Hawaiian Telcom, Inc.'s central offices (COs) and remote terminals employing fiber-to-the-node (FTTN) design methodology, with last mile access provided via copper-based local loop facilities. The last mile access will not limit subscriber's access to the full channel lineup of video and audio channels because Applicant's switched video delivery architecture allows this capability as opposed to RF base cable content distribution. Video traffic is distributed to the subscriber via intermediate offices (IOs) over GigE links. The COs are connected to the IOs to further distribute the traffic towards subscribers. In some cases, the CO and IOs functions may be collocated. Traffic reaches subscribers via FTTN access platforms. FTTN equipment is connected to the COs via GigE links. The FTTN equipment may also be located in the COs.

- The in-home network, including the residential gateway with built-in VDSL2 modem and set-top boxes

Importantly, CO construction, underground trenching, new utility pole construction, etc. will not be necessary to augment and upgrade Hawaiian Telcom, Inc.'s DSL network to second-generation DSL technology. As a result, the implementation of Applicant's video system will have minimal environmental impact.

Applicant believes that utilizing world-class products, combined with an excellent service organization, can help deliver a competitive, quality product to its subscribers. Furthermore, Applicant can offer a full suite of services and equipment in its video system design that can bring advanced, high-quality digital video and flexible services and applications in interactive television.

Third-Party Products – Many of the third-party products that Applicant proposes to integrate into its video service have already been integrated into successful IPTV projects located worldwide.

Design Concept – Applicant's design concept is to provide a component level flexible design that is repeatable for as many times as necessary to provide the programming content required. IP output encoder schemes provide the greatest flexibility with output aggregators.

3. List all public buildings (including education and library buildings) that will be capable of receiving service.

A: The Applicant's video service will be available for any public building with qualified second-generation DSL service.

B. Distribution System Equipment

1. For existing system.

a. Provide the manufacturer, type and model number for all currently installed distribution system equipment. Include all items on the following list in addition to any other items used in the present system. Detailed equipment specifications are also acceptable.

A: The video network's second-generation DSL architecture is based on the following core components: Alcatel 7750 Service Router, Alcatel 7450 Ethernet Services Switch, 7330 Service Access Manager. Hawaiian Telcom, Inc.'s existing fiber and copper cable facilities will be used to deliver video service. Traditional RF-based cable network components (e.g. Active electronics, converters, splitters etc.) are not applicable to Applicant's IPTV-based network architecture. Product Specifications for these network components are included in Exhibit IX.B.1.a.

Form D-2 – Distribution System Equipment, Existing system,

A: Form D-2, while appropriate for cable TV networks, is not applicable to IP-based networks as IPTV is delivered as packets over a shared network infrastructure as opposed to dedicated hybrid fiber/coax outside plant cables.

Type		Manufacturer	Type	Model No.
Cable	aerial			
	buried			
	drop			
	distribution fiber			
Active electronics	Trunk amplifiers			
	fiber nodes			
	Briding stations			
	Line Extenders			
	Power Supplies			
	Standby Power Systems			
	Distribution System			
	Institutional System			
	Alarm System			
	Converters			

	Addressable Tape			
	Lock-Out Devices			
	Other			
Passive Electronics:				
	Splitters			
	Power Combiners			
	Subscriber Taps			
	Connectors			
	Other			

b. For all components, provide a general assessment of remaining useful life or of obsolescence with respect to any proposed channel expansion. A study reporting results of a sampling of a representative segment of the system may also be submitted.

A: The basic MPLS network is relatively new, so there is substantial useful life remaining .

2. For proposed equipment replacement, new construction, or upgrade.

a. Provide the manufacturer, type and model number for all distribution system equipment. Detailed equipment specifications are also acceptable.

A: See response to Question IX.B.1.a above.

<u>Form D-3 -- Distribution System Equipment, Replacement, new construction or upgrade</u>

A: Form D-3, while appropriate for cable TV networks, is not applicable to IP-based networks as IPTV is delivered as packets over a shared network infrastructure as opposed to dedicated hybrid fiber/coax outside plant cables.

Type		Manufacturer	Type	Model No.
Cable	aerial			
	buried			
	drop			
	distribution fiber			
Active electronics	Trunk amplifiers			
	fiber nodes			
	Briding stations			
	Line Extenders			

	Power Supplies			
	Standby Power Systems			
	Distribution System			
	Institutional System			
	Alarm System			
	Converters			
	Addressable Tape			
	Lock-Out Devices			
	Other			
Passive Electronics:				
	Splitters			
	Power Combiners			
	Subscriber Taps			
	Connectors			
	Other			

C. Design of Headend and Reception Facilities

1. Describe headend design and reception facilities. List the height and type of towers used (i.e. guyed or self-supporting), the make and model numbers of antennas, signal processors, modulators, demodulators and all equipment used for the FM audio services. Indicate for any new sites to be used whether signal studies or measurement programs have been undertaken in selecting the proposed site(s).

2. Indicate the carrier-to-noise ratio available at the output of the headend for each signal received off the air. If the initial system does not include a full complement of any item, such as headend channel processors, describe the provisions that will permit orderly addition of the remaining equipment. Describe any HRC or IRC channelization used. Describe the use of any common video synchronization. Indicate whether FM radio signals are individually processed.

A: Applicant's headend design is illustrated in Exhibit IX.C. Applicant's headend design concept is to provide a component level flexible design that is repeatable for as many times as necessary to provide the programming content required by Applicant. Applicant will utilize an IP output encoder scheme to provide the greatest flexibility with output aggregators. Design criteria will separate these modular systems by signal type, placing all of the standard definition ("SD"), high definition ("HD") and music programs respectively into their own dedicated modular designs. Applicant's headend design has been successfully engineered and is similar to other successful telephone company IPTV deployments. Applicant's vendor list represents a significant number of the largest video content providers in the world. Applicant's super headend reception facility will utilize a combination of content satellites and transpacific fiber facilities for full reception of all linear content programming.

In addition to the satellite signal acquisition and fiber signal termination, Applicant's headend is the point in the network where regional or local content is collected for the area broadcasters. This content is processed and added to the digital stream. The two common methods of reception of broadcaster content is an off-air antenna system to pick up local off-air broadcast transmissions or a direct fiber connection from the broadcaster. A mix of terrestrial RF and fiber-based reception will be used.

Applicant's processing platform provides several fundamental functions within its overall structure. These functions are listed here, and applied in the sections below to various types of program content:

- Analog to Digital conversion of baseband content
- Audio Embedding for attachment to digital video stream
- 1:1 SDI/ASI/IP Switching to provide for failover equipment insertion
- Noise reduction circuitry that is controllable to be applied as needed for content
- Frame synchronization with horizontal and vertical phasing control
- The audio-only music content channels by Applicant will be received via a combination of local content via terrestrial off-air and satellite. Local audio only music content will also be received, converted and combined into the digital channel line-up.

D. Design of Earth Station

1. Describe any satellite earth station including appropriate technical specifications (e.g., size of antenna; manufacturer of antenna; low-noise amplifier make; model number and noise figure; receiver make and model number; standby power; etc.)

2. Indicate whether frequency coordination studies, on-site measurements, and TVRO link analysis have been performed, and attach copies of any completed studies. Indicate whether the earth stations are protected by FCC license.

   A: Satellite Antenna Earth Station – Applicant's earth station design includes 1 Single ATCi Simulsat 7 Antenna and 3- SA model 8345 5.0 M C/KU band equipped with Dual polarization Ku and C band feed systems. Based on the provided channel lineup, this will result in a potential for 24 C-band low-noise block converter ("LNB") feeds, and 6 Ku-band LNB feeds. One ViaSat 3.7M steerable antenna for backup and/or "extra-use" applications designed to allow for automated failover protection using this antenna.

LNBs – Each antenna is equipped with a cable television quality LNB. LNBs for C-band specification are 3.4 - 4.2 GHz. input with 950 -1750 MHz. output, 20 degree noise temperature, 58dB gain typical. Ku-Band LNB specifications are 11.7 – 12.2 GHz. Input, 950 – 1450 MHz. Output, 190 degree noise temperature, 58 dB gain typical. 1:2 protection system provides redundant powering for the LNBs to prevent outages due to loss of a single power supply. Design will include bandpass filters for C-band to protect against radar interference.

Satellite Receivers:

- Cisco Satellite Receiver Equipment D9854, D9850
- Motorola Digital Satellite Rx, Model 4500X
- Motorola Digital Satellite Rx, Model 4400MD
- Tandberg TT1290

E. Standby Power

1. Describe standby power at the headend, hubs, satellite terminal and cable distribution system. Includes details on both AC and DC standby systems. Give make and model numbers of equipment as well as time capacity. Indicate whether environmental systems (i.e., air conditioning and lighting) are to be powered during standby conditions.

   A: The AC power standby system at the headend consists of: one 200KW Cummins standby generator with 150 gallon fuel tank capacity (approx 10.9 GPH @ ¾ load); one 350 KW Cummins standby generator with 600 gallon fuel capacity (approx. 9 GPH @ ¼ load); two 600 amp auto transfer switches in an emergency standby/backup configuration; and one 150 KVA MGE Comet upgraded uninterrupted power supply with two battery banks providing 24 minutes of uninterrupted power at full load capacity during emergency transition from commercial power to emergency generator power. Both the air conditioning system and the lighting system for this facility are tied in to the emergency circuit and will have power during standby conditions. The two emergency generators also are equipped with a manual and automatic fuel transfer system in the event of lengthy utility power outages.

2. Indicate the physical dimensions and weight of distribution system standby power supplies.

   A: Applicant's headend facility standby power design is two-fold. Major fixed network equipment will operate off a 150 KVA Model Comet 480/480 uninterruptible power supply (UPS) configured to provide approximately 24 minutes of operation at full load. As a result of redundancy in power systems, Applicant's IPTV super headend is designed to run uninterrupted even in the unlikely event of a total power outage. All satellite receivers, encoders, and servers are fed with conditioned UPS power that will run if utility power fails. In the event of an extended power outage, on-site Cummins 200 KW and 350 KW diesel generators (equipped with aluminum sound attenuated enclosure) will provide back up power. A 150 gallon and a 600 gallon double wall sub base tank with mechanical fuel gauge, leak detection float switch, low fuel and fuel leak alarm contacts, analog meter, 3P600A automatic transfer bypass switch circuit breaker, PMG excitation alternator, isochronous electronic governor comprises setup. Generator will power the full site including environmental systems. Generator run time without refueling is approximately 60 hours at average of one-half building load capacity. Generators and emergency power system are periodically tested and are included in the preventive maintenance program to ensure functionality in the event of an emergency.

HVAC (Heating Ventilation Air Conditioning) systems are N+1 redundant to ensure that, even in the event of an entire HVAC system failure, there is a duplicate system on standby to take over. All air is circulated and filtered every 90 seconds to remove dust and contaminants. A halon fire-suppression system, HSSD early detection, and Fenwall fire alarm system are in place to prevent any fire from spreading - in the unlikely event that one starts, HVAC and lighting would be powered during standby conditions.

3. Estimate system peak and average energy usage in KW.

A: Estimated power consumption based on 90% usage @ 80kw for one year is 622,080 kwh.

F. Design of Central Facilities

1. With regard to each office, studio and any other building utilized or to be constructed, provide the following information:

a. Location.

b. Plot plans for typical site designs including structures, parking requirements and landscaping, and description of external appearance of structures.

c. Number of employees, visitors and operating hours.

A: See confidential <u>Exhibit IX.F</u>.

G. Use of Radio Services

1. Describe Microwave Transmission Services, Common Carrier, Cable Television Relay Service (CARS), and Multipoint Distribution Service (MDS) radio services.

2. Provide a summary of all FCC notifications, licenses, permits, or approval which you have or anticipate will be required.

3. Describe present or anticipated microwave emissions, including locations, transmitter models, frequencies of operation, effective radiated power, and antenna models.

A: Not applicable. Applicant's IPTV-designed services will not incorporate Microwave Transmission Services, Common Carrier, Cable Television Relay Service (CARS), or Multipoint Distribution Service (MDS) radio services.

H. Programming of Automated Channels

1. Describe the equipment used for programming any automated channels, including make and model numbers.

A: Applicant will employ Avail-TVN's Video On Demand (VOD) storage system for programming automated channels.

2. Describe any other non-interactive, non-entertainment services you offer to provide and list all equipment used therefore, including make and model numbers.

A: Applicant's non-interactive, non-entertainment services are to be determined.

I. Emergency Alert System

1. Describe your existing and/or proposed Emergency Alert System including makes and model numbers of equipment. Indicate whether system will override all audio and video channels or only audio channels. Also indicate how the system will be activated and from where.

A: Applicant's Emergency Alert System (EAS) will incorporate a Monroe model "ENDEC" DSP based EAS decoder. Applicant's EAS SAGE EAS decoder will monitor and receive from at least two sources in the following priorities, subject to reception capabilities:

a. State Civil Defense dedicated land-line circuit
b. Local Primary Source
c. NOAA Weather Radio (NWS)
d. State and/or County Remote Program Unit (RPU)

In the event of an EAS Alert, Applicant's EAS SAGE decoder will receive a digitally-coded signal which will automatically trigger the middleware platform to force tune all video channels to a designated EAS Video channel provided by State Civil Defense via University of Hawaii HITS ITFS network. A video "crawler" will provide alert message hearing-impaired viewers and carry embedded audio messages contained in any EAS Alert activation. Upon termination of an EAS Alert forced tuned channels will return to originally watched channel. Full guidelines of EAS information dissemination is provided by State of Hawaii Civil Defense Agency. Applicant is willing to work with State and County civil defense should there be a need to notify Oahu residents of a countywide emergency.

2. Describe the methods used for EAS override of digital programming.

A: Applicant's EAS system will send ¾ screen format with text alert displayed.

J. Subscriber Converter Availability

1. Please explain your present and future policies concerning availability of converters for subscribers.

A: Subscriber converters will be provided at the time of installation. Replacements, exchanges, and returns can be accommodated at any of the Hawaiian Telcom retail stores, advance replacement shipping, or in-home service call.

2. List the types of converters (by make and model number) that will be provided and under what circumstances.

A: See confidential Exhibit IX.J.2.

K. Closed Captioning Devices

Regarding closed captioning or other services for the hearing impaired, describe the services that will be made available and indicate the type and availability of equipment to be utilized.

A: Applicant will have provisions to support closed captioning services for the hearing impaired. The following is a description of operations and devices to accommodate this service as it relates to Applicant' video service.

For NTSC (Analog) and SDI (Digital – SMPTE 259M) Standard Definition (SD) signals, captions are typically encoded on line 21 of the Vertical Blanking Interval (VBI). The captioning standard is defined by EIA-608-B.

For HD-SDI (Digital – SMPTE 292M) High Definition (HD) signals, captions are typically transported in the vertical ancillary data (VANC) portion the High Definition serial digital stream (SMPTE 292M) using the SMPTE 334M protocol. The captioning standard is defined by EIA-708-B. The SMPTE 334M protocol also supports carriage EIA-608-B captioning data along with the EIA-708-B captioning data. The EIA-608-B captioning data is typically used when the HD signal is down-converted to SD and sent to analog televisions and monitors.

The Scientific-Atlanta model D9034 and Motorola SE4011 H.264 SD encoder accepts EIA-608-B captioning data on VBI line 21 from an NTSC or SDI program source, and formats the data in the H.264 video stream according to EIA-708-B. In an upcoming software release scheduled for later this year, the D9034 will also be capable of accepting EIA-608-B and/or EIA-708-B captioning data embedded in the VANC using the SMPTE 334M protocol.

The Scientific-Atlanta model D9054 and Motorola SE5011 H.264 HD encoder accepts EIA-608-B and/or EIA-708-B captioning data embedded in the HD-SDI VANC using the SMPTE 334M protocol, and formats the data in the H.264 video stream according to EIA-708-B.

L. Service Level Isolation

1. Describe security measures and methods for Applicant's system to prevent unauthorized usage and access breaches

   A: Applicant's IPTV service will use a combination of middleware software in the headend and equipment installed at the customer's premise to confirm that the user is authorized to receive service.

2. Tier Isolation – If more than one basic service tier is to be provided, describe how the lower tier subscribers will be isolated from receiving upper tier programming.

   A: To assure that customers on this system can only access the tiers of services that they are allowed, each subscriber will be assigned a service profile based on the programming package they purchase. This profile will allow or disallow access to the various levels of programming.

3. Scrambling System – While no proprietary data is required, state for each scrambling system used whether demodulation and remodulation must occur at headends, hubs, or subscriber equipment, and provide a brief analysis of the source of any interference or distortion anticipated due to this process.

   A: The scrambling system that Applicant will use will comprise of an encryption key that will be applied to the programming line-up at Applicant's headend facility. The other end of the key will be located in the subscriber equipment provided by Applicant. Applicant does not anticipate any interference or distortion due to this process.

M. Interactive Capability

1. Describe all interactive capabilities to be included in the system and the scope of all services proposed, and include in Applicant's response, information on the following:

   a. When will interactive capabilities be available, and to whom will they be available?

   b. What use levels are projected in terms of the number of subscribers and service response times, i.e., system response time in seconds for various services, at various simultaneous usage levels?

   c. Will services be offered by franchisee, or by others, or by both? If by others, what will be the criteria for deciding to whom access is provided, and what are the proposed terms of any agreements relating thereto (e.g., leased access contracts)?

A: Applicant's video service will provide the following interactive capabilities:

- Digital TV (DTV)
- Pay-Per-View (PPV)
- Video on Demand (VOD)
- Subscription VOD (SVOD)
- Free on Demand (FOD)
- Interactive Guides – Favorites, Reminders
- Digital Video Recorder
- Digital Music (with title, track, artist info)
- Parental Controls/Settings – Hide/Delete Channels

These capabilities will be incorporated in Applicant's IPTV platform and will be available to all customers upon commercial launch of the service. System response time will remain almost instantaneous and in most cases less than one second regardless of simultaneous usage level. All services and future products will be offered by Applicant.

2. List by make and model number any headend electronics, computer equipment to subscriber terminal equipment, if any, that will be installed or offered for installation which will support services such as pay-per view, energy management, text display, polling or other sophisticated services. Itemize any arrangements made or agreements reached that bear directly on the programming sources and/or data bases/software needed in connection with the optional services described in this section of the application.

A: Applicant's video service will incorporate HP Proliant DL365 G1, StorageWorks Modular Smart Array (MSA1000, MSA50 and MSA30) and StorageWorks 4400 Enterprise Virtual Array (EVA4400).

3. Indicate other multi-channel video service operators or telecommunications providers that have tested or operated each proposed interactive service or equipment. For each such system, indicate when the service was first placed in operation and the number of units now in service. If the service is not in use in at least three other systems, discuss what steps will be taken to avoid start-up problems and to ensure the practicability of the proposed service or equipment.

A: There are a number of other telephone companies that have implemented video service offerings that are similar to the Applicant's. Below is a partial list of comparable video systems that are in operation.

Company	# of Subscribers	Service Launch
AT&T	2,700,000	2007
Manitoba Telecom Services	90,000	2003
SureWest Communications	23,000	2004

N. Subscriber Network Channel Capacity

Provide the following information regarding the bandwidth and channel capacity of the Subscriber Network.

1. Downstream:

a. Frequency Spectrum
b. Channel Capacity
c. Number of analog channels initially activated
d. Number of digital channels initially activated

2. Upstream:

a. Frequency Spectrum
b. Channel Capacity
c. Will the upstream capability be initially activated for all subscribers?
d. Will upstream be initially activated along any portion of the Subscriber Network?
e. If yes, please explain. If no, indicate when, under what circumstances and <u>how</u> future capacity will be provided.

A: Applicant's IPTV platform is based on switched digital video technology and is not comparable to traditional cable service, which is RF-based and limited. Switched digital video (SDV) references the network architecture of Applicant's IP based television distribution system in which only the selected channel(s) are distributed to the individual connected household. This enables Applicant to have no theoretical maximum channel count. Using IP multicast for the broadcast television streams will enable Applicant to increase its channel capacity up as new future programming become available.

3. Discuss the extent to which bi-directional capability will be available initially, and what steps are proposed to provide additional capability as the state-of-the-art and public need develop.

A: Applicant's video network by its nature will be two-way. The two-way nature contributes many of the advantages IPTV has over traditional cable television service delivery models.

4. Discuss channel capacity with regard both to the short-term and the long-term, including specific references to the degree of flexibility for adapting the existing and proposed system to increasing or changing capacity requirements.

A: Based on switched video technology, Applicant's overall video channel line-up capacity is <u>not</u> constrained by the bandwidth to the home but is instead related to the capacity of the core network and the ability of the headend to support additional equipment to offer up more channels. Based on customer demand, projected technology improvements such as enhanced video compression and increased video server efficiencies, the expansion of channel capacity can be supported.

5. Discuss any provisions made to circumvent unwanted signal ingress in the upstream path.

A: Unlike conventional cable service, Applicant's IPTV service is unaffected by unwanted signal ingress in the upstream path. Local signal ingress or interference from local broadcast stations is eliminated in IPTV.

6. Discuss the extent to which the subscriber network will be compatible with High Definition Television (HDTV) and the effect of such compatibility on the channel capacity of the system. If HDTV services are already offered, provide anticipated growth plans for such services.

   A: Applicant's IP subscriber network will be compatible with High Definition Television (HDTV) and will have no effect on the compatibility nor the channel capacity of the system. Applicant's IP based television distribution system will deliver MPEG4, H.264 standard definition and high definition selected channel(s) to the individual connected household.

7. Discuss any provision made to permit the transmission of encoded or scrambled video programming.

   A: Applicant's IPTV platform will deliver full encrypted programming of all content to the individual subscriber access unit.

O. Institutional Network (INET)

1. Provide details on the following for the INET:
   a. Capacity, design, technology, performance and architecture
   b. Interconnection
   c. Technical support
   d. Construction plans
   e. Staffing, and
   f. System monitoring and maintenance.

2. Provide details on future technology and expansion of INET.

A: Applicant is willing to work with the DCCA to develop an appropriate INET program for Applicant. Such program should be based on Applicant's ability to pay for such program, should reflect Applicant's status as a new entrant in a market where the established incumbent cable company has approximately a 94% share (based on a May 2006 Nielsen Media Research survey), and should not jeopardize Applicant's financial viability even before it has begun operation.

Importantly, such program should not require Applicant to duplicate INET infrastructure already provided or committed to by the incumbent cable company; should be less burdensome to Applicant than the INET requirements imposed on the incumbent cable company given Applicant is starting with no video customers or revenues in a market where the incumbent cable operator has long enjoyed its monopoly status; and should be based on factors such as Applicant's market share compared with that of the incumbent, the State's need for the particular interconnection weighed against the burden to Applicant, the opportunity cost to Applicant (in terms of lost revenue) of providing the particular interconnection, and the relative burden to Applicant of providing the particular interconnection compared with having the incumbent cable company provide such interconnection.

As an example, it would be unreasonable to require Applicant to match the incumbent cable company's level of INET contributions, where the monopoly position of the incumbent cable company ensures it will be able to recover its INET contributions from its customers. It is also important to note that the incumbent cable provider is backed by a parent company with $44 billion in revenues, economies of scale based on its 11 million cable subscribers nationwide, and control of key video content properties such as HBO, CNN, and Turner Broadcasting, to name just a few.

Not surprisingly, regulators in other jurisdictions have adopted policies that encourage the entry of new competitors. Applicant requests that the DCCA do the same. In the telecommunications market, new entrants have been given specific competitive advantages by federal and state regulators to allow them to establish a foothold and to grow to be an effective competitor to the telephone companies. In fact, the incumbent cable operator on Oahu has used this differential treatment to introduce a wireline voice service that directly competes with Applicant's sister company, Hawaiian Telcom, Inc., but without being subject to the same regulatory requirements.

P. Audible Noise

Describe noise (including humming, buzzing from power supplies HVAC units, generator, etc.) if any, from all system sources, including studios and headend (hub) stations, measured in decibels at (a) the noise source, (b) a 100—foot radius from the noise source, and (c) a 200—foot radius from the noise source.

A: Applicant's IPTV headend noise sources are limited to only external air conditioning compressors and stand-by power generation equipment.

- A/C compressor noise in dB at source: 86dB.
- A/C compressor noise in dB at 100 ft radius from compressor: 68.5 dB
- A/C compressor noise in dB at 200 ft radius from compressor: 62.5 dB
- Generator noise in dB at source:71 dB @ 7mtr
- Generator noise in dB at 100 ft radius from compressor: 58.5 dB
- Generator noise in dB at 200 ft radius from compressor: 52.5 dB

Q. Performance Tests

1. Describe procedures for initial proof of performance tests and ongoing performance tests including number and general location of test points. Describe the test equipment to be used: method and frequency of test equipment calibration: and forms and method of recording field data and permanent recordkeeping. A clear summary of the test procedures is desired, rather than lengthy test manuals.

   A: See Exhibit IX.Q.

2. Provide a list of all maintenance and test equipment proposed for the system. Distinguish between equipment permanently assigned to this system and that to be shared with other systems.

   A: Test equipment listed below will be dedicated to the Applicant's SHE:

   - MPEG stream analyzer with L-Band QPSK and ASI inputs
   - MPEG stream analyzer with 8-VSB and ASI inputs
   - Wohler - AMP2-E8MDA 8 Channel Dolby® E Audio Monitor & Converter with Discrete AES Outputs Equipt for - a) HD-SDI or SD-SDI with Embedded Dolby E or Dolby Digital - b) Dolby E or Dolby Digital - c) AES/EBU Audio - d) Analog Audio
   - Tektronix - Multi-format, Multi-standard Waveform Monitor - Monitors SD and HD DigitalComponent Video
   - Singulus G1-T IP Analyzer 10/100/1000 with built in tap
   - Tektronix TG700 HD/SD Signal Generator
   - Tektronix Waveform Rasterizer with ACS and Dolby E support
   - Agilent Spectrum Analyzer, 9kHz to 3 GHz
   - Ineoquest IQ Media Monitor
   - Ineoquest Singulus G-1T

R. Statewide Interconnection

Describe the interconnection of Applicant's video services system with other cable systems in the State. Include such information as:

1. Technical means of interconnection

2. Band width capacity of interconnect systems

3. Name and location of cable systems proposed to interconnect

4. Proposed activation dates of interconnect

5. Identification of total interconnect cost and how such cost will be shared among cable systems

6. Administrative coordination between cable systems, including any existing agreements to interconnect

7. Programming coordination between institutions, program suppliers, and access users

8. Other information as necessary

A: Applicant's video system will accept interconnect with cable systems in the State via interconnection to Hawaiian Telcom, Inc.'s designated regional central offices (COs). Applicant will work with cable systems to suggest inter-connection methods to provide video ingest to these regional COs.

a) Cable systems will be required to deliver standard NTSC video feed to the designated CO where it would be converted to IP and transported via Hawaiian Telcom, Inc.'s Multi-Protocol Labeled Switching (MPLS) core network. Content will interconnect and be transported through Hawaiian Telcom, Inc.'s inter-island GigE fiber transport back to Applicant's super headend for processing and re-distribution.

b) Bandwidth capacity on Applicant's NTSC video feed service is 45Mb.

c) Applicant proposes to allow interconnect to the PEG provider's cable broadcast facilities.

d) Applicant's proposed activation schedule to interconnect cable systems will be determined by service activation schedule for regional areas.

e) Identification of total interconnect cost and how such cost will be shared between the systems shall be determined by video services tariff plus required transport equipment, installation, optimization and recurring maintenance costs.

f) Applicant will work to provide administrative coordination between systems, including any existing agreements to interconnect.

g) Applicant will require institutions and program suppliers to supply programming data to Applicant's electronic program guide (EPG) vendor.

S. System Maintenance

1. Describe procedures for routine preventive maintenance; include type and frequency of system inspection and testing, number and qualifications of technical staff, and the test equipment to be provided. A clear summary of the maintenance procedures is desired, rather than lengthy maintenance manuals.

2. While the discussion should cover all maintenance procedures, particular attention should be given to the following items:

   a. Maintenance of critical central facilities equipment on which delivery of signals to the entire system is dependent.
   b. Ongoing sweeping and maintenance of the entire distribution system on a rotating basis.
   c. Methods for servicing and maintaining subscriber converters.

A: Hawaiian Telcom, Inc. uses the Remedy system for managing network routine maintenance. This system is preprogrammed to store standard routine work and routine intervals for all network devices, systems, and elements. The Remedy system automatically issues routine maintenance work assignments at the specified internals and exact element locations to central office and headend technicians. These routine assignments are tracked in detail validating work completion and providing a historic view of routine maintenance for the network.

The routine maintenance associated with the overall video network includes preventive maintenance on both the video equipment and the supporting infrastructure. Routine maintenance for the video-related equipment would be set to the preferred method of either Applicant's best practices or vendor specific req uirements. General items to be part of the routine maintenance schedule are:

- The headend equipment and associated downlink facilities
- The MPLS edge and core routers
- Inter-node gigabit Ethernet links
- The DSL access nodes
  - central office based (CO)
  - remote terminal (RT)
  - sealed environmental modules (SEM)
- Middleware servers and software
- Element management systems and software
- Transport systems
  - SONET
  - DWDM
- DC power plant routines and preventive maintenance
- AC power plants – both commercial and emergency (generators)

- Fire prevention, alarm testing and safety routines
- Physical network security
- Network test equipment calibration

Hawaiian Telcom, Inc. will leverage its experience and existing practices and policies for repair and equipment care. It already has maintenance practices in place for a number of items in the video network. Existing network elements that carry over to the video network include edge and core routers, DSL equipment, transport elements, element management system and application servers. Hawaiian Telcom, Inc. will also integrate and update work practices to incorporate all new equipment types purchased and installed. For example, we will carrier over existing practices to new systems such as scheduling non-critical maintenance during traditionally low traffic periods (late night – early morning periods).

Applicant will staff dedicated technicians to maintain the headend location. The Hawaiian Telcom, Inc. central office technicians that provide the daily care and maintenance of the video transport network will also be cross-trained on basic headend maintenance. Hawaiian Telcom, Inc.'s NOC with its five-tier structure provides the maintenance technicians with 24x7 access to Hawaiian Telcom, Inc. support personnel. These are highly trained staff who will direct and support field repair. These support personnel will also have direct contact with each of the video network vendor's technical assistance centers (TAC) to insure quick and final resolution to all network troubles.

T. Status Monitoring

1. If a status monitoring system is to be utilized, explain its operation, including hours of daytime monitoring and methods used for off-hours notification of local personnel of critical alarm conditions,

A: Status monitoring of the video network will be performed by Hawaiian Telcom, Inc.'s state-of-the-art Network Operations Center (NOC) located in Honolulu, Hawaii. The center is a 24 hour per day, 7 day per week operation that monitors and manages all of the network infrastructure. The NOC manages all aspects of service assurance with a five-tier operating and support structure.

The NOC will manage and operate the end-to-end video network including elements such as the headend equipment, content sources (both satellite and facilities based sources), the edge and core Multi-Protocol Labeled Switching (MPLS) network fabric, the high-speed DSL access network, the associated network element management systems, and management of the selected middleware. The NOC will manage this network with a three-fold strategy, fault management, performance management (jitter, latency, packet loss, etc.), and testing and trouble analysis.

The core of this strategy is the NetCool software suite developed by Micromuse. This software includes fault management tools, performance and capacity management, and integration of other software tools under a single view of the network. The technicians who work in the NOC are highly-skilled, trained, experienced, and certified. The software suite is designed to give the NOC staff the tools necessary to manage the network to a level that prevents and mitigates service problems.

In the event of a critical alarm condition that cannot be resolved remotely, the NOC will utilize its existing after-hours notification process, involving a combination of text, email, and telephone notification, to alert the appropriate personnel. This notification process also employs an escalation practice that notifies the responsible manager, director, executive director, and vice-president for resolution if a response to the after-hours notification is not done in a timely manner. These call-out lists are updated weekly to account for changing personnel schedules.

2. Explain how technical inspection by the State will be assisted.

A: Applicant will make the NOC available for on-site inspections by the State. Applicant can review with the State the video network topology and architecture as viewed through the NetCool monitoring system and share the service level criteria by which the network is monitored and managed from a fault and performance management perspective. Data repositories in NetCool can provide supporting metrics that validate the quality standards of service provided by Applicant as well as dimensioning information to insure the network is engineered for proper capacity and growth.

U. System Map

Attach a map indicating locations of headend, tower and antenna, hubs, studio, microwave facilities and earth station(s). Indicate the latitude and longitude of each of these facilities. Also show the routings for the major trunks.

A: See confidential <u>Exhibit IX.U</u>.

V. Headend Block Diagram

Attach a headend block diagram showing all major components. Provide separate illustrations for master headend, slave headends, hubs, etc., as may be needed to describe the facilities to be provided.

A: See <u>Exhibit IX.C</u>.

W. Contact for System Design Information

Please designate an individual by name, title, address, and telephone number who can provide additional or clarifying information regarding system design on behalf of applicant.

A: Ms. Brooke J. Won
Network Planner
Hawaiian Telcom
PO Box 2200
Honolulu, HI 96841
808-546-2661

X. Performance Values – Video Signals

1. Provide a detailed description of the network topology, from the origination point within the Applicant's system, through the network, and to the customer's home. Include a description of the transmission medium and bandwidth for each segment of the network used to deliver video signals.

   A: See confidential Exhibit IX.X.1.

2. Describe each encoding platform, including codec and bit rates used for various services delivered over the system.

   A: See confidential Exhibit IX.X.2.

Y. Performance Values — Data Signals

Provide the performance values for each of the following parameters which the system will provide to subscribers and users of the system for the transmission of data signals. Separate figures should be provided for the worst case transmission within the system: (i) as received at the input and (ii) at the output to the modem and system interface, including applicable temperature extremes. Provide the methodology and calculations showing how the values were derived.

1. Carrier-to-Noise Ratio
2. Bit Error Rate
3. Phase Jitter
4. System Delay (typical ping times to on-net server)
5. Transmission Rate/Speed (peak / average)

A: Applicant's video services platform delivers video and audio utilizing IP packet network technology vs. traditional RF-based cable television/cable data services. Applicant will utilize performance values to set the IPTV parameters for best quality in accordance with the Media Delivery Index (MDI) measured by jitter, packet loss, and noise factors. The MDI can assure both the quality of the delivered video/audio stream as well as to show the system margin by providing an accurate measurement of jitter and delay. The MDI provides a repeatable measurement rather on subjective human observations. The methodology and calculations utilizing the MDI are shown:

MDI Overview

The Media Delivery Index (MDI) is the only single targeted metric that captures the two classes of impairments, Packetized Data Loss and Temporal Distortion; that can occur within digital IP networks carrying video streams. Video IP network systems are highly sensitive to lost packets. Lost packets usually cause a user viewable impairment. Loss measurements are required to determine the dynamic performance of the transport system. Temporal Distortion, or cumulative packet jitter, is critical to monitor since it is a common precursor to faults that result in packet loss. Changing measures of jitter are often a presage for packet loss.

MDI provides an at-a-glance metric of the health of a delivered stream to facilitate automated monitoring and alarming of production systems that carry hundreds to thousands of simultaneous video streams. Since MDI is economical to compute, it is the best solution for continuously monitoring all video streams to detect any network induced faults in a timely way. Continuous monitoring of all streams is critical to detect faults before customers see impairments. Continuous monitoring of all streams is also important since transport network impairments such as queuing limitations can affect multiple streams in a random manner requiring simultaneous stream monitoring to quickly track down and correct faults. Continuously tracking and logging of cumulative jitter provides for proactive measurements of network behavior to make possible adjusting an evolving network before packet loss events occur and viewers are impacted. MDI is an open measurement adopted by various vendors and documented in an Internet Engineering Task Force draft RFC.

MDI Details

The MDI consists of two components: the Delay Factor (DF) and the Media Loss Rate (MLR).

Delay Factor

The Delay Factor is the maximum difference, observed at the end of each media stream packet, between the arrival of media data and the drain of media data, assuming the drain rate is the nominal constant traffic rate for constant bit rate streams. The DF is the maximum observed value of the flow rate imbalance over a calculation interval, usually 1 second, due to non ideal stream source devices or due to transient congestion in network switches. The buffering required to accommodate the flow rate imbalance in bytes is expressed in terms of how long, in milliseconds, it would take to drain (or fill) this data at the nominal traffic rate to obtain the DF value.

The Delay Factor also indicates how long a data stream must be buffered (i.e. delayed) at its nominal bit rate to prevent packet loss. Another perspective of this time is as a measure of the network latency that must be induced from buffering that is required to accommodate stream jitter and prevent loss.

Media Loss Rate

The Media Loss Rate is the count of lost or out of order flow packets over a selected time interval, where the flow packets are packets carrying streaming application information. There may be zero or more streaming packets in a single IP packet. For example, it is common to carry seven 188 Byte MPEG Transport Stream packets in an IP packet. In such a case, a single IP packet loss would result in 7 lost packets counted for the case where the 7 lost packets did not include null packets. Including out of order packets is important as many stream consumer type devices do not attempt to reorder packets that are received out of order.

Combining the Delay Factor and Media Loss Rate quantities for presentation results in the MDI:

DF:MLR

where "DF" is the Delay Factor and "MLR" is the Media Loss Rate

Any positive value of MLR is very likely to produce viewer visible picture impairments and should be addressed. Instrumentation automatically provides the ideal DF for a detected stream along with the actual measured DF for that stream. Generally, deviations beyond 2X the nominal DF should be addressed. More precisely, the specific network components selected should be characterized for their ability to accommodate streams with non ideal DF values. Vendors of such equipment can provide MDI Characteristic Curves to document how well their gear handles flows with cumulative jitter expressed in DF terms.

X. PROPOSED SIGNAL CARRIAGE AND CHANNEL ALLOCATIONS

A. Provide in the Form below, and in order of channel carriage, the data requested on each video signal proposed for carriage. List all signals in the lowest tier of service first, followed by the additional signal in the next tier, etc., until all signals are listed.

Form E-1 – Data on Video Services

A: See confidential Exhibit X.A. All channels will be available by the time of commercial launch, on a 24x7 basis. The additional data requested in Form E-1 do not apply to Applicant's

IP-based television.

Tier # ________

Channel #	Identification 1/	Non-Automated Automated 2/	Source of Signal 3/	Activation Month	Minimum # of Hours/Day	Minimum # of Hours/Week

1/ call, letters, service name or description.
2/ code - List A for automated
- List NA for non-automated
3/ code - List LB for local broadcast signal, city or origin.
code - List TB for imported broadcast signal, city or origin.
code - List S for non-premium satellite signal.
code - List PS for premium satellite signal.
code - List SO for system originated signal.
code - List A for access signals.
code - List and describe other signals.

B. Provide in the Form below, and in order of channel carriage, the data requested on all audio signals proposed. List all broadcast signals first, followed by non-broadcast audio programming.

Data on Audio Services

Form E-2 – Broadcast Signals

A: See confidential Exhibit X.B. All signals will be available by the time of commercial launch, on a 24x7 basis. The additional data requested in Form E-2 do not apply to Applicant's IP-based television.

Frequency of Cable Carriage	Off-Air Frequency	Call Letters/City of Origin	Format	Hours of Carriage Per Day	Proposed Activation Date

Frequency of Cable Carriage	Off-Air Frequency	Call Letters/City of Origin	Format	Hours of Carriage Per Day	Proposed Activation Date

Form E-3 – Non-Broadcast signals

A: See confidential Exhibit X.B. All signals will be available by the time of commercial launch, on a 24x7 basis. The additional data requested in Form E-3 do not apply to Applicant's IP-based television.

Frequency of Cable Carriage	Source Description	Format	Hours of Carriage Per Day	Proposed Activation Date

C. For all other services for which spectrum space will be utilized on the Subscriber network, list the following information in the Form below:

Form E-4 – Data on Other Services

A: Applicant currently provides data and telephone services on Hawaiian Telcom, Inc.'s existing network.

Cable Frequency Band Activation If Assigned	Required bandwidth	Name of Other Identifier of Service	No. of Hours Per Day Service will be Carried	Supplier or Source of Service	Proposed Date

D. Description of Video Services

For each video service proposed, provide a short narrative description. Identify each service by the channel and identifier used in the table in Form E-1.

A: See confidential Exhibit X.D.

E. Description of Audio Services

For each audio service proposed, provide a short narrative description. Signals of a common type, such as all off-air broadcast signals, may be grouped in a signal description. For individually described signals, indicate the cable frequency and identifier used in the table in Forms E-2 and E-3.

A: See confidential Exhibit X.D.

F. Description of Other Services

For each other service proposed, provide a narrative description of the function, purpose, or use of the service. This should include all non-entertainment services proposed for either the Subscriber Network or the Institutional Network during the term of the franchise. Services should be identified by the code used in the table in Form E-4.

A: Applicant currently also provides data services on the Hawaiian Telcom, Inc. network that it will be using to deliver its video service.

G. Contracts for Program Services

For proposed signals other than local broadcast signals, identify the program aggregator/consultant and attach copies of contracts or other information substantiating that the Applicant will obtain the right to carriage of programming service.

A: Applicant has entered into an agreement with the National Rural Telecommunications Cooperative (NRTC) pursuant to which Applicant will receive most of the signals other than local broadcast signals. Applicant will receive the rest of its signals via direct agreements with programmers. See confidential Exhibit X.G.1 for a copy of the agreement with NRTC. See confidential Exhibit X.G.2 for copies of the direct agreements with programmers.

H. Carriage of Premium and other subscription services

State whether the Applicant plans to provide carriage for any premium and other subscription services including pay-per-view services, and describe such services.

A: As described in the response to Question IX.M.1 above, Applicant plans to provide carriage for pay-per-view, video on demand (VOD), subscription VOD (SVOD), and free on demand (FOD).

I. For each tier of service proposed, provide the following information in the Form below:

Form E-5 – Summary of Video Services by Tier

Tier # ________

A: See confidential Form E-5.

Cable channel number	Call letter	Off Air Channel number	Network	General description of video service

XI. CUSTOMER SERVICE AND RATES

A. Describe in detail standards for customer service. Specifically address standards and procedures for installations, billing, handling of complaints, repairs, discontinuing or changing service, telephone and other services.

A: To minimize cost to the consumer and to eliminate unnecessary and expensive duplication of facilities and resources, Applicant intends to utilize Hawaiian Telcom, Inc.'s long-standing, experienced customer support structure, including its customer service centers, customer service standards, and bill payment locations. Applicant intends to bill its video programming service to subscribers on the same billing statement as the regulated local telephone service provided by Hawaiian Telcom, Inc.

Hawaiian Telcom, Inc. intends to staff additional installation and repair technicians specifically trained for video installations and repair. The actual number of additional technicians will depend on subscriber penetration/order rates and field-dispatched service call volume. Initial staffing will be based on first-year projections with additional staffing based on actual orders and repair volume.

Customer service positions will be staffed and trained to handle video service sales and support calls. Hawaiian Telcom, Inc. intends to staff additional customer service representatives specifically trained for video sales and customer care. The actual staff level of customer service representatives will depend on subscriber penetration/order rates and received support calls. Initial staffing will be based on first-year projections and additional customer service reps will be hired as necessary to meet increased inquiries and orders related to the video service. See also confidential Exhibit VII. Given the uniquely difficult competitive situation faced by Applicant, to be successful Applicant will have no choice but to ensure there will be adequately trained staffing.

The Hawaiian Telcom Human Resources Department conducts initial training for all new residential service representatives while all other call center departments conduct their own initial training. Subsequently, each call center department conducts its own in-depth training. A sample of the initial training materials used by the Human Resources Department is attached as confidential Exhibit XI.A.

Similar to other data services that Applicant offers, such as DSL, Applicant's video service is based on Internet Protocol standards and will utilize Hawaiian Telcom, Inc.'s existing infrastructure and order systems (e.g. core IP backbone, local loop facilities, customer relationship management back-office software systems, etc.) for the ordering, provisioning, delivering and billing of its video service.

Applicant will meet all applicable federal cable television customer service standards, including those set forth in 47 CFR Sec. 76.309, 47 CFR Sec. 76.1602, and 47 CFR Sec. 76.1603. Among other things, Applicant intends to implement the following:

- Anticipated office hours and telephone availability for customers to reach customer sales and service representatives will be as follows:
  Monday – Sunday, 8:00 a.m. – 8:00 p.m.
- Trained customer sales and service representatives will be available during these hours to respond to customer telephone inquiries, orders, requests to discontinue or change service, and complaints.
- After normal business hours, calls to the customer sales and service lines will be answered by an automated response system, including an answering machine. Inquiries received after normal business hours will be responded to by a trained company representative on the next business day.
- Video technical support will be available 24x7 via a toll-free access line.
- Hawaiian Telcom, Inc.'s Sales, Billing, Customer Relations, and Repair groups that comprise its customer support structure each will record and monitor a percentage of customer calls for quality assurance purposes.
- Under normal operating conditions, the customer will receive a busy signal less than three (3) percent of the time. "Under normal operating conditions" means the normal, day-to-day conditions of a video service business, and would not include unusual conditions which Applicant could not reasonably anticipate and prepare for in advance.
- Customer service center and bill payment locations will be open at least during normal business hours and will be located at all Hawaiian Telcom retail stores.
- Applicant intends to provide installation and repair service Monday-Saturday for a minimum of 8 hours each day (except for holidays).
- Installations, outages and service calls. Under normal operating conditions, each of the following standards will be met no less than ninety five (95) percent of the time measured on a quarterly basis:

  - Standard installations will be performed within seven (7) business days after an order has been placed. "Standard" installations are those that are located up to 125 feet from the existing distribution system.
  - Excluding conditions beyond the control of the Applicant, Applicant will begin working on "service interruptions" promptly and in no event later than 24 hours after the interruption becomes known. Applicant will begin actions to correct other service problems the next business day after notification of the service problem.
  - The "appointment window" alternatives for installations, service calls, and other installation activities will be either a specific time or, at maximum, a four-hour time block during normal business hours. (Applicant may schedule service calls and other installation activities outside of normal business hours for the express convenience of the customer.)
  - Applicant may not cancel an appointment with a customer after the close

of business on the business day prior to the scheduled appointment.
- If Applicant's representative is running late for an appointment with a customer and will not be able to keep the appointment as scheduled, the customer will be contacted. The appointment will be rescheduled, as necessary, at a time which is convenient for the customer.

Prior to commercially launching its video service, Applicant intends to conduct thorough end-to-end testing of its video service ordering, installation, provisioning, and billing processes. In this regard, Hawaiian Telcom, Inc. has substantially resolved its systems (including billing) issues resulting from the mass migration of applications in 2006. The video services market on Oahu is highly competitive; as the new entrant in a monopolized market, Applicant cannot afford to provide customer service that does not meet or exceed that provided by the entrenched incumbent. It intends to meet or exceed current market practice and standards and will not launch its video service until all systems are ready. Applicant is committed to minimizing the number of customer-related problems and responding quickly and efficiently if problems do arise. The Hawaiian Telcom organization has more than a 125-year history of providing reliable and state-of-the-art communications services to the residents of Hawaii.

Applicant will utilize the Hawaiian Telcom repair system to track trouble reports to identify trends for process improvement initiatives, especially critical with any new service roll out. The embedded systems and processes will assist in ensuring continuous improvements are realized throughout the development of the service.

B. List the proposed rates to be charged including rates for each service tier as appropriate and charges for installation, cancellations, and other services.

A: See confidential Exhibit XI.B.

C. Estimate the annual churn rate for the system and indicate any expected effect it will have on service policy.

A: See confidential Exhibit XI.C.

SERVICES AGREEMENT

BETWEEN

HAWAIIAN TELCOM HOLDCO, INC.,

HAWAIIAN TELCOM COMMUNICATIONS, INC.,

HAWAIIAN TELCOM, INC.

AND

HAWAIIAN TELCOM SERVICES COMPANY, INC.

THIS AGREEMENT ("Agreement") is effective as of May 3, 2005 by and between HAWAIIAN TELCOM HOLDCO, INC. ("HoldCo"), HAWAIIAN TELCOM COMMUNICATIONS, INC., a Delaware corporation ("Parent"), HAWAIIAN TELCOM, INC., ("Hawaiian Telcom") a Hawaii corporation, and HAWAIIAN TELCOM SERVICES COMPANY, INC., a Delaware corporation ("Hawaiian AssetCo").

WHEREAS, on the effective date of this Agreement, Parent will merge (the "Merger") with Verizon HoldCo LLC, a Delaware limited liability company. As a result of the Merger, Parent will own all of the outstanding capital stock of Verizon Hawaii Inc. ("Verizon Hawaii"), the incumbent local exchange carrier providing telecommunications services in the State of Hawaii. Parent will change Verizon Hawaii's corporate name to Hawaiian Telcom, Inc. Hawaiian Telcom will be a regulated public utility in the State of Hawaii under Chapter 269 of the Hawaii Revised Statutes and be the local exchange carrier providing telecommunications services in the State of Hawaii;

WHEREAS, also pursuant to the Merger, Parent will be the owner of all of the outstanding capital stock of Hawaiian AssetCo, which will provide, among other things, long distance, directory and on-line services in the State of Hawaii;

WHEREAS, HoldCo, Parent, Hawaiian Telcom and Hawaiian AssetCo (the "Parties") have determined in the exercise of their sound business judgment that in order to achieve their common goals of successfully operating the above businesses and assets on a cost-effective basis, the Parties will provide to each other certain services to or otherwise for the benefit of each other, either individually or through services to be provided by its members and other affiliates, as described herein; and

WHEREAS, as a means of establishing a more efficient and effective operation, this Agreement shall define the services to be provided to, and the procedures and manner of compensation for such services.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Parties agree as follows:

ARTICLE I. SCOPE OF SERVICE

1.1 During the term of this Agreement, (i) HoldCo will render, arrange for, procure or otherwise provide the services set forth on Exhibit A-1 ("HoldCo Services") to Parent, Hawaiian AssetCo and/ or Hawaiian Telcom from time to time to the extent requested by such party, (ii) Parent will render, arrange for, procure or otherwise provide the services set forth on Exhibit A-2 ("Parent Services") to HoldCo, Hawaiian AssetCo and/ or Hawaiian Telcom from time to time to the extent requested by such party; (iii) Hawaiian Telcom will render, arrange for, procure or otherwise provide the services set forth on Exhibit A-3 ("Hawaiian Telcom Services") to HoldCo, Hawaiian AssetCo and/ or Parent from time to time to the extent requested by such party; and (iv) Hawaiian AssetCo will render, arrange for, procure or otherwise provide the services set forth on Exhibit A-4 ("Hawaiian AssetCo Services" and, together with Parent Services and Hawaiian Telcom Services, "Services") to HoldCo, Hawaiian Telcom and/ or Parent from time to time to the extent requested by such party.

1.2 The Parties reserve the right to add any additional services to the relevant Exhibits upon agreement by the Parties from time to time. The Parties also reserve the right to terminate all or any of the Services provided from time to time under this Agreement; provided however, that unless otherwise agreed to in writing, cancellation of such services must be submitted to the Party providing such Service at least thirty (30) days prior to the effective cancellation date.

1.3 The Parties shall devote such time, effort and resources to the performance of the Services as they deem necessary in the exercise of their reasonable, good-faith discretion and will perform the Services in compliance with all applicable laws (including Hawaii Administrative Rules Sections 6-80-129(12), 6-80-35(B)(1) and 6-80-37).

ARTICLE II. TERM/CANCELLATION

The initial term of this Agreement shall commence as of May 3, 2005 and shall terminate on May 3, 2006, but the term hereof shall automatically renew for successive 12-month periods thereafter until cancelled. Unless otherwise agreed to in writing, such cancellation of this Agreement must be in writing and submitted to the other Parties at least thirty (30) days prior to the effective cancellation date.

ARTICLE III. COMPENSATION AND MANNER AND TIME OF PAYMENT

3.1 All Services will be (i) contracted for on an arm's length basis at fair market value or (ii) in the case of Hawaiian Telcom's tariffed services, purchased under the terms of the tariff, and shall otherwise be in accordance with any applicable laws (including Hawaii Administrative Rules Sections 6-80-129(12), 6-80-35(B)(1) and 6-80-37). In addition, the receiving party shall reimburse the provider of the Services for any charges from third parties that are paid by such party and/or its affiliates in connection with the provision of Services.

3.2 On or before the last day of each quarter, the Parties shall provide an accounting (an "Accounting") of the Services performed in the prior quarter and for any third party charges paid pursuant to Section 3.1 above. Each Accounting shall itemize costs and amounts due by activity and shall contain such detail as may be reasonably acceptable to the Parties with respect to the reimbursement of third party charges.

3.3 The Parties shall endeavor to settle each Accounting within ten (10) days after receipt (whether by payment of funds or otherwise). The Parties shall have the right to request further documentation of all amounts specified in the Accounting due under this Agreement. Any disputes will be resolved internally between the Parties subject to the dispute to the extent possible. If resolution of the dispute cannot be reached to the satisfaction of the Parties subject to the dispute, either Party may seek the help of an outside arbitrator or consultant acceptable to the Parties subject to the dispute for final resolution. The Parties will endeavor to resolve disputes within ninety (90) days from the date of the Accounting.

ARTICLE IV. CONFIDENTIALITY OF INFORMATION

All information pertaining to the employed labor rates of any employee of the Parties and/or its affiliates shall be kept confidential and can be disclosed only with prior written release of the relevant employer.

ARTICLE V. PRIOR NEGOTIATIONS: AMENDMENTS

This Agreement supersedes any and all prior negotiations, representations, or agreements with respect to the matters set forth herein, either written or oral. This Agreement may be amended only by written instrument signed by the Parties.

ARTICLE VI. MISCELLANEOUS

6.1 All questions concerning the validity, operation and interpretation of this Agreement and the performance of the obligations imposed upon the parties hereunder or thereunder shall be governed by the laws of the State of Hawaii.

6.2 If any term or provision of this Agreement shall be found to be illegal or unenforceable then, notwithstanding, this Agreement shall remain in full force and effect, and such term or provision shall be deemed stricken.

6.3 The Parties hereby knowingly, voluntarily and intentionally waive the right to a trial by jury in respect of any litigation based hereon, arising out of, under or in connection with this

Agreement, any other documents contemplated to be executed in connection herewith, the Services, any course of conduct, course of dealings, statements (whether verbal or written) or actions or inactions of any party hereto.

6.4 Each Party shall indemnify and hold harmless each other Party and its receptive officers, directors, employees, agents, advisors and representatives from and against any loss, damage, liability, claims, cost and expense, including reasonable legal fees, which it incurs by reason of or relating to the Services provided hereunder unless resulting from negligence, gross negligence or willful misconduct of such indemnified Party or its respective officers, directors, employees, agents, advisors and/or representatives.

[execution page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first above written.

HAWAIIAN TELCOM HOLDCO, INC.

By:________________________

HAWAIIAN TELCOM COMMUNICATIONS, INC.

By:________________________

HAWAIIAN TELCOM, INC.

By:________________________

HAWAIIAN TELCOM SERVICES COMPANY, INC.

By:________________________

Exhibit A-2

Schedule of Services Provided by Hawaiian Telcom Communications, Inc.

**-Services provided at PASS-THROUGH of 3rd Party (VZ) TSA Invoice

					Service Description Reference	
Effective Date	Asset/Service Provided**	Provided By	Hawaiian Telcom, Inc.	Hawaiian Telcom Services Company, Inc.	TSA Sch	TSA Service Ref
5/2/2005	TRANSITION SERVICES ADMINISTRATION	Hawaiian Telcom Communications, Inc.	X	X	A	A-1
5/2/2005	ACCOUNTING SERVICES	Hawaiian Telcom Communications, Inc.	X		A	B-1
5/2/2005	PROPERTY TAX ACCOUNTING SERVICES	Hawaiian Telcom Communications, Inc.	X		A	C-1
5/2/2005	TRANSACTION TAX PREPARATION SERVICES	Hawaiian Telcom Communications, Inc.	X		A	C-2
5/2/2005	PAYROLL AND TIME REPORTING SERVICES	Hawaiian Telcom Communications, Inc.	X		A	D-1
5/2/2005	ACCOUNTS PAYABLE SERVICES	Hawaiian Telcom Communications, Inc.	X		A	D-2
5/2/2005	REMITTANCE PROCESSING SERVICES	Hawaiian Telcom Communications, Inc.	X		A	D-3
5/2/2005	RETURN CHECK PROCESSING SERVICES	Hawaiian Telcom Communications, Inc.	X		A	D-4
5/2/2005	CUSTOMER BILLING OPERATION SERVICES	Hawaiian Telcom Communications, Inc.	X		A	D-5
5/2/2005	SPECIAL PROJECTS BILLING & CLAIMS PROCESSING SERVICES	Hawaiian Telcom Communications, Inc.	X		A	D-6
5/2/2005	BILL PRINT AND DISTRIBUTION CENTER	Hawaiian Telcom Communications, Inc.	X		A	D-7
5/2/2005	CUSTOMER BILLING OPERATIONS	Hawaiian Telcom Communications, Inc.	X		A	E-1
5/2/2005	STP TIER II TECHNICAL SUPPORT SERVICES AND DATABASE FUNCTIONS	Hawaiian Telcom Communications, Inc.	X		A	F-1
5/2/2005	NETWORK SERVICE ASSURANCE SERVICES	Hawaiian Telcom Communications, Inc.	X		A	F-2
5/2/2005	FLEXGROW AND RACAL TECHNICAL SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	F-4
5/2/2005	LNP TIER I TECHNICAL SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	F-5
5/2/2005	SS7 LINK SURVEILLANCE AND PROVISIONING SERVICES	Hawaiian Telcom Communications, Inc.	X		A	F-6
5/2/2005	TCP/IP SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	F-7
5/2/2005	TRANSLATIONS DESIGN SERVICES	Hawaiian Telcom Communications, Inc.	X		A	F-9
5/2/2005	DSL NETWORK SURVEILLANCE	Hawaiian Telcom Communications, Inc.	X		A	F-12
5/2/2005	FAST PACKET NETWORK SURVEILLANCE	Hawaiian Telcom Communications, Inc.	X		A	F-13
5/2/2005	DSL PROVISIONING AND MAINTENANCE	Hawaiian Telcom Communications, Inc.	X		A	F-15
5/2/2005	DATA SERVICES PROVISIONING AND MAINTENANCE SUPPORT	Hawaiian Telcom Communications, Inc.	X		A	F-16
5/2/2005	RECENT CHANGE MEMORY ADMINISTRATION SERVICES	Hawaiian Telcom Communications, Inc.	X		A	G-1

Exhibit A-2

Schedule of Services Provided by Hawaiian Telcom Communications, Inc.

**-Services provided at PASS-THROUGH of 3rd Party (VZ) TSA Invoice

Effective Date	Asset/Service Provided**	Provided By	Hawaiian Telcom, Inc.	Hawaiian Telcom Services Company, Inc.	Service Description Reference: TSA Sch	Service Description Reference: TSA Service Ref
5/2/2005	NETWORK PROVISIONING CENTERS (NPC) TRANSPORT AND MESSAGE TRUNKING SYSTEM SUPPORT	Hawaiian Telcom Communications, Inc.	X		A	G-2
5/2/2005	NETWORK CONTROL CENTER (NCC) MONITORING	Hawaiian Telcom Communications, Inc.	X		A	G-3
5/2/2005	NETWORK DISPATCH CENTER (NDC) SERVICES	Hawaiian Telcom Communications, Inc.	X		A	G-4
5/2/2005	INFRASTRUCTURE - DATA COLLECTION SERVICES	Hawaiian Telcom Communications, Inc.	X		A	H-1
5/2/2005	COLLECTION SYSTEMS	Hawaiian Telcom Communications, Inc.	X		A	H-2
5/2/2005	TELEPHONE ADMINISTRATION SERVICES	Hawaiian Telcom Communications, Inc.	X		A	H-3
5/2/2005	TRAFFIC DATABASE MAINTENANCE AND DATA VALIDATION	Hawaiian Telcom Communications, Inc.	X		A	H-4
5/2/2005	INSIDE PLANT ENGINEERING SUPPORT SERVICES– COEMOD	Hawaiian Telcom Communications, Inc.	X		A	H-5
5/2/2005	OUTSIDE PLANT ENGINEERING SUPPORT – ICGS	Hawaiian Telcom Communications, Inc.	X		A	H-6
5/2/2005	COMMON LANGUAGE (CLLI) SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	H-7
5/2/2005	COEP/COEPIP/BARCODE SYSTEMS SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	H-8
5/2/2005	COEP ENGINEERING AND PLANNING SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	H-9
5/2/2005	CODE ADMINISTRATION SERVICES	Hawaiian Telcom Communications, Inc.	X		A	H-10
5/2/2005	CENTRAL OFFICE ENGINEERING & OUTSIDE PLANT ENGINEERING SUPPORT & RADIO SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	H-11
5/2/2005	CAPITAL PROGRAM MANAGEMENT SYSTEM ADMINISTRATION AND USER SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	H-12
5/2/2005	LOGISTICS SYSTEM SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	I-1
5/2/2005	FLEET SUPPORT CENTER SERVICES	Hawaiian Telcom Communications, Inc.	X		A	I-2
5/2/2005	ELECTRONIC REPAIR SERVICES (ERS)	Hawaiian Telcom Communications, Inc.	X		A	I-3
5/2/2005	WHOLESALE SERVICES	Hawaiian Telcom Communications, Inc.	X		A	J-1
5/2/2005	MASS AND MULTI MARKET SALES SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	K-1
5/2/2005	OPERATOR SERVICES	Hawaiian Telcom Communications, Inc.	X		A	L-1
5/2/2005	ENTERPRISE SOLUTIONS GROUP (ESG) SUPPORT	Hawaiian Telcom Communications, Inc.	X		A	M-1

Exhibit A-2

Schedule of Services Provided by Hawaiian Telcom Communications, Inc.

**-Services provided at PASS-THROUGH of 3rd Party (VZ) TSA Invoice

Effective Date	Asset/Service Provided**	Provided By	Hawaiian Telcom, Inc.	Hawaiian Telcom Services Company, Inc.	Service Description Reference TSA Sch	TSA Service Ref
5/2/2005	REGULATORY ACCOUNTING SERVICES	Hawaiian Telcom Communications, Inc.	X		A	O-1
5/2/2005	TARIFFS SUPPORT	Hawaiian Telcom Communications, Inc.	X		A	O-2
5/2/2005	REAL ESTATE ADMINISTRATIVE SUPPORT SERVICES	Hawaiian Telcom Communications, Inc.	X		A	P-1
5/2/2005	REAL ESTATE OPERATIONS	Hawaiian Telcom Communications, Inc.	X		A	P-2
5/2/2005	IT TRANSITION SUPPORT SERVICES – HAWAII	Hawaiian Telcom Communications, Inc.	X		A	Q-1
5/2/2005	INFORMATION TECHNOLOGY SYSTEMS ISOLATION	Hawaiian Telcom Communications, Inc.	X		B	A-1
5/2/2005	VOICE AND TANDEM SWITCH NETWORK PLANNING	Hawaiian Telcom Communications, Inc.	X		C	H-13
5/2/2005	DSL PLANNING	Hawaiian Telcom Communications, Inc.	X		C	H-14
5/2/2005	FAST PACKET PLANNING	Hawaiian Telcom Communications, Inc.	X		C	H-15
5/2/2005	BUSINESS RESPONSE PROVISIONING CENTER (BRPC)	Hawaiian Telcom Communications, Inc.	X		C	H-16
5/2/2005	BILLING AND COLLECTION SETTLEMENT PROCESS SERVICES	Hawaiian Telcom Communications, Inc.	X	X	C	D-8
5/2/2005	WHOLESALE CUSTOMER BILLING OPERATIONS	Hawaiian Telcom Communications, Inc.	X		C	E-2
5/2/2005	GTEAMS MASTER CATALOG	Hawaiian Telcom Communications, Inc.	X	X	C	I-4
5/2/2005	SUBSCRIPTION SERVICES	Hawaiian Telcom Communications, Inc.	X		C	J-2
5/2/2005	LIDB, CNAM, LNP, AND TOLL FREE DATABASE SERVICES	Hawaiian Telcom Communications, Inc.	X		C	J-3
5/2/2005	WHOLESALE RECEIVABLES/CLAIMS MANAGEMENT	Hawaiian Telcom Communications, Inc.	X		C	J-4
5/2/2005	FEDERAL TARIFF SERVICES	Hawaiian Telcom Communications, Inc.	X		C	O-3
5/2/2005	VERIZON eWeb INTRANET SERVICES	Hawaiian Telcom Communications, Inc.	X	X	C	Q-2
5/2/2005	HAWAIIAN TELCOM AGENT NETWORK INTERCONNECTION	Hawaiian Telcom Communications, Inc.	X	X	C	Q-3
5/2/2005	VSSI SALES FRONT END SET UP	Hawaiian Telcom Communications, Inc.		X	C	R-1
5/2/2005	VSSI INFOPRO DATA LOAD	Hawaiian Telcom Communications, Inc.		X	C	R-2
5/2/2005	VSSI ACCOUNTING TRANSITION SERVICES	Hawaiian Telcom Communications, Inc.		X	C	R-3
5/2/2005	VSSI CUSTOMER BILLING & COLLECTION SERVICES	Hawaiian Telcom Communications, Inc.		X	C	R-4
5/2/2005	VSSI ACCOUNTS PAYABLE SERVICES	Hawaiian Telcom Communications, Inc.		X	C	R-5
5/2/2005	MANAGED NETWORK SOLUTIONS (MNS)	Hawaiian Telcom Communications, Inc.		X	C	R-6

Exhibit A-2

Schedule of Services Provided by Hawaiian Telcom Communications, Inc.

**-Services provided at PASS-THROUGH of 3rd Party (VZ) TSA Invoice

Effective Date	Asset/Service Provided**	Provided By	Hawaiian Telcom, Inc.	Hawaiian Telcom Services Company, Inc.	Service Description Reference: TSA Sch	Service Description Reference: TSA Service Ref
5/2/2005	DATA/VOICE MAINTENANCE SERVICES	Hawaiian Telcom Communications, Inc.		X	C	R-7
5/2/2005	EMPLOYEE SERVICE CENTER SERVICES	Hawaiian Telcom Communications, Inc.	X	X	C	T-1
5/2/2005	PUBLIC COMMUNICATIONS CHECK PRODUCTION SERVICES	Hawaiian Telcom Communications, Inc.	X		C	V-1
5/2/2005	E-911 DATABASE MANAGEMENT SERVICES	Hawaiian Telcom Communications, Inc.	X		C	W-1
5/2/2005	ELECTRONIC DATA INTERCHANGE (EDI)	Hawaiian Telcom Communications, Inc.	X	X	C	X-1
5/2/2005	OPERATIONS SUPPORT	Hawaiian Telcom Communications, Inc.	X		C	Y-1
5/2/2005	INDIVIDUAL CASE BASIS (ICB) CONTRACT SUPPORT	Hawaiian Telcom Communications, Inc.	X	X	C	Z-1
5/2/2005	ISP SERVICES	Hawaiian Telcom Communications, Inc.		X	D	S-1
5/2/2005	INTERNET SERVICE PROVIDER (ISP): TECHNICAL SUPPORT SERVICE	Hawaiian Telcom Communications, Inc.		X	D	F-14
5/2/2005	INTERNET OPERATIONS - EMAIL PLATFORM AND SUPPORT	Hawaiian Telcom Communications, Inc.		X	D	F-18
5/2/2005	ISP BILLING SUPPORT	Hawaiian Telcom Communications, Inc.		X	D	N-1
5/2/2005	FRAUD PREVENTION SERVICES	Hawaiian Telcom Communications, Inc.	X		D	U-1

Exhibit A-3

Schedule of Services Provided by Hawaiian Telcom, Inc. to Hawaiian Telcom Services Company, Inc.

**-Services provided at HIGHER of FMV or FDC

Effective Date	Asset/Service Provided**	Provided By	Hawaiian Telcom Services Company, Inc.	Service Description Reference
5/2/2005	INTERCONNECTION-LOCAL RESALE	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CAPACITY AGREEMENT SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CARE REPAIR PROCESSING	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CPE SALES AND SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	DATABASE AND SYSTEM ACCESS AND DATA TRANSMISSION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	GEN'L INQUIRY AND POST SALES SUPPORT SVC	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	INSTALLATION AND MAINTENANCE SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	INTERFACE SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	MARKETING AND SELLING	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	NETWORK MANAGEMENT SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	NON-REGULATED RETAIL SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	OPERATOR ASSISTANCE	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	PROGRAMMING AND TESTING SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	SUBSCRIBER LISTING LICENSE AGREEMENTS	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	SUPPORT ASSETS SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	TECHNICAL SUPPORT	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	TRAINING SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	WHOLESALE ORDER INITIATION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	COMPUTER EQUIPMENT (Asset)	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	DISPOSAL OF SCRAP MATERIAL (Asset)	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	FURNITURE AND OFFICE EQUIPMENT (Asset)	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	TOOLS (Asset)	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	ACCOUNT COLLECTIONS, RECONCILIATIONS AND INVESTIGATION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	ADPROOF	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	ANCILLARY ACCOUNTING SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	BILL INQUIRY	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CALL CENTER MANAGEMENT AND ADMINISTRATION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CALL / TROUBLE TICKET MANAGEMENT	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CARE REPAIR PROCESSING	Hawaiian Telcom, Inc.	X	CAM Section V - C1

Exhibit A-3

Schedule of Services Provided by Hawaiian Telcom, Inc. to Hawaiian Telcom Services Company, Inc.

**-Services provided at HIGHER of FMV or FDC

Effective Date	Asset/Service Provided**	Provided By	Hawaiian Telcom Services Company, Inc.	Service Description Reference
5/2/2005	COMPUTER SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CONFERENCE BILLING	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CONFERENCE CONNECTION-RESALE	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CPE SALES AND SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CUSTOMER REFERRALS	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	DATABASE & SYSTEM ACCESS / DATA TRANSMISSION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	FIBER BROADBAND ACCESS SERVICE	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	GENERAL AND ADMINISTRATIVE SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	INFO PAGES PROVISIONING	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	INSTALLATION AND MAINTENANCE SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	INTERFACE SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	INTERNAL CREDIT INFORMATION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	LOANED EMPLOYEES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	MARKETING AND SELLING	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	NATIONAL DIRECTORY ASSISTANCE	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	NATIONAL SYSTEM SALES SUPPORT	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	NETWORK MANAGEMENT SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	OFFLINE CENTER SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	ORDER ENTRY	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	ORDER REMOVAL	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	PER CALL COMPENSATION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	POST SALE FULLFILLMENT	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	PREMISE SERVICE	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	PRODUCT DEPLOYMENT AND TESTING	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	PROGRAMMING AND TESTING SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	REAL ESTATE LEASES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	RECEIVABLES MANAGEMENT	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	RETAIL DA CALL COMPLETION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	SLAMMING INVESTIGATION	Hawaiian Telcom, Inc.	X	CAM Section V - C1

Exhibit A-3

Schedule of Services Provided by Hawaiian Telcom, Inc. to Hawaiian Telcom Services Company, Inc.

**-Services provided at HIGHER of FMV or FDC

Effective Date	Asset/Service Provided**	Provided By	Hawaiian Telcom Services Company, Inc.	Service Description Reference
5/2/2005	SS7 OFFNET	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	SUPPORT ASSET SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	TECHNICAL SUPPORT	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	TRAINING SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	WHOLESALE ORDER INITIATION	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	ADMINISTRATIVE	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	ADVERTISING	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CASH MANAGEMENT SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	CORPORATE SOURCING AND LOGISTICS	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	ENGINEERING & OPERATIONS SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	EXECUTIVE & PLANNING	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	EXTERNAL AFFAIRS, CORPORATE COMMUNICATIONS & GOVERNMENTAL RELATIONS	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	FINANCE AND TREASURY SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	HUMAN RESOURCES SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	INFORMATION SYSTEM SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	LEGAL	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	MARKETING & CUSTOMER SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	OPERATOR SERVICES	Hawaiian Telcom, Inc.	X	CAM Section V - C1
5/2/2005	PUBLIC COIN TELEPHONE SUPPORT	Hawaiian Telcom, Inc.	X	CAM Section V - C1

Exhibit A-4

Schedule of Services Provided by Hawaiian Telcom Services Company to Hawaiian Telcom, Inc.

**-Services provided at LOWER of FMV or FDC

Effective Date	Asset/Service Provided**	Provided To	Hawaiian Telcom Services Company, Inc.	Hawaiian Telcom Insurance Company, Inc.	Service Description Reference
5/2/2005	BASIC INSTALLATION AND MAINTENANCE SVCS	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	CELLULAR MOBILE SERVICE	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	DIRECTORY ADVERTISING	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	EQUIPMENT AND SUPPLY SALES	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	NETWORK MANAGEMENT	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	OFFICIAL COMPANY LONG DISTANCE	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	PROV. OF NETWORK INTEGRATION SVCS / EQUIPMENT	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	REPAIR AND INSTALL NETWORKS (CPE)	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	SOFTWARE DEVELOPMENT AND MAINTENANCE	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	BILLING AND COLLECTION SERVICES	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	INFORMATION PROVISIONING SERVICES	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	INSURANCE	Hawaiian Telcom, Inc.		X	CAM Section V - C2
5/2/2005	ORDER MIGRATION	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	REGULATORY REQUIRED INFORMATION	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	RETAIL PIC MAMAGEMENT	Hawaiian Telcom, Inc.	X		CAM Section V - C2
5/2/2005	SALES AGENCY	Hawaiian Telcom, Inc.	X		CAM Section V - C2

SERVICES AGREEMENT

BETWEEN

HAWAIIAN TELCOM HOLDCO, INC.,

HAWAIIAN TELCOM COMMUNICATIONS, INC.,

HAWAIIAN TELCOM, INC.

AND

HAWAIIAN TELCOM SERVICES COMPANY, INC.

Amendment No. 1

The Services Agreement, effective as of May 3, 2005, by and between Hawaiian Telcom Holdco, Inc., Hawaiian Telcom Communications, Inc., Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. (the "Services Agreement"), is hereby amended, effective as of October 1, 2006, as follows:

1. Exhibit A-3 of the Services Agreement is hereby amended by adding the following additional service at the end thereof:

Effective Date	Asset/Service Provided**	Provided by	Hawaiian Telcom Services Company, Inc.	Service Description Reference
...	...	...	...	...
5/2/2005	NETWORK TRANSPORT SERVICE	Hawaiian Telcom, Inc.	X	CAM Section V - C1

2. The right of Hawaiian Telcom, Inc. ("HTI") under the Services Agreement to cancel the Services Agreement or one or more Services thereunder shall not apply with respect to Services required by Hawaiian Telcom Services Company, Inc. ("HTSC") for its video service, except in the event of HTSC's failure to pay for such Services or other material breach related to such Services and HTSC's failure to cure said breach within 30 days following written notice from HTI of said breach.

3. Except as modified by this Amendment No. 1, all the terms and provisions of the Services Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Amendment No. 1 to be executed on its behalf by its duly-authorized officers as of this 1st day of October, 2006.

Hawaiian Telcom Holdco, Inc.

By ______________________
Its SVP - Engineering & Operations

Hawaiian Telcom Communications, Inc.

By ______________________
Its SVP - Engineering & Operations

Hawaiian Telcom, Inc.

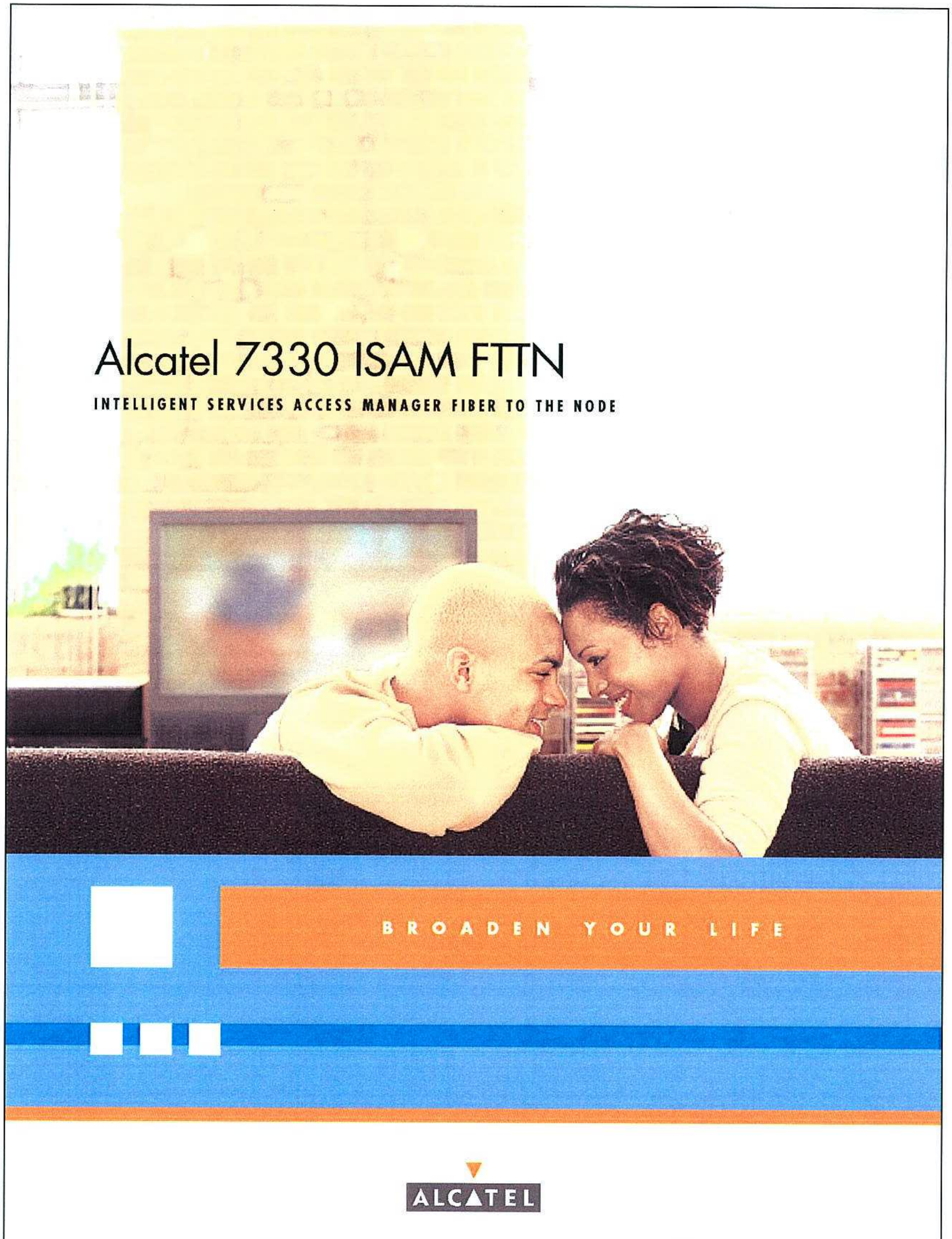
By ______________________
Its VP – Strategy & Business Development

Hawaiian Telcom Services Company, Inc.

By ______________________
Its VP – Strategy & Business Development

Approved as to form
LEGAL DEPT.
By FVM
Date 11/01/06

Exhibit III.E.2



The Alcatel 7330 Intelligent Services Access Manager (ISAM) Fiber to the Node (FTTN) takes the best of Alcatel's DSL developments, providing a unique set of capabilities that enables service providers to deliver the most competitive triple play service offerings. Building on Alcatel's leadership in broadband access, the Alcatel 7330 ISAM FTTN addresses the growing need for a deep-fiber access solution. This innovative platform enables service providers to offer IPTV and other ultra-high bandwidth applications while leveraging the existing copper plant. As a member of the ISAM family, the Alcatel 7330 ISAM FTTN shares technology with the Alcatel 7302 ISAM, the industry's first IP-based platform capable of delivering 100 percent triple play services.

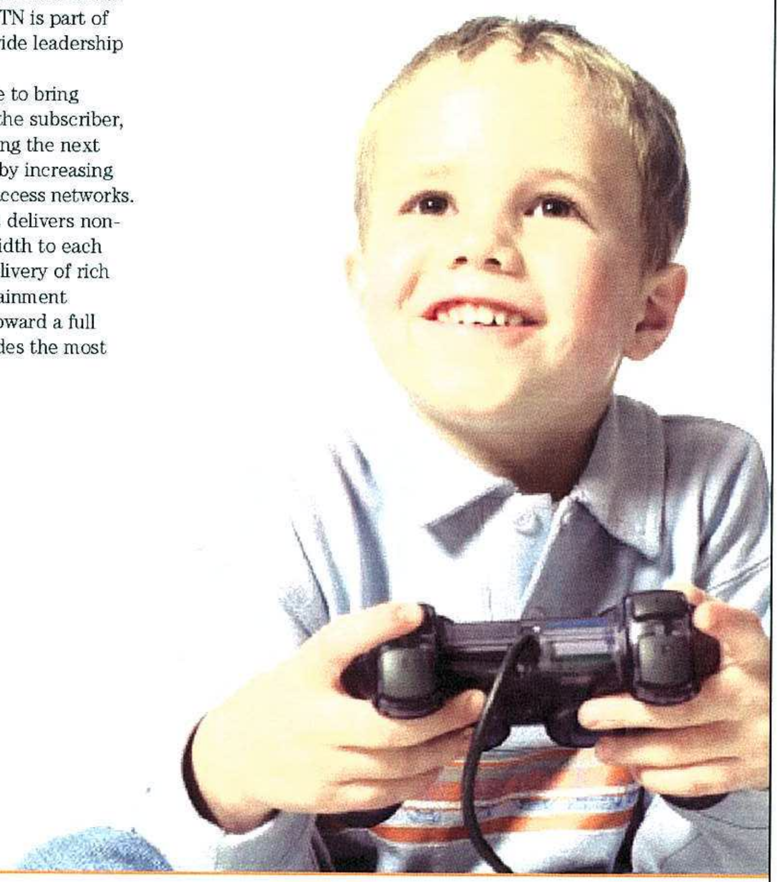
The Alcatel Fiber to the Node Solution for Deep-Fiber Access

POWER AND FLEXIBILITY FOR EACH SERVICE PROVIDER'S UNIQUE NEEDS

Alcatel has been the world leader in DSL deployments since the early development of the technology. To date, Alcatel has shipped more than 80 million DSL lines worldwide.

Market requirements for bandwidth to the subscriber have increased tremendously since the initial deployments of DSL services. Each change in market demand has been anticipated and met with a new technological breakthrough from Alcatel. The Alcatel 7330 ISAM FTTN is part of Alcatel's continued worldwide leadership in broadband innovation.

Answering the challenge to bring more bandwidth closer to the subscriber, service providers are starting the next wave of DSL deployments by increasing the penetration of fiber in access networks. This new deep-fiber access delivers non-blocking, ultra-high bandwidth to each subscriber, enabling the delivery of rich communication and entertainment services. As an evolution toward a full fiber network, FTTN provides the most competitive service.



Taking the Battle to a New Level

IP services in the home are the key to winning the battle against the competition.

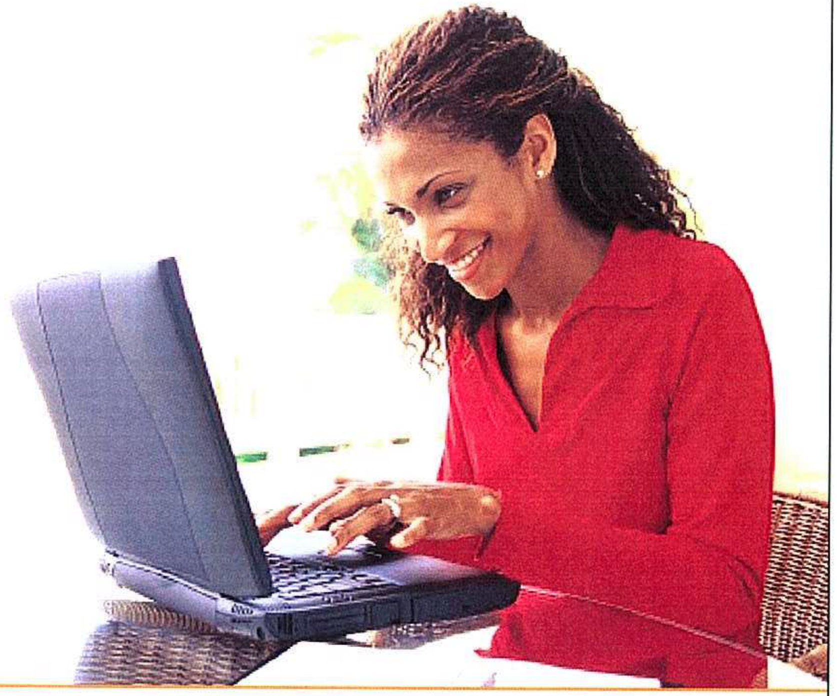
HALTING THE SIEGE

Service providers are under siege. Competitive local exchange carriers (CLECs) are in serious competition with incumbent local exchange carriers (ILECs). In addition, cable operators have attacked telecom service providers in the broadband market. At the same time, cable operators are also beginning to compete in the traditional core market of ILECs — voice. In order to survive, telecom service providers must take the battle to a new level.

Broadband technology and the many IP services that it enables create a new battleground for competition in the market place. Those companies that can deploy high-bandwidth connectivity to the customer and effectively develop and market IP services will win the war.

Telecom service providers have determined that, to be competitive, they must provide bundled services that typically include such things as IP television (IPTV) and other interactive services in addition to high-speed Internet (HSI) and voice. The combination of IP services needed to meet this strategic requirement can increase the required bandwidth to the subscriber from 2 or 3 Mb/s to 20 Mb/s. With Alcatel's VDSL2, up to 25 Mb/s or more can be delivered depending on loop lengths.

The challenge for service providers is to provide additional bandwidth to the subscriber in a cost-effective manner.



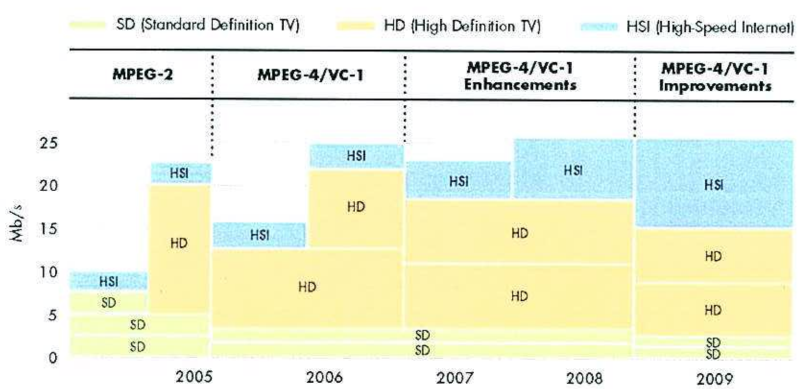
Increasing Bandwidth to the Subscriber for Deployment of New Interactive Services

FTTN economically increases available bandwidth to the subscriber while leveraging the existing copper plant.

TECHNOLOGICAL HURDLES

The existing DSL network was engineered to provide HSI access with downstream bandwidth between 0.5 and 2 Mb/s. Competition and increasing usage of the broadband connection have driven HSI bandwidth requirements into the 3 to 8 Mb/s range. Deployment of IPTV service calls for a deep-fiber solution in the access network. Bandwidth requirements for a competitive triple play service require a 20-Mb/s range as illustrated in Figure 1.

Figure 1 - Projected Downstream Bandwidth per Household (Typical IPTV Service)



- Service mix may vary (e.g., Voice over IP) or service subsets may be offered
- Second HD channel initially to support concurrent home PVR recording
- Assumes quality of picture competitive with digital satellite/cable

ENCODING RATE ASSUMPTIONS

MPEG-2 SD	MPEG-2 HD	MPEG-4 VC-1 SD	MPEG-4 VC-1 HD	MPEG-4 VC-1 Enh. SD	MPEG-4 VC-1 Enh. HD	MPEG-4 VC-1 Imp. SD	MPEG-4 VC-1 Imp. HD
2.5 Mb to 3 Mb	15 Mb to 19 Mb	1.5 Mb to 2 Mb	10 Mb to 12 Mb	<1.5 Mb	8 Mb to 10 Mb	< 1 Mb	< 7 Mb

FTTN Leverages Existing Copper Infrastructure

The long-term solution for many service providers is to deploy a fiber-to-the-user (FTTU) solution. This solution enables the service provider to deliver virtually unlimited bandwidth to the subscriber. While this solution is available today and practical in many cases, time-to-market pressures and short-term economic concerns drive an incremental access strategy — FTTN — which leverages the existing copper infrastructure by deploying fiber deep in the outside plant so that copper loop lengths are reduced and DSL bandwidth is increased. This is shown in Figure 2.

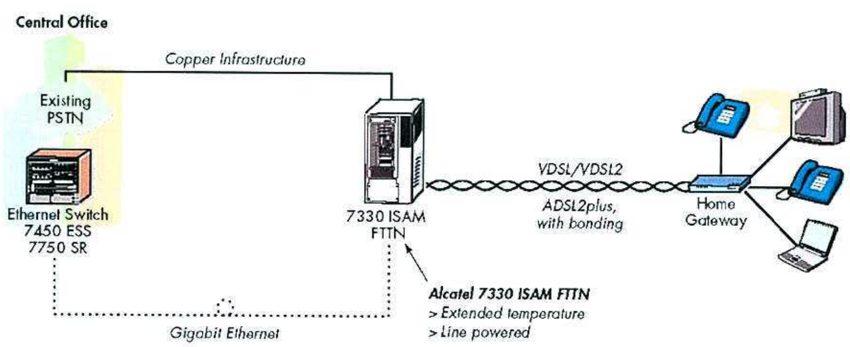
As a member of the ISAM family, the Alcatel 7330 ISAM FTTN delivers all services to all customers regardless of the population density and the reach from the central office (CO). The concepts of flexibility and uniformity lead to simplified operations, minimized operating expenditures (OPEX), minimized training needs and faster time-to-market for new services.

There are several key advantages to FTTN networks:

> Small footprint and minimal power requirements
> Reduced right-of-way costs
> Deep-fiber investment provides an incremental step toward FTTU
> Seamless integration into existing operations processes, reducing training costs
> Accelerated deployment, reducing costs and time-to-market while increasing revenues

Coverage and bandwidth needs are answered with Alcatel's self-aggregation concept. The Alcatel 7330 ISAM FTTN is capable of modular growth. The host shelf can be extended in an a distributed way that optimizes the network infrastructure and helps reduce the number of fiber connections to the CO. Fewer fiber connections mean less digging to install fibers and fewer ports required on the switch. The result is a cost-efficient and gradual evolution toward deep-fiber penetration. An additional advantage of this distributed access platform is that it optimizes network management because the distributed system is viewed as one node.

Figure 2 - Leveraging the Existing Copper Infrastructure with FTTN



Alcatel 7330 ISAM FTTN — World-Class Technology for World-Class Solutions

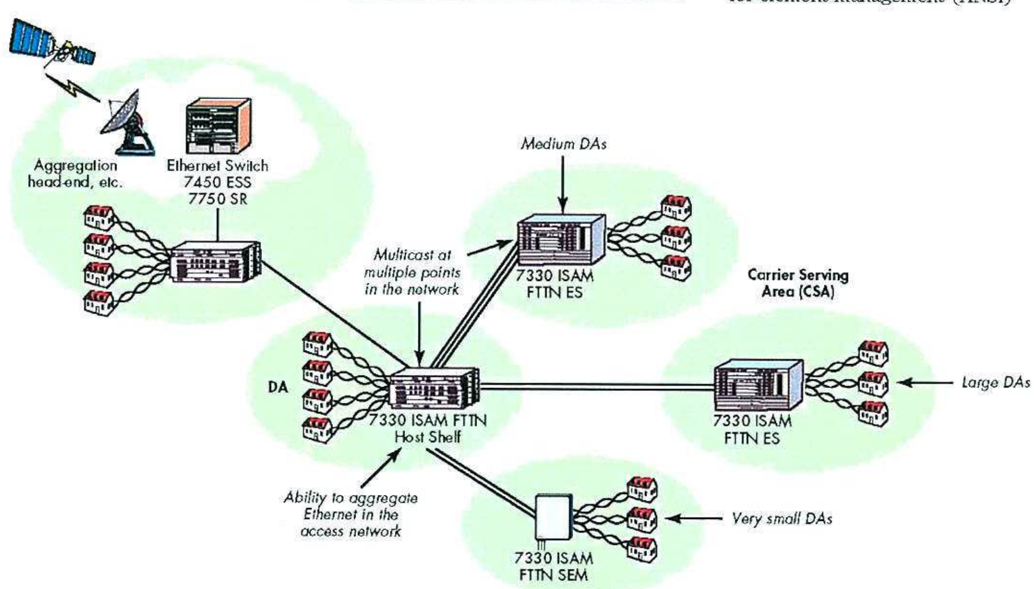
The Alcatel 7330 ISAM FTTN is the latest member of the ISAM family. It builds on Alcatel's worldwide DSL expertise by integrating the best technology available from the 7302 ISAM into a more compact remote digital subscriber line access multiplexer (DSLAM) tailored for the unique requirements of FTTN networks.

Figure 3 provides an Alcatel 7330 ISAM FTTN network layout showing a standard area the service provider would cover (the carrier serving area). The CO has an Alcatel 7330 ISAM FTTN host shelf to serve lines that are within the serving area distance of the CO. A remote host is connected to an Alcatel 7330 ISAM FTTN expansion shelf (ES) at one remote site and a sealed expansion module (SEM) at another remote site. This extends the carrier serving area in a cost-efficient way, allowing modular growth and quick deployment of new services. Another way of extending the coverage is subtending an Alcatel 7330 ISAM FTTN host to an Alcatel 7302 ISAM. The host shelf can be extended with an Alcatel 7330 ISAM FTTN ES or SEM.

To meet the very challenging requirements of an FTTN network, the Alcatel 7330 FTTN has been engineered to support:

> A non-blocking Ethernet architecture to enable 100 percent take rates of IPTV
> Expansion shelves and sealed expansion modules to match network population densities
> Full Internet group management protocol (IGMP) support for multicasting
> Line-rate IP and Ethernet forwarding via reuse of the 7302 ISAM network processor technology
> Multiple ADSL line termination (LT) options:
  ¬ ADSL
  ¬ ADSL2
  ¬ ADSL2plus, with bonding
  ¬ READSL2
> VDSL LT options
  ¬ VDSL
  ¬ VDSL2
> Gigabit Ethernet (GigE) network interfaces
> Integration with the Alcatel 5523 ADSL Work Station (AWS) for element management (ETSI)
> Integration with the Alcatel 5526 Access Management System (AMS) for element management (ANSI)

Figure 3 - 7330 ISAM FTTN Network Layout



Alcatel FTTN: Multiple Options, One Solution

At the heart of the Alcatel 7330 ISAM FTTN is an Ethernet switch fabric and distributed network processors that were first offered on the Alcatel 7302 ISAM. This high-capacity Ethernet switch fabric is hardened for outside plant deployments and is leveraged across both two-slot and four-slot LT form factors.

7330 ARAM-D

7330 ISAM FTTN (HOST SHELF)

The 7330 ISAM FTTN host shelf contains a high-capacity Ethernet switch. This host shelf supports northbound interfaces to the Ethernet aggregation network. It also provides Ethernet expansion links to expansion modules.

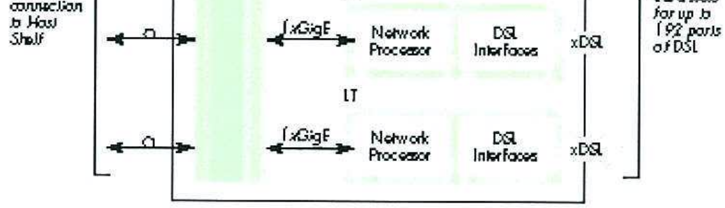
Key features of the 7330 ISAM FTTN host shelf include:

> High-capacity 24-Gb/s switching fabric and LT architecture, providing non-blocking service to all subscribers at ADSL2plus and VDSL2 line rates
> Up to seven GigE uplinks, supporting service providers' migration toward Ethernet managed area networks (EMANs) for DSL aggregation
> Up to ten GigE expansion links for connecting expansion modules
> Up to four LT cards and four POTS splitter card slots to support up to 192 DSL ports
> Integration with Alcatel 5526 AMS (ANSI) and Alcatel 5523 AWS (ETSI), for centralized, integrated, in-band management and support of ASAM TL1 parameters

FTTN EXPANSION FOR ADDITION OF SUBSCRIBER INTERFACES

The Alcatel 7330 ISAM FTTN supports expansion modules that have been designed for the addition of subscriber interfaces without the need for additional switching capacity. The Alcatel 7330 ISAM FTTN host, which acts as a central hub for expansion modules, extends GigE interfaces to high-density subscriber interface modules that can be either collocated with the host or remotely deployed and connected with an optical interface.

Figure 4 - 7330 ISAM FTTN Expansion Shelf



ENABLING EFFICIENT GROWTH

7330 ISAM FTTN Expansion Shelf and Sealed Expansion Module

The Alcatel 7330 ISAM FTTN expansion shelf (ES) is a modular shelf that enables the efficient growth of services and supports up to 192 DSL lines per shelf (as shown in Figure 4). The same ARAM-D shelf used for the host is used for the ES. The expansion shelves can be collocated with a host shelf at a common site or remotely located with the host and expansion shelf at separate sites. In either deployment scenario, the 7330 ISAM FTTN ES uses GigE links to connect to the host shelf.

The 7330 ISAM sealed expansion module (SEM) (Figure 5) is a sealed enclosure than can be mounted directly on the outside of a cabinet. It contains 24 VDSL2 ports that are upgradable to VDSL2 ports by downloading software.

Figure 5 - Sealed Expansion Module Architecture

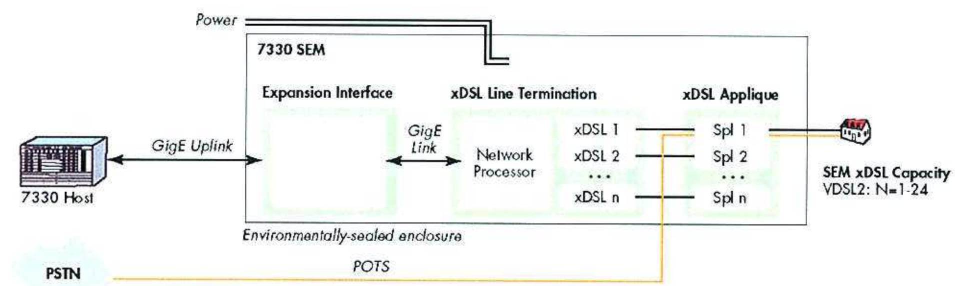


Table 1 - Alcatel 7330 ISAM FTTN Features and Benefits

Feature	Benefit
Member of ISAM family	Flexibility and uniformity lead to simplified operations, minimized OPEX, minimized training needs and faster time-to-market for new services
Distributed architecture	Multiple deployment options fit very small to large distribution areas with the ability to aggregate GigE traffic within the access network; capability to deliver all services to all customers regardless of population density and reach from the CO
GigE interfaces	Economical, high-bandwidth interfaces optimized for IP traffic
Multi-ADSL service unit	LT units, supporting ADSL, ADSL2, ADSL2plus (ITU-T G.992.5) with bonding and READSL2, provide maximum bandwidth to the customer over a wide variety of loop lengths
VDSL service unit	VDSL (ITU-T G.993.1), followed by VDSL2, enables service providers to increase bandwidth to the subscriber to approximately 100 Mb/s
Hardened for harsh environments	Operating temperature range of -40 C to 65 C (-40 F to +149 F)
Ethernet bridging	Layer 2 Ethernet bridge capability provides capacity of up to 24 Gb/s
Multicast support	IGMP and proxy functions (IETF RFC 2236) ensure rapid channel change for IPTV while minimizing the burden of transporting the same content to multiple subscribers
VLAN support	Limits broadcast traffic within the same VLAN broadcast domain to enhance performance while increasing security
Quality of service (QoS)	Implementation of 802.1p priority queues prioritizes date service types, ensuring QoS across IP services, including HSI, video and packet voice
Alcatel 5523 AWS (ETSI)	Full element management for all other Alcatel DSLAM products, optimizing operations and reducing costs
Alcatel 5526 AMS (ANSI)	Support for 7330 ISAM FTTN along with all other Alcatel DSLAM products, for reduced operating costs and ease of deployment of new services

Alcatel Fiber to the Node Answers the Challenge

Alcatel's answer to the FTTN challenge is the Alcatel 7330 ISAM FTTN.

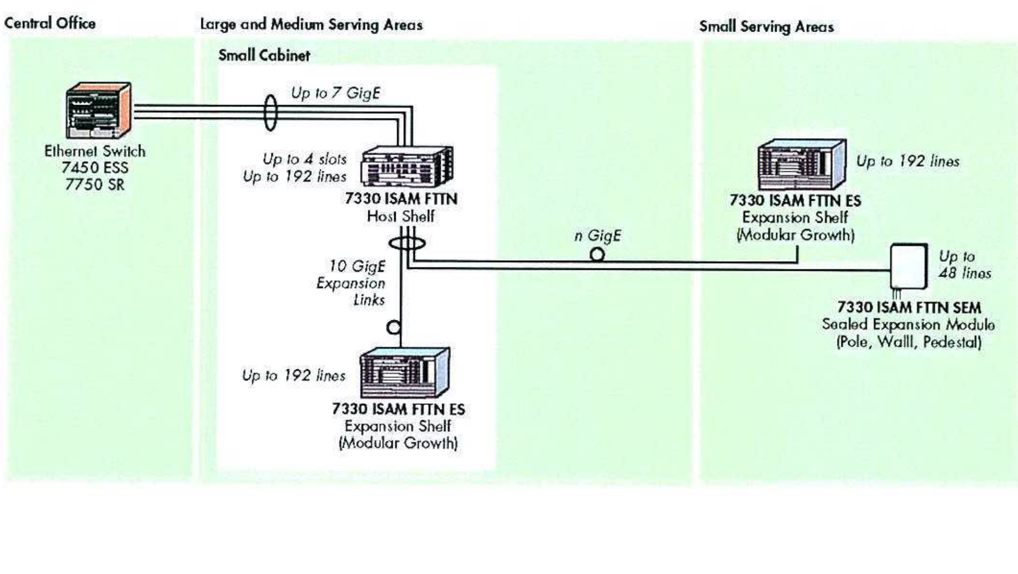
The 7330 ISAM FTTN architecture meets the service providers' challenge by delivering ultra-high bandwidth connectivity to subscribers over the existing copper plant.

With the Alcatel 7330 ISAM FTTN in their arsenal, service providers can halt the competitive siege by rapidly deploying a ubiquitous service offering to their entire subscriber base. Very small to large serving areas can be addressed with multiple form factors of a single Alcatel solution (see Figure 6).

Regardless of the form factor, each 7330 ISAM FTTN supports:

> A non-blocking, Ethernet architecture with a 24-Gb/s switching fabric
> Multi-ADSL (ADSL, ADSL2, ADSL2plus with bonding and READSL2)
> VDSL and VDSL2 services
> Multicast requirements with IGMP snooping
> Priority queuing for QoS
> Full element management through the Alcatel 5526 AMS (ANSI) or the Alcatel 5523 AWS (ETSI)

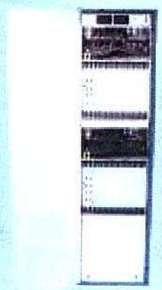
Figure 6 - Alcatel Fiber to the Node Solution



As more and more service providers worldwide prepare for the next wave of broadband deployment — offering a full set of user-centric, personalized triple play services — Alcatel has the solution to meet your deployment requirements.

The Alcatel 7302 Intelligent Services Access Manager (ISAM) is a future-safe, multiservice intelligent access platform for the CO that gives service providers the flexibility of deploying all services to each customer regardless of the customer's access technology.

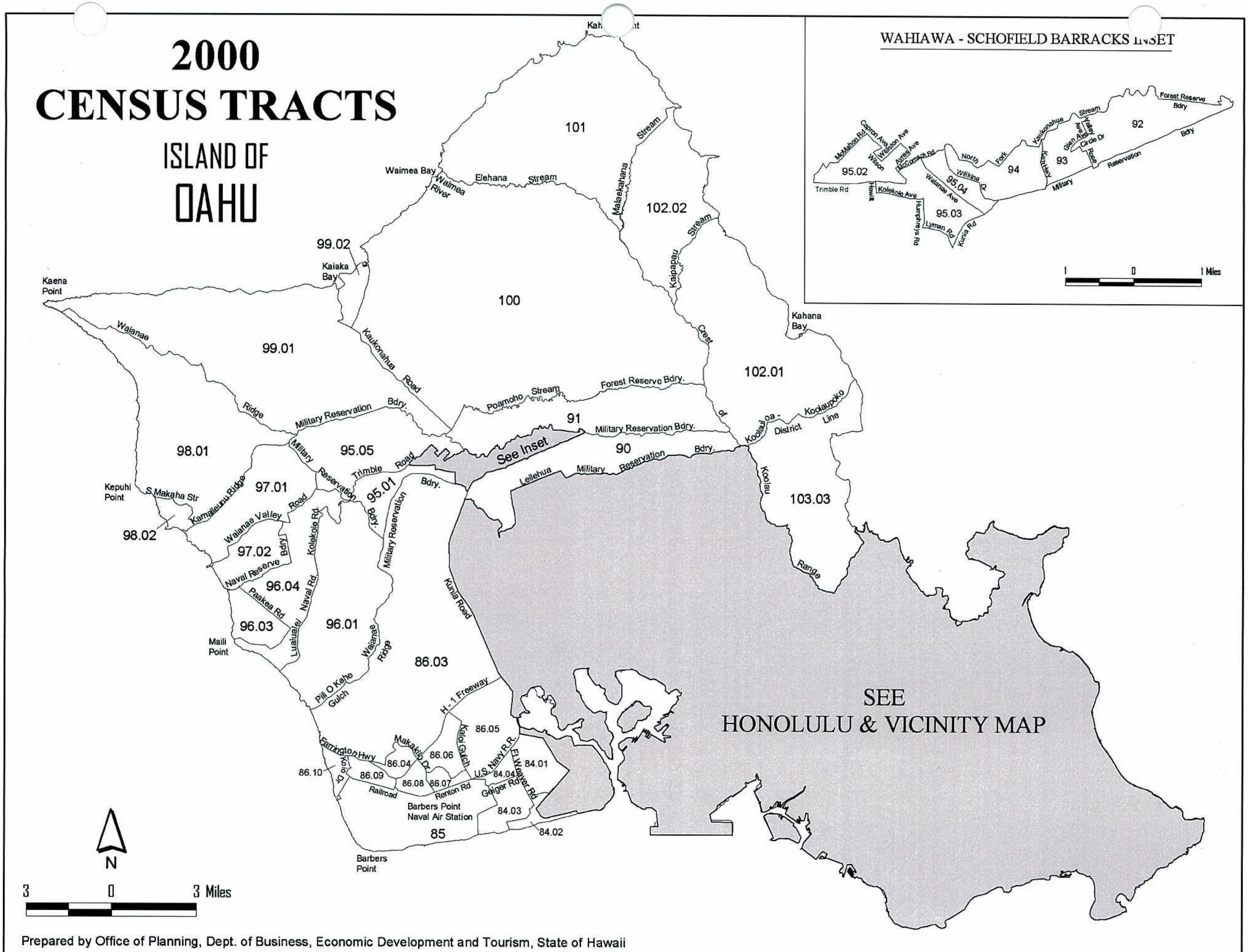
While the Alcatel 7330 ISAM FTTN addresses the growing need for a deep-fiber access solution, the Alcatel 7340 Advanced Services Access Manager (ASAM) Fiber to the User (FTTU) and the Alcatel 7342 ISAM FTTU expand Alcatel's access portfolio with all-optical access solutions.



7302 ISAM

7340 ASAM FTTU

For more information on the Alcatel 7330 ISAM FTTN, please go to www.alcatel.com/7330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CENSUS TRACTS
ISLAND OF
OAHU
WAHIAWA - SCHOFIELD BARRACKS INSET
SEE
HONOLULU & VICINITY MAP
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Waimea Bay
Kaiaka Bay
Kahana Bay
Kepuhi Point
Maili Point
Barbers Point
Barbers Point Naval Air Station
Waianae Ridge
Kaukonahua Road
Military Reservation Bdry.
Forest Reserve Bdry.
Kunia Road
H - 1 Freeway
Farrington Hwy
Koolau Range
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3 0 3 Miles
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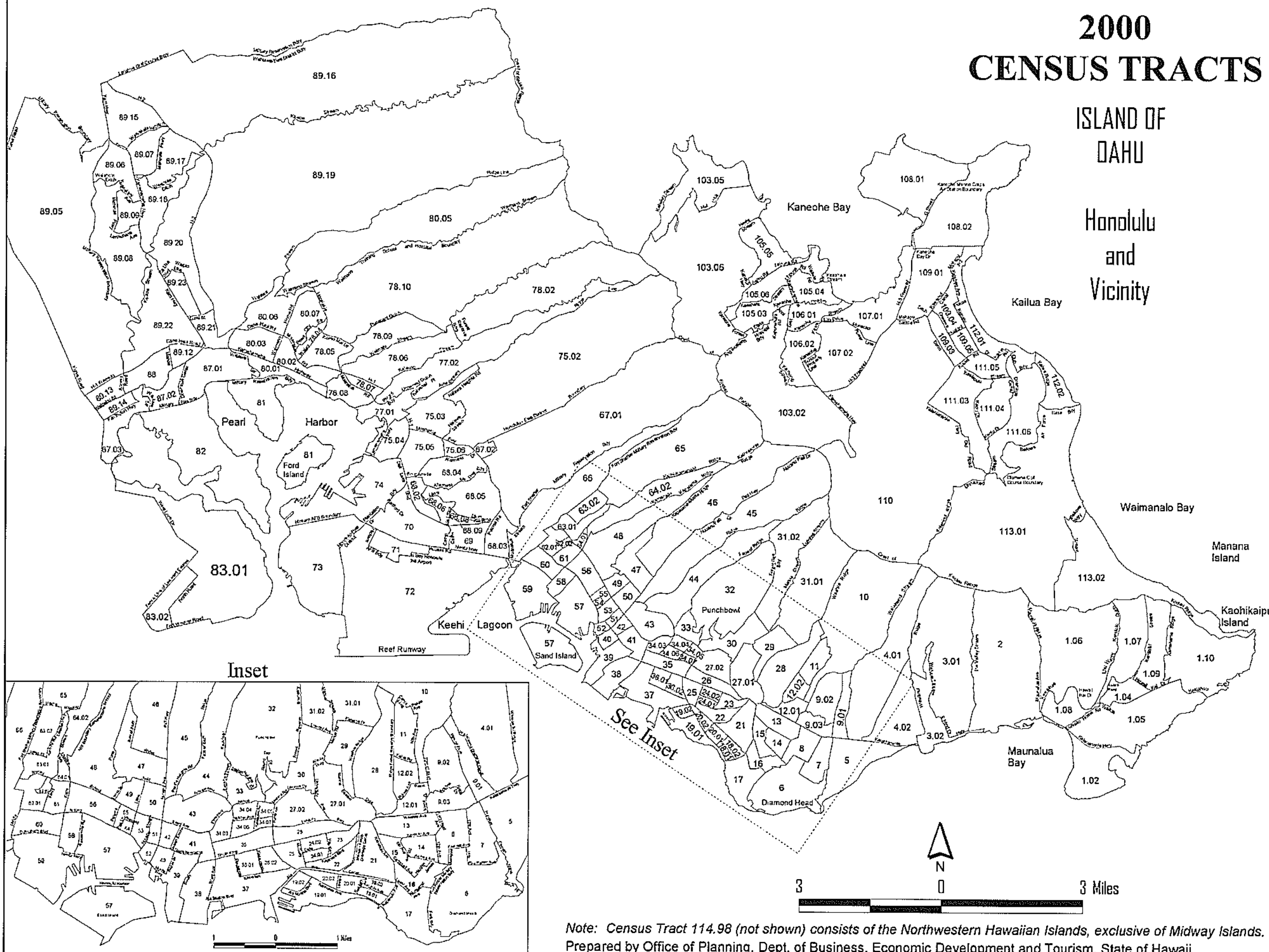
Prepared by Office of Planning, Dept. of Business, Economic Development and Tourism, State of Hawaii

2000 CENSUS TRACTS

ISLAND OF OAHU

Honolulu and Vicinity



Note: Census Tract 114.98 (not shown) consists of the Northwestern Hawaiian Islands, exclusive of Midway Islands.

Prepared by Office of Planning, Dept. of Business, Economic Development and Tourism, State of Hawaii

CONFIDENTIAL EXHIBIT III.F

CONFIDENTIAL, PROPRIETARY AND/OR COMPETITIVELY-SENSITIVE INFORMATION HAS BEEN DELETED AND FILED WITH THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS UNDER SEPARATE ENVELOPE UNDER AND SUBJECT TO LETTER DATED NOVEMBER 5, 2010. THE INFORMATION CONTAINED IN SAID ENVELOPE SHALL NOT BE DISCLOSED, PROVIDED OR OTHERWISE DISSEMINATED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL EXHIBIT V.A.2

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

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

FORM 10/A
(Amendment No. 2)

GENERAL FORM FOR REGISTRATION OF SECURITIES PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

HAWAIIAN TELCOM HOLDCO, INC.
(Exact name of registrant as specified in its charter)

Delaware	16-1710376
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered	Name of each exchange on which each class is to be registered
Common Stock, par value $0.01 per share	The Nasdaq Stock Market

Securities to be registered pursuant to Section 12(g) of the Act: **None**

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒ (Do not check if a smaller reporting company) Smaller Reporting Company ☐

EXPLANATORY NOTE

Hawaiian Telcom Holdco, Inc. is filing this Form 10/A Amendment No. 2, in part, to amend Items 2, 13 and 15 of its Registration Statement on Form 10, filed with the Securities and Exchange Commission on April 17, 2010 and as amended May 26, 2010, to restate its financial statements. See Item 15, Note 23—Restatement, to the consolidated financial statements for additional information.

This Amendment No. 2 also includes an update to provide condensed consolidated financial statements for Hawaiian Telcom Holdco, Inc. as of June 30, 2010 and for the six months ended June 30, 2010 and 2009.

HAWAIIAN TELCOM HOLDCO, INC.

TABLE OF CONTENTS

Item 1. Business

Hawaiian Telcom Holdco, Inc. (the "Company") is the largest full-service provider of communications services and products in Hawaii. We operate two primary business segments:

Wireline Services. This 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, long distance services, next generation Internet protocol (IP)-based network services, customer premises equipment, data solutions, billing and collection and pay telephone services. Our services are offered on all of Hawaii's major islands. As of June 30, 2010, our telecommunication operations served: approximately 452,600 local access lines, of which 55% served residential customers and 44% served business customers, with the remaining 1% serving other customers; 232,900 long distance lines, of which 66% served residential customers and 34% served business customers; and 96,900 high-speed Internet lines, which served 79,000 retail residential lines, 16,600 retail business lines, and 1,300 wholesale business and resale lines.

Other. This segment consists primarily of wireless services, including the sale of wireless handsets and accessories.

For information about the revenue, operating profits and identifiable assets of the Company's business segments for the three fiscal years ended December 31, 2009, see Note 21 ("Segment Information") to the Company's consolidated financial statements in Item 13 below.

A. History

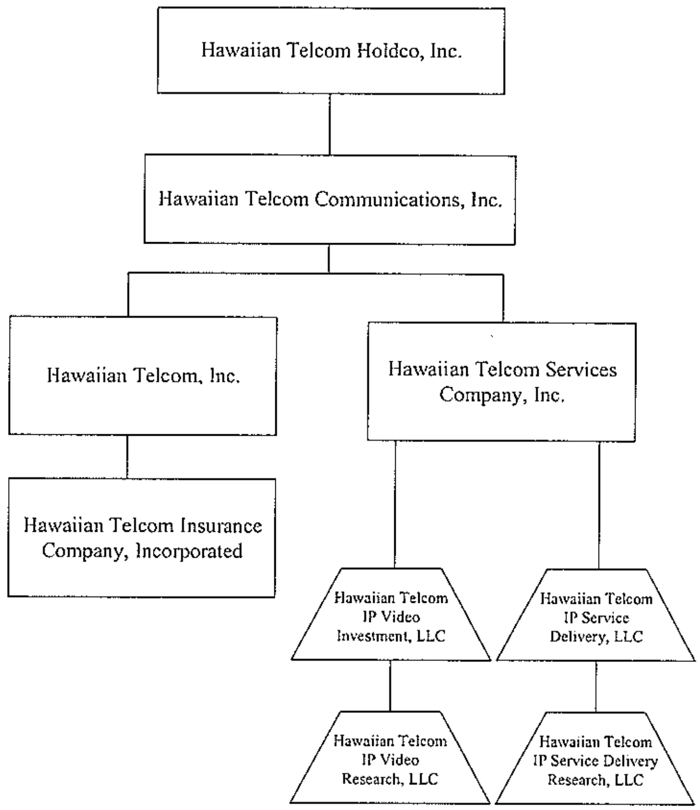
General

Hawaiian Telcom Holdco, Inc. was incorporated in Delaware in 2004. Originally incorporated in Hawaii in 1883 as Mutual Telephone Company, our Hawaiian Telcom, Inc. subsidiary has a strong heritage of over 125 years as Hawaii's incumbent local exchange carrier. From 1967 to May 1, 2005, we operated as a division of Verizon Communications Inc. (Verizon) or its predecessors. On May 2, 2005, the Verizon businesses conducted in Hawaii (comprised of Verizon Hawaii Inc. and carved-out components of Verizon Information Services, GTE.NET LLC (dba Verizon Online), Bell Atlantic Communications Inc. (dba Verizon Long Distance) and Verizon Select Services, Inc. (collectively, the "Verizon Hawaii Business")), were transferred to Verizon Holdco LLC, which then was merged (the "2005 Acquisition") with and into Hawaiian Telcom Communications, Inc., a Delaware corporation and wholly-owned subsidiary of the Company. As a result of the 2005 Acquisition, we became a stand-alone provider of communications services, operating as Hawaiian Telcom, Inc. (fka Verizon Hawaii Inc.) and Hawaiian Telcom Services Company, Inc., both wholly-owned subsidiaries of Hawaiian Telcom Communications, Inc. incorporated in Hawaii.

Hawaiian Telcom, Inc. operates our regulated local exchange carrier business and has a wholly-owned subsidiary, Hawaiian Telcom Insurance Company, Incorporated, which is a captive insurance subsidiary that until December 31, 2003 provided auto liability, general liability and worker's compensation insurance to Verizon Hawaii Inc. on a direct basis. The captive subsidiary continues to settle claims related to incidents which occurred prior to January 1, 2004, while current incidents are insured with external carriers.

Hawaiian Telcom Services Company, Inc. operates our other businesses including our long distance, Internet, advanced communication and network services and wireless businesses. It also operated a directories publishing business until November 30, 2007, when it consummated the sale of the business to HYP Media Holdings LLC, a Delaware limited liability company and wholly-owned subsidiary of CBD Investor, Inc. In connection with the sale, HYP Media Holdings LLC entered into a 50-year publishing agreement pursuant to which it serves as the exclusive, official publisher of telephone directories on behalf of Hawaiian Telcom, Inc. Under this agreement, HYP Media Holdings LLC publishes both white and yellow pages print telephone directories under the *Hawaiian Telcom®* brand. Hawaiian Telcom Services Company, Inc. also has four limited liability companies organized under the laws of the state of Hawaii for the purposes of conducting research and development and receiving investments from outside investors. As of the date hereof, no outside investments have been received.

The following is a chart of our organizational structure.



Bankruptcy Proceedings

In the second and third quarters of 2008, we hired a new senior management team in an effort to explore strategic opportunities and to improve operating results. Under the direction of the new senior management team, we undertook substantial efforts to effectuate a balance sheet restructuring. In September 2008, we engaged the services of Lazard Frères & Co. as our financial advisor to assist in the evaluation of various balance sheet restructuring options. Beginning in October 2008, we pursued discussions with our creditors regarding a balance sheet restructuring. In an effort to preserve liquidity and the going-concern value of the Company, Hawaiian Telcom Communications, Inc. chose not to make the interest payments due on November 1, 2008 and payable on November 3, 2008 with respect to its Senior Floating Rate Notes due 2013 and 9.75% Senior Fixed Rate Notes due 2013 (the "Senior Notes") and its 12.5% Senior Subordinated Notes due 2015 (the "Subordinated Notes") and utilized the 30-day grace period applicable to the missed interest payments to continue balance sheet restructuring discussions with its creditors including the holders of those notes.

On December 1, 2008, the Company, Hawaiian Telcom Communications, Inc., Hawaiian Telcom, Inc., Hawaiian Telcom Services Company, Inc. and certain other affiliates (collectively, the

"Debtors") filed voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware in order to facilitate the balance sheet restructuring. At the time of our chapter 11 filing, we had more than $1.1 billion of debt, consisting of approximately $575 million in senior secured debt under an Amended and Restated Credit Agreement dated as of June 1, 2007, $500 million in Senior Notes and Subordinated Notes, $40 million in unpaid trade debt, and $15 million in senior secured obligations under various swap agreements. The chapter 11 cases are being jointly administered under the caption In re Hawaiian Telcom Communications, Inc., et al., Case No. 08-13086 (the "chapter 11 cases"). Venue of the chapter 11 cases was transferred to the United States Bankruptcy Court for the District of Hawaii (the "Bankruptcy Court") on December 22, 2008. The Debtors' management team has continued to operate the Debtors' businesses and manage the Debtors' properties throughout the chapter 11 cases.

In June 2009, the Debtors filed with the Bankruptcy Court a chapter 11 plan of reorganization (the "Plan of Reorganization"). The Bankruptcy Court approved the disclosure statement related to the Plan of Reorganization on August 24, 2009 and held a hearing to approve confirmation of the Plan, which began on November 9, 2009. The Bankruptcy Court confirmed the Plan of Reorganization at the conclusion of the confirmation hearing and entered a written confirmation order (the "Confirmation Order") on December 30, 2009. The Confirmation Order incorporates the terms of a settlement among all of the key stakeholders in the chapter 11 cases and will allow us to emerge from chapter 11 with a significantly deleveraged capital structure.

The Plan of Reorganization contemplates that the senior secured lenders under the Amended and Restated Credit Agreement and the swap counterparties (collectively, the "Senior Secured Creditors") will own nearly all of the new equity of the reorganized Company and that we will emerge with a minimum of $45 million in cash to enable continuation of our operations in the ordinary course of business. Among other things, the Plan of Reorganization and the Confirmation Order provide for, on or about the Effective Date (defined below):

- the cancellation of the Debtors' obligations under the Amended and Restated Credit Agreement, Senior Notes Indenture and Subordinated Notes Indenture;
- the cancellation of all outstanding shares of the existing stock of the Company and cancellation of all outstanding options and other rights to purchase or otherwise receive shares of the existing stock of the Company;
- the authorization to issue up to (i) 245 million shares of new common stock of the Company (the "New Common Stock"), of which 10 million shares will be issued to the holders of senior secured claims as well as certain holders of unsecured claims who exercised subscription rights for the right to receive shares of New Common Stock, and (ii) 5 million shares of preferred stock;
- the reservation of 10% of the outstanding New Common Stock on a fully diluted basis for a new management compensation incentive program (the "Management Equity Incentive Plan");
- the issuance to certain holders of Senior Notes with allowed claims of (i) subscription rights entitling them to purchase their pro rata share of 3,125,000 shares of the New Common Stock at a subscription purchase price of $16.00 per share based on the Company's $160 million equity value under the Plan of Reorganization and (ii) warrants to acquire shares of New Common Stock equal to 12.75% of the outstanding New Common Stock (on a diluted basis prior to consideration of the Management Equity Incentive Plan) at a 12.5% discount to the Company's $160 million equity value and with an expiration date of five years from the Effective Date;
- the receipt by unsecured creditors of cash in an amount equal to their pro rata share of $500,000;

- the execution by the Debtors of and entry into a new senior secured term loan with the Senior Secured Creditors with a first priority lien on all assets of the Debtors in the original principal amount of $300 million (the "New Term Loan"), with customary carve-outs and baskets including a basket for a first-out senior secured revolving credit facility with a first priority lien on all assets of the Debtors in the original principal amount of $30 million (the "Revolving Credit Facility") with the Senior Secured Creditors; and
- the selection of a new Board of Directors of the Company by the Senior Secured Creditors, with the current Chief Executive Officer continuing to serve as a Director.

The Plan of Reorganization will become effective, and the Company and other Debtors will emerge from chapter 11, upon obtaining necessary regulatory approvals and satisfaction of other requisite conditions (the "Effective Date"). The Company obtained regulatory approval from the Federal Communications Commission (FCC) and the Public Utilities Commission of the State of Hawaii (HPUC) in September 2010 and expects to emerge from chapter 11 in late October 2010.

B. Industry Overview

The telecommunications industry is comprised of companies involved in the transmission of voice, data and video communications over various media and through various technologies. There are two predominant types of local telephone service providers, or carriers, in the telecommunications industry: incumbent local exchange carriers (ILECs) and competitive local exchange carriers (CLECs). An ILEC refers to the regional Bell operating companies (RBOCs), which were the local telephone companies created from the break up of AT&T in 1984, as well as small and midsize independent telephone companies, such as Hawaiian Telcom, Inc., Cincinnati Bell Inc. and Consolidated Communications, Inc., which sell local telephone service. These ILECs were the traditional monopoly providers of local telephone service prior to the passage of the Telecommunications Act of 1996. On the other hand, a CLEC is a competitor to local telephone companies that has been granted permission by a state regulatory commission to offer local telephone service in an area already served by an ILEC.

In recent years, the U.S. telecommunications industry has undergone significant structural changes. Many of the largest service providers have achieved growth through acquisitions and mergers, while an increasing number of competitive providers have restructured or entered bankruptcy to obtain protection from their creditors. Since 2001, capital in the form of public financing has been generally difficult to obtain for new entrants and competitive providers. Capital constraints have caused a number of competitive providers to change their business plans, resulting in consolidation. Despite these changes, the demand for all types of telecommunications services, particularly data services, has not diminished, and telecommunications companies increasingly bundle services and provide integrated offerings for end-user customers.

Hawaii's telecommunications industry remains active, and demand for telecommunications services is strong, due in part to the comparative advantage provided by the state's geographic position. With its location between the mainland United States and Asia, Hawaii has been and will likely continue to be a surfacing location for cables running between the two continents. Hawaii is also connected to the mainland United States and Asia via several satellite networks.

C. Markets and Customers

Wireline Services

We have been a telecommunications provider in Hawaii for more than 125 years. Our market consists of 86 central offices serving an area of approximately 6,263 square miles on the islands of Oahu, Maui, Hawaii, Kauai, Molokai and Lanai. We are the incumbent provider of local exchange services within this area and own the state's most extensive local telecommunications network, with approximately 452,600 local access lines served as of June 30, 2010, of which 55% served residential customers, 44% served business customers and the remaining 1% served other customers. Other customers include (1) interexchange carriers that pay for access to long distance calling customers located within our local service area and (2) CLECs that pay for wholesale access to our network to provide competitive local service on either a resale or unbundled network element (UNE) basis as prescribed under the Communications Act of 1934, as amended (the "Communications Act").

Our market is characterized by high population density, with approximately 70% of the state's population concentrated on Oahu. This concentration of customers and commerce provides opportunities to leverage our network infrastructure to deliver products and services efficiently and in a cost-effective manner and to market and sell our services more effectively. Given Hawaii's geographic location, its distance from the mainland United States and the diversity of its population (approximately 39% being of Asian descent), Hawaii residents and businesses have telecommunications needs that may be different from those on the mainland United States. Furthermore, in 2010, the median household income in Hawaii is approximately $64,000, compared to the national average of approximately $51,300. For the foregoing reasons, our strategy is to leverage the distinctive qualities of the Hawaii market to develop customized, local marketing strategies.

Our business marketplace is dominated by several key industries. State and federal government account for 24% of gross state product. With the U.S. Pacific Command, one of the largest U.S. unified service commands, based in Hawaii and approximately 37,000 military personnel stationed in Hawaii, the federal government is one of our largest customers. The hospitality industry and financial institutions also account for a significant portion of our business. The operations of these leading sectors are communications intensive, and we believe that they are dependent on our modern, reliable services. Hawaii's small business market (in the aggregate) is also a key driver of Hawaii's economy—approximately 95% of the companies in Hawaii employ fewer than 50 employees, and these businesses make up a market of approximately 51,000 business customers. We believe that these business customers represent an underserved segment that we are targeting aggressively with new product and service offerings.

Other

We have been providing wireless services since 2005. It is estimated that there are approximately 1,180,000 wireless subscribers in Hawaii. Currently, less than 1% of these subscribers utilize us as their wireless provider. We are investigating opportunities to capture a greater share of this market and to leverage the *Hawaiian Telcom*® brand and our existing customer base to enhance customer loyalty for our various product and service offerings.

D. Our Products and Services

Business Strategy

In 2009, our new senior management team finalized a revised strategic plan for the Company that is focused on the introduction of new products, growing our broadband market share, improving the overall experience for our customers, strengthening our brand and image, improving our productivity, and transforming our network to enable next-generation technologies to be deployed to the consumers and businesses of Hawaii. Our objective is to position the Company to effectively participate in growth market segments in order to be a relevant and responsive provider of advanced products, services and solutions to meet the changing communications needs of our customers.

Wireline Services

Local Exchange Services

Our local exchange carrier business generates revenue from local network services, network access services and certain other services, each of which is described below.

Local Network Services

Our traditional local network service enables customers to originate and receive telephone calls within a defined "exchange" area. We provide basic local services on a retail basis to residential and business customers, generally for a fixed monthly recurring charge. Basic local service also includes non-recurring charges to customers for the installation of new products and services. Basic local exchange services are enhanced with a variety of value-added services such as call waiting, caller ID, voice messaging, three-way calling, call forwarding and speed dialing. Value-added services may be purchased individually or as part of a package offering for a monthly recurring charge. We also offer other local exchange services such as local private line and inside wire maintenance. The rates that can be charged to customers for basic local and certain other services are regulated by the HPUC. We charge business customers higher rates to recover a portion of the costs of providing local service to residential customers, as is customary in the industry. See "—Regulation" for further discussion of regulatory matters including our local network service rate proceedings.

Network Access Services

Our network access services are offered in connection with the origination and termination of long distance, or toll, calls that typically involve more than one company in the provision of end-to-end long distance service. Since toll calls are generally billed to the customer originating the call, a mechanism is required to compensate each company providing services relating to the call. This mechanism is the access charge, which we bill to each interexchange carrier for the use of our facilities to access our customers. In addition, we bill a component of access charges directly to our customers. Our network access services generate intrastate access revenue when an intrastate long distance call that involves us and an interexchange carrier is originated and terminated within Hawaii. This access charge is regulated by the HPUC. Similarly, our network access services generate interstate access revenue when an interstate long distance call is originated from a Hawaii local calling area served by us and is terminated in a local calling area in another state and vice versa. Interstate access charges are regulated by the FCC. We also offer special access voice and data services, which are a key area of growth driven by demand for increasing bandwidth from business and wholesale customers. Special access services include switched and non-switched (or dedicated) services such as point-to-point single channel circuits, Synchronous Optical Network (SONET) and Time Division Multiplexing (TDM) transport services, as well as IP-based private networks.

Long Distance Services

We provide long distance services to transmit international calls, interLATA (Local Access Transport Area) domestic calls and regional toll calls made to points outside a customers' local calling area, but within our local service area (intraLATA toll). In Hawaii, each of the islands is a local calling area, and calls between the islands are intraLATA toll calls. Other long distance services include 800-number services and wide area telecommunication services, or WATS, private line services, and operator services associated with long distance calls. As of June 30, 2010, we served approximately 232,900 long distance lines, of which 66% served residential customers and 34% served business customers.

Internet Services

We provide high-speed Internet (HSI) Internet access to our residential and business customers. Our data network enables us to provide extensive high-speed network access. We have HSI available in 79 of our 86 central offices. As of June 30, 2010, we served approximately 79,000 retail residential HSI lines, 16,600 retail business HSI lines, and 1,300 wholesale business HSI lines. We also provided dial-up Internet access to approximately 1,600 subscribers as of the same date.

Advanced Communication and Network Services

The role of business communication providers is evolving. Consistent with this, we have been pursuing opportunities to expand into application-centric, advanced communication and network services. Our advanced communication and network services include Managed Services, deployed in 2008, which provides customers with fault monitoring and performance management services; Routed Network Service, a high-performance IP network service for business customers launched in April 2009; Enhanced Internet Protocol Data Service, a multipoint Ethernet virtual private Local Area Network service launched in May 2007; and Business All-in-One, a business Voice over Internet Protocol (VoIP) service launched in December 2009 to provide small-to-medium-sized businesses with complete communication needs in a hosted package.

Next Generation Television Service

Our proposed video service is a critical growth component for our consumer products portfolio and anticipated anchor with our service bundling strategy. During 2009, we continued to develop a network capable of providing integrated digital video, high-speed broadband and voice services to new and existing customers. We also continued to build and operationalize our video head end. Negotiations with the Cable Television Division of the State of Hawaii Department of Commerce and Consumer Affairs concerning our application for a video franchise for the island of Oahu are ongoing. In addition to investing in our network to offer video services, we are developing the requisite hardware and software platform and securing 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.

Other Wireline Services

We seek to capitalize on our local presence and network infrastructure by offering other services to customers and interexchange carriers. Sales and maintenance of customer premises equipment to the business markets are an important source of local exchange revenues. Customer premises equipment services are also an area of potential growth as attractive contracts with major equipment providers allow us to offer complete voice and data network and management solutions. For the wholesale or carrier market, we offer services including operator services, billing and collection services and space and power rents for collocation services. We also offer public pay telephone services at approximately 4,900 locations throughout the State of Hawaii.

Other

We offer wireless services pursuant to a mobile virtual network operator (MVNO) services agreement with Sprint Spectrum, L.P. (Sprint). That agreement allows us to resell Sprint wireless services, including access to Sprint's nationwide personal communication service (PCS) wireless network to residential and business customers in Hawaii under the *Hawaiian Telcom®* brand name. The services agreement with Sprint was effective as of May 2009 and has a term of three years and is renewable for up to three additional one-year terms after the initial period.

E. Sales and Marketing

Our sales and marketing strategy is to position our business as a local Hawaii company and to develop and deliver products and services designed to meet our market's specific needs. Key components of our sales and marketing strategy include:

- developing and delivering advanced products, services and bundles customized to meet the needs of the local Hawaii market;
- leveraging the *Hawaiian Telcom*® brand across all our product offerings;
- partnering with leaders in the Hawaii business community;
- raising visibility in the community through key sponsorships and executive positioning; and
- creating a customer-driven organization, locally operated and managed, that provides reliable and high quality products, services and solutions in addition to excellent customer service.

We are implementing this strategy by:

- developing integrated sales and marketing plans that focus on meeting the needs of the local market;
- focusing local advertising and marketing expenditures to create demand, promote our products and services and establish competitive positioning;
- re-designing sales coverage models to focus on underserved customers and to increase segmentation and target marketing to small- and medium-sized business customers;
- improving the customer service experience; and
- increasing the capacity of all sales and marketing channels by centralizing sales support functions, enhancing performance of retail stores and tracking and managing profitability by sales channel.

Our long distance services sales efforts are primarily directed toward increasing the number of subscribers we serve, selling bundled services and generating incremental revenues through product and feature up-sale opportunities. We sell our long distance communications services through local advertising, as part of bundled telecommunications packages, and up-selling by our customer contact personnel.

We market our Internet services as a stand-alone product, as well as part of a package of bundled telecommunications services to our residential and business customers. We sell wireless phones and services primarily through our five retail stores, our call centers and our business account executives.

F. Network Architecture and Technology

Our strategy is to build and operate the most technologically advanced communications network in the state of Hawaii. Pursuing such strategy has enabled us, among other things, to begin offering advanced communications and network services beginning 2007. In 2009, we invested approximately $58.8 million in our network including significant expenditures to expand our IP-based packet and broadband network. Long-term network plans were finalized in 2009 and are being implemented with the objective of transforming our communications network to an all fiber, IP-based broadband network over an IP multimedia subsystem service delivery platform with cloud-based technology. Our long-term objective is a service delivery platform of unlimited bandwidth and applications that will find our customers no matter where they may be roaming on our network.

Packet Optical Network

We continued expansion of our statewide Multiprotocol Label Switching (MPLS) network in 2009. Growth from new services offered on our MPLS network, such as our Enhanced Internet Protocol Data Service and Routed Network Service, continues to drive increases in the backbone bandwidth requirements and improvements to our mesh designs. Migration plans to move customers from our legacy packet networks to our new IP-based network continued in 2009 with over 10,000 HSI customers being moved. We also are upgrading major portions of our optical network layer, providing us greater bandwidth capabilities across Oahu and the State. Evolution in our MPLS core will continue toward a converged packet optical networking platform. Our current backbone infrastructure consists of two border routers, seven core MPLS routers, 36 service edge routers, 21 Frame Relay switches and 13 asynchronous transfer mode (ATM) switches. There are also 782 Synchronous Optical Network (SONET) rings in service.

Our telecommunication infrastructure includes more than 13,494 sheath miles of fiber optic cable and copper wire distribution lines. Submarine and deep-sea fiber optic cables connect the islands of Kauai, Oahu, Maui and Hawaii, while digital microwave provides other inter-island connections. In addition to our owned interisland cables between Oahu and Kauai, Oahu and Maui, and Maui and Hawaii, we are also connected by trans-Pacific fiber optics which provide ring diversity to protect our communications between the islands and which we access through an indefeasible right of use agreement.

Voice Network

In 2009, we installed a new VoIP application server for the introduction of our new Business All-in-One business VoIP (BVoIP) service. The new BVoIP service targets our small-to-midsize business market, combining voice and data services over an IP connection to the customer. In addition, we added a new, next generation voicemail platform to the network that we believe ties in well with our IP migration strategy and positions us for new unified communication services. Network build for the new voicemail platform was completed in 2009 with migration of customers to follow in 2010. Plans are being finalized to consolidate this network into a much smaller IP softswitch platform.

As of June 30, 2010, we owned 107 local base and remote switches and five tandem switches serving approximately 452,600 total lines on the islands of Hawaii, Kauai, Lanai, Maui, Molokai and Oahu. All of our access lines are served by digital switches provided predominantly by Alcatel-Lucent and Nortel. Since 2002, we have updated our infrastructure to meet the technological needs of our customers. Our switches on every island are linked through a combination of extensive aerial, underground and undersea cable, as well as microwave facilities, allowing us to provide our services to customers in a very challenging geographical territory.

Access Infrastructure

In 2009, we continued to deploy fiber-to-the-premise (FTTP) solutions to serve green field multi-dwelling unit (MDU) and single-family subdivision developments. By laying fiber and utilizing various passive optical network components from these developments to our central offices, we can further leverage the capabilities of our MPLS backbone, provide higher bandwidth services to our customers, including the proposed video services, and reduce maintenance costs. Additionally, in 2009 we began to replace obsolete digital loop carrier equipment with new broadband loop carrier (BLC) equipment. The versatile BLCs are IP-based and offer a wide range of services including landline telephone service, DSL, Ethernet over copper, and gigabit passive optical network service. These projects further our transformation to a broadband network and replace copper lines once served by TDM switches. Through this strategy, we seek to meet the bandwidth needs of our customers in an economical manner.

Network Surveillance and Operations

Network management operations are provided by our Network Operations Center (NOC) located in Honolulu. The NOC provides surveillance 24x7, 365 days a year, over our statewide network consisting of 86 central offices and associated interoffice facilities. We have a customer service center which also operates on a 24x7, 365 days a year basis to handle customer inquiries, repairs, and provide call completion services. All customer installations and repairs requiring a field technician are offered during extended hours and coordinated by our Dispatch Center. All construction activity, for both outside and inside plant, is coordinated by our engineering operations team located at our Honolulu office.

In addition to our network infrastructure, we operate a wide range of equipment from large boom trucks to small passenger vehicles, mobile generators, and other miscellaneous trailers, tools and test equipment. We own or lease most of our administrative and maintenance facilities, central offices, remote switching platforms, and transport and distribution network facilities. Our assets are located primarily in the State of Hawaii.

G. Back-Office and Information Technology

Since the 2005 Acquisition, we have made substantial investments in a new back-office and IT infrastructure. We initially engaged BearingPoint, Inc. (BearingPoint) to build the back-office and IT infrastructure. In February 2007, we terminated our relationship with BearingPoint and transferred certain services previously performed by BearingPoint to Accenture LLP (Accenture). See "—Transition to Becoming a Stand-alone Provider." In 2009, we signed a five-year agreement with Accenture that amended the prior agreement and lowered costs while improving operational efficiencies.

Over the past year, we continued to enhance our back-office systems and IT infrastructure with the objective of improving and expanding our customer services and streamlining our operations. See "—Business Transactions." We implemented the capability for ordering and provisioning new products and services for our customers while increasing productivity and improving operational capabilities.

To support the launch of new products, in the first half of 2009, we implemented ordering and provisioning functionality for our Routed Network Service product and our BVoIP service for business customers. In June 2009, we introduced integrated billing for customers subscribing to both our wireline and wireless services. Planning and analysis work for our proposed video services was completed in Spring 2009, providing the foundation to build and implement systems for ordering and activation of our proposed next-generation video services.

Continuous improvement initiatives are being conducted that are aimed at improving the quality and movement of data across systems, enhancing operational productivity, and ensuring that customer orders are processed accurately and in a timely fashion. These initiatives included revamping of our on-line product catalog (i.e., the computer system that contains our complete product set for ordering and provisioning of products and services to customers) and simplification of our order processing for consumer orders in order to speed order processing times. Order flow-through has improved, manual processing queues are now at the lowest levels since the 2005 Acquisition, and order backlogs are down 84% from 2008 due to systems and process improvements. The end result is increased data integrity, faster order processing speeds, higher levels of automated order flow-through, and an improved customer experience.

In the past year, we also provided solutions that enable the delivery of advanced technologies for our customers. We implemented new network monitoring systems and systems that support the migration of customers from our legacy networks to our MPLS network, the provisioning of fiber optic connections directly to customer premises and the qualification of facilities for our HSI service. These efforts provide our network engineers with the systems needed for efficient management of our communications network and delivery of current state technology products and services to our customers.

H. Competition

Wireline Services

Local Exchange Service

ILECs are subject to several types of competition, including (i) facilities-based providers with their own local networks; (ii) resale providers who purchase local service from ILECs at wholesale rates and resell these services to their customers; (iii) providers who lease UNEs from ILECs; (iv) cable companies who offer local service through VoIP over their cable platform and (v) newer entrants and providers with technology alternatives to local service networks like wireless providers. Technological developments in wireless telephone features, personal communications services, digital microwave and other wireless technologies are expected to promote the development of alternatives to traditional wireline services. We believe that competition is likely to come from resale interconnection or UNE interconnection. We also anticipate increased competition from certain service providers in Hawaii, primarily Oceanic Time Warner Cable (Oceanic) and two local CLECs.

Long Distance Services

The long distance telecommunications market is intensely competitive and has been for many years. Competition in the long distance business is based primarily on price, although service bundling, branding, customer service, billing services and quality also play a role in customers' choices. In the long distance market, we compete against the three largest interstate long distance carriers in Hawaii—AT&T, Verizon and Sprint—as well as all of the wireless providers that offer bundled long distance with their rate plans. In addition, we believe that VoIP will also offer an alternative to long distance services.

Internet Services

We expect that the Internet access services business will continue to be highly competitive due to the absence of significant barriers to entry. We currently compete with Oceanic, Pacific LightNet, Inc. (dba Wavecom Solutions), Systemmetrics Corporation, Clearwire US LLC, and traditional carriers providing dedicated Internet access services to business customers.

Advanced Communication and Network Services

The advanced communication and network services business is highly competitive due to the absence of significant barriers to entry. The emergence of non-traditional, application-centric players in the market is redefining the role of communications providers. We currently compete for business customers with vendors such as tw telecom of hawaii l.p., Pacific LightNet, Inc., NetEnterprise Inc., Tri-net Solutions, L.L.C., Systemmetrics Corporation and other traditional and non-traditional carriers.

Next Generation Television Service

The market for video services is dominated by Oceanic, the incumbent cable operator. Oceanic is a division of Time Warner Entertainment Company, L.P., which in turn is a subsidiary of Time Warner Cable Inc., the second largest cable operator in the United States. Approximately 90% of the households in Hawaii (94% of households on Oahu) already subscribe to Oceanic's service. Direct broadcast satellite (DBS) television providers also offer television service in Hawaii but are severely challenged by Hawaii's location and high concentration of multiple dwelling units. Consequently, less than 5% of Oahu households are DBS customers, which is significantly less than the nationwide penetration of close to 30% of the paid television market.

Other

Wireless Services

While the market for wireless telephone services in Hawaii continues to grow, it is highly competitive. All of the national wireless carriers including Verizon Wireless, AT&T Mobility LLC, Sprint and T-Mobile USA, Inc., as well as Coral Wireless, LLC (dba MobiPCS), currently service the Hawaii wireless market. Federal local number portability requirements also increase competition by allowing customers to keep their telephone numbers when they switch carriers.

I. Employees

As of June 30, 2010, we employed approximately 1,450 full-time employees in Hawaii. Of the total employees, 58% were represented by the International Brotherhood of Electrical Workers (IBEW) Local 1357. As part of the 2005 Acquisition, we assumed all of the obligations of the collective bargaining agreement that governs the terms and conditions of employment for all IBEW-represented employees working for us. On October 4, 2008, a new three-year collective bargaining agreement with IBEW Local 1357 was ratified. Under the Plan of Reorganization, the collective bargaining agreement will be assumed upon emergence from chapter 11. We believe that management currently has a constructive relationship with the represented and non-represented employee group.

J. Insurance

We have insurance to cover risks incurred in the ordinary course of business, including errors and omissions, general liability, property coverage (which includes business interruption), director and officers and employment practices liability, auto, crime, fiduciary and worker's compensation insurance in amounts typical of similar operators in our industry and with reputable insurance providers. Central office equipment, buildings, furniture and fixtures and certain operating and other equipment are insured under a blanket property insurance program. This program provides substantial coverage against "all risks" of loss including fire, windstorm, flood, earthquake and other perils not specifically excluded by the terms of the policies. As is typical in the telecommunications industry, we are self-insured for damage or loss to certain of our transmission facilities, including our buried, undersea and above-ground transmission lines. We believe that our insurance coverage is adequate; however, if we become subject to substantial uninsured liabilities due to damage or loss to such facilities, our financial results may be adversely affected.

K. Regulation

Federal and State Regulation of Telecommunications Services

Our telephone operations generally are subject to the jurisdiction of the FCC with respect to interstate services and the HPUC with respect to intrastate services. The following summary does not purport to describe all current and proposed applicable federal and state regulation.

Competition

We face increasing competition in all areas of our business. Regulatory changes brought on by the 1996 amendments to the Communications Act, regulatory and judicial actions, and the development of new technologies, products and services have created opportunities for alternative telecommunication service providers, many of which are subject to fewer regulatory constraints than our ILEC. We are unable to predict definitively the impact that the ongoing changes in the telecommunications industry will ultimately have on our business, results of operations or financial condition. The financial impact will depend on several factors, including the timing, extent and success of competition in our markets, the timing and outcome of various regulatory proceedings and any appeals, the timing, extent and success of our pursuit of new opportunities resulting from the amendments to the Communications Act and technological advances and any changes in the State or Federal laws or regulations governing communications.

Universal Service

As a provider of interstate telecommunications, we are required to contribute to federal universal service programs. The FCC adjusts the contribution amount quarterly and may increase or decrease this amount depending on demand for support and the total base of contributors. Pending proposals to change the contribution methodology could increase or reduce our total obligation to this funding. We also draw Interstate Access Support from this funding.

On December 31, 2007, we filed a petition with the FCC requesting a waiver to determine our eligibility to receive federal high-cost loop support according to our average line costs per wire center instead of our statewide average line costs. Grant of the petition would increase the amount of such support we receive. There is no definite timeframe for an FCC decision on this petition.

To illustrate the impact of such support, Sandwich Isles Communications, a rural local exchange carrier, has obtained eligible telecommunications carrier (ETC) status to serve certain remote areas of the state administered by the State Department of Hawaiian Home Lands and is estimated to have received over $14,000 per line of annual federal high-cost loop support for 2006 and over $13,000 per line for 2007. Sandwich Isles receives this funding to serve certain parts of the Hawaiian Home Lands based on its representations that it serves areas that were unserved as of 1997. Our lack of such support makes it difficult for us to compete effectively in those remote areas of the state. Nextel Partners, Inc. and Coral Wireless, LLC have also been granted ETC status by the HPUC, and both draw federal support for some of their licensed service areas.

In April 2010, in response to a remand from the United States Court of Appeals for the Tenth Circuit, the FCC reaffirmed its non-rural mechanism for distributing universal service high-cost loop support without significant change. At the same time, the FCC began a proceeding to replace the existing universal service mechanism with a new fund that would be designed to support high-speed broadband and voice service for those areas of the country which would not receive such services without government support. We do not know when this proceeding will be concluded, how the FCC will implement the proposals, if at all, or how such proceeding will impact our pending waiver petition.

Government Regulation of Retail Rates

The FCC and the HPUC are the two agencies that regulate telecommunications services. In general, the FCC regulates interstate service, and the HPUC regulates intrastate service. The HPUC has, slowly over time, reduced its rate regulation of some of our services. The HPUC classifies all regulated telecommunications services as fully competitive, partially competitive, or non-competitive.

In 2009, the Hawaii State Legislature passed Act 180, which it clarified with an amendment in 2010. As amended, Act 180 requires that the HPUC treat all intrastate (i.e., inter-island) retail telecommunications services, including intrastate toll, central exchange (Centrex), residential and business local exchange services, integrated service digital network (ISDN) private lines and special assemblies, and directory assistance, as "fully competitive" under the HPUC's rules with certain qualifications. In addition, HPUC approval and cost support filings are no longer required to establish or modify rates or to bundle service offerings; however, all service offerings must be priced above the service's long-run incremental cost, and the HPUC can require us to provide such cost support demonstrating compliance with its costing rules at any time. If the HPUC is not satisfied, it retains the ability to investigate the offering and to suspend the offering pending the outcome of its investigation. In addition, HPUC approval is required in order to increase the rate for a service to a level that is greater than the rate for the retail service in the tariff at the time of implementation of Act 180. Local rates historically have been set at a level that will allow the recovery of embedded costs for local service. Recognized costs include an allowance for a rate of return on investment in plant used and useful to provide local service. Competitive forces may cause us to be unable to raise our local rates in the future

The classification of retail local exchange intrastate services as fully competitive and the ability to bundle the services with other fully or partially competitive services or other services that are not within the HPUC's jurisdiction enable us to charge a discounted rate for bundled service offerings and have helped us to respond to competition.

State and Federal Regulation of Long Distance Services

We are subject to certain conditions imposed by the HPUC and the FCC on the manner in which we conduct our long distance operations. For example, we are prohibited from joint ownership of local and long-distance telephone transmission or switching facilities. The HPUC is responsible for ensuring that our ILEC does not discriminate against other long distance providers.

Federal Requirements

As an ILEC, we are subject to a number of access and interconnection requirements under federal law. Among other things, an ILEC must negotiate in good faith with other carriers requesting interconnection and access to UNEs and offer its competitors access to UNEs, such as local loops and inter-office transport, at regulated rates. However, we are no longer required to provide our competitors with access to loop or transport UNEs, switching or the combination of UNEs known as the UNE Platform (UNE-P), as certain competitive thresholds have been met in our market. The FCC also has limited our obligation to unbundle fiber facilities to multiple dwelling units, such as apartment buildings, and to homes and offices deployed in fiber-to-the-curb and fiber-to-the-premises arrangements. In addition, federal law regulates competitors' requests to collocate facilities within our central offices and to have access to our subscriber list information in order to produce competing directories, and other matters, including the manner in which we must protect our customers' information. The FCC currently is examining its pricing standard for UNEs and may modify other aspects of its UNE rules as market conditions change.

Interstate and Intrastate Access Charges

The rates that we can charge for interstate access are regulated by the FCC. The FCC has made various reforms to the existing rate structure for access charges, which, combined with the development of competition, have generally caused the aggregate amount of access charges paid by long-distance carriers to decrease over time. For example, the FCC has instituted caps on the per-minute rate we can charge for our switched access services as well as on our monthly subscriber line charges (SLCs). The FCC has adopted rules for special access services that provide for pricing flexibility and ultimately the removal of services from price regulation when prescribed competitive thresholds are met. We currently have pricing flexibility for certain special access services offered throughout our territory. The FCC currently is considering whether to modify the special access pricing rules for price cap carriers like us, including whether the pricing flexibility rules should be modified or eliminated. On May 18, 2008, the FCC granted our request for pricing flexibility for certain special access services offered on the neighbor islands. We also have pricing flexibility for certain special access services offered on Oahu.

Our intrastate access rates are set forth in an interim tariff approved by the HPUC in 1995 and are based on our embedded costs. Although it has been the HPUC's intention to initiate a proceeding to adopt permanent access rates based on a forward-looking cost methodology, the HPUC has not yet initiated a proceeding to do so.

Federal Framework for Intercarrier Compensation

The FCC has an ongoing rulemaking that could fundamentally restructure the regulatory regime for intercarrier compensation. This comprehensive reform proposal seeks, among other things, to unify state and interstate intercarrier charges in certain circumstances, provide a mechanism to replace intercarrier revenues lost through rate unification and resolve a number of outstanding disputes among carriers regarding interconnection and compensation obligations. The FCC has also sought comment on whether access charges should apply to VoIP or other Internet protocol-based service providers. The FCC has not yet announced whether it will take any action with respect to these issues.

The FCC has found that Internet-bound traffic is not subject to reciprocal compensation under Section 251(b)(5) of the Communications Act. Instead, the FCC established a federal rate cap for this traffic, which is and will remain $0.0007 per minute until the FCC decides otherwise.

Federal Regulatory Classification of Broadband and Internet Services

The FCC has been considering whether, and under what circumstances, services that employ Internet protocol are "telecommunications services" subject to regulations that apply to other telecommunications services, but it has not definitively ruled on the issue and instead has made a series of decisions addressing specific services and regulations. For example, some VoIP providers must comply with the federal wiretap law and with FCC requirements to provide enhanced 911 emergency calling capabilities, ensure disability access and provide local number portability. Certain VoIP providers are exempt from state telecommunications market entry regulation. As a result, our VoIP competitors may be less heavily regulated than we are.

In September 2005, the FCC ruled that ILECs like ours may offer dedicated broadband Internet access service as an information service. As a result, we are no longer required to offer the underlying broadband transmission capacity used to provide our HSI service on a tariffed, common carrier basis to competing Internet Service Providers (ISPs). This decision gives us greater flexibility in how we offer and price such transmission capacity. It also puts us on more even footing with our cable competitors in the broadband market since the FCC had previously held that high-speed Internet access service delivered using cable television facilities constitutes an information service not subject to common carrier regulations, a determination that was upheld by the United States Supreme Court.

In March 2006, a request of Verizon that sought forbearance from Title II regulation from certain specified advanced broadband special access services was deemed granted by operation of law. This forbearance grant was applicable to us since Hawaiian Telcom Communications, Inc. was part of Verizon when the original Verizon petition for forbearance was filed. This action permits us to deregulate covered advanced broadband special access services, giving us greater flexibility in our pricing and terms and conditions of offering.

In February 2009, Congress enacted a law that required the FCC to establish a national broadband plan to promote broadband service availability to all Americans. This plan was released by the FCC in March 2010 and contained recommendations on how to promote the provision of broadband in unserved and underserved areas of the country, including an increase in the speed at which current customers can obtain broadband services. It also addressed how to increase the adoption of broadband services by those consumers who currently do not have access to those services. The FCC announced that there will be additional rulemakings to implement the recommendations of the plan. It is not known how this plan will impact our business operations given that the rules have not yet been adopted.

In October 2009, the FCC adopted a Notice of Proposed Rulemaking seeking whether to establish "net neutrality" rules for Internet service providers and others. The proposal was to adopt existing guidelines applicable to Internet service providers, but also to add two additional principles, non-discrimination and transparency. The non-discrimination proposal would obligate Internet service providers not to discriminate among lawful content, applications or services accessed by their subscribers, including pricing and network management practices. The transparency proposal would require Internet service providers to disclose their network management policies to consumers by publishing them online. The FCC currently is seeking comments on these proposals. It is not known how such regulations may impact our business since the rules have not yet been adopted.

Other Federal and State Regulatory Proceedings

Currently pending before the HPUC is a proceeding, filed 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 we 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, tw telecom of hawaii l.p. (fka 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. All formal filings provided for in the schedule established by the HPUC, as well as a hearing, have been completed. We continue to file periodic service quality reports as required by the HPUC. We cannot predict the outcome of this or other proceedings before the FCC, the HPUC or the courts.

Environmental, Health and Safety Regulations

We are subject to various environmental, health and safety laws and regulations that govern our operations and may adversely affect our costs. Some of our properties use, or may have used in the past, on-site facilities or underground storage tanks for the storage of hazardous materials that could create the potential for the release of hazardous substances or contamination of the environment. We cannot predict with any certainty our future capital expenditure requirements for environmental regulatory compliance, although we have not currently identified any of our facilities as requiring major expenditures for environmental remediation or to achieve compliance with environmental regulations.

L. Business Transactions

Transition to Becoming a Stand-alone Provider

Verizon and its affiliates historically provided our predecessor with services that were critical to the operation of our businesses. Our transition from Verizon to being a stand-alone provider of telecommunications services began on May 2, 2005 and ended April 1, 2006 (the "Transition Period"). Upon the expiration of the Transition Period on April 1, 2006, we completed our transition from Verizon, which involved (a) terminating the services from Verizon and transitioning those services to us and (b) migrating the data used in Verizon's Hawaii Business from Verizon's systems to our systems. As a result, the services previously provided to us by Verizon and its affiliates are now being provided by our internal operations or third-party service providers.

We engaged BearingPoint in 2004 to build a back-office and IT infrastructure to allow us to migrate off software systems that we used prior to the 2005 Acquisition and during the Transition

Period, thereby enabling us to operate as a stand-alone provider of telecommunication services. These "build services" generally consisted of integration and installation of software, databases, hardware, operating systems and internal network systems; providing the services of the primary and back-up data centers; providing certain training; and business process definition. The new back-office and IT infrastructure was integrated with certain core operations support systems purchased from Verizon as part of the 2005 Acquisition and provides network operations support functions and operates our billing systems, customer relationship management systems, corporate finance systems, human resource and payroll systems.

BearingPoint had committed to complete the "build services" by the end of the Transition Period expiring April 1, 2006. On the April 1, 2006 cutover date, while the major network operational systems were built and 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 billings and collections, revenue assurance and order entry flow-through. Despite BearingPoint's efforts to improve the functionality of the related systems, we continued to experience many of these same issues, requiring us to incur significant incremental expenses in 2006 to retain third-party service providers to provide call center and manual processing services in order to operate our business. To help remediate deficiencies, we also engaged the services of Accenture, which has expertise in telecommunications back-office software systems and processes. In addition to the third-party costs, we incurred additional internal labor costs in the form of overtime pay. As a result, we engaged in discussions with BearingPoint seeking reimbursement of the aforementioned costs and compensation for damages arising from failures to deliver promised services in a timely manner.

In February 2007, we reached a mutual agreement with BearingPoint that was memorialized in a Settlement Agreement and a Transition Agreement. Under the Settlement Agreement, BearingPoint paid to us $52.0 million and agreed to discharge previously-submitted invoices of approximately $29.6 million as well as other amounts otherwise payable to BearingPoint. The Transition Agreement provided for, among other things, the transition of certain of the remaining "build services" and application management and support services to a successor provider and contemplated a transition period that ended in May 2007, during which BearingPoint provided transition services at no cost to us.

Contemporaneously with the Settlement Agreement and the Transition Agreement, we entered into an Application Services Agreement with Accenture, effective as of February 2007, pursuant to which Accenture agreed to perform certain of the application development and management services previously provided by BearingPoint and assumed responsibility for the completion and ongoing development of applications from BearingPoint. The transition from BearingPoint to Accenture was accomplished without any material issues. We subsequently executed an Amended and Restated Master Application Services Agreement with Accenture effective as of March 2009 to provide long-term information technology support services.

Through the maintenance and remediation efforts beginning in 2006 and continuing into 2010, we have seen continued improvements in system stability and a reduction in system defect rates. Implementation of order-to-cash flow through upgrades continues to improve overall performance and accuracy of orders and bills and reduce third-party support costs. These improvements in stability and accuracy have allowed the implementation and support of new products and services to our customers, such as new product bundles and HSI products, and provided us with improved capability to offer targeted and timed promotions.

Intellectual Property Agreements

Although the merger agreement for the 2005 Acquisition contains several provisions relating to the disposition of intellectual property assets related to our business, such as an obligation of GTE to use commercially reasonable efforts from signing of the merger agreement through May 2, 2006 to obtain for us the right to use all third-party network element software that is installed on our network elements in Hawaii, our ownership, rights and licenses of intellectual property are generally established under an Intellectual Property Agreement and Verizon Proprietary Software License Agreement entered into with GTE on May 2, 2005.

Pursuant to the Intellectual Property Agreement, we acquired certain trademarks and trade names that relate to our business, although the majority of the marks and names that were used in the business before the 2005 Acquisition were retained by Verizon and GTE, which required us to undertake a re-branding process. We also acquired (a) the copyrights to 41 specified phone books and compilation copyrights to all of the white page, yellow page and other telephone print directory products published by Verizon's Hawaii Business for use by its customers (subject to a license back to GTE in such copyrights), (b) all customer proprietary network information (other than subscriber list information) that relates solely to customers of Verizon's Hawaii Business and (c) a joint ownership interest (with GTE) in the other non-technical proprietary business information relating to Verizon's Hawaii Business. In addition, under the Intellectual Property Agreement we are licensing from GTE all other intellectual property used in the business (other than trademarks, third-party intellectual property and Verizon proprietary software).

Pursuant to the Verizon Proprietary Software License Agreement with GTE, we have nonexclusive, perpetual, internal-use only licenses to use certain Verizon proprietary software (including object and source code) that was used by Verizon in connection with Verizon's Hawaii Business. The software licensed to us consists of numerous back-office systems that were used in various operations of Verizon's Hawaii Business. The software includes, among other things, the assignment, activation and inventory system (AAIS); an automated workforce administration system (AWAS); an FTTP and HSI loop qualification system (LQP); and data exchange utility and connection engine systems (DEU/DEUCE). In addition, Verizon's AIN Service Logic programs are licensed to us perpetually pursuant to the Verizon Proprietary AIN Software License Agreement, entered into in May 2005.

Agreements Relating to Directories Publishing

In November 2007, we completed the sale of our directories publishing business to HYP Media Holdings LLC ("HYP Holdings"), a wholly-owned subsidiary of CBD Investor, Inc. ("CBD"). The sale was made pursuant to the Purchase Agreement dated as of April 29, 2007 among Hawaiian Telcom Communications, Inc., Hawaiian Telcom Services Company, Inc. and HYP Holdings as assignee of CBD, for a cash purchase price of $435.0 million plus certain adjustments related to working capital. In connection with the sale, we transferred the copyrights to our phone books (including those acquired from GTE) to HYP Media LLC, a wholly-owned subsidiary of HYP Holdings, and licensed to HYP Media LLC the right to use several of our trademarks in connection with certain of its directory products. We also entered into continuing commercial arrangements with HYP Media LLC relating to the directory publishing business, including but not limited to a 50-year publishing agreement pursuant to which HYP Media LLC will serve as the exclusive official publisher of telephone directories on behalf of Hawaiian Telcom, Inc. Under this agreement, HYP Media LLC will publish both white and yellow pages print directories under the *Hawaiian Telcom®* brand. Also as part of this transaction, HYP Media LLC assumed our rights and obligations under our directory services agreement with L.M. Berry and Company, a subsidiary of AT&T. In April 2008, The Berry Company LLC, an affiliate of HYP Media LLC, acquired substantially all the assets of L.M. Berry and Company's Independent Line of Business, including the directory services agreement. In July 2008, HYP Media LLC assigned all its rights under the directory services agreement to HYP Media Finance LLC, an indirect, wholly owned subsidiary of HYP Media LLC. Under the directory services agreement, The Berry Company LLC (as assignee of L.M. Berry and Company), on behalf of HYP Media Finance LLC, is responsible for selling advertising in the Hawaiian Telcom, Inc. print directories as well as for the publication, printing and distribution of the print directories.

Agreement Relating to Procurement and Logistics

We entered into a Supply Chain Services Agreement with KGP Logistics, Inc. ("KGP") dated December 7, 2009, pursuant to which KGP provides us with a variety of telecommunications products and handles the logistics with respect to such products, including procurement, shipping, warranty returns and related services such as testing.

We have the ability to purchase a significant portion of our telecommunications equipment from KGP under the agreement. The agreement is non-exclusive and has no minimum purchase requirements. The agreement also contains benchmarking and most-favored-customer provisions that enable us to receive pricing that is roughly equivalent to prices generally available to similarly situated customers in the telecommunications industry. The term of the agreement is two years from December 7, 2009 with the option to extend the agreement for up to three renewal terms of one year each. We may terminate the agreement for convenience at any time upon 180 days notice to KGP.

Agreements Relating to our Wireless Business

Sprint Wireless Agreement

We entered into a Private Label PCS Services Agreement with Sprint, dated as of May 8, 2009, by which we purchase wireless telephone and data services from Sprint and resell those services to our own end users under the *Hawaiian Telcom®* brand name. This agreement allows us to buy airtime from Sprint at wholesale rates that decline with volume. The agreement has a term of three years and is renewable for up to three additional one-year terms after the initial period.

Other Agreements

We have contracts with other parties that provide the equipment and other services that are necessary to our wireless business. In August 2007, we entered into a Non-Exclusive License and Servicing Agreement with Qualution Systems Inc. to utilize its Catalyst customer relations management software application suite, for which we pay a flat monthly fee. The agreement, which has a term of two years and is renewable for additional one-year terms, replaced our mobile virtual network enabler agreement with Mobile Technology Services, pursuant to which we previously obtained various back-office services for our wireless business. We purchase our wireless handsets and related equipment through an agreement with Brightpoint, Inc. and Aerovoice that has no specific term or minimum purchase requirement.

Item 1A. Risk Factors

You should carefully consider the risks described below as well as the other information contained in this Registration Statement. The risks described below are not the only risks facing us. Any of the following risks could materially adversely affect our business, financial condition or results of operations.

Risks Related To Our Emergence From Bankruptcy

We may experience difficulties emerging from chapter 11.

We cannot emerge from bankruptcy until the conditions to the effectiveness of our Plan of Reorganization are satisfied. Our bankruptcy situation has had an adverse impact on our ability to attract and retain customers, so any delay in emergence will prolong this adverse competitive situation.

In addition, future debt market conditions and other factors may affect our ability to obtain the financing contemplated by the Plan of Reorganization.

Our actual financial results may vary significantly from the projections filed with the Bankruptcy Court.

In connection with the chapter 11 reorganization, the Debtors were required to prepare projected financial information to demonstrate to the Bankruptcy Court the feasibility of the Plan of Reorganization and the ability of the Debtors to continue operations upon emergence from bankruptcy. The projections reflected numerous assumptions concerning anticipated future performance and prevailing and anticipated market and economic conditions that were and continue to be beyond our and the other Debtors' control and that may not materialize. Projections are inherently subject to uncertainties and to a wide variety of significant business, economic and competitive risks. Our actual results may vary from those contemplated by the projections and the variations may be material. Neither these projections nor any form of the disclosure statement should be considered or relied upon in connection with the purchase of our securities.

Because our consolidated financial statements are required to reflect fresh-start reporting adjustments to be made upon emergence from bankruptcy, the financial information in our financial statements prepared after the fresh-start date will not be comparable to our financial information from prior periods.

We expect all conditions required for the adoption of fresh-start reporting will be met upon emergence from chapter 11 on the Effective Date. Fresh-start reporting requires that the reorganization or enterprise value, which is intended to reflect the fair value of the entity and approximates the amount a willing buyer would pay for the assets of the entity immediately after the Reorganization, be allocated in conformity using the purchase method of accounting for business combinations. As required by purchase accounting, our assets and liabilities will be adjusted to fair value. In addition, under fresh-start reporting the accumulated deficit will be eliminated. Thus, our future consolidated balance sheets and consolidated statement of operations will not be comparable in many respects to these statements for periods prior to the adoption of fresh-start reporting. The lack of comparable historical information may discourage investors from purchasing our securities. Additionally, the financial information included in this Registration Statement may not be indicative of future financial information.

There is uncertainty regarding our ability to continue as a going concern.

We have incurred significant losses from continuing operations for each fiscal year since inception. In addition, as of June 30, 2010, we had a deficit in equity of $225.6 million. Our ability, both during and after the chapter 11 cases, to continue as a going concern is dependent upon, among other things: (i) the consummation of a plan of reorganization under the Bankruptcy Code; (ii) our ability to successfully achieve improved operating performance; (iii) our ability to maintain adequate cash on hand; (iv) our ability to generate cash from operations; and (v) our ability to establish and maintain profitability. These factors raise substantial doubt about our ability to continue as a going concern, and there can be no assurance that we will be able to successfully achieve these objectives in order to continue as a going concern.

As discussed under "Operational Matters," we are in the process of implementing our revised strategic plan. The strategic plan served as a basis for our Plan of Reorganization. It is possible that the actual outcome of one or more of management's plans could be materially different or that one or more of management's significant judgments or estimates about the potential effects of the risks and uncertainties could prove to be materially incorrect. If one or more of these possible outcomes is realized, we may not be able to continue as a going concern and you could lose some or all of your investment.

If we experience an ownership change, it could have adverse tax consequences.

The Plan of Reorganization contemplates that the certificate of incorporation of Hawaiian Telcom Holdco, Inc. will be amended to add certain restrictions on the acquisition of its stock to reduce the likelihood of an "ownership change" that could have adverse U.S. federal income tax consequences. Despite these restrictions, an ownership change with adverse tax consequences is still possible. Although we will monitor transfers of our stock in order to take additional action, if feasible, to avoid an ownership change, there can be no assurance that we will not suffer an ownership change with substantial adverse tax consequences.

Risks Relating to our Business

Our business faces a variety of financial, operating and market risks, including the following:

Deficiencies in our critical back-office systems and IT infrastructure have negatively impacted our ability to operate as a stand-alone provider of telecommunication services, which has had an adverse effect on our business and results of operations.

To facilitate our transition to a stand-alone telecommunications provider following the 2005 Acquisition, we engaged BearingPoint to build and operate a back-office and IT infrastructure, including critical business processes, software applications (such as billing systems, corporate finance systems, human resources and payroll systems and customer relationship management systems), and hardware. This back-office and IT infrastructure was necessary to enable us to migrate off software systems provided by Verizon. On April 1, 2006, we ceased receiving services from Verizon. While the major network operational systems were built and functioned without significant problems at and after the April 1, 2006 cutover date, critical systems related to back-office functions such as customer care, order management, billing and financial reporting systems lacked significant functionality. In particular, lack of systems functionality led to customer care, order management and billing systems issues, which substantially impacted both customer satisfaction and collection efforts. In 2007, we entered into an Application Services Agreement with Accenture pursuant to which Accenture agreed to perform certain of the application development and management services previously performed by BearingPoint. We subsequently entered into an Amended and Restated Master Application Services Agreement with Accenture executed effective as of March 13, 2009 to provide long-term information technology support services.

It also has been necessary for us to incur significant incremental expenses to retain third-party service providers to provide manual processing services in order to operate our business. In addition to the costs of third-party service providers, we also incurred additional internal labor costs, in the form of diversion from other efforts. We expect to continue to incur incremental costs in the future, although the amounts of such costs should decline over time as our systems functionality improves.

In addition to the significant expenses we have incurred, our lack of fully functional back-office and IT systems has adversely impacted our ability to fully implement our business strategy and effectively compete in the marketplace, which has had a negative effect on our business and results of operations. While we are continuing to work to improve the functionality of our systems and we have achieved significant improvement, there is no certainty that these activities will be entirely successful or when we will achieve the desired level of functionality. Until we are able to achieve this level of functionality, the deficiencies in our back-office and IT infrastructure may continue to negatively impact our ability to effectively compete in the marketplace and may continue to have an adverse effect on our business and operations.

We have limited experience operating as a stand-alone provider of telecommunications services.

We have limited experience operating as a stand-alone provider of telecommunications services. The increased costs and lack of flexibility associated with operating as a stand-alone provider of telecommunication services could negatively impact our financial results and ability to maintain compliance with the covenant requirements of the financing contemplated by our Plan of Reorganization.

We have made and expect to continue to make a significant amount of capital expenditures and to incur significant transition related expenses in connection with our transition to a fully functional stand-alone provider of telecommunications services.

In connection with our transition to a stand-alone telecommunications provider, we have made and expect to continue to make a significant amount of capital expenditures to, among other things, enhance the capabilities of our network and build new IT systems to enhance the functionality of our existing systems and support the deployment of new products and services. We intend to fund these capital expenditures and expenses with operating cash flows and funds available to us under the financing contemplated by our Plan of Reorganization. Future debt market conditions and other factors may affect our ability to obtain this financing. If the amount of capital expenditures and expenses required to be a fully functional stand-alone provider of telecommunications services exceeds those that are contemplated by our current business plan, our cash flows and available financing may be insufficient to fund such capital expenditures and expenses and to provide us with the liquidity that we otherwise would require.

We rely on several material agreements to operate our business. The loss of certain of these agreements, or the failure of any third party to perform under certain of these agreements, could have a material adverse effect on our business.

Since May 2005, several critical services historically provided by Verizon and its affiliates are provided by third-party service providers. For example, we have entered into agreements with Accenture and other third parties for the provision of, among other things, critical printing, billing, and IT services.

The expiration or termination of certain of our material agreements by third-party service providers could have a material adverse effect on our business. Upon expiration or termination of these agreements, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, favorable to us. The failure of these third-party service providers to satisfy their obligations under their agreements with us could have a material adverse effect on our business. Additionally, if these third-party service providers were to seek U.S. bankruptcy law protection, our agreements with such service providers, and such service providers' ability to provide the services under those agreements, could be adversely impacted, and although we may have a claim for damages against the bankruptcy estate, the claim may or may not be paid in the bankruptcy proceeding.

Our business is subject to extensive governmental regulation. Applicable legislation and regulations and changes to them could adversely affect our business.

We operate in a heavily regulated industry, and most of our revenues come from the provision of services regulated by the FCC and the HPUC. Laws and regulations applicable to us and our competitors may be, and have been, challenged in the courts and could be changed by federal or state legislative initiative, judicial review or regulatory agencies at any time. We cannot predict the impact of future developments or changes to the regulatory environment or the impact such developments or changes would have on us.

There are a number of FCC policies under review that could have a significant impact on us. Changes to inter-carrier compensation that could impact our access revenues are possible. Changes to the universal service contribution methodology also have been proposed. Changes in FCC policies may increase our obligations and/or reduce our revenue. Further, the FCC's decisions are subject to judicial review. The uncertainty created by these pending FCC proceedings and related litigation make it difficult to predict their impact on us.

In addition, state government regulation also is a source of business uncertainty. The outcome of the service quality proceeding, a requirement from the 2005 Acquisition, is not certain. In response to competitors' requests, the HPUC may initiate a proceeding to re-evaluate performance measures and to evaluate whether performance incentives applicable to our provision of services to competitors should be adopted. The HPUC also has deferred several matters from earlier telecommunications proceedings, which could be initiated in the future. We cannot predict whether state proceedings will be initiated or the possible outcome of such proceedings at this time.

A reduction by the HPUC or the FCC of the rates we charge our customers would reduce our revenues and could reduce our earnings.

The rates we charge our local telephone customers are based, in part, on a rate-of-return authorized by the HPUC on capital invested in our network. These authorized rates, as well as allowable investment and expenses, are subject to review and change by the HPUC at any time. If the HPUC orders us to reduce our rates, our revenues would be reduced and our earnings also could be reduced absent corresponding reductions in costs or growth in services.

We cannot assure you that our rates will remain at their current levels. In connection with the HPUC proceeding involving the 2005 Acquisition, we agreed with the Division of Consumer Advocacy that we would not initiate a rate case with a test year earlier than 2009, unless the HPUC found a compelling financial need to justify an earlier filing. If we seek a rate case with a test year earlier than 2009, we would be subject to certain additional conditions including an obligation to make an additional capital investment in Hawaiian Telcom Communications, Inc. In addition, the HPUC order received in connection with the 2007 sale of our directories publishing business imposed a condition requiring the imputation of revenues. Specifically, a directory publishing revenue credit in the annual amount of $42.6 million per year must be added as regulated revenues into the calculation of Hawaiian Telcom, Inc.'s earnings from 2008 to 2022 in all future rate cases, alternative form of regulation proceedings, or other proceedings before the HPUC investigating Hawaiian Telcom, Inc.'s earnings or financial performance. Such conditions may adversely affect our ability to obtain rate increases in the future.

Also, our local exchange service competitors may gain a competitive advantage based on rules which favor competitors. For example, competitors have the ability to resell our services at rates set by the HPUC and are not subject to the level of regulatory scrutiny generally faced by us. Additionally, as a result of the state regulators permitting our competitors to intervene in rate-setting proceedings, there is a potential that such competitors could obtain business sensitive information about us during such proceedings.

The FCC approves tariffs for interstate access and subscriber line charges, both of which are components of our network access revenue. The FCC currently is considering whether to restrain special access pricing by carriers like us subject to price caps on interstate rates. The FCC also is considering proposals to reduce switched interstate access charges for carriers like us and may require us to recover the foregone revenue from our end users. If the FCC lowers interstate switched or special access charges, we may be required to recover more revenue through subscriber line charges or forego this revenue altogether. This could reduce our revenue or impair our competitive position.

The telecommunications industry is increasingly competitive, and we may have difficulty competing effectively.

All sectors of the telecommunications industry are competitive. Competition in the markets in which we operate could:

- reduce our customer base;
- require us to lower rates and other prices in order to compete; or
- require us to increase marketing expenditures and the use of discounting and promotional campaigns.

Any of these factors could adversely affect our business.

Wireline Services. As the ILEC, we face competition from resellers, local providers who lease UNEs from us and, to a lesser degree, from facilities-based providers of local telephone services.

We have historically faced access line losses as a result of competition and substitution of traditional wireline services with wireless services. Access line losses have been faced by the industry as a whole, and we cannot assure you that access line losses will not continue in the future. In particular, the increasing penetration of high-speed internet and VoIP could lead to further primary and second access line losses.

Interconnection duties are governed, in part, by telecommunications rules and regulations related to the UNEs that must be provided. These rules and regulations remain subject to ongoing modifications. Our business is subject to extensive governmental regulation, and applicable legislation and regulations and changes to them could adversely affect our business. However, we received some regulatory relief in 2009 when the Hawaii State Legislature passed Act 180, which classified retail local exchange intrastate services as fully competitive. While HPUC approval and cost support filings are no longer required to establish or modify rates or to bundle service offerings, HPUC approval is required to raise the rate that existed for the retail service in the tariff at the time of implementation of Act 180. In addition, while cellular wireless services have historically complemented traditional local exchange and long distance services, existing and emerging wireless and IP technologies are increasingly competitive with local exchange and, particularly, long distance services in some or all of our service areas.

Internet Services. We expect that the Internet access services business will continue to be highly competitive due to the absence of significant barriers to entry. We currently compete with a number of established online services companies, inter-exchange carriers and cable companies. Competition is particularly intense for broadband services.

Advanced Communication and Network Services. The advanced communication and network services business is highly competitive. Many non-traditional players have emerged in the business communications market, attracted by the absence of significant barriers to entry. Many of these non-traditional players are capable of focusing on highly specialized areas of the market.

Next Generation Television Service. The market for video services in Hawaii is dominated by Oceanic. On the island of Oahu, in particular, 94% of households on Oahu already are customers of Oceanic's cable service. Through Hawaiian Telcom Services Company, Inc., we filed an application for a video franchise for the island of Oahu with the State of Hawaii Department of Commerce and Consumer Affairs (DCCA). There is no assurance the DCCA will grant the franchise, or that the franchise will be granted on a timely basis or on terms that are not unfavorable. Any such franchise may impose fees, burdens and conditions that do not take into account Oceanic's dominant position and consequently impose a relatively greater regulatory and financial burden on us or otherwise make it not feasible for us to compete with Oceanic or place us at a competitive disadvantage.

Wireless Services. We provide wireless telecommunications services by use of a MVNO model in which we resell another carrier's facilities-based wireless services under the *Hawaiian Telcom®* brand name. The market in Hawaii for wireless telecommunications services is subject to intense competition. In addition, our wireless business may be less profitable than the wireless businesses of other telecommunications companies due to our use of a MVNO model.

If we do not adapt to technological changes in the telecommunications industry, we could lose customers or market share.

The telecommunications industry is subject to rapid and significant changes in technology, frequent new service introductions and evolving industry standards. We cannot predict the effect of these changes on our competitive position, profitability or industry. Technological developments may reduce the competitiveness of our network and require unbudgeted upgrades or the procurement of additional products that could be expensive and time consuming to implement. In addition, new products and services arising out of technological developments may reduce the attractiveness of our services. If we fail to adapt successfully to technological changes or fail to obtain access to important new technologies, we could lose customers and be limited in our ability to attract new customers and sell new services to our existing customers. An element of our business strategy is to deliver enhanced and ancillary services to customers. The successful delivery of new services is uncertain and dependent on many factors, and we may not generate anticipated revenues from such services.

The successful operation and growth of our businesses are dependent on economic conditions in Hawaii.

Substantially all of our customers and operations are located in Hawaii. Because of our geographical position, the successful operation and growth of our businesses is dependent on economic conditions in Hawaii. The Hawaii economy, in turn, is dependent upon many factors, including:

- the level of government and military spending;
- the development of the local financial services industry;
- the strength of the Hawaii tourism industry;
- the continued growth in services industries; and
- the absence of hurricanes or other natural disasters and terrorism incidents.

The customer base for telecommunications services in Hawaii is small and geographically concentrated. The population of Hawaii is approximately 1.29 million, approximately 70% of whom live on the island of Oahu. Any adverse development affecting Oahu, or Hawaii generally, could substantially impact our ability to do business there.

Labor shortages or increased labor costs in Hawaii could have a material adverse effect on our operations. We cannot assure you that we will be able to continue to hire and retain a sufficient labor force of qualified persons. Our business could suffer if we are unsuccessful in negotiating a new collective bargaining agreement. As of June 30, 2010, 58% of our workforce was represented by IBEW Local 1357. Our current collective bargaining agreement will expire on September 12, 2011. Although we believe that our relations with our employees are good, we cannot assure you that future collective bargaining agreement negotiations will not result in significant increases in the cost of labor, or that a breakdown in such negotiations or relations will not result in the disruption of our operations.

We depend on key members of our executive management team.

Our future success as a stand-alone telecommunications provider is highly dependent upon members of our executive management team. Although certain of these members are subject to employment agreements and participate in the various incentive plans, such employment agreements may be terminated and the loss of the services of any such individuals or other key personnel could have a material adverse effect upon our future success as a stand-alone telecommunications provider. We do not maintain any "key person" insurance on any of our personnel. In 2008, we hired a new senior management team, including hiring Eric K. Yeaman as President and Chief Executive Officer, in an effort to explore strategic opportunities and improve operating results. Under the terms of the Plan of Reorganization, the employment agreements with the members of the senior management team will be assumed upon emergence from chapter 11. Our future success will be dependent in part upon the abilities of the new senior management team to leverage their extensive management and operating experience to improve our financial performance and business operations.

Our indebtedness could adversely affect our financial condition.

When we emerge from chapter 11, we will still have a significant amount of indebtedness in relation to our equity. Under the Plan of Reorganization, on the later of the Effective Date under the Plan and the date on which distributions are made pursuant to the Plan, our obligations under our senior credit facilities and the indentures governing our notes will be cancelled, and the Debtors will enter into the New Term Loan in the amount of $300 million with a first priority lien on all assets of the Debtors.

Even with the reduction in debt, the debt service requirements of our indebtedness could:

- make it more difficult for us to satisfy the service requirements of our other obligations, including pension funding obligations, investments required to maintain and upgrade our network and service fleet, investments required to introduce and deploy new products and services, as well as the operating costs of our businesses;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a large portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- make it difficult to secure credit terms with our vendors;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

In addition, the terms of the New Term Loan may contain financial and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts.

The New Term Loan will have a maturity date in 2015. We generally do not expect to generate the necessary cash flow to repay the facility in its entirety by the maturity date and is dependent upon the ability to refinance the credit facility at reasonable terms. The ability to refinance the indebtedness at reasonable terms before the maturity date cannot be assured.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our proposed new indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Restrictive covenants in the agreements governing the new indebtedness contemplated under the Plan of Reorganization may restrict our ability to pursue our business strategies, and a breach of such covenants may result in the acceleration of our long-term debt maturities.

The restrictive covenants in the New Term Loan and revolving credit agreement contemplated in the Plan of Reorganization may limit our ability, among other things, to:

- incur additional indebtedness;
- pay dividends or make distributions in respect of our capital stock or to make certain other restricted payments or investments;
- sell assets, including capital stock of restricted subsidiaries;
- agree to payment restrictions affecting our restricted subsidiaries;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with our affiliates;
- invest in new products and services;
- incur liens; and
- designate any of our subsidiaries as unrestricted subsidiaries.

In addition, the restrictive covenants may prohibit us from prepaying our other indebtedness and require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control.

Item 2. Financial Information

The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto included elsewhere in this registration statement.

Selected Financial Data (dollars in thousands)

	Predecessor(1)	Company(1)						
	Period from January 1 to May 1, 2005	Year Ended December 31,					Six Months Ended June 30,	
		2005	2006	2007(7)	2008(7)	2009(7)	2009	2010
Statement of operations data:								
Operating revenues	$ 178,700	$ 326,311	$ 503,135	$ 483,676	$ 447,755	$ 408,595	$ 208,588	$ 199,874
Depreciation and amortization	39,500	101,402	163,967	159,872	160,278	164,376	81,317	84,671
Operating income (loss)	21,900	(90,352)	(55,047)	(85,719)	(51,422)	(56,794)	(21,483)	(27,922)
Interest expense	11,700	55,611	80,256	85,945	89,467	30,089	15,028	13,905
Provision (benefit) for income tax	3,100	1,700	2,482	(73,600)	(956)	(2,985)	190	—
Income (loss) from continuing operations	7,700	(146,788)	(137,358)	(105,605)	(158,647)	(130,734)	(53,513)	(45,624)
Income (loss) from discontinued operations(2)	8,400	(28,917)	(7,279)	156,631	—	—	—	—
Net income (loss)(3)	16,100	(175,705)	(144,637)	51,026	(158,647)	(130,734)	(53,513)	(45,624)
Earnings (loss) per common share—basic and fully diluted:								
Continuing operations	NA	$ (410.53)	$ (337.94)	$ (246.74)	$ (370.67)	$ (305.45)	$ (125.03)	$ (106.60)
Discontinued operations	NA	—	—	365.96	—	—	—	—
Net income (loss)	NA	$ (410.53)	$ (337.94)	$ 119.22	$ (370.67)	$ (305.45)	$ (125.03)	$ (106.60)
Statement of cash flow data—net cash provided by (used in):								
Operating activities	$ 36,200	$ (5,381)	$ 38,299	$ 101,508	$ 61,664	$ 95,112	$ 47,985	$ 42,604
Investing activities(4)	(11,700)	(1,421,035)	(104,368)	63,160	199,414	(87,537)	(34,107)	(28,950)
Financing activities(4)	(24,000)	1,436,737	60,500	(160,648)	(180,875)	—	—	—
Balance Sheet data (as of end of period):								
Cash and cash equivalents(5)	$ 1,700	$ 10,321	$ 4,752	$ 8,772	$ 88,975	$ 96,550	$ 102,853	$ 110,204
Property, plant and equipment, net	717,800	817,333	818,172	794,051	744,277	711,265	717,647	678,760
Total assets	1,459,800	1,756,554	1,712,164	1,571,540	1,273,078	1,183,677	1,237,500	1,145,760
Long-term debt(6)	151,300	1,343,500	1,380,500	989,700	1,074,500	1,085,797	1,078,929	1,092,702
Stockholders' equity (deficiency) and parent funding	685,800	246,197	102,039	135,180	(72,516)	(180,264)	(121,352)	(225,582)

(1) The consolidated financial information for the Company includes the results of Verizon's Hawaii Business from the May 2, 2005 acquisition date. Predecessor information is for Verizon's Hawaii Business which was acquired on May 2, 2005.

(2) In 2007, the Company sold its directories publishing segment to an unrelated entity which resulted in a gain on sale of $231.8 million.

(3) The net loss for the years ended December 31, 2008 and 2009 and six months ended June 30, 2009 and 2010 includes charges for reorganization items amounting to $7.9 million, $43.0 million, $12.9 million and $3.8 million, respectively. Net income for the year ended December 31, 2007 includes a $42.2 million gain on settlement of a legal dispute.

(4) The Company's investing and financing activities during the year ended December 31, 2005 include the acquisition of Verizon's Hawaii Business, and during the year ended December 31, 2007 include the sale of the directories publishing segment.

(5) Cash and cash equivalents at December 31, 2007 excludes segregated cash of $271.5 million in a short-term Treasury money market account. Proceeds from the sale of the directories publishing segment had been temporarily invested in this account.

(6) Long-term debt includes debt classified as liabilities subject to compromise.

(7) Includes the effects of the restatement discussed in Item 15, Note 23—Restatement, to the consolidated financial statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion reflects the effects of the restatement discussed in Item 15, Note 23—Restatement, to the consolidated financial statements.

Background

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

We have provided a discussion and analysis of a comparison of the Company's results for the years ended December 31, 2009, 2008 and 2007, and for the six months ended June 30, 2010 and 2009. The statements in the discussion and analysis regarding industry outlook, our expectations regarding the future performance of our business and the other non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Item 1A, "Risk Factors." Our actual results may differ materially from those contained in any forward-looking statements. You should read the following discussion together with "Selected Financial Data" and our audited financial statements and related notes thereto included elsewhere in this report.

Chapter 11 Reorganization

On December 1, 2008, we and certain of our subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. For further information regarding these petitions, see Note 2 to the consolidated financial statements.

Under Chapter 11, we are continuing to operate our business without interruption as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, applicable court orders, as well as other applicable laws and regulations. In general, debtors-in-possession are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

Ability to Continue as a Going Concern

We have incurred losses from continuing operations for each fiscal year since inception. In addition, as of June 30, 2010, we had a deficit in equity. Our ability, both during and after the Chapter 11 proceeding, to continue as a going concern is dependent upon, among other things: (i) the consummation of a plan of reorganization under the Bankruptcy Code; (ii) our ability to successfully achieve improved operating performance; (iii) our ability to maintain adequate cash on hand; (iv) our ability to generate cash from operations; and (v) our ability to maintain profitability. These factors raise substantial doubt about our ability to continue as a going concern and there can be no assurance that we will be able to successfully achieve these objectives in order to continue as a going concern.

In 2009, we developed a revised strategic plan in an effort to respond to the financial and operational matters which created the uncertainty regarding our ability to continue as a going concern. From an operational perspective, the Company is now focused on the introduction of new products, growing our broadband market share, improving the overall experience of our customers, strengthening our brand and image, improving our productivity and transforming our network to enable next-generation technologies to be deployed to consumers and businesses in Hawaii. Our financial restructuring efforts are an attempt to improve our long-term financial position.

It is possible that the actual outcome of one or more of management's plans could be materially different or that one or more of management's significant judgments or estimates about the potential effects of the risks and uncertainties of such plans could prove to be materially incorrect. If one or more of these possible outcomes is realized, we may not be able to continue as a going concern.

Operational Matters

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, billing and collections, revenue assurance and overall customer service. We responded by undertaking substantial efforts to address the deficiencies and succeeded in achieving significant improvements since 2006 in the functionality of the related systems. Among other things, we reduced our service order backlog by 84% from 2008, reduced critical application defects (systems interruptions that impact our ability to manage service to our customers) by 83% from the fourth quarter of 2007 to the second quarter of 2010, and reduced the billing fallout rate from approximately 18% in 2007 to 3% as of September 2010.

Although our systems are now more stable and more reliable, we continue to experience certain systems functionality issues which continue to adversely affect our overall customer experience and require us to continue to incur incremental expenses to retain third-party service providers to provide call center and manual processing services. As a result, we continue to focus on improvement of our IT systems and automation of business processes. This includes investment in our systems to provide for automation of new products and services as well as additional automation for existing products and services. These improvements are expected to reduce manual efforts and improve automated flow-through, resulting in more accurate provisioning and billing of services to our customers.

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. We believe this was necessary to offset the reducing demand for certain legacy products and to effectively match product offerings in an increasingly competitive marketplace.

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 respond 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.

We are in the process of implementing our revised strategic plan which focuses on the introduction of new products, growing our broadband market share, simplifying our existing product offerings, improving our customer service experience, transforming our network to enable next-generation technologies, improving processes and systems and rebuilding the brand and image of the Company. In order to execute our plan we intend to initiate a variety of programs across our 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 and debt reduction options in our revised strategic plan to improve cash flow and liquidity.

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. Our chief operating decision maker is our Chief Executive Officer.

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, other telecommunication services and sales, and wireless services.

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 (data line) 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 managed services, inside wire maintenance, and installation and maintenance of customer premise equipment. We are also incurring certain costs related to the development of a video services offering.

Other

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

Health Care Legislation

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Act of 2010 (the "Acts") became law. Based on our preliminary review, the Acts do not create any substantial, immediate costs for us. Because we do not receive retiree drug subsidies under Medicare Part D, the elimination of the tax deduction related to the Medicare Part D subsidy in the Patient Protection and Affordable Care Act will not impact our consolidated financial statements. We are continuing to evaluate the impact, if any, of the Acts on our financial position and results of operations. Given the scope and complexity of the legislation and the fact that extensive implementing regulations remain to be finalized, it is difficult to predict future impacts of this legislation.

Results of Operations for the Six Months Ended June 30, 2010 and 2009

We reported a net loss of $45.6 million and $53.5 million for the six months ended June 30, 2010 and 2009, respectively.

Operating Revenues

The following tables summarize our volume information as of June 30, 2010 and 2009 and our operating revenues for the six months ended June 30, 2010 and 2009. For comparability, we also present customer activity as of June 30, 2010 compared to March 31, 2010.

Volume Information

June 2010 compared to June 2009

	June 30, 2010	June 30, 2009	Change Number	Change Percentage
Switched access lines				
Residential	250,232	275,054	(24,822)	(9.0)%
Business	197,579	208,641	(11,062)	(5.3)%
Public	4,795	5,195	(400)	(7.7)%
	452,606	488,890	(36,284)	(7.4)%
High-Speed Internet lines				
Residential	79,039	77,359	1,680	2.2%
Business	16,576	15,992	584	3.7%
Wholesale	1,259	1,272	(13)	(1.0)%
	96,874	94,623	2,251	2.4%
Long distance lines				
Residential	152,735	160,899	(8,164)	(5.1)%
Business	80,148	82,731	(2,583)	(3.1)%
	232,883	243,630	(10,747)	(4.4)%

June 2010 compared to March 2010

	June 30, 2010	March 31, 2010	Change Number	Change Percentage
Switched access lines				
Residential	250,232	256,644	(6,412)	(2.5)%
Business	197,579	201,976	(4,397)	(2.2)%
Public	4,795	4,870	(75)	(1.5)%
	452,606	463,490	(10,884)	(2.3)%
High-Speed Internet lines				
Residential	79,039	79,535	(496)	(0.6)%
Business	16,576	16,508	68	0.4%
Wholesale	1,259	1,271	(12)	(0.9)%
	96,874	97,314	(440)	(0.5)%
Long distance lines				
Residential	152,735	156,482	(3,747)	(2.4)%
Business	80,148	81,435	(1,287)	(1.6)%
	232,883	237,917	(5,034)	(2.1)%

Operating Revenues (dollars in thousands)

	Six Months Ended June 30, 2010	2009	Change Amount	Percentage
Wireline Services				
Local services	$ 79,649	$ 88,706	$(9,057)	(10.2)%
Network access services	65,798	66,239	(441)	(0.7)%
Long distance services	17,708	18,029	(321)	(1.8)%
High-Speed Internet and other Internet	17,111	17,005	106	0.6%
Other services and sales	17,180	15,737	1,443	9.2%
	197,446	205,716	(8,270)	(4.0)%
Other	2,428	2,872	(444)	(15.5)%
	$199,874	$208,588	$(8,714)	(4.2)%

The decrease in local services revenues was caused primarily by the decline in switched access lines as well as competitive pricing pressures. 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 phone service. Generally, VoIP technology offered by cable providers is less expensive than traditional wireline phone service, requiring us to respond with more competitive pricing. 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) and our cable competitor continue to focus on business customers and selling services to our customer base.

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

Network access revenue for the six months ended June 30, 2010 was comparable to the same period in the prior year.

The decrease in long distance revenue for the six months ended June 30, 2010 was caused by the decline in switched access line customers and related reduction in long distance lines served.

For the six months ended June 30, 2010, HSI and other Internet revenues was comparable to the same period in the prior year. We are continuing to upgrade our network to expand our offer of higher bandwidth premium services.

The increase in other services and sales was related to more sales and installations of customer premise equipment for certain large government customers in the first half of 2010. Installations for these large government customers are expected to continue through the first part of 2011.

Other revenues, primarily consisting of revenues generated from our wireless operation, decreased as we focused our marketing efforts on other segments of our business. We had approximately 8,000 and 9,300 wireless subscribers as of June 30, 2010 and 2009, respectively.

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, represent additional amounts paid to external vendors to maintain acceptable operating performance until certain system improvements can be completed. These expenses are reflected primarily in selling, general and administrative expenses. The major components of such expenses incurred for the six months ended June 30, 2010 and 2009 are summarized as follows (dollars in thousands):

	Six Months Ended June 30,	
	2010	2009
Executive team transition	$ —	$1,381
Contingency contracted services	1,439	2,014
Other	39	967

Operating Costs and Expenses

The following table summarizes our costs and expenses for the six months ended June 30, 2010 compared to the costs and expenses for the six months ended June 30, 2009 (dollars in thousands):

	Six Months Ended June 30,		Change	
	2010	2009	Amount	Percentage
Cost of revenues (exclusive of depreciation and amortization)	$ 79,614	$ 79,482	$ 132	0.2%
Selling, general and administrative expenses	63,511	69,272	(5,761)	(8.3)%
Depreciation and amortization	84,671	81,317	3,354	4.1%
	$227,796	$230,071	$(2,275)	(1.0)%

The Company's total headcount as of June 30, 2010 was 1,456 compared to 1,465 as of June 30, 2009. Employee related costs are included in both cost of revenues and selling, general and administrative expenses.

Cost of revenues consists of costs we incur to provide our products and services including those for operating and maintaining our networks, installing and maintaining customer premise equipment, and cost of goods sold directly associated with various products. Cost of revenues was comparable for the six months ended June 30, 2010 and 2009.

Selling, general and administrative expenses include costs related to sales and marketing, customer service, information systems and other administrative functions. The decrease for the six months ended June 30, 2010 is attributed to more favorable rates on information technology outsourcing of $2.4 million, lower advertising spending of $1.1 million and a reduction in bad debt costs of $1.5 million on improved collection results.

Depreciation and amortization increased for the six months ended June 30, 2010 compared to the same periods in 2009. The increase is because of additional assets placed in service.

Other Income and (Expense)

The following table summarizes other income (expense) for the six months ended June 30, 2010 and 2009 (dollars in thousands).

	Six Months Ended June 30,		Change	
	2010	2009	Amount	Percentage
Interest expense	$(13,905)	$(15,028)	$1,123	(7.5)%
Gain (loss) on interest rate swaps	—	(3,967)	3,967	(100.0)%
Interest income and other	30	94	(64)	(68.1)%
	$(13,875)	$(18,901)	$5,026	(26.6)%

Interest expense decreased for the six months ended June 30, 2010 as compared to the same period in 2009 primarily because of the elimination of debt issue cost amortization as such costs were written off in December 2009.

In the first quarter of 2009, as we negotiated the terms of our restructuring with our lenders, we concluded that the notional amount being hedged in our hedge effectiveness documentation was greater than the expected amount of debt outstanding during the remaining term of the original hedges because of the agreed upon reduction in interest payments. A loss of $4.0 million was recognized in the first quarter of 2009 for the additional amount of ineffectiveness in our interest rate swaps.

Reorganization Items

Reorganization items represent amounts incurred as a direct result of the Company's Chapter 11 filing and are presented separately in our condensed consolidated statements of operations. Such items consist of the following (dollars in thousands):

	Six Months Ended June 30,	
	2010	2009
Professional fees	$3,832	$13,701
Cancellation of liability	—	(733)
Other	(5)	(29)
	$3,827	$12,939

Reorganization costs decreased for the six months ended June 30, 2010 as compared to the same period in 2009 as there was less need for professional advisory services after the plan of reorganization was approved in November 2009.

Income Tax Expense

A valuation allowance has been provided at June 30, 2010 and December 31, 2009 for our net 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.

Results of Operations for the Years Ended December 31, 2009, 2008 and 2007

We reported a net loss of $130.7 million and $158.6 million for the years ended December 31, 2009 and 2008, respectively. We reported net income of $51.0 million for the year ended December 31, 2007.

Operating Revenues

The following tables summarize our volume information as of December 31, 2009, 2008 and 2007, and our operating revenues for the years ended December 31, 2009, 2008 and 2007.

Volume Information

	December 31, 2009	December 31, 2008	December 31, 2007	2009 vs. 2008 Change Number	2009 vs. 2008 Change Percentage	2008 vs. 2007 Change Number	2008 vs. 2007 Change Percentage
Switched access lines							
Residential	262,428	291,512	328,370	(29,084)	(10.0)%	(36,858)	(11.2)%
Business	202,649	213,676	226,483	(11,027)	(5.2)%	(12,807)	(5.7)%
Public	4,947	5,255	5,564	(308)	(5.9)%	(309)	(5.6)%
Total	470,024	510,443	560,417	(40,419)	(7.9)%	(49,974)	(8.9)%
High-Speed Internet lines							
Residential	79,256	78,028	76,091	1,228	1.6%	1,937	2.5%
Business	15,530	16,791	15,776	(1,261)	(7.5)%	1,015	6.4%
Wholesale	1,242	849	1,579	393	46.3%	(730)	(46.2)%
Total	96,028	95,668	93,446	360	0.4%	2,222	2.4%
Long distance lines							
Residential	158,354	167,628	179,215	(9,274)	(5.5)%	(11,587)	(6.5)%
Business	81,669	84,431	84,667	(2,762)	(3.3)%	(236)	(0.3)%
Total	240,023	252,059	263,882	(12,036)	(4.8)%	(11,823)	(4.5)%

2009 compared to 2008

Operating Revenues (dollars in thousands)

	2009	2008	Change Amount	Change Percentage
Wireline Services				
Local services	$172,094	$193,696	$(21,602)	(11.2)%
Network access services	130,068	134,550	(4,482)	(3.3)%
Long distance services	35,703	36,087	(384)	(1.1)%
High-Speed Internet and other Internet	33,864	34,076	(212)	(0.6)%
Other services and sales	31,404	41,214	(9,810)	(23.8)%
	403,133	439,623	(36,490)	(8.3)%
Other	5,462	8,132	(2,670)	(32.8)%
	$408,595	$447,755	$(39,160)	(8.7)%

The decrease in local services revenues in 2009 was caused primarily by the decline in switched access lines as well as competitive pricing pressures. The decline in local services revenues 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 phone service. Generally, VoIP technology offered by cable providers is less expensive than traditional wireline phone service, requiring us to respond with more competitive pricing. 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) and our cable competitor 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 improve the overall functionality of 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' functionality continues to improve, 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 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 targeted offers to "at-risk" customers as well as other 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 year ended December 31, 2009, network access revenue decreased compared to 2008. The decrease was related to declines in carrier and end user access revenues with the fewer switched access lines served as discussed above for local services revenues.

For the year ended December 31, 2009, long distance revenue was comparable to the prior year despite the year-over-year reduction in long-distance lines. Revenue assurance initiatives and systems improvements implemented at the end of 2008 resulted in more accurate and timely rating of long distance usage during 2009.

For the year ended December 31, 2009, HSI and other Internet revenues was comparable to the prior year as total HSI subscriber counts remained relatively unchanged. We are continuing to upgrade our network to expand our offer of higher bandwidth premium broadband services.

The decrease in other services and sales was primarily related to a substantial decline in sales and installations of customer premise equipment as our customers reduced investments in new communications equipment in response to the overall economic downturn in 2009.

Other revenues, primarily consisting of revenues generated from our wireless operation, decreased as we focused our marketing efforts on other segments of our business and revisited our wireless business strategy in 2009. We entered into a new wireless arrangement in the third quarter of 2009, improving our access to handsets and the overall financial terms of the arrangement. We are enhancing our bundled offerings and continuing to market our wireless products in our retail stores. We had approximately 8,400 and 11,700 external wireless subscribers as of December 31, 2009 and 2008, respectively.

2008 compared to 2007

Operating Revenues (dollars in thousands)

	2008	2007	Change Amount	Change Percentage
Wireline Services				
Local services	$193,696	$210,503	$(16,807)	(8.0)%
Network access services	134,550	144,378	(9,828)	(6.8)%
Long distance services	36,087	37,284	(1,197)	(3.2)%
High-Speed Internet and other Internet	34,076	35,402	(1,326)	(3.7)%
Other services and sales	41,214	46,011	(4,797)	(10.4)%
	439,623	473,578	(33,955)	(7.2)%
Other	8,132	10,098	(1,966)	(19.5)%
	$447,755	$483,676	$(35,921)	(7.4)%

The decrease in local services revenue in 2008 was caused by the decline in switched access lines. The decline in switched access lines from 2007 to 2008 was caused by the same factors discussed previously for the decline from 2008 to 2009.

For 2008, network access services revenue decreased compared to 2007. 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 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.

The decrease in long distance revenue in 2008 was caused by the decline in switched access line customers and additional subscribers using unlimited long distance plans.

HSI and other Internet revenues decreased for 2008 as compared to the prior year. While the number of HSI lines increased 2.4%, this was offset by an overall reduction in rates as a result of competitive rate pressures causing the 3.7% decline in revenues. 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.

The decrease in other services and sales was related to the decline in sales and installations of customer premise equipment as we had fewer large institutional equipment installations in 2008 versus 2007.

Other revenues, primarily consisting of revenues generated from our wireless operations, decreased as we attempted to focus our marketing efforts on other segments of our business. We had approximately 11,700 and 19,300 external wireless subscribers as of December 31, 2008 and 2007, respectively.

Operating Costs and Expenses

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, represent additional amounts paid to external vendors to maintain acceptable operating performance until certain system improvements can be completed. The major components of such expenses incurred for the years ended December 31, 2009, 2008 and 2007 are summarized as follows (dollars in thousands):

	Year Ended December 31,		
	2009	2008	2007
Employee separation and relocation costs	$ —	$3,506	$ 3,699
Pension non periodic costs and gains	—	4,558	1,391
Sarbanes-Oxley controls development	—	—	1,771
Transition management team	—	2,689	—
Executive team transition	2,762	2,762	—
Contingency internal labor costs	—	—	4,210
Contingency contracted services	4,061	6,800	20,732
Other	1,558	2,105	5,399

2009 compared to 2008

The following tables summarize our costs and expenses for 2009 compared to the costs and expenses for 2008 (dollars in thousands):

			Change	
	2009	2008	Amount	Percentage
Cost of revenues (exclusive of depreciation and amortization)	$158,196	$171,929	$(13,733)	(8.0)%
Selling, general and administrative expenses	142,817	165,832	(23,015)	(13.9)%
Depreciation and amortization	164,376	160,278	4,098	2.6%
Restructuring	—	1,138	(1,138)	(100.0)%
	$465,389	$499,177	$(33,788)	(6.8)%

The Company's total headcount as of December 31, 2009 was 1,450 compared to 1,444 as of December 31, 2008. Employee related costs are included in both cost of revenues and selling, general and administrative expenses.

Cost of revenues consists of costs we incur to provide our products and services including those for operating and maintaining our networks, installing and maintaining customer premise equipment, and cost of goods sold directly associated with various products. The decrease was primarily caused by the decline in costs related to sales and installations of customer premise equipment of $7.4 million and the decline in electricity costs of $6.8 million as a result of reduced rates.

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 year ended December 31, 2009 decreased when compared to the same period in the prior year. In 2008, the Company's Chief Executive Officer along with certain other senior executives resigned and the Board of Directors engaged Zolfo Cooper LLC to provide interim executive management services to the Company. As such, the Company incurred severance costs of $3.0 million for the departing executives and additional expenses for the services received from Zolfo Cooper LLC amounting to $4.6 million. Costs for Zolfo Cooper LLC and severance were not incurred in 2009. The remaining decrease is primarily due to reductions in certain employee benefit costs and our cost reduction efforts including more favorable rates on information technology outsourcing resulting in a benefit of $7.2 million.

Depreciation and amortization increased for the year ended December 31, 2009 compared to the same periods in 2008. The increase is because of additional assets placed in service.

We incurred restructuring expenses of $1.1 million in 2008. All of the costs were incurred for professional fees for restructuring advisors.

2008 compared to 2007

The following table summarizes our costs and expense for the year ended December 31, 2008 compared to the year ended December 31, 2007 (dollars in thousands).

	2008	2007 As Restated	Change Amount	Change Percentage
Cost of revenues (exclusive of depreciation and amortization)	$171,929	$190,238	$(18,309)	(9.6)%
Selling, general and administrative expenses	165,832	173,304	(7,472)	(4.3)%
Depreciation and amortization	160,278	159,872	406	0.3%
Settlement with BearingPoint	—	(42,219)	42,219	N/A
Goodwill and intangible asset impairment	—	88,200	(88,200)	N/A
Restructuring	1,138	—	1,138	N/A
	$499,177	$569,395	$(70,218)	(12.3)%

The Company's total headcount as of December 31, 2008 was 1,444 compared to 1,609 as of December 31, 2007. As a result, total wage costs declined $5.1 million.

The decrease in cost of revenues was primarily caused by the decline in costs related to sales and installations of customer premise equipment of $5.4 million, reduced costs for access under reciprocal compensation agreements of $1.6 million, lower handset subsidies of $1.8 million as a result of a reduction in new wireless subscribers as well as other cost saving measures including lower headcount. Those cost savings were partially offset by increased electricity and fuel costs of $5.1 million.

The decrease in selling, general and administrative expenses was attributable to our cost reduction efforts including lower salaries and wages in connection with the reduction in headcount, reduced taxes (other than income taxes) on lower revenues of $6.5 million and reduced advertising costs of $3.6 million. The decreases were offset by the pension settlement loss of $4.1 million recognized in 2008.

Depreciation and amortization expenses were comparable for the year ended December 31, 2008 and the same period in the prior year.

Effective February 6, 2007, we entered into an agreement with BearingPoint to settle disputes and transition work to a third party resulting in a gain on settlement of $42.2 million. The settlement gain was net of a charge for $22.1 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.

Subsequent to the issuance of the 2009 consolidated financial statements, we determined that we had incorrectly assigned a value to an identifiable intangible asset for franchise rights in conjunction with the purchase of an acquired business in May 2005. The purchase price should have been allocated to goodwill of our wireline segment. As a result, our financial statements have been restated. The restatement resulted in the elimination of an impairment loss on the franchise right intangible asset that had been recognized in the 2007 results of operations and reclassification of the franchise right intangible asset (including the amount previously impaired) to goodwill of our wireline segment. In conjunction with the restatement and our annual impairment tests for goodwill, we concluded that the goodwill was impaired in 2007. The net impact of the restatement was to increase the impairment loss in the 2007 statement of operations by $66.3 million. See Item 15, Note 23—Restatement, to the consolidated financial statements for additional information.

In conjunction with our annual impairment test for goodwill assets in the fourth quarter of 2007, as restated, we recognized impairment expense of $80.1 million. We concluded that the wireline segment goodwill was impaired as the fair value of the wireline segment was less than the carrying value. The fair value of the wireline segment was based on discounted cash flows. We estimated the implied fair value of the goodwill by reducing the segment fair value by the estimated fair value of identifiable assets and liabilities.

In conjunction with our annual impairment test for non-amortizable intangible assets in the fourth quarter of 2007, we recognized impairment expense of $8.1 million. The impairment was determined as the difference between the fair value of the non-amortizable intangible asset and its carrying value. The fair value was based on discounted cash flow for the asset. The intangible asset is for the brand name which was acquired from Verizon Communications, Inc. The impairment occurred as the actual and related projected revenues and cash flows declined since the acquisition in 2005.

We incurred restructuring expenses of $1.1 million in 2008.

Other Income (Expense)

The following table summarizes other income (expense) for the years ended December 31, 2009, 2008 and 2007 (dollars in thousands).

				2009 vs. 2008 Change		2008 vs. 2007 Change	
	2009	2008	2007	Amount	Percentage	Amount	Percentage
Interest expense	$(30,089)	$ (89,467)	$(85,945)	$59,378	(66.4)%	$(3,522)	4.1%
Loss on early extinguishment of debt	—	(3,456)	(9,296)	3,456	(100.0)%	5,840	(62.8)%
Loss on interest rate swaps	(3,967)	(8,875)	—	4,908	(55.3)%	(8,875)	NA
Interest income and other	136	1,484	1,755	(1,348)	(90.8)%	(271)	(15.4)%
	$(33,920)	$(100,314)	$(93,486)	$66,394	(66.2)%	$(6,828)	7.3%

Interest expense decreased for 2009 compared to 2008 primarily because we are no longer paying or accruing interest on unsecured debt in conjunction with the Chapter 11 proceeding. Interest expense increased for 2008 compared to 2007 primarily because of additional debt when adjusted for the allocation of interest expense to the directories publishing segment for 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.

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

In connection with the refinancing of debt in the second quarter of 2007 we incurred a $7.8 million charge to income which represented unamortized debt issuance and refinancing costs. As a result of the repayment of debt in the fourth quarter of 2007, the Company expensed $1.5 million of deferred financing costs resulting in a loss on early extinguishment of debt.

Because of the capital restructuring effort which we began in the third quarter of 2008, we concluded it is no longer probable but only reasonably possible that we will continue to pay the variable-rate interest specified in our hedge effectiveness documentation. Hence, beginning in the third quarter of 2008, changes in the value of the hedges were recognized in the consolidated statements of operations resulting in a loss in 2008 for $8.9 million.

In the first quarter of 2009, as we negotiated the terms of our restructuring with our lenders, we concluded the notional amount being hedged in our hedge effectiveness documentation was greater than the expected amount of debt outstanding during the remaining term of the original hedges because of an agreed upon reduction in the interest payments. A loss of $4.0 million was recognized in the first quarter of 2009 for the additional amount of ineffectiveness on our interest rate swaps.

Reorganization Items

Reorganization items represent amounts incurred as a direct result of the Company's Chapter 11 filing and are presented separately in our consolidated statements of operations. Such items consist of the following (dollars in thousands):

	Year Ended December 31,	
	2009	2008
Professional fees	$33,904	$7,872
Cancellation of liability	(733)	—
Expense deferred financing costs	9,870	—
Other	(36)	(5)
	$43,005	$7,867

Income Tax Benefit

The income tax benefit differs from amounts determined by applying the statutory federal income tax rate of 35% to the loss before income taxes primarily because of changes in the valuation allowance established for the recovery of deferred income tax assets.

A valuation allowance has been provided at December 31, 2009 and 2008 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.

The majority of our net operating loss carryforward was incurred prior to the Chapter 11 reorganization and therefore is subject to limitation under federal and state income tax laws. Pursuant to these loss limitation rules, the utilization of net operating loss carryforward is limited if, during a testing period (usually three years), there is a 50% cumulative shift in the ownership of its stock. As a result of the reorganization, the Company will exchange some of its debt for common stock. The exchange may result in more than a 50% cumulative shift in the stock ownership. In addition, cancellation of debt income resulting from debt relief in conjunction with the Chapter 11 proceeding may also reduce the availability of net operating loss carryforwards of the Company. If that occurs, our ability to utilize net operating losses will be significantly limited.

Discontinued Operations

On April 29, 2007, the Company entered into an agreement to sell its directories publishing segment to an unrelated entity for a cash purchase price of $435.0 million, subject to adjustments related to working capital and excluding fees and expenses. The sale was consummated on November 30, 2007 resulting in a gain on the sale of $231.8 million.

The income from operations of the discontinued segment amounted to $24.3 million in 2007.

Liquidity and Capital Resources

To the extent that the matters described below relate to future events or expectations, they may be significantly affected by the chapter 11 filings. The chapter 11 filings involve, or may result in, various restrictions on our activities, limitations on financing, the need to obtain Court approval for various matters, the discharge of certain obligations and uncertainty as to relationships with vendors, suppliers, customers and others with whom we may conduct or seek to conduct business.

As of June 30, 2010, we had cash of $110.2 million. From an ongoing operating perspective, our cash requirements during 2010 will consist of supporting the development and introduction of new products, capital expenditure projects, changes in working capital and expenses related to our capital restructuring. A combination of cash-on-hand and cash generated from operating activities will be used to fund the operating activities of the Company.

We have continued to take actions to conserve cash and improve liquidity. Actions have also been taken to generate further operating efficiencies and focus on expense management. In order to reduce our cash usage we will continue to execute our cash management program while completing our reorganization.

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. We continue to have sizable retirement obligations for our existing employee base. Sustained declines in the value of pension trust assets and relatively high levels of pension lump sum benefit payments will increase the magnitude of future plan contributions.

With our appointment of a new senior management team in 2008 and the development of a comprehensive revised strategic plan, we had concluded in 2008 that we have too much debt relative to our operating performance. We do not believe we will be able to service our current debt level through maturity or to refinance that debt when it matures. Hence, we have embarked on a restructuring of the balance sheet (including filing voluntary petitions under chapter 11 of the Bankruptcy Code) coupled with certain operational changes to reduce the debt-service requirements and improve free cash flow.

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

Cash Flows for Six Months Ended June 30, 2010 and 2009

Net cash provided by operations of $42.6 million for the six months ended June 30, 2010 was related primarily to our net loss of $45.6 million as adjusted to exclude non-cash items and working capital movements of $88.2 million. The most significant non-cash item during the period was depreciation and amortization expense of $84.7 million. Net cash provided by operations amounted to $48.0 million for the six months ended June 30, 2009. The decrease in cash provided by operating activities is primarily because of an increase in our operating loss and additional inventory purchases in anticipation of certain large customer equipment and network projects. We typically generate positive cash flows from operations and expect to do so in 2010. We anticipate utilizing cash flow generated by operations for capital expenditures and, in future periods, for required debt payments.

Cash used in investing activities was comprised of $29.0 million and $34.1 million of capital expenditures for the six months ended June 30, 2010 and 2009, respectively. Capital expenditures decreased $5.2 million, or 15.1%, for the six months ended June 30, 2010 compared to the same period in the prior year. The level of capital expenditures in 2010 is expected to approach 2009 levels as we continue to invest in systems and our networks.

There was no cash provided by or used in financing activities for the six months ended June 30, 2010 and 2009.

Cash Flows for the Years Ended December 31, 2009 and 2008

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

Net cash provided by operations of $95.1 million for 2009 was related primarily to our net loss of $130.7 million as adjusted to exclude non-cash items and working capital movements of $225.8 million. The most significant non-cash item during the period was depreciation and amortization expense of $164.4 million.

Net cash provided by operations amounted to $61.7 million for 2008. The increase in cash provided by operating activities from 2009 compared to 2008 was primarily because of the decline in interest paid.

Cash used in investing activities was comprised of $87.5 million of capital expenditures for 2009. Capital expenditures increased $14.3 million, or 19.5%, for the year ended December 31, 2009 as compared to the prior year. This level of capital expenditures is expected to continue in 2010 as we invest in systems to support new product introductions and transform our network to enable next-generation technologies.

There was no cash provided by or used in financing activities for 2009. In January 2008, we repaid $261.0 million of debt using 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 loan facility. In March 2008, we borrowed the remaining available principal amount under our revolving credit facility in response to uncertain conditions in financial markets increasing the total amount drawn to $89.8 million.

Outstanding Debt and Financing Arrangements

As of June 30, 2010, we had outstanding $1,092.7 million in aggregate long-term debt.

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. The leverage ratio is based on a comparison of outstanding bank indebtedness, less available cash, to earnings before interest, taxes and depreciation as defined. The leverage ratio may not exceed 5.25 to 1.00.

Our current debt structure includes $592.7 million in secured bank debt and $500.0 million in unsecured senior notes.

We chose not to make the interest payment on our $500.0 million senior unsecured notes due on November 1, 2008 amounting to $25.6 million. In addition, the filing of our Chapter 11 Cases constituted an event of default under the senior notes' indentures.

Any default on the senior notes also creates a default under the provisions of the bank credit facilities. In addition, the filing of our Chapter 11 cases constituted an event of default under the credit facilities.

We believe that any remedies that may exist for these events of default are stayed under the Bankruptcy Code.

Under the Plan of Reorganization, our obligations under our senior credit facilities and the indentures governing our notes will be cancelled, and we will enter into a new term loan in the amount of $300 million. The new term loan will have a maturity date of 2015. We do not expect to generate the necessary cash flow from operations to repay the facility in its entirety by the maturity date and repayment is dependent on our ability to refinance the credit facility at reasonable terms. The ability to refinance the indebtedness at reasonable terms before maturity cannot be assured.

The following table sets forth our long-term debt and contractual obligations for the next several years. The obligations are based on the contractual terms without consideration of the impact of any defaults and our Chapter 11 filing. As indicated, we are in default on our senior notes and bank debt. Such obligations would be callable if the remedies for an event of default were not stayed under the Bankruptcy Code. Therefore, obligations as currently quantified in the table below will likely change. Pension funding obligations are based on known funding. Additional obligations are expected in future periods.

	July 1 to December 31, 2010	2011	2012	2013	2014	2015 and Thereafter	Total
Debt principal:							
Revolving credit facility	$ —	$ —	$ 92,516	$ —	$ —	$ —	$ 92,516
Term loan facility, Tranche C	—	—	5,075	5,075	490,036	—	500,186
Senior notes	—	—	—	350,000	—	150,000	500,000
Total debt	—	—	97,591	355,075	490,036	150,000	1,092,702
Debt interest	37,609	75,217	72,351	56,768	26,541	6,250	274,736
Settlement on swap liability	15,799	—	—	—	—	—	15,799
Pension funding obligations	20,300	21,300	—	—	—	—	41,600
Operating leases	894	1,255	1,124	697	701	9,220	13,891
Supplier contracts	9,446	14,699	12,811	12,851	5,085	1,765	56,657
Total	$84,048	$112,471	$183,877	$425,391	$522,363	$167,235	$1,495,385

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

Pro Forma Fresh-Start Reporting

The Company's emergence from the Chapter 11 proceedings will result in a new reporting entity and adoption of fresh-start reporting. The consolidated financial statements as of June 30, 2010 do not give effect to any adjustment to the carrying values of assets or liabilities that will be recorded upon implementation of the Company's plan of reorganization.

The following unaudited pro forma balance sheet reflects implementation of the plan of reorganization as if it had been effective June 30, 2010. Reorganization adjustments have been estimated in the pro forma financial information to reflect the discharge of certain prepetition liabilities and the adoption of fresh-start reporting based on purchase accounting rules.

Estimated reorganization adjustments in the pro forma balance sheet result primarily from the: (i) changes in carrying values of assets and liabilities to reflect fair values including the establishment of certain intangible assets; (ii) discharge of the Company's prepetition liabilities in accordance with the plan of reorganization; (iii) addition of new financing; and (iv) issuance of new common stock and warrants and cancellation of old common stock. No incremental cash proceeds are expected to be raised upon the effectiveness of the plan of reorganization other than a nominal amount from a stock rights offering made to certain unsecured creditors.

These adjustments are based upon the preliminary work of the Company to determine the relative fair value of the Company's assets and liabilities. The allocation of the reorganization enterprise value to individual assets and liabilities will change based upon the completion of the fair value process and will result in differences to the fresh-start adjustments and allocated values estimated in this pro forma information. Such differences may be significant primarily as related to the split between categories of long-lived assets. However, we currently anticipate that the allocation of value to total long-lived assets will not vary considerably. In addition, we do not expect a significant change in stockholders' equity on a pro forma basis.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)
Consolidated Pro Forma Balance Sheet(a)
(Unaudited, Dollars in thousands)

	Historical June 30, 2010	Plan Reorganization Adjustments	Fresh-Start Valuation Adjustments	Pro Forma June 30, 2010
Assets				
Current assets				
Cash and cash equivalents	$ 110,204	$ —(f)	$ —	$110,204
Receivables, net	43,268	—	—	43,268
Material and supplies	5,372	—	—	5,372
Prepaid expenses	9,646	—	—	9,646
Other current assets	8,489	—	—	8,489
Total current assets	176,979	—	—	176,979
Property, plant and equipment, net	678,760	—	(272,878)(d)	405,882
Intangible assets, net	281,721	—	(208,421)(d)	73,300
Other assets	8,300	—	—	8,300
Total assets	$1,145,760	$ —	$(481,299)	$664,461
Liabilities and Stockholders' Equity (Deficiency)				
Liabilities not subject to compromise				
Current liabilities				
Accounts payable	$ 24,307	$ 8,000(b)	$ —	$ 32,307
Accrued expenses	30,278	—	—	30,278
Advance billings and customer deposits	14,553	—	—	14,553
Other current liabilities	5,558	—	—	5,558
Total current liabilities	74,696	8,000	—	82,696
Long-term debt	—	300,000(b)	—	300,000
Employee benefit obligations	116,683	—	—	116,683
Other liabilities	5,082	—	—	5,082
Total liabilities not subject to compromise	196,461	308,000	—	504,461
Liabilities subject to compromise	1,174,881	(1,174,881)(b)	—	—
Total liabilities	1,371,342	(866,881)	—	504,461
Stockholders' equity (deficiency)				
Common stock	4	100(c)	(4)(e)	100
Additional paid-in capital	429,032	159,900(c)	(429,032)(e)	159,900
Accumulated other comprehensive loss	(32,924)	—	32,924(e)	—
Accumulated deficit	(621,694)	706,881(c)	(85,187)(e)	—
Total stockholders' equity (deficiency)	(225,582)	866,881	(481,299)	160,000
Total liabilities and stockholders' equity (deficiency)	$1,145,760	$ —	$(481,299)	$664,461

(a) The consolidated pro forma balance sheet estimates the effect of implementing the plan of reorganization and fresh start reporting which will be required for financial reporting upon emergence from the Chapter 11 proceedings. Under fresh-start reporting the reorganization enterprise value of $460.0 million is allocated $160.0 million to equity and $300.0 million to the new term loan. The adjustments in the consolidated pro forma balance sheet are estimates. Actual adjustments will be based on the final valuation and may be materially different than those presented herein.

(b) Reflects the discharge of prepetition liabilities in accordance with the plan of reorganization and the reclassification of the remaining liabilities subject to compromise to the appropriate liability accounts. Liabilities are expected to be satisfied with payment of cash $8.0 million (including contract cure costs), a new term loan of $300.0 million and issuance of equity of $160.0 million for both common stock and warrants.

(c) Reflects the issuance of new common stock and warrants to prepetition creditors and the gain on discharge of liabilities subject to compromise.

(d) Reflects changes to the carrying value of assets and liabilities to fair values. No adjustment has been reflected for accounts receivable and inventory as carrying value approximates fair value. The split between categories of long-lived assets is an estimate and likely will change and such change could be significant.

(e) Reflects the elimination of the historical accumulated deficit and other equity accounts and an adjustment to stockholders' equity to result in the estimated reorganized equity value.

(f) The consolidated pro forma balance sheet does not give effect to cash payments estimated at $0.5 million to unsecured creditors and $10.0 million for other costs pursuant to the plan of reorganization as the timing of such payments is generally uncertain.

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 following is a summary of certain policies considered critical by management.

Indefinite-Lived Intangible Assets

Intangible assets not subject to amortization are tested for impairment annually in the fourth quarter, or when events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Fair value is an estimate based on the present value of an expected range of future cash flows. The expected range of future cash flows is based on internal forecasts developed utilizing management's knowledge of the business and the anticipated effects of market forces. The use of different assumptions or estimates of future cash flows could produce different impairment amounts (or none at all). Significant assumptions relate to projection of future cash flows generated by the indefinite-lived intangible assets which are dependent on projections of company-wide revenues in future periods.

Impairment of Long-Lived Assets and Definite-Lived Intangibles

We assess the recoverability of long-lived assets, including property, plant and equipment and definite-lived intangible assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or changes in circumstances include negative evidence of recoverability including our cumulative losses and restructuring efforts. In such cases, if the sum of the expected cash flows, undiscounted and without interest, resulting from use of the asset is less than the carrying amount, an impairment loss is recognized based on the difference between the carrying amount and the fair value of the assets. When determining future cash flow estimates, we consider historical operating results, as adjusted to reflect current and anticipated operating conditions. Estimating future cash flows requires significant judgment by us in such areas as future economic conditions, industry specific conditions and necessary capital expenditures. The use of different assumptions or estimates for future cash flows could produce different impairment amounts (or none at all) for long-lived assets, including identifiable intangible assets subject to amortization. Significant assumptions relate to projection of future cash flows generated by the long-lived assets which are dependent on projections of company-wide profitability and capital expenditures for maintaining our network in future periods. In addition, estimates of the cash generating useful lives are also critical to such evaluations.

Revenue Recognition

We recognize revenue when evidence of an arrangement exists, the earnings process is complete and collectibility is reasonably assured. We recognize service revenues based upon usage of our local exchange network and facilities and contract fees. In general, fixed fees for local telephone, Internet access and certain other services are billed one month in advance and recognized the following month when earned. Revenue from other products that are not fixed fee or that exceed contracted amounts is recognized when such services are provided. Long distance revenues are generally billed in arrears and recognized as service is provided.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts reflects reserves for customer receivables to reduce receivables to amounts expected to be collected. In estimating uncollectible amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance and anticipated customer performance. While we believe our process effectively addresses our exposure for doubtful accounts, changes in economic, industry or specific customer conditions may require adjustment to the allowance for doubtful accounts recognized by us.

Income Taxes

Management calculates the income tax provision, current and deferred income taxes along with the valuation allowance based upon various complex estimates and interpretations of income tax laws and regulations. Deferred tax assets are reduced by a valuation allowance to the extent that it is more likely than not that they will not be realized. To the extent we begin to generate taxable income in future years and it is determined the valuation allowance is no longer required, the tax benefit for the remaining deferred tax assets will be recognized at such time.

Employee-Related Benefits

We incur certain employee-related costs associated with pensions and post-retirement health care benefits. In order to measure the expense associated with these employee-related benefits, management must make a variety of estimates, including discount rates used to measure the present value of certain liabilities, assumed rates of return on assets set aside to fund these expenses, compensation increases, employee turnover rates, anticipated mortality rates and anticipated healthcare costs. The estimates used by management are based on our historical experience, as well as current facts and circumstances. We use third-party specialists to assist management in appropriately measuring the expenses associated with these employee-related benefits. Different estimates could result in our recognizing different amounts of expense over different time periods.

The 2009 net periodic obligations for qualified pension and post-retirement plans were determined using a discount rate of 5.85% and 6.20%, respectively. The discount rate used for determining the year-end benefit plan obligation was generally calculated using a weighting of expected benefit payments and rates associated with high-quality U.S. corporate bonds for each year of expected payment to derive a single estimated rate at which the benefits could be effectively settled at December 31, 2009.

The estimated return on plan assets of 8.0% was based on historical trends combined with long-term expectations. In selecting the rate of return on plan assets for purposes of determining net periodic benefit cost, we considered economic forecasts for the types of investments held by the plans (primarily equity and fixed income investments), and the plans' asset allocations. While primary emphasis was on the economic forecasts of long-term returns, consideration was given to the past performance of the plans' assets. The assumption is based on consideration of all inputs, with a focus on long-term trends to avoid short-term market influences. Assumptions are not changed unless structural trends in the underlying economy are identified, our asset strategy changes, or there are significant changes in other inputs. The method for selecting the expected return on plan assets at December 31, 2009 did not change from December 31, 2008.

Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2010, our floating rate obligations consisted of $92.5 million of debt outstanding under our revolving credit facility and $500.2 million of debt outstanding under our Tranche C term loan facility. In addition, we have $150.0 million in aggregate principal amount of outstanding senior floating rate notes (we are not currently paying interest on the senior floating note in conjunction with the Chapter 11 proceeding). Accordingly, our earnings and cash flow are affected by changes in interest rates. Based on our borrowings at June 30, 2010 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.

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 maintained 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. On December 1, 2008 and December 2, 2008, the swap agreements were terminated by the swap counterparties under the default provisions of the agreements. The swap termination liability amounted to $15.6 million. Because of the capital restructuring efforts which began in the third quarter of 2008, we concluded it was no longer probable but only reasonably possible that we will continue to pay the variable-rate interest specified in our hedge effectiveness documentation. Hence, from the third quarter of 2008 through December 2008, changes in the value of our hedges were recognized in the consolidated statements of operations. In December 2008, upon termination of the swaps, the settlement liability was fixed.

Item 3. Properties

We own our corporate headquarters, which is located in 1177 Bishop Street, Honolulu, Hawaii 96813 and consists of over 465,000 square feet of office space. We also have other properties consisting primarily of approximately 112 owned (including part-owned) and approximately 61 leased real estate properties, including our administrative facilities and facilities for call centers, retail store use, switching equipment, fiber optic networks, microwave radio and cable and wire facilities, cable head-end equipment, coaxial distribution networks, routers and servers used in our wireline business. See Item 1, "Business—Network Architecture and Technology." There are no material real estate properties relating to our wireless business. For purposes of Hawaii state law, we are classified as a public utility and, accordingly, do not pay any property taxes.

Substantially all of our assets (including those of our subsidiaries) are pledged as collateral for our senior credit facilities and are expected to be pledged for the New Term Loan contemplated in the Plan of Reorganization.

Item 4. Security Ownership of Certain Beneficial Owners and Management

All of our common stock currently is held directly by Carlyle Partners III Hawaii, L.P., CP III Coinvestment, L.P., Carlyle Partners III—UST Hawaii, L.P. and Carlyle Hawaii Partners, L.P. (collectively, "the Carlyle Funds"), which are affiliates of The Carlyle Group. The address of the Carlyle Funds is c/o The Carlyle Group, 520 Madison Avenue, 41st Floor, New York, NY 10022. The following table sets forth information with respect to the beneficial ownership of the common stock of the Company as of June 30, 2010, by:

- each person that is a beneficial owner of more than 5% of the common stock;
- each of our directors, nominees for director and Named Executive Officers; and
- all of our directors, nominees for director and executive officers as a group.

The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power, which includes the power to vote or direct the voting of a security, or investment power, which includes the power to dispose of or to direct the disposition of a security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Except as otherwise indicated in these footnotes, each of the beneficial owners listed has, to our knowledge, sole voting and investment power with respect to the indicated shares of common stock.

Under the Plan of Reorganization, all of our outstanding shares of common stock will be cancelled upon the Effective Date, and 10 million shares of the New Common Stock will be issued to the holders of senior secured claims as well as certain holders of unsecured claims who exercised subscription rights for the right to receive shares of New Common Stock.

Except as otherwise indicated in these footnotes, each of the beneficial owners listed has, to our knowledge, sole voting and investment power with respect to the indicated shares of common stock.

	Beneficial Ownership of Holdings	
Name of Beneficial Owner	Number of Shares of Common Stock	Percentage of Outstanding Common Stock
DBD Investors V, L.L.C.(1)(2)	428,000	100%
Eric K. Yeaman(4)	—	—
Robert F. Reich(3)(4)	88	*
Michael F. Edl(4)	—	—
John T. Komeiji(4)	—	—
Geoffrey W.C. Loui(4)	—	—
Walter A. Dods, Jr.(3)(6)	196	*
James A. Attwood, Jr.(5)	—	—
Stephen C. Gray(3)(5)	117	*
Alan M. Oshima(4)	—	—
Warren H. Haruki(4)	—	—
Richard A. Jalkut(4)	—	—
Steven C. Oldham(4)	—	—
Bernard R. Phillips III(4)	—	—
Paul H. Sunu(4)	—	—
All executive officers, directors, and nominees for director as a group (18 persons)(3)	401	*

Upon satisfaction of the conditions to the Effective Date under the Plan of Reorganization confirmed by the Bankruptcy Court, upon emergence from chapter 11 our common stock will be extinguished, the Stock Option Plan and options issued thereunder will be terminated, and new common stock will be issued to the holders of senior secured claims in the chapter 11 cases and certain holders of unsecured claims who exercised subscription rights for the right to receive shares of New Common Stock.

* Signifies less than 1%.

(1) Shares shown as beneficially owned by DBD Investors V, L.L.C. are held directly by Carlyle Partners III Hawaii, L.P., CP III Coinvestment, L.P., Carlyle Partners III—UST Hawaii, L.P., and Carlyle Hawaii Partners, L.P., which we collectively refer to as the Carlyle Funds. TC Group Investment Holdings, L.P. is the sole member of TC Group III, L.L.C., which is the sole general partner of TC Group III, L.P., which is the sole general partner of each of the Carlyle Funds. TCG Holdings II, L.P. is the sole general partner of TC Group Investment Holdings, L.P. and DBD Investors V, L.L.C. is the sole general partner of TCG Holdings II, L.P. and, in such capacity, exercises investment discretion and control of the shares beneficially owned by each of the Carlyle Funds. DBD Investors V, L.L.C. is managed by a three-person managing board, and all board action relating to the voting or disposition of these shares requires approval of a majority of the board. The members of the managing board are William E. Conway, Jr., Daniel A. D'Aniello and David M. Rubenstein, all of whom disclaim beneficial ownership of these shares.

(2) Each of Carlyle Partners III Hawaii, L.P., CP III Coinvestment, L.P., Carlyle Partners III—UST Hawaii, L.P. and Carlyle Hawaii Partners, L.P. has an address c/o The Carlyle Group, 520 Madison Avenue, 41st Floor, New York, New York 10022.

(3) Represents shares of common stock that are issuable upon the exercise of options or exercisable within 60 days of March 31, 2010.

(4) The business address for each such person is c/o General Counsel, Hawaiian Telcom Holdco, Inc., 1177 Bishop Street, Honolulu, Hawaii 96813.

(5) The business address for each such person is c/o The Carlyle Group, 520 Madison Avenue, 41st Floor, New York, New York 10022.

(6) The business address for such person is c/o First Hawaiian Bank, 999 Bishop Street, Suite 2828, Honolulu HI 96813

Item 5. Directors and Executive Officers

The following table provides information regarding our executive officers, directors and nominees for director as of June 30, 2010:

Name	Age	Position(s)	Director Since
Officers			
Eric K. Yeaman	42	President, Chief Executive Officer and Director	2008
Robert F. Reich	51	Senior Vice President and Chief Financial Officer	—
Kevin J. Nystrom	50	Chief Operating Officer	—
Michael F. Edl	57	Senior Vice President—Network Services	—
Bradley J. Fisher	39	Senior Vice President—Strategy and Marketing	—
Rose M. Hauser	51	Senior Vice President and Chief Information Officer	—
Craig T. Inouye	49	Senior Vice President—Sales	—
John T. Komeiji	56	Senior Vice President and General Counsel	—
William G. Chung	60	Vice President—Human Resources and Labor Relations	—
Non-Employee Directors			
Walter A. Dods, Jr.	69	Chairman of the Board of Directors	2005
James A. Attwood, Jr.	52	Vice Chairman of the Board of Directors	2004
Stephen C. Gray	51	Vice Chairman of the Board of Directors	2006
Alan M. Oshima	63	Director	2008
Director Nominees Post-Chapter 11			
Kurt M. Cellar	40	Director Nominee	—
Warren H. Haruki	57	Director Nominee	—
Richard A. Jalkut	66	Director Nominee	—
Steven C. Oldham	59	Director Nominee	—
Bernard R. Phillips III	58	Director Nominee	—
Paul H. Sunu	54	Director Nominee	—

Executive Officers

Eric K. Yeaman became our President, Chief Executive Officer and a Director in June 2008. Prior to joining us, Mr. Yeaman served as Senior Executive Vice President and Chief Operating Officer of Hawaiian Electric Company, Inc. (HECO) from January 2008 to June 2008, where he was responsible for its Oahu operations, energy solutions, public affairs and the financial and administrative process areas. From January 2003 to January 2008, Mr. Yeaman served as Financial Vice President, Treasurer and Chief Financial Officer of Hawaiian Electric Industries, Inc. (HEI), HECO's parent company. At HEI, he oversaw the controller, treasury, investor relations, corporate tax, information technology and enterprise risk management functions. Mr. Yeaman began his career at Arthur Andersen LLP in September 1989. Mr. Yeaman is a director of the United States Telecom Association and serves as a director of several Hawaii non-profit organizations.

Robert F. Reich became our Senior Vice President and Chief Financial Officer in May 2008. He previously served as our Senior Vice President and interim Chief Financial Officer from March 2008 and Vice President, Finance and Controller from April 2007 to March 2008. Mr. Reich oversees our financial operations, including financial analysis and reporting, corporate and regulatory accounting, tax, risk management, treasury and investor relations. Prior to joining us, Mr. Reich was with McLeodUSA Incorporated from 2002 to 2007, a facilities-based competitive local exchange carrier servicing small and mid-sized businesses in the Western and Midwestern United States, serving most recently as Vice President, Controller and Treasurer. Mr. Reich is a Certified Public Accountant.

Kevin J. Nystrom became our Chief Operating Officer in February 2008. Mr. Nystrom is a Senior Director of Zolfo Cooper Management, LLC (ZC), a leading financial advisory, restructuring and interim management firm and has more than 20 years of experience in turnaround and financial management. Mr. Nystrom has worked over seven years with ZC on numerous turnaround assignments in the telecom, financial services, manufacturing and transportation industries, advising clients in designing and executing turnaround plans, developing reorganization plans and formulating business strategies. Most recently, Mr. Nystrom served as Director of Restructuring of American Home Mortgage Investment Corp. from August 2007 to present. Other past advisory clients of Mr. Nystrom include ANH Refractories (February 2002 to present), PTS Transportation (October 2005 to January 2007), and Marsh Inc. (November 2004 to June 2005 and September 2006 to January 2007).

Michael F. Edl became our Senior Vice President—Network Services in August 2008. Mr. Edl oversees numerous key functions, including engineering, planning and construction, network reliability, field operations, operations support and provisioning. Mr. Edl brings more than 30 years of experience in telecommunications operations to us. Prior to joining the Company, he served from February 2008 to July 2008 as Senior Vice President of Network Operations at Paetec, a New York-based telecommunications company, and served from 1999 to February 2008 as Group Vice President of Network Services for McLeodUSA Incorporated until its purchase by Paetec Holding Corp. McLeodUSA filed a petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code in January 2002 and emerged from Chapter 11 in April 2002, and filed a second Chapter 11 petition in November 2005 and emerged from Chapter 11 in January 2006. In 2002, Mr. Edl filed a Chapter 7 petition.

Bradley J. Fisher became our Senior Vice President—Strategy and Marketing in February 2010. Brad brings an extensive communications background to the Company, with 13 years experience in developing, managing and marketing new products and services at Bell Canada, Canada's largest communications provider. At Bell Canada, Brad served as Vice President, Consumer Internet Services from 2005 to 2008 and as General Manager, Services Development from 2000 to 2005, where he led the innovation, design and implementation of new products and new lines of business for Bell Canada's voice, video and internet divisions. Most recently, as a consultant, Mr. Fisher worked with us in leading the successful effort to rebuild and restart our video development program.

Rose M. Hauser became our Senior Vice President and Chief Information Officer in September 2008. Ms. Hauser is responsible for the development and implementation of IT solutions that address our current back-office issues and support the delivery of new products and services. Ms. Hauser has extensive experience in information technology and billing systems in the telecommunications industry. Prior to joining us, she served as Vice President—Delivery Services at Freddie Mac from April 2007 to September 2008. From August 2003 to February 2006, she served as Vice President—Finance, Human Resources, Billing and Unified Messaging at MCI. Prior to that, Ms. Hauser held executive positions at XO Communications and Bell Atlantic.

Craig T. Inouye became our Senior Vice President—Sales in July 2008. Mr. Inouye is in charge of our business sales, retail stores, wireless, customer contact centers, public communications, equipment sales and wholesale markets. Prior to joining the Company, Mr. Inouye worked at Sun Innovation Holding, LTD from June 2004 to July 2008, where he served as Director. Mr. Inouye began his career in telecommunications at our predecessor GTE Hawaiian Tel, where he worked for more than a decade.

John T. Komeiji became our Senior Vice President and General Counsel in June 2008 and is responsible for our legal, government affairs, support services and external affairs. Prior to joining us, Mr. Komeiji was senior partner at Watanabe Ing & Komeiji LLP from 1998 to June 2008, where his practice focused on litigation of complex commercial, personal injury and professional liability matters. He is the past president of the Hawaii State Bar Association and has served on the American Bar Association's Standing Committee on Lawyer Competence.

William G. Chung became our Vice President of Human Resources & Labor Relations in September 2008. Mr. Chung oversees compensation, benefits, training & development and labor relations and has more than 20 years of experience in human resources. Prior to joining the Company, he served as Vice President of Human Resources & Labor Relations at Hawaiian Tug & Barge/Young Brothers Ltd. from October 1990 to August 2008.

Non-Employee Directors

Walter A. Dods, Jr. was appointed the non-executive Chairman of our Board of Directors in May 2008 and has been a Director since May 2, 2005. Mr. Dods was the non-executive Chairman of the Board of BancWest Corporation, a wholly-owned subsidiary of BNP Paribas, from January 2005 through December 2007 and a director since 1983. Mr. Dods also had been the non-executive Chairman of the Board of First Hawaiian Bank from January 2005 to December 2008, as well as Vice Chairman of Bank of the West from 1998 to 2007. First Hawaiian Bank and Bank of the West are two major subsidiaries of BancWest Corporation. From 1996 to 1997, Mr. Dods served as the National President of the American Bankers Association and was a member of the Federal Advisory Council of the Federal Reserve System, representing the 12th district of the Federal Reserve, from 1999 to 2000. Mr. Dods also serves as the non-executive Chairman of the Board of Alexander & Baldwin, Inc. and is on the Board of Directors of Maui Land & Pineapple Company, Inc. In addition to his extensive public company board and committee experience and his experience managing the operations of a large business organization, Mr. Dods is knowledgeable about the Hawaii markets and communities in which the Company operates.

James A. Attwood, Jr. became a Director in May 2004 and was elected Vice Chairman of the Board in May 2008. Mr. Attwood has been a Managing Director of The Carlyle Group and head of the Global Telecommunications and Media group since November 2000. Prior to joining The Carlyle Group, he served as Executive Vice President—Strategy, Development and Planning for Verizon Communications, Inc. He served as Executive Vice President—Strategic Development and Planning at GTE Corporation prior to that. Mr. Attwood joined GTE Corporation in 1996 as Vice President—Corporate Planning and Development after more than ten years in the investment banking division of Goldman, Sachs & Co. Mr. Attwood is a member of the Boards of Directors of The Nielsen Company B.V. and Insight Communications Company, Inc., and was a member of the Board of Directors of Willcom, Inc. until February 2010. In addition to his experience on public company boards, Mr. Attwood has in-depth knowledge of the telecommunications industry and broad understanding of the challenges facing the Company and the industry as a whole.

Stephen C. Gray became a Director in November 2006 and was elected Vice Chairman of the Board in February 2008. Mr. Gray has been a Senior Advisor to The Carlyle Group's Telecom & Media group since December 2007 and Executive Chairman of ImOn Communications, LLC, a full service cable, telecommunications and Internet service provider located in Cedar Rapids, Iowa, since October 2006. He also has served as Executive Chairman of SecurityCoverage, a provider of fully automated computer security services for homes and small businesses since October 2005 and is the founder and Chairman of Gray Venture Partners, LLC. Mr. Gray previously served as president of

McLeodUSA and as Vice President of Business Services at MCI. Mr. Gray also serves on the Board of Directors of Insight Communications, Inc. Mr. Gray has experience on the boards of telecommunications companies and brings to the Board significant industry operational expertise.

Alan M. Oshima became a Director in May 2008. He served as our Senior Vice President and General Counsel from February 2005 to June 2008. As Principal of AMO Consulting LLC, he has provided consulting services to clients since July 2008, including serving as Senior Advisor to Hawaiian Telcom from July 2008 to June 2009. Mr. Oshima, a founding partner in the Honolulu law firm, Oshima Chun Fong & Chung, LLP, has extensive regulatory and legal experience in Hawaii and served as lead regulatory counsel in The Carlyle Group's 2005 Acquisition. He also is knowledgeable about the Hawaii markets and communities in which the Company operates, and as a former member of the Company's senior management team, has a unique insight into the financial and strategic issues facing the Company. Mr. Oshima also serves on the Board of Directors of Hawaiian Electric Company, Inc.

Director Nominees Post-Chapter 11

Upon emergence from chapter 11, the Board of Directors of the Company will be reconstituted with the following nominees:

Kurt M. Cellar has been a consultant to companies in the telecommunications, retail and insurance industries since January 2008. He previously had been a Partner and Portfolio Manager of Bay Harbour Management L.C., a hedge fund, from 1999 until January 2008. Mr. Cellar has extensive experience in telecommunications, both as an investor and a board member. He currently serves on the Boards of Directors of RCN Corporation, The Penn Traffic Company, Aventine Renewable Energy, Inc., and Six Flags Entertainment Corporation. Mr. Cellar is a Chartered Financial Analyst.

Warren H. Haruki has been President and Chief Executive Officer of Grove Farm Company, Inc., a privately-held land development company located on Kauai, Hawaii, since February 2005. He also is the Executive Chairman (since January 2009) and Interim Chief Executive Officer (since May 2009) of Maui Land & Pineapple Company, Inc. From 1991 until his retirement in 2003, Mr. Haruki served as President of the predecessors of Hawaiian Telcom, Inc., and as a result is knowledgeable about the strategic issues facing the Company and the Hawaii markets and communities in which the Company operates. During his 26 year career with GTE and Verizon, he gained in-depth experience in all aspects of operations of a telecommunications company. He also serves on the Board of Directors of TeleGuam Holdings, LLC, a privately-owned telecommunications provider serving Guam, as well as the boards of several privately-held companies located in Hawaii. He is a Certified Public Accountant.

Richard A. Jalkut has been President and Chief Executive Officer of U.S. TelePacific Corp. (dba TelePacific Communications), the third largest wireline telecom provider in California and second largest in Nevada, since 2002. Mr. Jalkut has more than 35 years experience in the telecommunications industry, including previously serving as President and Chief Executive Officer of Pathnet Telecommunications, Inc., a wholesale provider of services to more than one hundred second- and third-tier markets located across the U.S. (filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code in April 2001), and President, Chief Executive Officer and Chairman of NYNEX Telephone Companies. Mr. Jalkut has served on the Board of Directors of other telecom companies, including Covad Communications Group, Inc. from 2005 to 2008 and Birch Telecom from 2000 to 2005. He brings to the Board extensive board experience with both telecom and non-telecom companies and experience managing telecommunication companies, and has an in-depth understanding of the challenges facing the telecommunications industry.

Steven C. Oldham has been President and Chief Executive Officer of SureWest Communications, a publicly-held integrated communications provider headquartered in Northern California, since January 2006. Prior to joining SureWest, Mr. Oldham served as a Senior Advisor to The Brattle Group, which provides consulting services and expert testimony on economic, finance, regulatory and strategic issues, from May 2002 to May 2005. Mr. Oldham has been a member of SureWest's Board of Directors since January 2004 and was Chairman of its Audit Committee from June 2004 to December 2005. He currently serves as Chairman of the United States Telecom Association, the leading trade association representing broadband service providers, manufacturers and suppliers. He brings to the Board extensive experience managing a telecommunication company and an in-depth understanding of the challenges facing the telecommunications industry.

Bernard R. Phillips III has been President and Chief Executive Officer of the National Rural Telecommunications Cooperative (NRTC) since 1987. He has announced his retirement at the end of May 2010. NRTC is a cooperative that represents the advanced telecommunications and information technology interests of more than 1,500 rural utilities and affiliates, including an affiliate of the Company. Mr. Phillips serves on the Board of Directors of Digital Bridge Communications Corp., a private operator of WiMAX 4G broadband networks in underserved and rural America, and served on the Board of Director of privately-held Avail-TVN, a digital media services company, until May 12, 2010. Mr. Phillips brings to the Board extensive legislative and regulatory telecom experience and broad experience generally in the telecommunications industry.

Paul H. Sunu has been the Chief Financial Officer of Hargray Communications Group, a regional provider of voice, video and data services headquartered in South Carolina, since July 2008. Prior to joining Hargray, Mr. Sunu served as Chief Financial Officer for Hawaiian Telcom Communications, Inc., from May 2007 to March 2008. He is a founder of Madison River Communications and served on its Board of Directors and as Chief Financial Officer from 1996 until its merger with CenturyLink in April 2007. He also served on the Board of Directors of Centennial Communications until its merger with AT&T in November 2009, and currently serves on the Board of Directors of Integra Telecom. Mr. Sunu brings to the Board his industry experience, his unique insight into the financial and strategic issues facing the Company, and his financial expertise. Mr. Sunu is a Certified Public Accountant.

In addition, Eric K. Yeaman will continue to serve on the Board of Directors. As the President and Chief Executive Officer of the Company, Mr. Yeaman brings to the Board an in-depth knowledge of the Company's operations and unique insight into the financial and strategic issues facing the Company. He has experience managing large business organizations, has private company and non-profit board experience, has an extensive financial background, and is knowledgeable about the Hawaii markets and communities in which the Company operates.

Committees of the Board of Directors

Our Board of Directors has an Audit Committee, Compensation Committee, Nominating and Governance Committee and Executive Committee. The duties and responsibilities of the Audit Committee include recommending the appointment or termination of the engagement of our independent registered public accounting firm, overseeing the independent registered public accounting firm relationship and reviewing significant accounting policies and controls. The duties and responsibilities of the Compensation Committee include reviewing and approving the compensation of officers and reviewing and making recommendations to the Board of Directors concerning the compensation of the independent directors. The duties and responsibilities of the Nominating and Governance Committee include making recommendations regarding individuals qualified to become directors, the structure and composition of the Board of Directors and committees of the Board and corporate governance policies and practices. The purpose of the Executive Committee is to act for the Board of Directors in the event formal action is required between Board meetings. Until the Company emerges from chapter 11, affiliates of The Carlyle Group will control the common stock of the Company and therefore have the power to control our affairs and policies and the election of our directors and composition of the Board Committees. As of June 30, 2010, two of the five members of our Board of Directors are representatives of The Carlyle Group. The Board committees will be reconstituted following the Company's emergence from chapter 11.

The Board of Directors has determined that the Audit Committee includes an "audit committee financial expert", Walter A. Dods, Jr., as that term is defined in SEC regulations. Mr. Dods also is "independent" under the NASDAQ independence standards. In addition, the Board of Directors believes that each of the other current members of the Audit Committee is fully qualified to address any issues that are likely to come before the Committee, including the evaluation of our financial statements and supervision of our independent registered public accounting firm.

Procedures for Nominations by Security Holders

The Nominating and Governance Committee does not currently have a policy with regard to the consideration of any director candidates recommended by security holders, because our common stock has not been publicly held, but we contemplate that such a policy will be developed later.

Code of Business Conduct

We have adopted a Code of Business Conduct that sets forth legal, ethical and other obligations that apply to all of our officers and employees, as well as all parties who work on behalf of us, including but not limited to consultants, in-house contractors, employees of subsidiaries and affiliates and representatives. The Code of Business Conduct is posted in the "Investor Relations—Governance" section of our website at www.hawaiiantel.com. In the event that we make any amendment to, or grant any waiver of, a provision of the Code of Business Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, we intend to disclose such amendment or waiver.

Item 6. Executive Compensation

Compensation Discussion and Analysis

The primary objectives of the Compensation Committee with respect to executive compensation include: attracting, retaining and motivating qualified executives; tying annual and long-term compensation to the achievement of specific meaningful corporate and/or individual performance objectives; and aligning the executives' interests with creation of shareholder value. To achieve these objectives, the Compensation Committee implements a comprehensive compensation program that ties a substantial portion of each executive's overall compensation to key performance metrics.

Our Named Executive Officers are Eric K. Yeaman, Robert F. Reich, Michael F. Edl, John T. Komeiji and Geoffrey W.C. Loui. The current Chief Operating Officer is an employee of Zolfo Cooper Management, LLC (ZC) and does not receive a base salary or other compensation directly from the Company. The Company compensates ZC for his management services pursuant to a Services Agreement dated December 1, 2008. See Item 7, "Certain Relationships and Related Transactions, and Director Independence."

The Company engaged Towers Perrin (now Towers Watson), an independent human resource consulting firm, in 2008 to review the compensation levels of its executives. Towers Perrin conducted a market compensation study of 21 top executive positions based on national market survey data from three public survey data sources (updated to be effective January 1, 2009): the Towers Perrin 2008 Executive and Middle Management Databases, the Watson Wyatt 2008/2009 Top Management Compensation Survey, and the Mercer 2008 Executive Benchmark Database. Data that was segmented by revenue was selected to align with the Company's annual revenues. In addition to the national market survey data, Towers Perrin reviewed compensation data (as reported in proxy statements) for the five highest-paid officers at the following peer telecommunications companies: Alaska Communications Systems Group Inc., CenturyTel Inc., Cincinnati Bell Inc., Consolidated Communications Holdings Inc., Embarq Corporation, FairPoint Communications Inc., Frontier Communications Corporation, Iowa Telecommunications Services Inc., and Windstream Corporation.

Our Named Executive Officers' compensation currently consists of base salary, annual performance compensation, stock options, and an executive incentive program.

Base Salary. Base salaries for our Named Executive Officers are based on the scope of their responsibilities, taking into account competitive market compensation paid by comparable companies for similar positions. The Towers Perrin study determined that our executive base salaries, on average, were approximately at the fiftieth (50^{th}) percentile of the market. The base salaries of our Named Executive Officers were not revised as a result of the study.

Base salary merit increases for Named Executive Officers are considered each year and are based on the individual performance appraisals of the executives and on the amount of the merit increase pool budgeted by management for the year in question. In addition to the Towers Perrin study, management takes into consideration the salary adjustment survey data obtained from Hawaii businesses by the Hawaii Employers Council. The Chief Executive Officer reviews the performance of the other Named Executive Officers and makes recommendations to the Compensation Committee regarding changes to their base salary. The performance of the CEO is reviewed by the Compensation Committee, which determines the CEO's base salary change as well as the base salary changes of the other Named Executive Officers.

Merit increases awarded in 2009 to our CEO and other Named Executive Officers were based on individual performance and took into account available telecom and general merit increase projections, including projections from the Hawaii Employers Council's 2008 Salary Adjustment Survey in which 288 Hawaii businesses participated. The Compensation Committee took into account the CEO's waiver of his entire 2008 bonus in deciding to award him a merit increase of 16.0%. The 2009 merit increases for the other Named Executive Officers ranged from 1.3% to 2.5%, based on their individual performance appraisals and reflecting proration based upon their 2008 hire dates.

Annual Performance Compensation Plan. The annual Performance Compensation Plan provides our Named Executive Officers and other key employees with the opportunity to obtain, in addition to their base salary, an annual cash performance payment that is dependent upon achieving stated corporate and/or individual performance goals. Any cash performance payments generally are awarded no later than March 15 of the following year. Unless provided otherwise in the Named Executive Officer's employment agreement, employment with the Company at the time of award is a prerequisite to receiving an award. The 2008 Towers Perrin market compensation study determined that the target annual performance payment percentages for the Company's executives were close to or above the market 75^{th} percentile, with the exception of the CEO, whose target performance payment was between the 50^{th} and 75^{th} percentile.

The Performance Compensation Plan is reviewed annually and its terms may be modified from time to time to reflect changes in the Company's business strategies and focus. The Compensation Committee approves the annual performance payment awards for the Chief Executive Officer and other Named Executive Officers and the corporate and individual performance goals, if any, and their relative weights (as mentioned above, the current Chief Operating Officer is not entitled to participate in the Performance Compensation Plan). The performance payment is calculated as a percentage of the employee's annual salary. For our Named Executive Officers for 2009, the percentages of annual salary used to determine the target performance payment ranged from 66% to 100%. Depending on the achievement of the predetermined targets, the annual performance payment may be less than or greater than the target performance payment. The performance compensation calculations are based on our audited financial results.

For the 2009 plan year, the Compensation Committee determined in November 2008 that the Performance Compensation Plan should be based on the achievement of both Company financial goals and individual performance goals. The Company financial goals were allocated as follows: 40% on revenue, 40% on adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) and

20% on cash flow. The potential impact of unanticipated restructuring items, if any, would be excluded from the calculation of the 2009 awards. The specific targets were $425 million for revenue, $115 million for adjusted EBITDA and ($25) million for net cash flow. The threshold and maximum levels were 95% and 110%, respectively, of target revenue, 90% and 120%, respectively, of target adjusted EBITDA, and 110% and 80%, respectively, of target net cash flow. The individual performance goals were determined by the CEO and Compensation Committee and were aligned with the Company's core strategies. Individual payouts were contingent upon the executive obtaining a "meets expectations" or better performance evaluation. The weighting between Company financial goals and individual performance goals was greater for executives than for non-executives, reflecting that executives have a greater influence on corporate performance. Company financial goals were given a 75% weighting for all the Named Executive Officers. Target annual performance payments were based on a payout schedule that has a target/maximum of 100%/200% for the CEO and 66%/79.2% for the other Named Executive Officers. The performance payments of executive officers other than the CEO may be subjectively allocated by the CEO within the performance compensation pool composed of senior vice presidents, vice presidents, executive directors and directors. The Bankruptcy Court approved the 2009 Performance Compensation Plan, but pursuant to the Plan of Reorganization and the Confirmation Order, the performance payments for 2009 to our executive officers will be deferred until emergence from chapter 11, and the aggregate performance payments may not exceed $8.5 million.

In early 2010, management reviewed and compared the completed performance review forms used to evaluate achievement of individual performance goals and found inconsistencies in the quality of the goals and in the evaluation of the achievement of these goals. As a result, management recommended, and the Compensation Committee in March 2010 agreed, that awarding the 2009 performance compensation payments based on the individual performance goals would not achieve the intended purpose, and that the payments for 2009 should be based solely on the achievement of the Company financial goals described above. The Company's performance for 2009 was $409 million for revenue, which was below target but above the threshold level; $116 million for adjusted EBITDA, which was above target but below the maximum level; and ($25) million for net cash flow, which was at target and reflected a downward adjustment to reflect unanticipated restructuring items. Based on the foregoing, the Compensation Committee approved 2009 performance payments for the Named Executive Officers that were 92.6% of their target performance payments, summarized as follows:

Corporate Performance Metric	Target (in millions)	Actual Result (in millions)	Actual Result as a Percentage of Target(1) (rounded)	Weighting	Actual Payout as a Percentage of Target
Revenue	$425	$409	80.7%	40%	32.3%
Adjusted EBITDA	$115	$116	100.8%	40%	40.3%
Net Cash Flow	$(25)	$(25)	100.0%	20%	20.0%
TOTAL					92.6%

(1) Determined by interpolation based on how the actual results compared to the threshold, target and maximum levels.

The following chart shows the 2009 target bonus and actual bonus percentages for each Named Executive Officer:

Name	Target as a Percentage of Base Salary	Potential Payout Range as a Percentage of Base Salary	Actual Payout as a Percentage of Base Salary
Eric K. Yeaman	100%	0 - 200%	92.6%
Robert F. Reich	66%	0 - 79.2%	61.1%
Michael F. Edl	66%	0 - 79.2%	61.1%
John T. Komeiji	66%	0 - 79.2%	61.1%
Geoffrey W.C. Loui	66%	0 - 79.2%	61.1%

Solely at our discretion, additional performance-based compensation may be paid to our Named Executive Officers and other key employees. No such additional performance payments were paid to a Named Executive Officer for the 2009 plan year.

Stock Option Plan. The Stock Option Plan of Hawaiian Telcom Holdco, Inc. (the "Stock Option Plan") was intended (1) to provide additional long-term incentives to our Named Executive Officers, other key employees and our directors and (2) to recruit and retain executives, other key employees and directors. Stock option grants generally were made at the commencement of service; annual grants of stock options were not made. No options were granted in 2009 to our Named Executive Officers. None of the stock options granted under the Stock Option Plan have been exercised and the recipients of stock options have never received any value from the Stock Option Plan. As a result of the restructuring under chapter 11, the Company equity has no value, and the existing stock options provide no long-term incentive for the executive officers. Under the Plan of Reorganization, upon emergence from chapter 11, the Stock Option Plan and all outstanding options granted thereunder will be terminated, and ten percent (10%) of the outstanding New Common Stock of the Company will be reserved for a new Management Equity Incentive Program to be implemented following emergence from chapter 11.

Executive Incentive Program. A specific objective of the Compensation Committee in late 2008 was to provide executive officers with an appropriate performance and retention incentive during the Company's balance sheet restructuring process that would take into account the Company's lack of an adequate long-term incentive program. In late 2008, the Compensation Committee recommended, and the Board of Directors subsequently adopted, a performance-based Executive Incentive Program formulated by Towers Perrin that provided for performance and retention incentive payouts to executives that would be based on the equity commitments made to the executives when they joined the Company and reflected the fact that the existing Company stock option program no longer provided a meaningful reward opportunity. The payouts would be based on the Company achieving the same minimum, target, and maximum performance metrics applicable to the Performance Compensation Plan for the 2008 and 2009 plan years. The threshold and maximum levels would be 75% and 120%, respectively, of target. Payouts would be in two increments: 50% would be based on 2008 performance and be paid upon completion of the restructuring process but no earlier than payouts under the 2008 Performance Compensation Plan, and 50% would be based on 2009 performance and be deferred to two years after approval of the Program. The payouts were conditioned upon the executive being employed by the Company at the time of the payouts; provided, however, if prior to reaching such payout dates the executive was involuntarily terminated without cause or voluntarily terminated for good reason, the executive would receive a prorated payment accelerated to the date of termination. The Company did not seek Bankruptcy Court approval of payments under this Program, and no amounts have been paid thereunder.

Other Compensation. In 2009, our Named Executive Officers were eligible to participate in the following plans, benefits and perquisites:

1. Voluntary defined contribution plan (401(k)), group medical plans and other benefit plans available to salaried employees generally (with the exception of group life, disability and accidental death and dismemberment insurance).
2. Company-funded executive group life, disability and accidental death and dismemberment insurance.
3. Reimbursement of out-of-pocket health expenses.
4. Entitlement to severance benefits in the event of termination of employment under certain circumstances.

While we intend to continue to maintain our current benefits and perquisites for our Named Executive Officers, we have discretion to revise, amend or add to them. We believe these benefits and perquisites are at competitive levels for comparable companies.

Summary Compensation Table

The following table sets forth information regarding compensation earned during 2009 by our principal executive officer and principal financial officer during 2009 and the three other most highly compensated executive officers who were serving as executive officers at the end of 2009 (collectively, the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(6)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(8)	All Other Compensation ($)(9)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Eric K. Yeaman . . . . President and Chief Executive Officer	2009	673,846	0	—	—	623,981	—	26,297	1,324,125
Robert F. Reich . . . . Senior Vice President, Chief Financial Officer and Treasurer	2009	318,154	0	—	—	194,443	—	19,146	531,742
Geoffrey W.C. Loui(1) . . . . . Senior Vice President - Strategy & Marketing	2009	301,323	0	—	—	184,157	—	326,338	811,818
John T. Komeiji . . . . Senior Vice President and General Counsel	2009	316,000	0	—	—	193,126	—	21,400	530,526
Michael F. Edl . . . . Senior Vice President - Network Services	2009	303,846	0	—	—	185,699	—	25,610	515,155

(1) Mr. Loui left the Company effective January 3, 2010.

(2) Represents cash performance payments earned for the fiscal year identified in column (b) under the Company's Performance Compensation Plan. Payments are subject to reduction in the event the aggregate payments under the Performance Compensation Plan exceeds $8.5 million, are deferred until the Company's emergence from chapter 11, and are conditioned upon the Named Executive Officer's continued employment by the Company until the payment date. In the case of Mr. Loui, the severance provision of his employment agreement waives the continued employment condition.

(3) "All Other Compensation" in 2009 includes: (i) amounts contributed by the Company to its 401(k) plan (Mr. Yeaman—$16,500, Mr. Reich—$14,012, Mr. Loui—$16,500, Mr. Komeiji—$16,500, and Mr. Edl—$16,500), (ii) amounts accrued pursuant to employment agreements in connection with termination of employment, which are subject to reduction in the event of violation of certain covenants described in the employment agreements or employment with another company based on more than twenty hours per week (Mr. Loui—$304,000), (iii) premiums paid with respect to supplemental term life, accidental death and dismemberment, disability and health benefits for the benefit of the Named Executive Officers, and (iv) reimbursement of out-of-pocket medical expenses for each of the Named Executive Officers.

Employment Agreements

Each of Messrs. Yeaman, Reich, Loui, Komeiji and Edl had entered into an employment agreement with us. As a result of the termination of employment of Mr. Loui in January 2010, his employment agreement has terminated.

Each of the employment agreements of Messrs. Reich, Komeiji, and Edl has no specified term but instead provides that the Named Executive Officer is an employee at-will of the Company and that either party may terminate the employment agreement at any time. Mr. Yeaman's employment agreement, which had an initial four-year term that began June 16, 2008, was amended in April 2010 effective upon the Company's emergence from chapter 11 to provide for a term of four years beginning with the date of the Company's emergence from chapter 11, renewable by the Company's Board of Directors upon written notice no later than ninety days prior to the end of such new four-year term. The amended employment agreement was entered into to accommodate the Company's emergence from chapter 11 and required Mr. Yeaman to forego certain payments to which he was entitled under his original employment agreement in the event of a "Change in Control" or "Exit Event" as defined in the agreement (including foregoing a $5 million cash payment related to the change in ownership resulting from the Company's emergence from chapter 11), in partial consideration for which Mr. Yeaman is to receive a one-time $600,000 cash payment within thirty days following emergence from chapter 11. The amended employment agreement further provides that Mr. Yeaman's target and maximum opportunity under the Company's Performance Compensation Plan will be 100% of his base salary, that his potential lump sum cash severance payment in the event of termination without cause or for good reason will be two times the sum of his annual base salary and his target level payment under the Performance Compensation Plan, and that he will be entitled to receive, under the Management Equity Incentive Plan to be implemented by the Company upon emergence from chapter 11, restricted stock units with a potential value of $1.2 million that vest in equal annual installments over four years and restricted stock units with a potential value of $1.2 million that vest only upon the achievement of performance goals to be established annually by the Compensation Committee. The vesting is subject to Mr. Yeaman's continued employment with the Company on each applicable vesting date and is subject to accelerated vesting in the event of a change of control of the Company, termination of Mr. Yeaman's employment without cause or for good reason, or his death or disability.

Under the terms of their employment agreements, Messrs. Reich, Komeiji, and Edl also are each eligible to receive an annual performance payment under our Performance Compensation Plan, pursuant to which performance payments are tied to achieving certain corporate and/or individual performance goals, with a target performance payment of 66% of annual base salary. They each also are entitled to participate in (i) our stock option plan and (ii) our employee benefit plans, programs and arrangements at a level commensurate with the executive's position.

Grants of Plan-Based Awards

The following table summarizes pertinent information concerning plan-based awards granted to the Named Executive Officers during 2009:

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Eric K. Yeaman . . . . President and Chief Executive Officer and Director	—	505,385	673,846	1,347,692	—	—	—	—	—	—	—
Robert F. Reich . . . . Senior Vice President, Chief Financial Officer and Treasurer	—	157,487	209,982	251,978	—	—	—	—	—	—	—
Geoffrey W.C. Loui . . . . Senior Vice President - Strategy & Marketing	—	149,155	198,873	238,648	—	—	—	—	—	—	—
John T. Komeiji . . . . Senior Vice President and General Counsel	—	156,420	208,560	250,272	—	—	—	—	—	—	—
Michael F. Edl . . . . Senior Vice President - Network Services	—	150,404	200,538	240,646	—	—	—	—	—	—	—

(1) Represents estimated payouts under the Company's Performance Compensation Plan. The actual payouts are reflected in column (g) of the Summary Compensation Table.

Exercisability of Options. Subject to the Named Executive Officer's continued employment with the Company, 25% of the options granted under the Company's Stock Option Plan generally will vest automatically in equal annual installments of 5% on each anniversary of the option holder's hire date (or other award date, in the case of additional options awarded subsequent to the hire date) and 75% will vest in full on the day immediately preceding the eighth anniversary of the grant date subject to earlier vesting if certain performance conditions are met. The performance condition component of the Plan provides that an installment equal to 5% (15% if all three targets are met) of the option will vest for each fiscal year, beginning with the year of grant and ending with the fourth year thereafter, for the following three targets, as defined in the Plan: Revenue, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), and Free Cash-Flow.

Expiration of Stock Options. The term of an option is set by the Compensation Committee of the Board of Directors of the Company (or the Board of Directors of the Company in the case of options granted to independent directors), provided the option term is not longer than ten years from the date of grant. Under the Plan of Reorganization, all stock options granted under the Stock Option Plan will be terminated upon emergence of the Company from chapter 11.

Corporate Event. Unless otherwise provided by the terms of outstanding awards, if a corporate event (as defined in the Stock Option Plan to include any unusual or nonrecurring transaction or event) occurs, then the Compensation Committee of the Board of Directors of the Company (or the Board of Directors of the Company in the case of options granted to independent directors) may take one or more of the following actions to prevent dilution or enlargement of benefits or potential benefits under the Stock Option Plan: (i) purchase outstanding options for an amount of cash, securities or property or replace outstanding options with other rights or property; (ii) terminate the award upon the occurrence of such event; (iii) provide that only for a specified period of time prior to the occurrence of such event, options will be exercisable, notwithstanding any other provision in the Stock Option Plan or option award agreement to the contrary; (iv) provide that each award will be assumed or substituted for an equivalent award by any successor or survivor corporation; or (v) make adjustments in the number and types of awards, the terms and conditions of awards and any performance criteria included in awards.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the outstanding equity award holdings held by the Named Executive Officers at December 31, 2009. There was no public trading market for the common stock of the Company as of December 31, 2009.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Eric K. Yeaman President and Chief Executive Officer and Director	—	—	—	—	—	—	—	—	—
Robert F. Reich Senior Vice President, Chief Financial Officer and Treasurer	58(1)	89(1)	440(1)	1,000(1)	5/21/2017(1)	—	—	—	—
Geoffrey W.C. Loui Senior Vice President - Strategy & Marketing	—	—	—	—	—	—	—	—	—
John T. Komeiji Senior Vice President and General Counsel	—	—	—	—	—	—	—	—	—
Michael F. Edl Senior Vice President - Network Services	—	—	—	—	—	—	—	—	—

(1) The grant date for this option is May 22, 2007. Twenty-five percent of this option is subject to time vesting (5% on each anniversary of the hire date), and the other 75% is performance-based and becomes exercisable when certain targets for EBITDA, revenue and free cash flow are met (up to 15% each year beginning with the year of grant).

Option Exercises and Stock Vested

There were no exercises of stock options or vesting of stock by the Named Executive Officers during 2009.

Pension Benefits

None of the Named Executive Officers participate in or have account balances in the Hawaiian Telcom Management Pension Plan.

Nonqualified Deferred Compensation

None of the Named Executive Officers participate in or have account balances in a non-qualified defined contribution plan or other deferred compensation plan maintained by the Company.

Potential Payments on Termination or Change in Control

The quantities stated below assume termination as of December 31, 2009 unless the executive is no longer employed by the Company, in which case the stated quantities are the amounts actually paid or estimated to be paid.

Upon termination of Mr. Yeaman's employment either by us without cause or by him for good reason as of December 31, 2009, he was entitled to receive a lump sum equal to (i) three times the sum of his annual base salary and his annual performance payment at the Target level under the Performance Compensation Plan ($4,109,538), and (ii) the amount of his annual performance payment deemed to be earned for the most recent fiscal year but not yet paid, in the event the termination occurs after the beginning of the year but prior to the date of payment under the Performance Compensation Plan ($623,981). In the event of a change in control of the Company as of December 31, 2009, Mr. Yeaman was entitled to receive a cash payment which would be calculated in accordance with a formula described in his employment agreement at the time ($5,000,000). As described in "—Employment Agreements" above, Mr. Yeaman's employment agreement was amended in April 2010 effective upon the Company emergence from chapter 11, resulting in, among other things, a reduction in the severance payable upon termination and elimination of the cash payment payable in the event of a change in control.

Upon termination of Mr. Reich's employment by us without cause, he is entitled to (i) continue to receive his base salary for twelve months following termination ($320,000), subject to termination in the event he breaches any of the covenants described in his employment agreement or becomes employed with another company based on more than twenty hours per week, (ii) continue to receive, for the time period set forth in clause (i), coverage for himself and any dependents under the Company group health benefit plans in which they were entitled to participate immediately prior to the date of termination other than certain supplemental coverage plans available to senior executives ($9,052), and (iii) a pro rata portion of his performance payment under the Performance Compensation Plan for the year of termination ($194,443), to be paid at the same time as bonuses are paid to the other executive officers.

Upon termination of Mr. Komeiji's employment either by us without cause or by him for good reason, he is entitled to (i) continue to receive his base salary for twelve months following termination ($317,200), subject to termination in the event he breaches any of the covenants described in his employment agreement, (ii) continue to receive, for the time period set forth in clause (i), coverage for himself and any dependents under the Company group health benefit plans in which they were entitled to participate immediately prior to the date of termination other than certain supplemental coverage plans available to senior executives ($13,486), and (iii) a pro rata portion of his performance payment under the Performance Compensation Plan for the year of termination ($193,127), to be paid at the same time as bonuses are paid to the other executive officers. His employment agreement also provides that, upon termination of his employment due to his death or disability, he or his estate shall be entitled to receive a lump sum equal to six months of his base salary ($158,600) and the pro rata portion of his performance payment under the Performance Compensation Plan based upon the Company's year-to-date performance ($193,127), to be determined in good faith by the Compensation Committee.

Upon termination of Mr. Edl's employment either by us without cause or by him for good reason, he is entitled to (i) continue to receive his base salary for twelve months following termination ($305,000), subject to termination in the event he breaches any of the covenants described in his employment agreement or becomes employed with another company based on more than twenty hours per week, (ii) continue to receive, for the time period set forth in clause (i), coverage for himself and any dependents under the Company group health benefit plans in which they were entitled to participate immediately prior to the date of termination other than certain supplemental coverage plans available to senior executives ($13,486), and (iii) a pro rata portion of his performance payment under the Performance Compensation Plan for the year of termination ($185,699), to be paid at the same time as bonuses are paid to the other executive officers. His employment agreement also provides that, upon termination of his employment due to his death or disability, he or his estate shall be entitled to receive a lump sum equal to six months of his base salary ($152,500) and the pro rata portion of his performance payment under the Performance Compensation Plan based upon the Company's year-to-date performance ($185,699), to be determined in good faith by the Compensation Committee.

Upon termination of Mr. Loui's employment effective January 3, 2010, he was entitled to the following amounts under the terms of his employment agreement for termination without cause (total of $501,000): a performance payment under the 2009 Annual Performance Compensation Plan ($184,157) to be paid at such time as performance payments are paid to other executives, and, for twelve months following termination, continuation of his base salary ($304,000) and continued coverage under all of our group health benefit plans in which he and any of his dependents were entitled to participate immediately prior to termination ($12,843). The continued base salary payments and group health benefit coverage will terminate earlier in the event Mr. Loui violates any of the covenants described in his employment agreement, which deal with, among other things, non-competition, non-solicitation, confidentiality, and non-disparagement, or he becomes employed with another company based on more than twenty hours per week.

In addition, upon termination of employment, each of the Named Executive Officers will be entitled to receive the sum of his unpaid annual base salary through the date of termination, any unpaid expenses, and any unpaid accrued vacation pay.

The following table reflects the total payments that each Named Executive Officer would have received if the following events had occurred as of December 31, 2009:

Name	Termination w/o Cause or Resignation for Good Reason	Termination Upon Death/Disability	Change in Control
Eric K. Yeaman	$4,733,519	$ 0	$5,000,000
Robert F. Reich	$ 523,495	$ 0	$ 0
John T. Komeiji	$ 523,813	$351,727	$ 0
Michael F. Edl	$ 504,185	$338,199	$ 0

Each employment agreement prohibits the Named Executive Officer from competing with us or soliciting our employees and customers during the term of his employment and for one year (two years in the case of Mr. Yeaman) following the termination of his employment or the expiration of his term of employment, whichever is longer. Each employment agreement also places restrictions on the dissemination by the Named Executive Officer of confidential or proprietary information.

Director Compensation

Directors who are employees of The Carlyle Group or the Company (or affiliates thereof) are not separately compensated for their service as directors. Independent directors receive an annual cash retainer of $50,000 and an additional $5,000 if also serving as Chairperson of a Committee of the

Board of Directors. Walter A. Dods, Jr., an independent director, has requested and agreed to $1 per year in return for serving as Chairman of the Board. The independent directors also receive an attendance fee of $1,500 per Board or Committee meeting attended in person and $1,000 per Board or Committee meeting attended telephonically. In addition, we granted non-qualified stock options to purchase shares of our common stock to each independent director upon commencement of service pursuant to our Stock Option Plan. These options currently have no value and, under the Plan of Reorganization, will be terminated upon the Company's emergence from chapter 11.

The following table sets forth a summary of the compensation we paid to our directors during 2009.

Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Walter A. Dods, Jr.	92,501	—	—	—	—	0	92,501
James A. Attwood, Jr.	0	—	—	—	—	0	0
Stephen C. Gray	86,500	—	—	—	—	0	86,500
William E. Kennard(1)	0	—	—	—	—	0	0
Alan M. Oshima	102,000	—	—	—	—	0	102,000
Raymond A. Ranelli(2)	39,500	—	—	—	—	0	39,500
Eric K. Yeaman	0	—	—	—	—	0	0

(1) Mr. Kennard resigned from the Board effective December 1, 2009.

(2) Mr. Ranelli resigned from the Board effective June 30, 2009.

Compensation Committee Interlocks and Insider Participation

The current members of our Compensation Committee are Messrs. Attwood (Chairman), Dods and Oshima. Other than Mr. Oshima, who served as Senior Vice President and General Counsel of the Company from February 2005 to June 2008, none of the members of our Compensation Committee serves, or has served, as an officer or employee of the Company. None of our executive officers currently serves, or in the past year has served, as a member of the Board of Directors or Compensation Committee of any entity that has one or more executive officers who serve on our Board of Directors or Compensation Committee. Mr. Attwood is associated with The Carlyle Group. Affiliates of The Carlyle Group control the common stock of the Company and therefore have the power to control our affairs and policies. In addition, The Carlyle Group and its affiliates entered into a management agreement with us relating to the provision of certain financial and strategic advisory services and consulting services. See Item 7, "Certain Relationships and Related Transactions, and Director Independence."

Item 7. Certain Relationships and Related Transactions, and Director Independence

The Company's Code of Business Conduct requires employees to disclose any actual or perceived conflict of interest and any material transaction that could be expected to give rise to a conflict of interest, including a potential related party transaction. Any potential conflict of interest must be approved by the Chief Executive Officer, or if the conflict of interest involves a material amount, by the Board of Directors. Directors also are required, pursuant to the Code of Conduct for the Directors of the Company, to disclose any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company. Such disclosure must be made promptly to the Chairman of the Nominating and Governance Committee. In addition, the Charter of the Audit Committee requires the Audit Committee to review reports and disclosures of related party transactions.

Services Agreements

Pursuant to a Services Agreement with Kevin J. Nystrom and Zolfo Cooper Management, LLC (ZC) dated as of December 1, 2008, Mr. Nystrom serves as Chief Operating Officer of the Company, leading the Company's restructuring efforts and performing certain management services for the Company. Under the Services Agreement, the Company agreed to pay ZC a monthly fee of $225,000 for the services of Mr. Nystrom and associate directors assigned by ZC to perform services under the Services Agreement. The monthly fee subsequently was reduced to $90,000 beginning January 1, 2010 pursuant to an Amendment No. 1 to the Services Agreement dated as of December 1, 2008, in light of the Bankruptcy Court's confirmation of the Plan of Reorganization. The term of the Services Agreement continues on a month-to-month basis until terminated by either party at the end of any month upon written notice to the other party.

Pursuant to an Independent Contractor Agreement with Fisher Global Inc. and Bradley J. Fisher dated as of December 23, 2009, Mr. Fisher serves as our Senior Vice President—Strategy and Marketing. Under the Independent Contractor Agreement, which any party may terminate at any time upon not less than sixty days prior written notice, Fisher Global Inc. is paid a monthly fee of $36,500 plus Hawaii general excise tax for the services of Mr. Fisher and received a one-time $20,000 mobilization fee. Mr. Fisher does not receive a base salary or other compensation or benefits from the Company. In addition, in 2009 Mr. Fisher rendered consulting services to the Company as an independent contractor for EMC Corporation.

Pursuant to a Consulting Agreement, dated as of May 13, 2008, by and between the Company and AMO Consulting, LLC, Alan M. Oshima, who retired as Senior Vice President and General Counsel effective June 1, 2008, served as a Senior Advisor to the Company for a one-year term that ended May 31, 2009. The monthly consulting fee paid to AMO Consulting, LLC for Mr. Oshima's services was $46,000 plus Hawaii general excise tax during the first six months of the term and $20,000 plus Hawaii general excise tax during the remainder of the term. Such services did not include legal services or his service as a member of the Company's Board of Directors.

Management Agreement with The Carlyle Group

In connection with the 2005 Acquisition, we entered into a management consulting agreement with The Carlyle Group for the provision of certain financial and strategic advisory services and consulting services. The agreement required payment to The Carlyle Group of an annual monitoring fee equal to $1.0 million that commenced in 2005 and was suspended effective September 30, 2008. In addition, we paid The Carlyle Group a one-time transaction fee for structuring the 2005 Acquisition and related transactions. The agreement also provides for reimbursement of fees and expenses paid by The Carlyle Group for our account. In addition, under the terms of the agreement, The Carlyle Group has the right to act, in return for additional fees, as our financial advisor or investment banker for any merger, acquisition, disposition, finance or the like if we decide we need to engage someone to fill such a role.

We have agreed to indemnify The Carlyle Group and its officers and representatives for losses relating to the services contemplated by the agreement and the engagement of affiliates of The Carlyle Group pursuant to and the performance by them of the services contemplated by, the agreement. The agreement will terminate upon our emergence from chapter 11.

Management Rights Agreement with The Carlyle Group

In connection with the 2005 Acquisition, the Company, Hawaiian Telcom Communications, Inc., Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. and the affiliates of The Carlyle Group entered into a management rights agreement. Among other things, the Company and Hawaiian Telcom Communications, Inc. agreed to the following:

- to grant The Carlyle Group the right to nominate one director to serve on the Company's Board of Directors ;
- to grant The Carlyle Group the right to nominate one director to serve on the Board of Directors of each of Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc.;
- to vote all of their beneficially owned voting securities in Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. to elect the director nominated by The Carlyle Group to serve as a member of each of the Board of Directors of Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc.; and
- to grant an irrevocable proxy to The Carlyle Group to vote their voting securities in Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. to elect the director nominated by The Carlyle Group to serve as a member of each of the Board of Directors of Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc.

The management rights agreement will terminate upon our emergence from chapter 11.

Director Independence

The Board of Directors has determined that Mr. Dods is independent based on the NASDAQ rules. In making such determination, the Board considered the Company's banking relationship with First Hawaiian Bank, of which Mr. Dods is the former non-executive Chairman of the Board. A determination by the Board of Directors as to the independence under the NASDAQ rules of the director nominees identified in Item 5, "Directors and Executive Officers," will be made at a later date.

Item 8. Legal Proceedings

We are involved in various claims, legal actions and regulatory proceedings arising from time to time in the ordinary course of business. Other than the matter set forth below, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our combined financial position, results of operations or cash flows.

On December 1, 2008, the Company, Hawaiian Telcom Communications, Inc., Hawaiian Telcom, Inc., Hawaiian Telcom Services Company, Inc. and certain other affiliates filed voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware in order to facilitate the balance sheet restructuring. Venue of the chapter 11 cases was transferred to the United States Bankruptcy Court for the District of Hawaii on December 22, 2008. The Bankruptcy Court entered a Confirmation Order on December 30, 2009 confirming our Plan of Reorganization. The Plan of Reorganization will become effective, and the Company and other Debtors will emerge from chapter 11, upon satisfaction of the requisite conditions. The Company obtained regulatory approval from the FCC and the PUC in September 2010. In the course of the chapter 11 cases, various creditors, including certain of our Named Executive Officers, had filed proofs of claim. These claims will be resolved as part of the resolution of the chapter 11 cases, and we continue to evaluate possible objections to certain proofs of claim. Under our Plan of Reorganization, $500,000 will be set aside to cover claims of unsecured creditors.

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Market Information

There currently is no established public market for our existing common stock. Upon emergence from chapter 11, our existing common stock will be extinguished, and the New Common Stock will be issued to the holders of senior secured claims in our chapter 11 cases as well as certain holders of unsecured claims who exercised subscription rights for the right to receive shares of New Common Stock. We have filed an application to list the New Common Stock on the NASDAQ Stock Market.

Stockholders

All of our common stock currently is held directly by the Carlyle Funds. Upon emergence from chapter 11, all of our New Common Stock will be held by the holders of senior secured claims in our chapter 11 cases as well as by certain holders of unsecured claims who exercised subscription rights for the right to receive shares of New Common Stock.

Dividends

We have not declared or paid any dividends on our existing common stock. Our current senior secured credit facilities and the indentures governing our Senior Notes and Senior Subordinated Notes limit our ability to declare or pay dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

Stock options are authorized to be issued under our Stock Option Plan. Under the Plan of Reorganization, the Stock Option Plan and all options issued thereunder will be terminated as of the Effective Date, and 10% of the outstanding New Common Stock on a fully diluted basis will be reserved under a Management Equity Incentive Plan pursuant to which stock options and restricted shares of New Common Stock are authorized to be issued.

The following table reflects information as of December 31, 2009 with respect to our Stock Option Plan:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders	2,661	$1,000	34,593
Total	2,661	$1,000	34,593

Item 10. Recent Sales of Unregistered Securities

Pursuant to the Plan of Reorganization, certain senior notes holders with allowed claims (the "eligible senior notes claim holders") who certified that they were qualified institutional buyers as defined in Rule 144A under the Securities Act of 1933, as amended, or accredited investors as defined in Rule 501 under the Securities Act of 1933, as amended, received subscription rights entitling them to purchase their pro rata share of 3,125,000 shares of the New Common Stock to be issued on the Effective Date or as soon as practicable thereafter. The rights offering commenced on September 23, 2009 and expired on September 30, 2009. Holders of subscription rights intending to participate in the rights offering were required to elect to exercise their subscription rights and pay the subscription purchase price of $16.00 per share prior to the expiration of the rights offering. The rights offering was subject to a minimum participation of $1,000,000. A total of three eligible senior notes claim holders timely exercised their subscription rights, paying a total of $2,161,008 to the rights offering agent for the right to receive a total of 135,063 shares of New Common Stock. The Company will receive these funds at the Effective Date of the Plan of Reorganization.

Item 11. Description of Registrant's Securities to Be Registered

The securities to be registered consists of the 10,000,000 shares of the New Common Stock that will be issued upon emergence from chapter 11 to the holders of senior secured claims in our chapter 11 cases as well as by certain holders of unsecured claims who exercised subscription rights for the right to receive shares of New Common Stock. In accordance with the Amended and Restated Certificate of Incorporation of the Company anticipated to be approved after the Effective Date, our authorized capital stock will consist of 245,000,000 shares of common stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $0.01 per share issuable in one or more series. When issued, all of the shares of New Common Stock issued pursuant to the Plan of Reorganization will be duly authorized, validly issued, fully paid and non-assessable. We have filed an application to list the New Common Stock on the NASDAQ Stock Market.

The Amended and Restated Certificate of Incorporation will provide that holders of our New Common Stock will be entitled to one vote per share for each share of New Common Stock held by such holder on all matters on which stockholders generally are entitled to vote. The Board of Directors may declare dividends and other distributions in cash, property or shares of stock of the Company on our New Common Stock, subject to the preferences applicable to any series of preferred stock outstanding at any time. The holders of our New Common Stock will have no cumulative voting rights, liquidation rights, preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our New Common Stock. The Amended and Restated Certificate of Incorporation will prohibit us from issuing non-voting equity securities and does not contain any redemption or sinking fund provisions; however, it expressly permits the Company to purchase shares of outstanding capital stock of the Company, or the right to purchase any such shares of capital stock, from any holder thereof on terms and conditions established by the Board of Directors of the Company or a duly authorized committee thereof.

The rights of holders of our New Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The Amended and Restated Certificate of Incorporation authorizes the Board of Directors, without stockholder approval, to provide, out of the unissued shares of preferred stock, for series of preferred stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the powers (including voting powers, if any), preferences and relative, participating, optional or other special rights, if any, or the qualifications, limitations or restrictions thereof, including, without limitation thereof, dividend rights, special voting rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the Delaware General Corporation Law (DGCL).

The Plan of Reorganization provides that, upon the Effective Date, in the event the Company determines that a registration rights agreement and/or a shareholders' agreement are advisable, then, subject to obtaining the consent of the administrative agent for the Senior Secured Creditors, the Company shall enter into such agreements with each entity that is to be a counter-party thereto or such agreements that shall be deemed to be valid, binding and enforceable in accordance with their respective terms, which each holder of New Common Stock shall be bound thereby, in each case without the need for execution by any party thereto other than the Company. Notwithstanding the foregoing, holders of New Common Stock may be permitted to be signatories to the registration rights agreement and shareholders' agreement (if any), if they so desire.

Item 12. Indemnification of Directors and Officers

Section 145 of the DGCL authorizes a corporation, subject to the procedures and limitations stated therein, to indemnify its directors, officers, employees and agents against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement in connection with various actions, suits or proceedings, whether civil, criminal, administrative or investigative other than an action by or in the right of the corporation, if they acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, if they had no reasonable cause to believe their conduct was unlawful. In the case of proceedings brought by or on behalf of the corporation, indemnification is limited to expenses and is not permitted if the individual is adjudged liable to the corporation, unless the court determines otherwise. The statute provides that indemnification pursuant to its provisions is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, bylaws, agreement, vote of stockholders or disinterested directors or otherwise. Our Bylaws provide for the indemnification of our directors and officers to the fullest extent permitted by applicable law.

Our Amended and Restated Certificate of Incorporation eliminates the personal liability of directors to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director with certain limited exceptions set forth therein. In addition, we may purchase and maintain insurance on our behalf and on behalf of a person who is or was a director, officer, employee or agent of ours, or was serving at our request as a director, officer, employee or agent of another entity, against any expense, liability or loss asserted against him or her and incurred by him or her in any such capacity, whether or not we would have the power to indemnify such person against such expenses, liability or loss under the DGCL.

Item 13. Financial Statements and Supplementary Data

The financial statements required to be included in this registration statement appear immediately following the signature page to this registration statement beginning on page F-1.

Item 14. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 15. Financial Statements and Exhibits

(a) The following financial statements are being filed as part of this Registration Statement.

1. Hawaiian Telcom Holdco, Inc. consolidated financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007.
2. Hawaiian Telcom Holdco, Inc. condensed consolidated financial statements as of June 30, 2010 and December 31, 2009 and for the six months ended June 30, 2010 and 2009.
3. Financial Statement Schedules. All schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, are inapplicable or not material, or the information called for thereby is otherwise included in the financial statements and therefore has been omitted.

(b) Exhibits required by Item 601 of Regulation S-K.

Exhibit No.	Description of Exhibit
2.1†	Plan of Reorganization, dated December 30, 2009, confirmed by the Bankruptcy Court.
3.1†	Amended and Restated Certificate of Incorporation of Hawaiian Telcom Holdco, Inc., filed November 15, 2005.
3.2†	Bylaws of Hawaiian Telcom Holdco, Inc., restated effective September 30, 2008.
4.1	Indenture with respect to the Senior Floating Rate Notes due 2013 and the 9.75% Senior Fixed Rate Notes due 2013 between Hawaiian Telcom Communications, Inc. and U.S. Bank National Association, as trustee, dated May 2, 2005 (incorporated by reference to Exhibit 4.1 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
4.2	Form of Senior Floating Rate Notes due 2013 (included in exhibit 4.1) (incorporated by reference to Exhibit 4.2 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
4.3	Form of 9.75% Senior Fixed Rate Notes due 2013 (included in exhibit 4.1) (incorporated by reference to Exhibit 4.3 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
4.4	Indenture with respect to the 12½% Senior Subordinated Notes due 2015 between Hawaiian Telcom Communications, Inc. and U.S. Bank National Association, as trustee, dated May 2, 2005 (incorporated by reference to Exhibit 4.4 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
4.5	Form of 12½% Senior Subordinated Notes due 2015 (included in exhibit 4.4) (incorporated by reference to Exhibit 4.5 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
10.1	Amended and Restated Credit Agreement, dated as of June 1, 2007, among Hawaiian Telcom Holdco, Inc., Hawaiian Telcom Communications, Inc., the lenders party thereto, Lehman Commercial Paper Inc., as administrative agent and collateral agent, JPMorgan Chase Bank, N.A., as syndication agent, and CoBank, ACB and Wachovia Bank, N.A., as co-documentation agents (incorporated by reference to Exhibit 10.1 on Hawaiian Telcom Communications, Inc.'s Form 8-K, File No. 333-131152, filed with the SEC on June 7, 2007).
10.2	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, File No. 333-131152, filed with the SEC on June 7, 2007).
10.3†	Supply Chain Services Agreement by and between Hawaiian Telcom Communications, Inc. and KGP Logistics, Inc. (KGP) dated December 7, 2009.
10.4	Intellectual Property Agreement between GTE Corporation, Hawaiian Telcom Holdco, Inc., Verizon HoldCo LLC and Hawaiian Telcom Communications, Inc., dated May 2, 2005 (incorporated by reference to Exhibit 10.11 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).

Exhibit No.	Description of Exhibit
10.5	Verizon Proprietary Software License Agreement between GTE Corporation and Hawaiian Telcom Communications, Inc., effective as of May 2, 2005 (incorporated by reference to Exhibit 10.12 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
10.6	Amendment No. 1, dated March 5, 2007, to the Verizon Proprietary Software License Agreement between GTE Corporation and Hawaiian Telcom Communications, Inc., effective as of May 2, 2005 (incorporated by reference to Exhibit 10.17 on Hawaiian Telcom Communications, Inc.'s Form 10-K, File No. 333-131152, filed with the SEC on April 2, 2007).
10.7	Management Consulting Agreement between Hawaiian Telcom Communications, Inc. and TC Group, L.L.C., dated as of April 13, 2005 (incorporated by reference to Exhibit 10.22 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
10.8	Management Rights Agreement among Carlyle Partners III Hawaii, L.P., CP III Coinvestment, L.P., Carlyle Hawaii Partners, L.P., Hawaiian Telcom Holdco, Inc., Hawaiian Telcom Communications, Inc., Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. (incorporated by reference to Exhibit 10.23 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
10.9†	Services Agreement between Hawaiian Telcom Communications, Inc. and Kevin J. Nystrom and Zolfo Cooper Management, LLC, dated as of December 1, 2008.
10.10†	Amendment No. 1 to Services Agreement dated January 14, 2010 between Hawaiian Telcom Communications, Inc. and Kevin Nystrom and Zolfo Cooper Management, LLC.
10.11*†	Independent Contractor Agreement between Hawaiian Telcom Communications, Inc. and Geoffrey Loui dated as of December 21, 2009.
10.12	Production Agreement between Dataprose, Inc. and Hawaiian Telcom Communications, Inc., dated as of October 15, 2005 (incorporated by reference to Exhibit 10.24 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
10.13	Amendment No. 1 to the Production Agreement between Dataprose, Inc. and Hawaiian Telcom Communications, Inc., dated February 1, 2006 (incorporated by reference to Exhibit 10.29 on Hawaiian Telcom Communications, Inc.'s Amendment No. 1 to Form S-4, File No. 333-131152, filed with the SEC on March 31, 2006).
10.14†	Amended and Restated Master Application Services Agreement effective as of March 13, 2009, by and between Hawaiian Telcom Communications, Inc. and Accenture LLP.
10.15*†	Amended and Restated Employment Agreement dated as of April 5, 2010, by and between Eric K. Yeaman and Hawaiian Telcom Holdco, Inc.
10.16*	Employment Agreement, effective as of March 8, 2007, by and between Robert F. Reich and Hawaiian Telcom Communications, Inc. (incorporated by reference to Exhibit 10.1 on Hawaiian Telcom Communications, Inc.'s Form 8-K, File No. 333-131152, filed with the SEC on March 28, 2007).

Exhibit No.	Description of Exhibit
10.17*	Amendment dated May 13, 2008 to Employment Agreement, effective as of March 8, 2007, by and between Robert F. Reich and Hawaiian Telcom Communications, Inc. (incorporated by reference to Exhibit 10.3 on Hawaiian Telcom Communications, Inc.'s Form 8-K, File No. 333-131152, filed with the SEC on March 28, 2007).
10.18*†	Amendment dated December 21, 2009 to Employment Agreement, effective as of March 8, 2007, by and between Robert F. Reich and Hawaiian Telcom Communications, Inc.
10.19*†	Employment Agreement, effective as of August 11, 2008, by and between Geoffrey Loui and Hawaiian Telcom Communications, Inc.
10.20*†	Amendment dated December 21, 2009 to Employment Agreement, effective as of August 11, 2008, by and between Geoffrey Loui and Hawaiian Telcom Communications, Inc.
10.21*†	Employment Agreement, effective as of July 28, 2008, by and between John T. Komeiji and Hawaiian Telcom Communications, Inc.
10.22*†	Amendment dated December 21, 2009 to Employment Agreement, effective as of July 28, 2008, by and between John T. Komeiji and Hawaiian Telcom Communications, Inc.
10.23*†	Employment Agreement, effective as of July 28, 2008, by and between Michael F. Edl and Hawaiian Telcom Communications, Inc.
10.24*†	Amendment dated December 21, 2009 to Employment Agreement, effective as of July 28, 2008, by and between Michael F. Edl and Hawaiian Telcom Communications, Inc.
10.25*	Consulting Agreement, dated as of May 13, 2008, by and between Hawaiian Telcom Holdco, Inc. and AMO Consulting, LLC (incorporated by reference to Exhibit 10.2 on Hawaiian Telcom Communications, Inc.'s Form 8-K, File No. 333-131152, filed with the SEC on March 28, 2007).
10.26*	Stock Option Plan of Hawaiian Telcom Holdco, Inc., dated as of November 8, 2005 (incorporated by reference to Exhibit 10.33 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006).
10.27*	Amendment No. 1, dated September 22, 2006, to the Stock Option Plan of Hawaiian Telcom Holdco, Inc. dated as of November 8, 2005 (incorporated by reference to Exhibit 10.1 on Hawaiian Telcom Communications, Inc.'s Form 8-K, File No. 333-131152, filed with the SEC on September 27, 2006).
10.28*	Form of Non-Qualified Stock Option Agreement pursuant to the Stock Option Plan of Hawaiian Telcom Holdco, Inc. dated as of November 8, 2005 (incorporated by reference to Exhibit 10.2 on Hawaiian Telcom Communications, Inc.'s Form 8-K, File No. 333-131152, filed with the SEC on September 27, 2006).
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 on Hawaiian Telcom Communications, Inc.'s Form S-4, File No. 333-131152, filed with the SEC on January 19, 2006)

* Identifies each management contract or compensatory plan or arrangement.

† Previously filed.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 2 to this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Hawaiian Telcom Holdco, Inc.

Date: October 26, 2010

By: /s/ ROBERT F. REICH

Robert F. Reich
Senior Vice President and Chief Financial Officer

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Hawaiian Telcom Holdco, Inc.
Honolulu, Hawaii

We have audited the accompanying consolidated balance sheets of Hawaiian Telcom Holdco, Inc. and subsidiaries (Debtors-in-Possession) (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity (deficiency), and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Hawaiian Telcom Holdco, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company has filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The accompanying consolidated financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such consolidated financial statements do not purport to show (1) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (2) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (3) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (4) as to operations, the effect of any changes that may be made in its business.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's recurring losses from operations and stockholders' deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 2 to the consolidated financial statements. The consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty.

As discussed in Note 23 to the consolidated financial statements, the consolidated financial statements have been restated.

/s/ DELOITTE & TOUCHE LLP

Honolulu, Hawaii
March 26, 2010
(October 26, 2010 as to the effects of the restatement described in Note 23 and the subsequent events described in Note 2)

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Consolidated Statements of Operations

(Dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2009	2008	2007
	As Restated —see Note 23		As Restated —see Note 23
Operating revenues	$ 408,595	$ 447,755	$ 483,676
Operating expenses:			
Cost of revenues (exclusive of depreciation and amortization)	158,196	171,929	190,238
Selling, general and administrative	142,817	165,832	173,304
Depreciation and amortization	164,376	160,278	159,872
Settlement with BearingPoint	—	—	(42,219)
Goodwill and intangible assets impairment	—	—	88,200
Restructuring	—	1,138	—
Total operating expenses	465,389	499,177	569,395
Operating loss	(56,794)	(51,422)	(85,719)
Other income (expense):			
Interest expense (contractual interest was $79,667 and $93,787 for 2009 and 2008, respectively)	(30,089)	(89,467)	(85,945)
Loss on early extinguishment of debt	—	(3,456)	(9,296)
Loss on interest rate swaps	(3,967)	(8,875)	—
Interest income and other	136	1,484	1,755
Total other expense	(33,920)	(100,314)	(93,486)
Loss from continuing operations before reorganization items and income taxes	(90,714)	(151,736)	(179,205)
Reorganization items	43,005	7,867	—
Loss from continuing operations before income taxes	(133,719)	(159,603)	(179,205)
Income tax benefit	(2,985)	(956)	(73,600)
Loss from continuing operations	(130,734)	(158,647)	(105,605)
Income from discontinued operations, net of tax	—	—	156,631
Net income (loss)	$(130,734)	$(158,647)	$ 51,026
Earnings (loss) per common share—basic and diluted:			
Continuing operations	$ (305.45)	$ (370.67)	$ (246.74)
Discontinued operations	—	—	365.96
Net income (loss)	$ (305.45)	$ (370.67)	$ 119.22
Weighted-average shares used to compute earnings (loss) per common share—basic and diluted	428,000	428,000	428,000

See accompanying notes to consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Consolidated Balance Sheets

(Dollars in thousands, except per share information)

	December 31, 2009 As Restated —see Note 23	December 31, 2008 As Restated —see Note 23
Assets		
Current assets		
Cash and cash equivalents	$ 96,550	$ 88,975
Receivables, net	47,655	58,797
Material and supplies	3,871	6,262
Prepaid expenses	4,691	4,547
Other current assets	8,326	5,008
Total current assets	161,093	163,589
Property, plant and equipment, net	711,265	744,277
Deferred financing and other assets	9,456	20,248
Intangible assets, net	301,863	344,964
Total assets	$1,183,677	$1,273,078
Liabilities and Stockholders' Deficiency		
Liabilities not subject to compromise		
Current liabilities		
Accounts payable	$ 30,972	$ 24,367
Accrued expenses	27,950	20,550
Advance billings and customer deposits	13,954	15,317
Other current liabilities	5,075	5,290
Total current liabilities	77,951	65,524
Employee benefit obligations	113,748	120,350
Other liabilities	4,658	5,251
Total liabilities not subject to compromise	196,357	191,125
Liabilities subject to compromise	1,167,584	1,154,469
Total liabilities	1,363,941	1,345,594
Commitments and contingencies (Note 17)		
Stockholders' deficiency		
Common stock, par value of $0.01 per share, 480,000 shares authorized and 428,000 shares issued and outstanding	4	4
Additional paid-in capital	428,993	428,913
Accumulated other comprehensive loss	(33,191)	(56,097)
Accumulated deficit	(576,070)	(445,336)
Total stockholders' deficiency	(180,264)	(72,516)
Total liabilities and stockholders' deficiency	$1,183,677	$1,273,078

See accompanying notes to consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,		
	2009	2008	2007
	As Restated —see Note 23		As Restated —see Note 23
Cash flows from operating activities:			
Net income (loss)	$(130,734)	$(158,647)	$ 51,026
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	164,376	160,278	162,443
Employee retirement benefits	11,244	12,872	6,005
Provision for uncollectibles	8,898	9,414	16,290
Write-down of software costs	—	—	22,055
Loss on early extinguishment of debt	—	3,456	9,296
Loss on interest rate swaps	3,967	8,875	—
Goodwill and intangible asset impairment	—	—	88,200
Gain on sale of directories publishing segment	—	—	(231,788)
Interest cost added to loan principal	11,297	—	—
Deferred income taxes	—	—	(10,300)
Reorganization items	43,005	7,867	—
Changes in operating assets and liabilities:			
Receivables	2,244	(2,819)	13,135
Material and supplies	2,391	338	3,315
Prepaid expenses and other current assets	(3,462)	(1,322)	1,245
Accounts payable and accrued expenses	5,964	32,547	(40,662)
Income taxes payable	—	(1,150)	1,150
Advance billings and customer deposits	(1,363)	(179)	2,572
Other current liabilities	72	(9,049)	2,414
Other, net	2,574	5,450	5,112
Net cash provided by operating activities before reorganization items	120,473	67,931	101,508
Operating cash flows used by reorganization items	(25,361)	(6,267)	—
Net cash provided by operating activities	95,112	61,664	101,508
Cash flows from investing activities:			
Capital expenditures	(87,537)	(73,250)	(97,640)
Proceeds from sale of directories publishing segment	—	—	437,282
Transfer (use) of segregated cash	—	271,464	(271,464)
Proceeds from sale of investments	—	1,200	800
Other	—	—	(5,818)
Net cash provided by (used in) investing activities	(87,537)	199,414	63,160
Cash flows from financing activities:			
Proceeds from issuance of debt	—	86,800	985,000
Repayment of debt	—	(265,000)	(1,139,300)
Payment of debt issue costs	—	—	(6,348)
Other	—	(2,675)	—
Net cash used in financing activities	—	(180,875)	(160,648)
Net change in cash and cash equivalents	7,575	80,203	4,020
Cash and cash equivalents, beginning of period	88,975	8,772	4,752
Cash and cash equivalents, end of period	$ 96,550	$ 88,975	$ 8,772

See accompanying notes to consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Consolidated Statements of Changes in Stockholders' Equity (Deficiency)

(Dollars in thousands, except share information)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficiency)
					As Restated —see Note 23	As Restated —see Note 23
Balance, January 1, 2007	428,000	$ 4	$428,114	$ 11,636	$(337,715)	$ 102,039
Stock based compensation	—	—	447	—	—	447
For the year ended ended December 31, 2007:						
Net income	—	—	—	—	51,026	51,026
Other comprehensive loss—						
Loss on cash flow hedging derivatives	—	—	—	(18,099)	—	(18,099)
Unrealized gain on investments	—	—	—	64	—	64
Total other comprehensive loss						(18,035)
Comprehensive income						32,991
Adjustment for initial application of new standard for retirement plan accounting	—	—	—	(297)	—	(297)
Balance, December 31, 2007	428,000	4	428,561	(6,696)	(286,689)	135,180
Stock based compensation	—	—	352	—	—	352
For the year ended ended December 31, 2008:						
Net loss	—	—	—	—	(158,647)	(158,647)
Other comprehensive loss—						
Gain on cash flow hedging derivatives	—	—	—	866	—	866
Retirement plans loss	—	—	—	(50,301)	—	(50,301)
Unrealized gain on investments	—	—	—	34	—	34
Total other comprehensive loss						(49,401)
Comprehensive loss						(208,048)
Balance, December 31, 2008	428,000	4	428,913	(56,097)	(445,336)	(72,516)
Stock based compensation	—	—	80	—	—	80
For the year ended ended December 31, 2009:						
Net loss	—	—	—	—	(130,734)	(130,734)
Other comprehensive income—						
Gain on cash flow hedging derivatives	—	—	—	5,156	—	5,156
Retirement plans gain	—	—	—	17,846	—	17,846
Unrealized loss on investments	—	—	—	(96)	—	(96)
Total other comprehensive income						22,906
Comprehensive loss						(107,828)
Balance, December 31, 2009	428,000	$ 4	$428,993	$(33,191)	$(576,070)	$(180,264)

See accompanying notes to consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)
Notes to Consolidated Financial Statements

1. Description of Business

Business Description

Hawaiian Telcom Holdco, Inc. and subsidiaries (the "Company") is the incumbent local exchange carrier for the State of Hawaii with an integrated telecommunications network servicing approximately 470,000 switched access lines as of December 31, 2009. The Company also served approximately 240,000 long distance lines and 96,000 High-Speed Internet (HSI) connections as of that date.

The Company provides a range of voice and data communication services to residential and commercial customers. Local telephone service is provided on each island in Hawaii and intraLATA (Local Access Transport Area) toll service is provided among the islands. InterLATA toll services between Hawaii and domestic points within the United States are provided by long-distance carriers, which connect to the Company's local facilities for call origination and termination. Business and residential customers also pay access charges to the Company to connect to the local network to obtain long-distance service. In addition, the Company provides Internet access services for customers located in Hawaii, including both HSI and remote dial-up for residential and business customers; long-distance telecommunications services for interLATA and international toll traffic originating in Hawaii; and customer premise equipment sales and services. The Company offers *Hawaiian Telcom®* branded wireless services to residential and commercial customers through a leased network.

The communication services the Company provides are subject to regulation by the Public Utilities Commission of the State of Hawaii (HPUC) with respect to intrastate rates and services and other matters. Certain agreements with the HPUC limit the amount of dividends and other distributions the Company may pay as well as place restrictions on certain transactions affecting the operations and capital structure of the Company. The Federal Communication Commission (FCC) regulates rates that the Company charges long-distance carriers and other end-user subscribers for interstate access services and interstate traffic.

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.

Organization

The Company has one direct subsidiary, Hawaiian Telcom Communications, Inc. which 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. The Company insures current incidents with external carriers. Hawaiian Telcom Services Company, Inc. has four subsidiaries with nominal operations.

2. Chapter 11 Reorganization

On December 1, 2008 (the "Petition Date"), Hawaiian Telcom Holdco, Inc. and its subsidiaries, with the exception of Hawaiian Telcom Insurance Company, Incorporated (the "Non-Debtor"), (collectively the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of

2. Chapter 11 Reorganization (Continued)

the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware. The cases were transferred to the District of Hawaii on December 22, 2008 (the "Bankruptcy Court"). The cases are being jointly administered under Case No. 08-02005. The Debtors will continue to operate as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and orders of the Bankruptcy Court. In general, as debtors-in-possession, the Debtors are authorized under Chapter 11 to continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

The Bankruptcy Court has approved various motions for relief designed to allow the Company to continue normal operations. The Bankruptcy Court's orders authorize the Company, among other things, to: (a) use cash collateral; (b) pay prepetition and postpetition employee wages, salaries, benefits and other employee obligations; (c) honor customer service programs; and (d) continue maintenance of existing bank accounts and existing cash management systems.

Subject to certain exceptions in the Bankruptcy Code, the Chapter 11 filings automatically stayed the initiation or continuation of most actions against the Debtors, including most actions to collect prepetition indebtedness or to exercise control over the property of the bankruptcy estates. As a result, absent an order from the Bankruptcy Court, creditors are precluded from collection on prepetition debts and substantially all prepetition liabilities are subject to compromise.

Under the Bankruptcy Code, the Debtors also have the right to assume, assume and assign, or reject certain executory contracts and unexpired leases, subject to the approval of the Bankruptcy Court and certain other conditions. Generally, the assumption of an executory contract or unexpired lease requires the debtor to cure certain existing defaults under the contract, including the payment of accrued but unpaid prepetition liabilities. Rejection of an executory contract or unexpired lease typically is treated as a breach of the contract or lease, immediately prior to the Chapter 11 filing. Subject to certain exceptions, this rejection relieves the debtor from performing its future obligations under that contract but entitles the counterparty to assert a prepetition general unsecured claim for damages. Parties to the executory contracts or unexpired leases rejected by a debtor may file proofs of claim against the debtor's estate for damages.

On June 3, 2009, the Debtors filed a plan of reorganization with the Bankruptcy Court together with the disclosure statement. On August 28, 2009, the Bankruptcy Court approved distribution of the disclosure statement for vote by the prepetition creditors. On November 13, 2009, the judge of the Bankruptcy Court ruled that the plan as presented was approved. The final confirmation order was issued by the Court on December 30, 2009. The plan of reorganization, including the proposed debt and equity structure, was subject to approval of the HPUC and FCC. Approvals were obtained in September 2010 and relevant appeal periods will expire in October 2010.

The plan of reorganization provides for the treatment of claims of creditors and allocates value to the creditors in accordance with the provisions of the Bankruptcy Code. Pursuant to the plan of reorganization, senior secured claims are to receive a pro-rata distribution of new debt in the amount of $300.0 million and a pro-rata distribution of new equity. Allowed administrative, priority tax, priority non-tax, secured tax and other secured claims will be paid in full in cash. All other claims are to be settled for a fraction of the claim either with warrants or cash not exceeding $0.5 million. Certain claimants, including equity holders, will receive no recovery under the plan of reorganization. The disclosure statement contains detailed information about the plan of reorganization, a historical profile

2. Chapter 11 Reorganization (Continued)

of the business, a description of the proposed distribution to creditors and an analysis of the plan of reorganization's feasibility as well as technical matters required for the exit process.

For the duration of the Chapter 11 cases, the business is subject to the risks and uncertainties of bankruptcy. For example, the Chapter 11 cases could adversely affect relationships with customers, suppliers and employees which, in turn, could adversely affect the going concern value of the business and assets. Transactions outside of the ordinary course of business are subject to the prior approval of the Bankruptcy Court which may limit the ability to respond to certain market events or take advantage of certain market opportunities, and, as a result, operations could be materially adversely impacted.

Restructuring

In the third quarter of 2008, the Company began evaluating various capital restructuring alternatives. The Company incurred expenses amounting to $1.1 million related to such efforts which were recognized in the wireline segment. All of the costs were incurred for professional fees for restructuring advisors.

Going Concern

The Company has incurred losses from continuing operations for each fiscal year since inception. In addition, as of December 31, 2009, the Company had a deficit in equity. The Company's ability, both during and after the Chapter 11 proceeding, to continue as a going concern is dependent upon, among other things: (i) the consummation of a plan of reorganization under the Bankruptcy Code; (ii) its ability to successfully achieve improved operating performance; (iii) its ability to maintain adequate cash on hand; (iv) its ability to generate cash from operations; and (v) its ability to maintain profitability. The operating losses and deficit raise substantial doubt about the Company's ability to continue as a going concern and there can be no assurance that the Company will be able to successfully achieve the objectives stated above in order to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

The Company is in the process of implementing its revised strategic plan which focuses on the introduction of new products, growing broadband market share, simplifying existing product offerings, improving the customer service experience, transforming the network to enable next generation technologies, improving processes and systems, and rebuilding the brand and image of the Company. The Company may also pursue other product development opportunities, cost reduction initiatives, asset rationalization, capital raising opportunities, and debt reduction options in the revised strategic plan to improve cash flow and liquidity. There can be no assurance that these initiatives will be successful.

3. Summary of Significant Accounting Policies

The accompanying consolidated financial statements of the Company have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America.

3. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements of the Company include the results of operations, financial position, and cash flows of Hawaiian Telcom Holdco, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

Revenue is recognized when evidence of an arrangement exists, the earnings process is complete and collectibility is reasonably assured. The prices for most services are filed in tariffs with the regulatory body that exercises jurisdiction over the services.

Basic local service, enhanced calling features such as caller ID, special access circuits, long-distance flat rate calling plans, most data services, HSI and wireless services are billed one month in advance. Revenue for these services is recognized in the month services are rendered. The portion of advance-billed services associated with services that will be delivered in a subsequent period is deferred and recorded as a liability in advance billings and customer deposits.

Amounts billed to customers for activating wireline service are deferred and recognized over the average customer relationship. The costs associated with activating such services are deferred and recognized as an operating expense over the same period. Costs in excess of revenues are recognized as expense in the period in which activation occurs.

Revenues for providing usage based services, such as per-minute long-distance service and access charges billed to long-distance companies for originating and terminating long-distance calls on the Company's network, are billed in arrears. Revenues for these services are estimated based on actual rated usage and, where necessary, historical usage patterns, and are recognized in the month services are rendered.

Universal Service revenues are government-sponsored support received in association with providing service in mostly rural, high-cost areas. These revenues are typically based on information provided by the Company and are calculated by the government agency responsible for administering the support program. These revenues are recognized in the period the service is provided.

Telephone equipment revenues generated from retail channels are recorded at the point of sale. Telecommunication systems and structured cabling project revenues are recognized on a percentage completion basis except for short duration projects which are recognized upon completion of the project. Maintenance services are recorded when the service is provided.

3. Summary of Significant Accounting Policies (Continued)

Taxes Collected from Customers

The Company presents taxes collected from customers and remitted to governmental authorities on a gross basis, including such amounts in the Company's reported operating revenues. Such amounts represent primarily Hawaii state general excise taxes and HPUC fees. Such taxes and fees amounted to $5.9 million, $6.6 million and $11.6 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market accounts with maturities at acquisition of three months or less. The majority of cash balances at December 31, 2009 are held in one short-term U.S. Treasury money market account.

Supplemental Non-Cash Investing and Financing Activities

Accounts payable included $6.9 million and $4.8 million at December 31, 2009 and 2008, respectively, for additions to property, plant and equipment.

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 HPUC and the terms of the Company's bank debt agreement. As such repayments had been made by December 31, 2008, there is no segregated cash at that date.

Receivables

The Company makes estimates of the uncollectibility of its accounts receivables by specifically analyzing accounts receivables and historic bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in its customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Material and Supplies

Material and supplies which consist mainly of cable, supplies and replacement parts, are stated at the lower of cost, determined principally by the average cost method, or net realizable value.

Property and Depreciation

Property, plant and equipment are recorded at cost. Depreciation has been calculated using the composite remaining life methodology and straight-line depreciation rates. The composite method depreciates the remaining net investment in telephone plant over remaining economic asset lives by asset category. This method requires periodic review and revision of depreciation rates. The average economic lives utilized for assets acquired in conjunction with the acquisition of the Company are as follows: buildings—34 years; cable and wire—5 to 20 years; switching and circuit equipment—1 to 15 years; and other property—1 to 20 years. The average economic lives for all other assets

3. Summary of Significant Accounting Policies (Continued)

(i.e., primarily new additions) are as follows: building—34 years; cable and wire—11 to 37 years; switching and circuit equipment—6 to 15 years; and other property—5 to 17 years.

Software

The Company capitalizes the costs associated with externally acquired software for internal use. Project costs associated with internally developed software are segregated into three project stages: preliminary project stage, application development stage and post-implementation stage. Costs associated with both the preliminary project stage and post-implementation stage are expensed as incurred. Costs associated with the application development stage are capitalized. Software maintenance and training costs are expensed as incurred. Capitalized software is generally amortized on a straight-line method basis over its useful life, not to exceed five years.

Intangible Assets

Indefinite-lived intangible assets are not amortized. Such assets are reviewed annually, or more frequently under various conditions, for impairment. Impairment occurs when the fair value of the asset is less than the carrying value. The Company performs its annual impairment test during the fourth quarter, primarily using a discounted cash flow methodology. Intangible assets with definite lives, including the value assigned to the customer base at the date of acquisition, are being amortized over the remaining estimated lives. For customer relationship intangibles, amortization is calculated using a declining balance method in relation to estimated retention lives of acquired customers.

Impairment of Long-Lived Assets

The Company assesses the recoverability of long-lived assets, including property, plant and equipment and definite-lived intangible assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In such cases, if the sum of the expected cash flows, undiscounted and without interest, resulting from use of the asset are less than the carrying amount, an impairment loss is recognized based on the difference between the carrying amount and the fair value of the assets.

Debt Issuance

Deferred financing costs are amortized over the term of the related debt issuance.

Derivative Financial Instruments

The Company accounts for all derivative financial instruments, such as interest rate swap agreements, by recognizing the derivative on the balance sheet at fair value, regardless of the purpose or intent of holding them. In addition, for derivative financial instruments that qualify for hedge accounting, changes in the fair value will either be offset against the change in the fair value of the hedged assets, liabilities, or firm commitment, through earnings, or recognized in stockholders' equity (deficiency) as a component of accumulated other comprehensive income (loss) until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The Company measures hedge effectiveness by formally assessing, at least quarterly, the historical and probable future high correlation of changes in the fair value of expected future cash flows of the hedged item. The ineffective portion of a derivative's change in fair value will be immediately recognized in other income or expense.

3. Summary of Significant Accounting Policies (Continued)

Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities at each balance sheet date using enacted tax rates expected to be in effect in the year the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent that it is unlikely they will be realized.

The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense in the accompanying consolidated statements of operations.

Employee Benefit Plans

Pension and postretirement health and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits.

Effective December 31, 2007, the Company modified its accounting for defined benefit and other post retirement plans in accordance with new guidance from the Financial Accounting Standards Board ("FASB"). Under the new standard, the Company recognizes the funded status of its benefit plans in the consolidated balance sheet. The funded status is the difference between the fair value of plan assets and the benefit obligation. For pension plans, the benefit obligation is based on the projected benefit obligation and for other postretirement benefit plans the benefit obligation is based on the accumulated postretirement benefit obligation. The changes in funded status are recognized through other comprehensive income (loss) in the year the change occurs. The adoption of the new standard resulted in a net decrease to stockholders' equity of $0.3 million.

Maintenance and Repairs

The cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, is charged to expense as these costs are incurred.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to $5.7 million, $5.9 million and $9.3 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Stock Based Compensation

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.

Interest Expense Allocation

In 2007, 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.

3. Summary of Significant Accounting Policies (Continued)

Earnings per Share

Basic earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing earnings by the weighted average shares outstanding during the period. Diluted earnings per share is calculated by dividing earnings, adjusted for the effect, if any, from assumed conversion of all potentially dilutive common shares outstanding, by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. The computation of diluted earnings per share excludes the impact of outstanding stock options (see Note 14) as they are currently antidilutive to earnings per share.

Subsequent Events

The Company evaluated and gave recognition, if appropriate, to subsequent events which occurred after the financial statement date of December 31, 2009 through March 26, 2010, the date on which the consolidated financial statements were available to be issued, and updated this assessment through October 26, 2010.

Recently Issued Accounting Pronouncements

In October 2009, the FASB issued new guidance on accounting for multiple-deliverable revenue arrangements requiring entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. The guidance should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the potential impact of the accounting guidance on the consolidated financial statements.

In June 2009, the FASB amended its guidance for determining the primary beneficiary of a variable interest entity ("VIE") and requires companies to more frequently assess whether they must consolidate VIEs. The new guidance is effective for annual periods beginning after November 15, 2009. The Company is currently evaluating the impact of adopting the new requirements on its consolidated financial statements.

4. Reorganization

The accompanying consolidated financial statements have been prepared in accordance with accounting standards for financial reporting by entities in reorganization under the Bankruptcy Code. In accordance with those standards, all prepetition liabilities subject to compromise have been segregated in the consolidated balance sheets and classified as liabilities subject to compromise at the estimated amount of the allowable claims. Liabilities not subject to compromise are separately classified as current or noncurrent. The Company's consolidated statements of operations for the years ended December 31, 2009 and 2008 present the results of operations during the Chapter 11 proceedings. As such, any revenues, expenses, and gains and losses realized or incurred that are directly related to the bankruptcy case are reported separately as reorganization items due to the bankruptcy. The operations

4. Reorganization (Continued)

and financial position of the Non-Debtor, included in the consolidated statements of operations and consolidated balance sheets, are not significant.

Reorganization Items

Reorganization items represent expense or income amounts that were recognized as a direct result of the Chapter 11 filing and are presented separately in the consolidated statements of operations. Such items consist of the following (dollars in thousands):

	Year Ended December 31,	
	2009	2008
Professional fees	$33,904	$7,872
Cancellation of liability	(733)	—
Expense deferred financing costs	9,870	—
Other	(36)	(5)
	$43,005	$7,867

Deferred financing costs amounting to $9.9 million were expensed in December 2009 when the Bankruptcy Court approved the amount of the allowed claims for the bank and senior notes debt. The amount of the approved claim was equivalent to the carrying value of the debt, exclusive of the debt issuance costs.

Professional fees relate to legal, financial advisory and other professional costs directly associated with the reorganization process. The cancellation of liability relates to amounts owed to Accenture (see Note 17).

Net cash paid for reorganization items, consisting of professional and other fees, amounted to $25.4 million and $6.3 million for the years ended December 31, 2009 and 2008, respectively.

Liabilities Subject to Compromise

Liabilities subject to compromise refer to liabilities incurred prior to the Petition Date. The amounts of the various categories of liabilities that are subject to compromise are set forth below. These amounts represent the estimates of known or potential prepetition date claims that are likely to be resolved in connection with the bankruptcy filings. Such claims remain subject to future adjustments. Adjustments may result from negotiations, actions of the Bankruptcy Court, rejection of the executory contracts and unexpired leases, the determination of the value securing claims, proofs of claim or other events.

4. Reorganization (Continued)

Liabilities subject to compromise at December 31, 2009 and 2008 consisted of the following (dollars in thousands):

	December 31, 2009	December 31, 2008
Notes payable to banks, revolving credit facility	$ 91,486	$ 89,800
Notes payable to banks, Tranche C term loan	494,311	484,700
Senior floating rate notes	150,000	150,000
Senior fixed rate notes	200,000	200,000
Senior subordinated notes	150,000	150,000
Senior notes accrued interest	29,914	29,914
Settlement on swap liability	15,621	15,335
Accounts payable	34,724	32,877
Other	1,528	1,843
	$1,167,584	$1,154,469

Liabilities not subject to compromise include: (1) liabilities held by the Non-Debtor entity; (2) liabilities incurred after the Petition Date; (3) prepetition date liabilities that the Debtors expect to pay in full, even though certain of these amounts may not be paid until a plan of reorganization is effective; and (4) prepetition date liabilities that have been approved for payment by the Bankruptcy Court and that the Debtors expect to pay (in advance of a plan of reorganization) in the ordinary course of business, including certain employee-related items (e.g., salaries, vacation, and medical benefits).

The classification of liabilities not subject to compromise versus liabilities subject to compromise is based on currently available information and analysis. As the bankruptcy filing proceeds and additional information and analysis is completed, or as the Bankruptcy Court rules on relevant matters, the classification of amounts between these two categories may change. The amount of any such change could be significant.

5. 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 year ended December 31, 2007 (dollars in thousands):

Operating revenues	$ 61,437
Operating expenses	37,171
Income from operations of discontinued segment	24,266
Interest expense	(33,623)
Gain on sale of discontinued segment	231,788
Income from discontinued segment before provision for income taxes	222,431
Provision for income taxes	65,800
Income from discontinued operations	$156,631
Amortization expense reclassified to discontinued operations	$ 2,571

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

6. Receivables

Receivables consisted of the following (dollars in thousands):

	December 31, 2009	December 31, 2008
Customers and other	$ 60,655	$ 77,250
Allowance for doubtful accounts	(13,000)	(18,453)
	$ 47,655	$ 58,797

The Company grants credit to customers in the normal course of business. At December 31, 2009 and 2008, the Company did not have customer balances representing more than 10% of total receivables. During the years ended December 31, 2009, 2008 and 2007, the Company had no customers that represented more than 10% of total revenues.

The following is a summary of activity for the allowance for doubtful accounts (dollars in thousands):

	Beginning Balance	Additional Charges to Costs and Expenses	Deductions from Allowance	Ending Balance
Year ended December 31, 2009	$18,453	$ 8,898	$(14,351)	$13,000
Year ended December 31, 2008	24,041	9,414	(15,002)	18,453
Year ended December 31, 2007	30,185	16,290	(22,434)	24,041

7. Property, Plant and Equipment

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

	December 31, 2009	December 31, 2008
Land	$ 59,013	$ 58,386
Buildings	128,256	122,184
Central office equipment	375,672	344,621
Outside communications plant	433,047	415,973
Furniture, vehicles and other work equipment	53,318	38,869
Construction in progress	23,072	28,227
Software	105,307	95,062
Other	5,081	3,865
	1,182,766	1,107,187
Less accumulated depreciation and amortization	471,501	362,910
Total property, plant and equipment, net	$ 711,265	$ 744,277

Depreciation expense amounted to $121.3 million, $114.1 million and $109.7 million for the years ended December 31, 2009, 2008 and 2007, respectively.

8. Goodwill and Intangible Assets

The excess purchase price paid by the Company over its estimates of the fair values of tangible assets and liabilities of acquired businesses in May 2005 amounted to $612.0 million of identifiable intangible assets and $216.9 million of goodwill. Identifiable intangible assets and goodwill allocated to the directories publishing segment sold in 2007 amounted to $68.8 million ($51.1 million net of accumulated amortization as of the sale date) and $136.8 million, respectively.

In conjunction with the Company's annual impairment test for goodwill assets in the fourth quarter of 2007, the Company recognized impairment expense of $80.1 million. The Company concluded that the wireline segment goodwill was impaired as the fair value of the wireline segment was less than the carrying value. The fair value of the wireline segment was based on discounted cash flows. The Company estimated the implied fair value of the goodwill by reducing the segment fair value by the estimated fair value of identifiable assets and liabilities. In 2007, the Company's expectations for its ability to grow the business from new telecommunication products and retain customers for legacy products was diminished by problems with the Company's back office information technology, availability of capital and higher than anticipated customer churn. This resulted in diminished or delayed outlook for cash flows generated from operations.

In conjunction with the Company's annual impairment test for non-amortizable intangible assets in the fourth quarter of 2007, the Company recognized impairment expense of $8.1 million. The impairment was determined as the difference between the fair value of the non-amortizable intangible assets and their carrying value. The fair value was based on discounted cash flows for the asset. The impairment was in the Wireline Services segment.

8. Goodwill and Intangible Assets (Continued)

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

	December 31, 2009			December 31, 2008		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Subject to amortization:						
Customer relationships	$503,900	$229,237	$274,663	$503,900	$186,136	$317,764
Covenant not to compete	4,000	4,000	—	4,000	4,000	—
	507,900	233,237	274,663	507,900	190,136	317,764
Not subject to amortization:						
Brand name	27,200	—	27,200	27,200	—	27,200
	$535,100	$233,237	$301,863	$535,100	$190,136	$344,964

The estimated useful lives for intangibles subject to amortization were as follows:

	Life	Weighted Average Life
Customer relationships	8 - 15 years	13 years
Covenant not to compete	2 years	2 years
All amortizable intangibles		13 years

The determination of useful lives for customer relationships was made based on historical and expected customer attrition rates. The Company uses an accelerated amortization method reflecting the rate of expected customer attrition.

Amortization expense, excluding discontinued operations, amounted to $43.1 million, $46.2 million and $50.2 million for the years ended December 31, 2009, 2008 and 2007, respectively. Estimated amortization expense for the next five years and thereafter is as follows (dollars in thousands):

2010	$ 40,283
2011	37,690
2012	35,300
2013	32,346
2014	30,129
Thereafter	98,915
	$274,663

9. Accrued Expenses

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

	December 31, 2009	December 31, 2008
Salaries and benefits	$25,381	$17,792
Other taxes	2,569	2,638
Interest	—	120
	$27,950	$20,550

10. Long-Term Debt

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

	Interest Rate at December 31, 2009	Final Maturity	December 31, 2009	December 31, 2008
Notes payable to banks, revolving credit facility	4.50%	April 30, 2012	$ 91,486	$ 89,800
Notes payable to banks, Tranche C term loan	4.75%	June 1, 2014	494,311	484,700
Senior floating rate notes	6.06%	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	150,000	150,000
			1,085,797	1,074,500
Less liabilities subject to compromise			(1,085,797)	(1,074,500)
			$ —	$ —

In accordance with accounting standards for financial reporting by entities in reorganization under the Bankruptcy Code, the unsecured senior floating rate notes, senior fixed rate notes and senior subordinated notes have been presented as liabilities subject to compromise. In addition, as the bank debt is under secured, it is also presented as a liability subject to compromise.

Notes Payable to Banks

The revolving credit facility has an original principal balance of $90.0 million that will mature on April 30, 2012. As of December 31, 2008, the Company had drawn $89.8 million under the credit facility. The principal balance at December 31, 2009 was $91.5 million which includes interest added to the principal balance as discussed below. A commitment fee is payable to the lenders under the revolving credit facility.

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 amortizes with quarterly principal payments amounting to $1.3 million per quarter beginning March 2012 with the balance due at maturity. The maturity will be April 30, 2012 if the Company does not obtain approval of the HPUC to allow certain guaranty agreements to be extended to June 1, 2014. The obligations under the bank credit facilities are

10. Long-Term Debt (Continued)

guaranteed by the Company 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 of one-, two-, three- or six-month periods (or nine- or 12-month periods if, at the time of the borrowing, all lenders agree to make such a duration available). The Eurocurrency rates may not be selected for any interest periods beginning when the Company is in default on the credit facilities. The Company continued to pay all interest due on the bank credit facilities through February 28, 2009. Effective March 1, 2009, the Company agreed with its secured lenders (bank debt lenders and swap counterparties) to pay a reduced level of interest. Beginning on March 1, 2009 through the effective date of the plan of reorganization, interest is being paid to all secured lenders based on a principal balance of $300.0 million. The difference between the stated rate of interest and interest paid, becomes an additional secured obligation of the secured lenders. The interest on the bank credit facilities that was added to the principal balance amounted to $11.3 million for the year ended December 31, 2009.

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. Any default on the senior notes also creates a default under the provisions of the credit facilities. In addition, the filing of the Debtors' Chapter 11 cases constituted an event of default under the credit facilities. The Company believes that any remedies that may exist for these events of default are stayed under the Bankruptcy Code.

In January 2008, the Company repaid $211.0 million of the Tranche C term loan using the proceeds from the sale of the directories publishing segment. In January 2008, the Company also obtained a permanent reduction in the revolver commitment from $200.0 million 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 had denied the Company's request for approval to invoke this provision of the credit agreement. As a result of the repayment of debt and reduction in the availability on the revolving credit facility, the Company expensed deferred financing costs resulting in a loss on early extinguishment of debt of $3.5 million for the year ended December 31, 2008.

On June 1, 2007, the Company amended its credit facilities to provide for a new amended revolving credit facility and a new Tranche C term loan with a syndicate of financial institutions which 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.

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 accounting standards for modifications and extinguishments of debt. 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

10. Long-Term Debt (Continued)

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 June 2007 refinancing, the Company expensed $5.2 million of deferred financing costs and $2.6 million 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.

In December 2007, the Company made a principal repayment of the Tranche C term loan in the amount of $160.0 million. As a result of this repayment, the Company expensed $1.5 million of deferred financing costs resulting in a loss on early extinguishment of debt.

Senior Notes

The senior floating rate notes in the aggregate principal amount of $150.0 million mature on May 1, 2013 and bear interest at a rate reset and payable semi-annually at LIBOR, as defined, plus 5.50%. The senior fixed rate notes in the aggregate principal amount of $200.0 million mature on May 1, 2013 and bear interest at a rate of 9.75% per year. The senior subordinated notes in the aggregate principal amount of $150.0 million will mature on May 1, 2015 and bear interest at a rate of 12.50% per year.

The senior notes are general unsecured obligations. A portion or all of the senior notes may be redeemed at various dates beginning May 1, 2007 at certain premiums based on specified terms. The senior notes contain various covenants that restrict, among other things, incurrence of additional indebtedness, payment of dividends, redemption of stock, other distributions to shareholders and sales of assets. The senior notes are guaranteed by each of the Company's subsidiaries with certain exceptions.

The Company chose not to make the interest payment on its $500.0 million senior unsecured notes due on November 1, 2008 amounting to $25.6 million. In addition, the filing of the Debtors' Chapter 11 cases constituted an event of default under the senior notes' indentures. The Company believes that any remedies that may exist for these events of default are stayed under the Bankruptcy Code.

Maturities

The annual requirements for principal payments on long-term debt, assuming no defaults, as of December 31, 2009 are as follows (dollars in thousands):

Year ended December 31,	
2012	$ 96,561
2013	355,075
2014	484,161
2015	150,000
	$1,085,797

10. Long-Term Debt (Continued)

Capitalized Interest

Interest capitalized by the Company amounted to $1.5 million, $1.5 million and $1.5 million during the years ended December 31, 2009, 2008 and 2007, respectively.

Contractual Interest Expense

The Company records postpetition interest on prepetition obligations only to the extent it believes the interest will be paid during the bankruptcy proceedings or that it is probable that the interest will be an allowed claim. Had the Company recorded interest expense based on all of the prepetition contractual obligations, interest expense would have increased by $49.6 million and $4.3 million for the years ended December 31, 2009 and 2008, respectively.

11. 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 maintained 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 had a cumulative notional amount that ranged from $398.7 million at December 31, 2008 to a balance of $202.4 million that would have matured 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.

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.

On December 1, 2008 and December 2, 2008, the Company's swap agreements were terminated by the counterparties under the default provisions of the agreements. The swap termination liability of $15.6 million, included in liabilities subject to compromise, is collateralized by the same assets that collateralize bank debt and is of the same priority as bank debt in the Chapter 11 proceeding.

Because of the capital restructuring efforts which began in the third quarter of 2008, the Company concluded it is no longer probable but only reasonably possible that the Company will continue to pay the variable-rate interest specified in its hedge effectiveness documentation. Hence, beginning in the third quarter of 2008 through December 2008, changes in the value of the hedges were recognized in the consolidated statements of operations.

11. Derivative Instruments and Hedging Activities (Continued)

In the first quarter of 2009, as the Company negotiated the terms of its restructuring with its lenders, the Company concluded that the notional amount being hedged in the Company's hedge effectiveness documentation was greater than the expected amount of debt outstanding during the remaining term of the original hedges because of the agreed upon reduction in interest payments. A loss of $4.0 million was recognized in the first quarter of 2009 for the additional amount of ineffectiveness in the Company's interest rate swaps.

The impact of the interest rate swaps, classified as cash flow hedges, was as follows (dollars in thousands):

	Year Ended December 31,		
	2009	2008	2007
Amount of gain or (loss) recognized in other comprehensive loss on derivative (effective portion)	$ 5,156	$ 866	$(18,099)
Amount of loss reclassified from accumulated other comprehensive loss into income (effective portion) recognized as interest expense	1,189	3,035	—
Gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) included in other income (expense)	(3,967)	(8,875)	—

Amounts included in accumulated other comprehensive loss for the cash flow hedges will be reclassified into earnings as cash interest is paid on the underlying debt that was hedged. The amortization will continue through the maturity date of the original hedges of December 31, 2010. Amounts expected to be reclassified during the next 12 months is $0.5 million.

12. Employee Benefit Plans

Pension and Other Postretirement Benefits

The Company sponsors a defined benefit pension plan and postretirement health and life insurance benefits for union employees. The Company also sponsors a cash balance pension plan for nonunion employees and certain management employees receive postretirement health and life insurance under grandfathered provisions of a terminated plan.

12. Employee Benefit Plans (Continued)

The change in projected benefit obligation, change in plan assets, funded status and weighted average actuarial assumptions for the Company were as follows (dollars in thousands):

	Pension Benefits		Other Postretirement Benefits	
	December 31,		December 31,	
	2009	2008	2009	2008
Change in projected benefit obligation:				
Obligation at beginning of year	$ 166,364	$ 186,492	$ 38,244	$ 38,597
Service cost	6,957	7,295	1,027	1,260
Interest cost	9,442	11,244	2,091	2,200
Actuarial (gain) loss	(1,195)	2,416	(899)	(3,055)
Benefits paid	(481)	(41,503)	(1,537)	(758)
Special termination benefit cost	—	420	—	—
Obligation at end of year	181,087	166,364	38,926	38,244
Change in plan assets:				
Fair value of plan assets at beginning of year	82,540	166,677	—	—
Actual return on plan assets	22,201	(43,226)	—	—
Employer contributions	50	592	1,537	758
Benefits paid	(481)	(41,503)	(1,537)	(758)
Fair value of plan assets at end of year	104,310	82,540	—	—
Funded status:				
Plan assets less than projected benefit obligation	$ (76,777)	$ (83,824)	$ (38,926)	$ (38,244)
Amounts recognized on balance sheet:				
Other current liabilities	$ —	$ —	$ (1,955)	$ (1,718)
Employee benefit obligation	(76,777)	(83,824)	(36,971)	(36,526)
Net amount recognized	$ (76,777)	$ (83,824)	$ (38,926)	$ (38,244)
Actuarial (gain) loss recognized in accumulated other comprehensive income (loss)	$ 36,115	$ 56,415	$ (3,363)	$ (5,817)
Actuarial assumptions:				
Measurement date	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Discount rate	5.85%	6.25%	6.20%	6.25%
Rate of compensation increase	3.50% to 5.00%	3.50% to 5.00%	NA	NA

The estimated amount of the actuarial loss to be amortized from accumulated other comprehensive income (loss) during 2010 is $1.5 million for pension benefits. The estimated amount of the actuarial gain to be amortized from accumulated other comprehensive income (loss) during 2010 is $0.1 million for other postretirement benefits.

12. Employee Benefit Plans (Continued)

The Company accrues the costs of pension and other 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 and weighted average actuarial assumptions for the years ended December 31, 2009, 2008 and 2007 (dollars in thousands):

	Pension Benefits			Other Postretirement Benefits		
	Year Ended December 31,			Year Ended December 31,		
	2009	2008	2007	2009	2008	2007
Service cost	$ 6,957	$ 7,295	$ 9,856	$1,027	$1,260	$1,504
Interest cost	9,442	11,244	11,773	2,091	2,200	2,074
Expected asset return	(5,934)	(11,661)	(15,680)	—	—	—
Amortization of net (gain) loss	2,838	8	(24)	(271)	(191)	—
Net periodic benefit cost	13,303	6,886	5,925	2,847	3,269	3,578
Curtailment gain	—	—	(1,391)	—	—	—
Settlement loss	—	4,129	847	—	—	—
Termination benefit cost	—	420	1,810	—	—	—
Total benefit cost	$ 13,303	$ 11,435	$ 7,191	$2,847	$3,269	$3,578
Actuarial assumptions:						
Discount rate	6.25%	6.25%	5.75%	6.25%	6.25%	5.75%
Expected return on plan assets	8.00%	8.00%	8.00%	NA	NA	NA
Long-term rate of compensation increase	3.50% to 5.00%	3.50% to 5.00%	3.50% to 5.00%	NA	NA	NA
Assumed health care cost trend rate, current	NA	NA	NA	9.00%	9.00%	10.00%
Assumed health care cost trend rate, ultimate	NA	NA	NA	5.00%	5.00%	5.00%
Assumed health care cost trend rate, ultimate year	NA	NA	NA	2018	2013	2012

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. The cost of such benefit amounted to $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 $1.8 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.

Benefits paid during 2008 included lump sum payments resulting in deemed settlements of $38.0 million and a loss on settlement of $4.1 million. Benefits paid during 2007 included lump sum payments resulting in deemed settlements of $38.7 million and a loss on settlement of $0.8 million.

In conjunction with negotiation of a new collective bargaining agreement for the Company's union employees, the Company amended its union defined benefit pension plan to provide no pension benefits to new union employees hired on or after September 13, 2008. The Company has also eliminated retiree medical benefits for union employees hired after the same date. Union employees

12. Employee Benefit Plans (Continued)

hired on or after September 13, 2008 will receive an additional matching contribution in the Company's union 401(k) plan for a total contribution up to 6% of compensation.

The measurement date for all plans was December 31, 2009 and 2008. The accumulated benefit obligation for the pension plans amounted to $154.5 million and $137.2 million at December 31, 2009 and 2008, respectively. For both plans, the accumulated benefit obligation was in excess of plan assets as of December 31, 2009 and 2008.

The expected rate of return on plan assets was based on various factors including historical experience and long-term inflation assumptions. The Company's expected long-term rate of return on plan assets is determined using the target allocation of assets which is based on the goal of earning the highest rate of return while maintaining risk at acceptable levels. The plan strives to have assets sufficiently diversified so that adverse or unexpected results from a security class will not have a significant adverse impact on the entire portfolio.

The Company's overall investment strategy is to primarily invest for long-term growth with sufficient investments available to fund near-term benefit payments. The Company aims for diversification of asset types, fund strategies and fund managers. The target allocations for plan assets are 60 percent equity securities and 40 percent fixed income securities. Equity securities primarily include investments in equity funds and common stock of individual companies. Together these investments are diversified in both large and small cap companies located in the United States and internationally. Fixed income securities are in funds that invest in bonds of companies from diversified industries, mortgage-backed securities and U.S. Treasuries.

Accounting standards establish a fair value hierarchy when measuring the fair value of pension plan assets. The three levels of inputs within the hierarchy are defined as follows. Level 1 is quoted prices for identical assets or liabilities in active markets. Level 2 is significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 3 is significant unobservable inputs that reflect the Company's own assumptions as to how market participants would price an asset.

The fair values of the Company's pension plan assets at December 31, 2009, based on trading values or fund net asset value, by asset category and basis of valuation are as follows (dollars in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common stocks—domestic large cap	$9,875	$ —	$—	$ 9,875
Equity funds—large cap index	—	52,988	—	52,988
Fixed income funds—diversified bond	—	41,340	—	41,340
Short term investment funds	—	107	—	107
	$9,875	$94,435	$—	$104,310

12. Employee Benefit Plans (Continued)

The Company expects to contribute $23.5 million to its defined benefit pension plans in 2010.

The Company projects that it will make the following benefit payments for the years ended December 31 (dollars in thousands):

	Pension Plans Benefits Paid	Other Postretirement Benefits Paid
2010	$ 15,243	$ 2,014
2011	12,425	2,187
2012	16,235	2,359
2013	17,111	2,570
2014	16,009	2,809
2015 through 2019	82,786	16,693
	$159,809	$28,632

Assumed health care costs trend rates have a significant impact on the amounts reported for other postretirement benefits. A one-percentage point change in the assumed health care cost trend rates would have the following annual effects (dollars in thousands):

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest costs components	$ 233	$ (143)
Effect on postretirement benefit obligation	2,123	(1,737)

401(k) Plan

The Company participates in two 401(k) employee savings plans that allow for voluntary contributions into designated investment funds by eligible employees with the Company matching employee contributions, up to a maximum of 5% of compensation for union employees hired before September 13, 2008, 6% for union employees hired on or after September 13, 2008, and 6% of compensation for non-union employees. Company contributions were $3.6 million, $3.4 million and $3.9 million for the years ended December 31, 2009, 2008 and 2007, respectively.

13. Income Taxes

The components of the income tax benefit are as follows (dollars in thousands):

	Year Ended December 31,		
	2009	2008	2007
Current			
Federal	$(2,229)	$(265)	$ —
State and local	(756)	(691)	—
	(2,985)	(956)	—
Deferred			
Federal	—	—	(66,100)
State and local	—	—	(7,500)
	—	—	(73,600)
Total income tax benefit	$(2,985)	$(956)	$(73,600)

For the year ended December 31, 2009, the Company recognized a benefit of $2.2 million for 2008 net operating losses that could be carried back, as provided for by the Worker, Homeownership, and Business Assistance Act of 2009, to reduce the alternative minimum tax that the Company paid in prior years. The credit for income taxes differs from the amounts determined by applying the statutory federal income tax rate of 35% to the loss before income taxes for the following reasons (dollars in thousands):

	Year Ended December 31,		
	2009	2008	2007
Benefit at federal rate	$(46,802)	$(55,861)	$(62,722)
Increase (decrease) resulting from:			
State income taxes, net of federal income tax	(5,349)	(6,384)	(7,168)
Other, net	(756)	(691)	—
Valuation allowance	49,922	61,980	(3,710)
Total income tax benefit	$ (2,985)	$ (956)	$(73,600)

13. Income Taxes (Continued)

Deferred income taxes consisted of the following (dollars in thousands):

	December 31, 2009	December 31, 2008
Deferred tax liabilities:		
Depreciation and amortization	$ 35,347	$ 43,900
Other basis differences	23,883	18,100
	59,230	62,000
Deferred tax assets:		
Net operating loss carryforwards	169,065	140,100
Depreciation and amortization	54,559	54,100
Expenses deferred for tax	19,083	15,121
Pension related	26,375	29,194
Other basis differences	28,572	17,785
Non-deductible liabilities and allowances	10,805	11,800
Derivative financial instruments	186	3,100
	308,645	271,200
Valuation allowance	(249,415)	(209,200)
	59,230	62,000
Deferred tax liability, net	$ —	$ —

At December 31, 2009, the Company had unused tax net operating loss carryforwards of approximately $419.6 million which expire through 2029. The majority of the net operating loss carryforward was incurred prior to the Chapter 11 reorganization and therefore is subject to limitation under federal and state income tax laws. Pursuant to these loss limitation rules, the utilization of net operating loss carryforward is limited if, during a testing period (usually three years), there is a 50% cumulative shift in the ownership of its stock. As a result of the reorganization, the Company will likely exchange some of its debt for common stock. The exchange may result in more than a 50% cumulative shift in the stock ownership of the Company. If that occurs, the Company's ability to utilize its net operating losses will be significantly limited. In addition, cancellation of debt income resulting from debt relief in conjunction with the Chapter 11 proceeding may also reduce the availability of net operating loss carryforwards.

A valuation allowance has been provided at December 31, 2009 and 2008 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 for liability recognition. As of December 31, 2009, the Company had no unrecognized tax benefits. No interest or penalties related to tax assessments were

13. Income Taxes (Continued)

recognized in the Company's consolidated statements of operations for the years ended December 31, 2009, 2008 or 2007. All tax years from 2006 remain open for both federal and Hawaii state purposes.

14. Stock Option Plan

On November 8, 2005, the Company adopted a stock option plan (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 the Company on the date the stock option is granted. The accounting for the current share-based compensation plans will continue to be recognized in the results of operations during the bankruptcy proceedings. Under a plan of reorganization, the Company expects all of the existing common stock and stock options will be cancelled upon consummation and exit from Chapter 11 and the holders of such securities will receive no recovery.

The Company recognized $0.1 million, $0.4 million and $0.4 million of share-based compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, related to option grants.

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 the Company 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 the Company 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. The options have yet to be granted.

Outstanding options for other key employees under the Plan vest in two components. Subject to the grantee's continued employment with the Company, 25% of the options granted generally vest automatically in equal annual installments of 5% on each anniversary of the grantee's hire and 75% vest in full on the day immediately preceding the eighth anniversary of the grant date subject to earlier vesting if certain performance conditions are met. The performance condition component of the Plan provides that an installment equal to 5% (15% if all three targets are met) of the option will vest for each fiscal year, beginning with the year of grant and ending with the fourth year thereafter, for the following three targets as defined in the Plan: Revenue, EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) and Free Cash-Flow. Options granted to independent directors exclude a performance component and vest automatically in equal annual installments on each anniversary of the grant date up to and including the anniversary in 2010.

14. Stock Option Plan (Continued)

A summary of option activity under the Plan as of December 31, 2009, 2008 and 2007 and changes during the years then ended is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Average Intrinsic Value
Outstanding at January 1, 2007	36,980	$1,000		
Granted	7,437	1,000		
Forfeited or expired	(16,358)	1,000		
Outstanding at December 31, 2007	28,059	1,000		
Forfeited or expired	(24,968)	1,000		
Outstanding at December 31, 2008	3,091	1,000		
Forfeited or expired	(430)	1,000		
Outstanding at December 31, 2009	2,661	$1,000	6.5	$—
Vested and expected to vest at December 31, 2009	2,608	$1,000	6.5	$—
Exercisable at December 31, 2009	797	$1,000	5.2	$—

A summary of the status of the Company's nonvested shares as of December 31, 2009, 2008 and 2007 and changes during the years then ended is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2007	29,333	$400
Granted	7,437	400
Vested	(1,207)	400
Forfeited	(12,190)	400
Nonvested at December 31, 2007	23,373	400
Granted	—	400
Vested	(27)	400
Forfeited	(20,783)	400
Nonvested at December 31, 2008	2,563	400
Granted	—	400
Vested	(269)	400
Forfeited	(430)	400
Nonvested at December 31, 2009	1,864	$400

The total fair value of shares vested in 2009, 2008 and 2007 was nominal given the low value of the Company's underlying equity.

14. Stock Option Plan (Continued)

As of December 31, 2009, there was $0.3 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plan. The cost is expected to be recognized over a weighted-average period of four years.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used in determining the fair value for all grants: dividend yield of 0%; expected volatility of 33%; risk-free interest rate of 4.5%; expected term to exercise of 6.5 years; and forfeiture rate of 2%. The fair value for each individual option granted during 2007 amounted to $400. Volatility and forfeiture rates were estimated based on experience of the Company's peers.

15. Leases

The Company leases certain facilities and equipment for use in the Company's operations under several operating agreements. Certain of the leases provide for escalation or renegotiation of rental rates, and for extension of lease terms. Total rent expense for the Company amounted to $3.0 million, $3.4 million and $3.9 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Information on the aggregate minimum rental commitments under non-cancelable operating leases is as follows (dollars in thousands):

Years ended, December 31:	
2010	$ 1,787
2011	1,255
2012	1,124
2013	697
2014	701
Thereafter	9,220
	$14,784

16. Accumulated Other Comprehensive Income (Loss)

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

	Gain (Loss) on Cash Flow Hedging of Derivatives	Unrealized Gain (Loss) on Investments	Defined Benefit Postretirement Plans	Total
January 1, 2007	$ 11,615	$ 21	$ —	$ 11,636
Other comprehensive income (loss) for 2007	(18,099)	64	—	(18,035)
Adjustment for initial application of new standard for retirement plan accounting	—	—	(297)	(297)
December 31, 2007	(6,484)	85	(297)	(6,696)
Other comprehensive income (loss) for 2008	866	34	(50,301)	(49,401)
December 31, 2008	(5,618)	119	(50,598)	(56,097)
Other comprehensive income (loss) for 2009	5,156	(96)	17,846	22,906
December 31, 2009	$ (462)	$ 23	$(32,752)	$(33,191)

17. Commitments and Contingencies

Long-Term Fixed Supplier Commitments

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 $42.2 million. The settlement gain was net of a charge for $22.1 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.

The Company has entered into agreements with other entities under long-term fixed contractual commitments primarily for technology related services. Annual fixed fee commitments for agreements in effect at December 31, 2009, amounted to the following (dollars in thousands):

Years ended, December 31:	
2010	$15,362
2011	11,169
2012	9,280
2013	9,320
2014	1,554
	$46,685

Under the long-term agreements, the Company incurred fees amounting to $15.4 million, $6.1 million and $6.1 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Collective Bargaining Agreement

The Company has a collective bargaining agreement with the International Brotherhood of Electrical Workers Local 1357. The agreement expires on September 12, 2011 and covers about 58% of the workforce.

Third Party Claims

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

17. Commitments and Contingencies (Continued)

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 consolidated financial statements.

Chapter 11 Claims

On December 23, 2008, the Clerk of the Bankruptcy Court filed the Notice of Chapter 11 Bankruptcy Cases, Meeting of Creditors, & Deadlines, establishing April 27, 2009 as the general claims bar date for each entity other than governmental units to file Proofs of Claim and July 31, 2009, as amended, as the claims bar date for governmental units. Based on management's most recent assessment, the Company believes the amount by which claims differ from liabilities recorded is not material and the ultimate outcome will not have a material adverse effect on the Company's results of operations, cash flows or financial position.

Accenture Contract

In March 2009, the Company entered into an agreement with Accenture to provide information technology application maintenance services for a period of five years at a monthly cost ranging from $0.8 million to $1.1 million for a total commitment of $49.1 million. The contract allows for cancellation with the payment of certain wind-down expenses. The contract was subject to approval by the Bankruptcy Court which was received in April 2009. The contract includes a provision to waive payment of prepetition liabilities to Accenture amounting to $0.7 million. The Company recognized the cancellation of this liability in the second quarter of 2009 when the Bankruptcy Court approval was obtained.

18. Related Party Transactions

In 2005, the Company entered into a management consulting agreement with The Carlyle Group (the "Sponsor" and controlling owner through their managed equity funds). The agreement allowed 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. The agreement was terminated September 30, 2008. Under the agreement, the Company incurred advisory fees of $0.8 million and $1.0 million for the years ended December 31, 2008 and 2007, respectively.

19. Fair Value of Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate the fair value. It is not practical to estimate the fair value of most financial liabilities as of December 31, 2009 and 2008 because of the Chapter 11 proceeding.

Cash and cash equivalents, accounts receivable and accounts payable—The carrying amount approximates fair value because of the short maturities of these instruments.

19. Fair Value of Financial Instruments (Continued)

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

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

	Carrying Value	Fair Value
December 31, 2009		
Assets—investment in U.S. Treasury obligations, available for sale	$2,090	$2,090
December 31, 2008		
Assets—investment in U.S. Treasury obligations, available for sale	$2,247	$2,247

Fair Value Measurements

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

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

Assets measured at fair value on a recurring basis represent investment securities included in deferred financing and other assets. A summary is as follows (dollars in thousands):

	December 31, 2009	December 31, 2008
Fair value measurements using:		
Quoted prices in active markets for identical assets (Level 1)	$2,090	$2,247
Significant other observable inputs (Level 2)	—	—
Significant unobservable inputs (Level 3)	—	—
	$2,090	$2,247

Assets measured at fair value on a non-recurring basis for the year ended December 31, 2007 represent goodwill and the brand name intangible asset. A summary is as follows (dollars in thousands):

Description	Fair Value	Fair Value Measurement Using
Goodwill	$ —	Significant unobservable input (level 3)
Brand name	27,200	Significant unobservable input (level 3)

19. Fair Value of Financial Instruments (Continued)

The fair value of both assets were based on discounted cash flows from projections of results for the Company's operations. The Company estimated the fair value of goodwill by reducing the segment fair value by the estimated fair value of the identifiable assets and liabilities.

20. Cash Flow Information

Supplemental cash flow information is as follows:

	Year Ended December 31,		
	2009	2008	2007
Cash paid during the year:			
Income taxes paid, net of refunds	$ —	$ 459	$ 1,350
Interest paid, net of amounts capitalized	14,863	62,793	116,759

21. 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 Chief Executive Officer, 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 Internet, long distance services, managed 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 which is included in the wireline segment. The Other segment consists primarily of wireless services.

21. Segment Information (Continued)

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

	Wireline Services	Other	Intersegment Elimination	Total
For the year ended and as of December 31, 2009				
Operating revenues				
Local voice and other retail services	$ 273,065	$ 6,906	$(1,444)	$ 278,527
Network access services	130,068	—	—	130,068
	$ 403,133	$ 6,906	$(1,444)	$ 408,595
Depreciation and amortization	$ 164,247	$ 129	$ —	$ 164,376
Loss from continuing operations	(127,351)	(3,383)	—	(130,734)
Capital expenditures	89,361	—	—	89,361
Assets	1,182,783	894	—	1,183,677
For the year ended and as of December 31, 2008				
Operating revenues				
Local voice and other retail services	$ 305,074	$ 9,391	$(1,260)	$ 313,205
Network access services	134,550	—	—	134,550
	$ 439,624	$ 9,391	$(1,260)	$ 447,755
Depreciation and amortization	$ 160,149	$ 129	$ —	$ 160,278
Loss from continuing operations	(153,895)	(3,492)	(1,260)	(158,647)
Capital expenditures	73,250	—	—	73,250
Assets	1,272,757	321	—	1,273,078
For the year ended and as of December 31, 2007				
Operating revenues				
Local voice and other retail services	$ 329,200	$11,435	$(1,337)	$ 339,298
Network access services	144,378	—	—	144,378
	$ 473,578	$11,435	$(1,337)	$ 483,676
Depreciation and amortization	$ 159,872	$ —	$ —	$ 159,872
Loss from continuing operations	(95,072)	(9,196)	(1,337)	(105,605)
Captial expenditures	96,821	819	—	97,640
Assets	1,570,113	1,427	—	1,571,540

22. Restricted Net Assets and Parent Company Condensed Financial Information

Agreements with the HPUC and the debt agreements of Hawaiian Telcom Communications, Inc. limit the ability of the Company's subsidiaries to pay dividends to the parent company and restrict the net assets of all of the Company's subsidiaries.

The following condensed financial information for Hawaiian Telcom Holdco, Inc. reflects parent company financial information only. Such financial information should be read in conjunction with the consolidated financial statements of the Company.

22. Restricted Net Assets and Parent Company Condensed Financial Information (Continued)

The parent company has accounted for its investment in its consolidated subsidiary on the equity method of accounting. Because the parent company guarantees the debt of its subsidiary, it has continued to record losses of its subsidiary even though such losses exceed its basis in the investment. No dividends were paid by the subsidiaries to the parent company at any time during the existence of the parent company.

Hawaiian Telcom Holdco, Inc.
(Debtor-in-Possession)
(Parent Company Only)
Condensed Statements of Operations
(Dollars in Thousands)

	Year Ended December 31,		
	2009	2008	2007
Equity in earnings (loss) of Hawaiian Telcom Communications, Inc.	$(130,734)	$(158,647)	$51,026
Provision for income taxes	—	—	—
Net income (loss)	$(130,734)	$(158,647)	$51,026

Hawaiian Telcom Holdco, Inc.
(Debtor-in-Possession)
(Parent Company Only)
Condensed Balance Sheets
(Dollars in Thousands, except per share information)

	December 31, 2009	December 31, 2008
Assets		
Total assets	$ —	$ —
Liabilities and Stockholders' Deficiency		
Losses on investment in Hawaiian Telcom Communications, Inc. exceeding basis and total liabilities	$ 180,264	$ 72,516
Stockholders' Deficiency		
Common stock, par value $0.01 per share, 480,000 shares authorized and 428,000 shares issued	4	4
Additional paid-in capital	428,993	428,913
Accumulated other comprehensive loss	(33,191)	(56,097)
Accumulated deficit	(576,070)	(445,336)
Total stockholders' deficiency	(180,264)	(72,516)
Total liabilities and stockholders' deficiency	$ —	$ —

22. Restricted Net Assets and Parent Company Condensed Financial Information (Continued)

Hawaiian Telcom Holdco, Inc.
(Debtor-in-Possession)
(Parent Company Only)
Condensed Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31,		
	2009	2008	2007
Net income (loss)	$(130,734)	$(158,647)	$ 51,026
Undistributed (earnings) loss of Hawaiian Telcom Communications, Inc.	130,734	158,647	(51,026)
Net cash provided by operating activities,net change in cash and ending balance of cash	$ —	$ —	$ —

23. Restatement

Subsequent to the issuance of the of the 2009 consolidated financial statements, the Company's management determined that the Company had incorrectly assigned a value to an identifiable intangible asset for franchise rights in conjunction with the purchase of an acquired business. Because of the unique nature of this particular nontransferable franchise right, the Company concluded there is not an independent market participant useful for purposes of determining a separately identifiable value. Hence, the Company concluded no value should have been assigned. The purchase price should have instead been allocated to goodwill of its wireline segment. As a result, the accompanying financial statements have been restated. The restatement resulted in the elimination of an impairment loss on the franchise right intangible asset that had been recognized in the 2007 results of operations and reclassification of the franchise right intangible asset (including the amount previously impaired) to goodwill of the Company's wireline segment. In conjunction with the restatement and the Company's annual impairment tests for goodwill, the Company concluded that the goodwill was impaired in 2007. The net impact of the restatement is to increase the impairment loss in the 2007 statement of operations by $66.3 million. Because of the differences in intangible asset amortization for income tax and financial reporting purposes, the 2007 restatement also impacted the consolidated statement of operations for the year ended December 31, 2009.

23. Restatement (Continued)

The Company's consolidated statement of operations for the year ended December 31, 2007 was restated as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
Operating revenues	$ 483,676	$ —	$ 483,676
Operating expenses:			
Cost of revenues (exclusive of depreciation and amortization)	190,238	—	190,238
Selling, general and administrative	173,304	—	173,304
Depreciation and amortization	159,872	—	159,872
Settlement with BearingPoint	(42,219)	—	(42,219)
Goodwill and intangible assets impairment	21,900	66,300	88,200
Total operating expenses	503,095	66,300	569,395
Operating loss	(19,419)	(66,300)	(85,719)
Other income (expense)	(93,486)	—	(93,486)
Loss from continuing operations before income taxes	(112,905)	(66,300)	(179,205)
Income tax benefit	(47,700)	(25,900)	(73,600)
Loss from continuing operations	(65,205)	(40,400)	(105,605)
Income from discontinued operations, net of tax	182,531	(25,900)	156,631
Net income (loss)	$ 117,326	$(66,300)	$ 51,026
Earnings (loss) per common share—basic and diluted:			
Continuing operations	$ (152.35)	$ (94.39)	$ (246.74)
Discontinued operations	426.48	(60.52)	365.96
Net income (loss)	$ 274.13	$(154.91)	$ 119.22

The Company's consolidated statement of cash flows for the year ended December 31, 2007 was restated for cash flows from operating activities as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
Net income	$117,326	$(66,300)	$ 51,026
Adjustments to reconcile net income to net cash provided by operating activities			
Goodwill and intangible asset impairment	21,900	66,300	88,200

23. Restatement (Continued)

The consolidated statement of operations for the year ended December 31, 2009 was restated as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
Loss from continuing operations before income taxes	$(133,719)	$ —	$(133,719)
Income tax benefit	(1,710)	(1,275)	(2,985)
Net loss	$(132,009)	$ 1,275	$(130,734)
Net loss per common share—basic and diluted	$ (308.43)	$ 2.98	$ (305.45)

The Company's consolidated statement of cash flows for the year ended December 31, 2009 was restated for cash flows from operating activities as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
Net loss	$(132,009)	$ 1,275	$(130,734)
Adjustments to reconcile net loss to net cash provided by operating activities			
Deferred income taxes	1,275	(1,275)	—

The Company's consolidated balance sheets as of December 31, 2009 and 2008 were restated as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
December 31, 2009			
Intangible assets, net	$ 368,163	$(66,300)	$ 301,863
Total assets	1,249,977	(66,300)	1,183,677
Deferred income taxes	$ 1,275	$ (1,275)	$ —
Total liabilities	1,365,216	(1,275)	1,363,941
Accumulated deficit	(511,045)	(65,025)	(576,070)
Total stockholders' deficiency	(115,239)	(65,025)	(180,264)
Total liabilities and stockholders' deficiency	1,249,977	(66,300)	1,183,677
December 31, 2008			
Intangible assets, net	$ 411,264	$(66,300)	$ 344,964
Total assets	1,339,378	(66,300)	1,273,078
Accumulated deficit	$ (379,036)	$(66,300)	$ (445,336)
Total stockholders' deficiency	(6,216)	(66,300)	(72,516)
Total liabilities and stockholders' deficiency	1,339,378	(66,300)	1,273,078

The statement of changes in stockholders' deficiency was also restated to reflect the changes to 2007 net income, 2009 net loss and equity as indicated above.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Condensed Consolidated Statements of Operations

(Unaudited, dollars in thousands, except per share amounts)

	Six Months Ended June 30,	
	2010	2009
Operating revenues	$199,874	$208,588
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization)	79,614	79,482
Selling, general and administrative	63,511	69,272
Depreciation and amortization	84,671	81,317
Total operating expenses	227,796	230,071
Operating loss	(27,922)	(21,483)
Other income (expense):		
Interest expense (contractual interest was $37,595 and $40,327 for the six months ended June 30, 2010 and 2009, respectively)	(13,905)	(15,028)
Loss on interest rate swaps	—	(3,967)
Interest income and other	30	94
Total other expense	(13,875)	(18,901)
Loss before reorganization items and provision for income taxes	(41,797)	(40,384)
Reorganization items	3,827	12,939
Loss before provision for income taxes	(45,624)	(53,323)
Provision for income taxes	—	190
Net loss	$(45,624)	$(53,513)
Net loss per common share—basic and diluted	$(106.60)	$(125.03)
Weighted average shares used to compute net loss per common share—basic and diluted	428,000	428,000

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Condensed Consolidated Balance Sheets

(Unaudited, dollars in thousands, except per share amounts)

	June 30, 2010	December 31, 2009 As Restated —see Note 18
Assets		
Current assets		
Cash and cash equivalents	$ 110,204	$ 96,550
Receivables, net	43,268	47,655
Material and supplies	5,372	3,871
Prepaid expenses	9,646	4,691
Other current assets	8,489	8,326
Total current assets	176,979	161,093
Property, plant and equipment, net	678,760	711,265
Intangible assets, net	281,721	301,863
Other assets	8,300	9,456
Total assets	$1,145,760	$1,183,677
Liabilities and Stockholders' Deficiency		
Liabilities not subject to compromise		
Current liabilities		
Accounts payable	$ 24,307	$ 30,972
Accrued expenses	30,278	27,950
Advance billings and customer deposits	14,553	13,954
Other current liabilities	5,558	5,075
Total current liabilities	74,696	77,951
Employee benefit obligations	116,683	113,748
Other liabilities	5,082	4,658
Total liabilities not subject to compromise	196,461	196,357
Liabilities subject to compromise	1,174,881	1,167,584
Total liabilities	1,371,342	1,363,941
Commitments and contingencies (Note 15)		
Stockholders' deficiency		
Common stock, par value of $0.01 per share, 480,000 shares authorized and 428,000 shares issued	4	4
Additional paid-in capital	429,032	428,993
Accumulated other comprehensive loss	(32,924)	(33,191)
Accumulated deficit	(621,694)	(576,070)
Total stockholders' deficiency	(225,582)	(180,264)
Total liabilities and stockholders' deficiency	$1,145,760	$1,183,677

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	$ (45,624)	$ (53,513)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	84,671	81,317
Employee retirement benefits	2,935	4,813
Provision for uncollectibles	3,104	4,635
Loss on interest rate swaps	—	3,967
Interest cost added to loan principal	6,906	4,430
Deferred income taxes	—	190
Reorganization items	3,827	12,939
Changes in operating assets and liabilities:		
Receivables	1,283	1,745
Material and supplies	(1,500)	1,243
Prepaid expenses and other current assets	(5,118)	(5,172)
Accounts payable and accrued expenses	2,927	2,034
Advance billings and customer deposits	598	(732)
Other current liabilities	173	(77)
Other, net	355	1,328
Net cash provided by operating activities before reorganization items	54,537	59,147
Operating cash flows used by reorganization items	(11,933)	(11,162)
Net cash provided by operating activities	42,604	47,985
Cash flows used in investing activities:		
Capital expenditures	(28,950)	(34,107)
Net cash used in investing activities	(28,950)	(34,107)
Net change in cash and cash equivalents	13,654	13,878
Cash and cash equivalents, beginning of period	96,550	88,975
Cash and cash equivalents, end of period	$110,204	$102,853
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	$ 6,546	$ 8,596

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Condensed Consolidated Statement of Changes in Stockholders' Deficiency

(Unaudited, dollars in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount				
Balance, January 1, 2010	428,000	$ 4	$428,993	$(33,191)	$(576,070)	$(180,264)
Stock based compensation	—	—	39	—	—	39
Net loss	—	—	—	—	(45,624)	(45,624)
Other comprehensive income (loss)						
Reclassification adjustment for recognition of loss on interest rate swap	—	—	—	276	—	276
Unrealized loss on investments	—	—	—	(9)	—	(9)
Balance, June 30, 2010	428,000	$ 4	$429,032	$(32,924)	$(621,694)	$(225,582)
Balance, January 1, 2009	428,000	$ 4	$428,913	$(56,097)	$(445,336)	$ (72,516)
Stock based compensation	—	—	40	—	—	40
Net loss	—	—	—	—	(53,513)	(53,513)
Other comprehensive income (loss)						
Reclassification adjustment for recognition of loss on interest rate swap	—	—	—	4,672	—	4,672
Unrealized loss on investments	—	—	—	(35)	—	(35)
Balance, June 30, 2009	428,000	$ 4	$428,953	$(51,460)	$(498,849)	$(121,352)

See accompanying notes to condensed consolidated financial statements.

1. Description of Business

Business Description

Hawaiian Telcom Holdco, Inc. and subsidiaries (the "Company") is the incumbent local exchange carrier for the State of Hawaii with an integrated telecommunications network servicing approximately 453,000 switched access lines as of June 30, 2010. The Company also served approximately 233,000 long distance lines and 97,000 High-Speed Internet (HSI) connections as of that date.

Organization

The Company has one direct subsidiary, Hawaiian Telcom Communications, Inc. which 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. The Company insures current incidents with external carriers. Hawaiian Telcom Services Company, Inc. has four subsidiaries which are inactive.

2. Chapter 11 Reorganization

On December 1, 2008 (the "Petition Date"), Hawaiian Telcom Holdco, Inc. and its subsidiaries, with the exception of Hawaiian Telcom Insurance Company, Incorporated (the "Non-Debtor"), (collectively the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware. The cases were transferred to the District of Hawaii on December 22, 2008 (the "Bankruptcy Court"). The cases are being jointly administered under Case No. 08-02005. The Debtors will continue to operate as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and orders of the Bankruptcy Court. In general, as debtors-in-possession, the Debtors are authorized under Chapter 11 to continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

The Bankruptcy Court has approved various motions for relief designed to allow the Company to continue normal operations. The Bankruptcy Court's orders authorize the Company, among other things, to: (a) use cash collateral; (b) pay prepetition and postpetition employee wages, salaries, benefits and other employee obligations; (c) honor customer service programs; and (d) continue maintenance of existing bank accounts and existing cash management systems.

Subject to certain exceptions in the Bankruptcy Code, the Chapter 11 filings automatically stayed the initiation or continuation of most actions against the Debtors, including most actions to collect prepetition indebtedness or to exercise control over the property of the bankruptcy estates. As a result, absent an order from the Bankruptcy Court, creditors are precluded from collection on prepetition debts and substantially all prepetition liabilities are subject to compromise.

Under the Bankruptcy Code, the Debtors also have the right to assume, assume and assign, or reject certain executory contracts and unexpired leases, subject to the approval of the Bankruptcy Court

2. Chapter 11 Reorganization (Continued)

and certain other conditions. Generally, the assumption of an executory contract or unexpired lease requires the debtor to cure certain existing defaults under the contract, including the payment of accrued but unpaid prepetition liabilities. Rejection of an executory contract or unexpired lease typically is treated as a breach of the contract or lease, immediately prior to the Chapter 11 filing. Subject to certain exceptions, this rejection relieves the debtor from performing its future obligations under that contract but entitles the counterparty to assert a prepetition general unsecured claim for damages. Parties to the executory contracts or unexpired leases rejected by a debtor may file proofs of claim against the debtor's estate for damages.

On June 3, 2009, the Debtors filed a plan of reorganization with the Bankruptcy Court together with the disclosure statement. On August 28, 2009, the Bankruptcy Court approved distribution of the disclosure statement for vote by the prepetition creditors. On November 13, 2009, the judge of the Bankruptcy Court ruled that the plan as presented was approved. The final confirmation order was issued by the Court on December 30, 2009. The plan of reorganization, including the proposed debt and equity structure, is subject to approval of the Hawaii Public Utilities Commission (HPUC) and Federal Communications Commission (FCC). Such approvals were received in September 2010 and the Company is expected to emerge from Chapter 11 in October 2010.

The plan of reorganization provides for the treatment of claims of creditors and allocates value to the creditors in accordance with the provisions of the Bankruptcy Code. Pursuant to the plan of reorganization, senior secured claims are to receive a pro-rata distribution of new debt in the amount of $300.0 million and a pro rata distribution of new equity. Allowed administrative, priority tax, priority non-tax, secured tax and other secured claims will be paid in full in cash. All other claims are to be settled for a fraction of the claim either with warrants or cash not exceeding $0.5 million. Certain claimants including equity holders will receive no recovery under the plan of reorganization. The disclosure statement contains detailed information about the plan of reorganization, a historical profile of the business, a description of the proposed distribution to creditors and an analysis of the plan of reorganization's feasibility as well as technical matters required for the exit process.

For the duration of the Chapter 11 cases, the business is subject to the risks and uncertainties of bankruptcy. For example, the Chapter 11 cases could adversely affect relationships with customers, suppliers and employees which, in turn, could adversely affect the going concern value of the business and assets. Transactions outside of the ordinary course of business are subject to the prior approval of the Bankruptcy Court which may limit the ability to respond to certain market events or take advantage of certain market opportunities, and, as a result, operations could be materially adversely impacted.

Going Concern

The Company has incurred losses from continuing operations for each fiscal year since inception. In addition, as of June 30, 2010, the Company had a deficit in equity. The Company's ability, both during and after the Chapter 11 proceeding, to continue as a going concern is dependent upon, among other things: (i) the consummation of a plan of reorganization under the Bankruptcy Code; (ii) its ability to successfully achieve improved operating performance; (iii) its ability to maintain adequate cash on hand; (iv) its ability to generate cash from operations; and (v) its ability to maintain profitability. These factors raise substantial doubt about the Company's ability to continue as a going

2. Chapter 11 Reorganization (Continued)

concern and there can be no assurance that the Company will be able to successfully achieve these objectives in order to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

The Company is in the process of implementing its revised strategic plan which focuses on the introduction of new products, growing broadband market share, simplifying existing product offerings, improving the customer service experience, transforming the network to enable next generation technologies, improving processes and systems, and rebuilding the brand and image of the Company. The Company may also pursue other product development opportunities, cost reduction initiatives, asset rationalization, capital raising opportunities, and debt reduction options in the revised strategic plan to improve cash flow and liquidity. There can be no assurance that these initiatives will be successful.

3. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted and condensed. In the opinion of the Company's management, all adjustments (consisting of only normal and recurring accruals) have been made to present fairly the 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, 2009.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market accounts with maturities at acquisition of three months or less. The majority of cash balances at June 30, 2010 are held in two banks either in a short-term U.S. Treasury money market account or in demand deposit accounts.

Supplemental Non-Cash Investing and Financing Activities

Accounts payable included $8.1 million and $5.9 million at June 30, 2010 and 2009, respectively, for additions to property, plant and equipment.

Taxes Collected from Customers

The Company presents taxes collected from customers and remitted to governmental authorities on a gross basis, including such amounts in the Company's reported operating revenues. Such amounts represent primarily Hawaii state general excise taxes and HPUC fees. Such taxes and fees amounted to $3.1 million and $3.0 million for the six months ended June 30, 2010 and 2009, respectively.

3. Basis of Presentation (Continued)

Earnings per Share

Basic earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing earnings by the weighted average shares outstanding during the period. Diluted earnings per share is calculated by dividing the earnings, adjusted for the effect, if any, from assumed conversion of all potentially dilutive common shares outstanding, by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. The computation of diluted earnings per share excludes the impact of outstanding stock options as they are currently antidilutive to earnings per share.

Subsequent Events

The Company evaluated and gave recognition, if appropriate, to subsequent events which occurred after the financial statement date of June 30, 2010 through October 26, 2010, the date on which the condensed consolidated financial statements were available to be issued.

4. Recently Issued Accounting Pronouncement

In October 2009, the Financial Accounting Standards Board ("FASB") issued new guidance on accounting for multiple-deliverable revenue arrangements requiring entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. The guidance should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the potential impact of the accounting guidance on the consolidated financial statements.

5. Reorganization

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting standards for financial reporting by entities in reorganization under the Bankruptcy Code. In accordance with those standards, all prepetition liabilities subject to compromise have been segregated in the condensed consolidated balance sheets and classified as liabilities subject to compromise at the estimated amount of the allowable claims. Liabilities not subject to compromise are separately classified as current or noncurrent. The Company's condensed consolidated statements of operations for the six months ended June 30, 2010 and 2009 present the results of operations during the Chapter 11 proceedings. As such, any revenues, expenses, and gains and losses realized or incurred that are directly related to the bankruptcy case are reported separately as reorganization items due to the bankruptcy. The operations and financial position of the Non-Debtor, included in the condensed consolidated statements of operations and condensed consolidated balance sheets, are not significant.

5. Reorganization (Continued)

Reorganization Items

Reorganization items represent expense or income amounts that were recognized as a direct result of the Chapter 11 filing and are presented separately in the condensed consolidated statements of operations. Such items consist of the following (dollars in thousands):

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Professional fees	$3,832	$13,701
Cancellation of liability	—	(733)
Other	(5)	(29)
	$3,827	$12,939

Professional fees relate to legal, financial advisory and other professional costs directly associated with the reorganization process. The cancellation of liability for the six months ended June 30, 2009 represents an agreement with a vendor to wave prepetition amounts due in connection with a contract extension.

Net cash paid for reorganization items, consisting of professional and other fees, amounted to $11.9 million and $11.2 million for the six months ended June 30, 2010 and 2009, respectively.

Liabilities Subject to Compromise

Liabilities subject to compromise refer to liabilities incurred prior to the Petition Date. The amounts of the various categories of liabilities that are subject to compromise are set forth below. These amounts represent the estimates of known or potential prepetition date claims that are likely to be resolved in connection with the bankruptcy filings. Such claims remain subject to future adjustments. Adjustments may result from negotiations, actions of the Bankruptcy Court, rejection of the executory contracts and unexpired leases, the determination of the value securing claims, proofs of claim or other events.

5. Reorganization (Continued)

Liabilities subject to compromise at June 30, 2010 and December 31, 2009 consisted of the following (dollars in thousands):

	June 30, 2010	December 31, 2009
Notes payable to banks, revolving credit facility	$ 92,516	$ 91,486
Notes payable to banks, Tranche C term loan	500,186	494,311
Senior floating rate notes	150,000	150,000
Senior fixed rate notes	200,000	200,000
Senior subordinated notes	150,000	150,000
Senior notes accrued interest	29,914	29,914
Settlement on swap liability	15,799	15,621
Accounts payable	35,001	34,724
Other	1,465	1,528
	$1,174,881	$1,167,584

Liabilities not subject to compromise include: (1) liabilities held by the Non-Debtor entity; (2) liabilities incurred after the Petition Date; (3) prepetition date liabilities that the Debtors expect to pay in full, even though certain of these amounts may not be paid until a plan of reorganization is effective; and (4) prepetition date liabilities that have been approved for payment by the Bankruptcy Court and that the Debtors expect to pay (in advance of a plan of reorganization) in the ordinary course of business, including certain employee related items (e.g., salaries, vacation, medical benefits and employee benefit obligations).

The classification of liabilities not subject to compromise versus liabilities subject to compromise is based on currently available information and analysis. As the bankruptcy filing proceeds and additional information and analysis is completed or, as the Bankruptcy Court rules on relevant matters, the classification of amounts between these two categories may change. The amount of any such change could be significant.

6. Receivables

Receivables consisted of the following (dollars in thousands):

	June 30, 2010	December 31, 2009
Customers and other	$ 56,035	$ 60,655
Allowance for doubtful accounts	(12,767)	(13,000)
	$ 43,268	$ 47,655

7. Long-Lived Assets

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

	June 30, 2010	December 31, 2009
Property, plant and equipment cost	$1,211,766	$1,182,766
Less accumulated depreciation and amortization	533,006	471,501
	$ 678,760	$ 711,265

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

	June 30, 2010			December 31, 2009		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Subject to amortization:						
Customer relationships	$503,900	$249,379	$254,521	$503,900	$229,237	$274,663
Covenant not to compete	4,000	4,000	—	4,000	4,000	—
	507,900	253,379	254,521	507,900	233,237	274,663
Not subject to amortization:						
Brand name	27,200	—	27,200	27,200	—	27,200
	$535,100	$253,379	$281,721	$535,100	$233,237	$301,863

Amortization expense amounted to $20.2 million and $21.6 million for the six months ended June 30, 2010 and 2009, respectively. Estimated amortization expense for the next five years and thereafter is as follows (dollars in thousands):

2010	$ 20,141
2011	37,690
2012	35,300
2013	32,346
2014	30,129
Thereafter	98,915
	$254,521

8. Accrued Expenses

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

	June 30, 2010	December 31, 2009
Salaries and benefits	$27,746	$25,381
Other taxes	2,532	2,569
	$30,278	$27,950

9. Long-Term Debt

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

	Interest Rate at June 30, 2010	Final Maturity	June 30, 2010	December 31, 2009
Notes payable to banks, revolving credit facility	4.50%	April 30, 2012	$ 92,516	$ 91,486
Notes payable to banks, Tranche C term loan	4.75%	June 1, 2014	500,186	494,311
Senior floating rate notes	6.03%	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	150,000	150,000
			1,092,702	1,085,797
Less liabilities subject to compromise			(1,092,702)	(1,085,797)
			$ —	$ —

In accordance with accounting standards for financial reporting by entities in reorganization under the Bankruptcy Code, the unsecured senior floating rate notes, senior fixed rate notes and senior subordinated notes have been presented as liabilities subject to compromise. In addition, as the bank debt is under secured, it is also presented as a liability subject to compromise.

Notes Payable to Banks

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 of 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 Eurocurrency rates may not be selected for any interest periods beginning when the Company is in default on the credit facilities. The Company continued to pay all interest due on the bank credit facilities through February 28, 2009. Effective March 1, 2009, the Company agreed with its secured lenders (bank debt lenders and swap counterparties) to pay a reduced level of interest. Beginning on March 1, 2009 through the effective date of the plan of reorganization, interest is being paid to all secured lenders based on a principal balance of $300.0 million. The difference between the stated rate of interest and interest paid, becomes

9. Long-Term Debt (Continued)

an additional secured obligation of the secured lenders. The interest on the bank credit facilities that was added to the principal balance amounted $6.9 and $4.4 million for the six months ended June 30, 2010 and 2009, respectively.

Defaults

The filing of the Debtors' Chapter 11 cases constituted an event of default under the bank credit facilities and the senior notes' indentures. The Company believes that any remedies that may exist for these events of default are stayed under the Bankruptcy Code.

Contractual Interest Expense

The Company records postpetition interest on prepetition obligations only to the extent it believes the interest will be paid during the bankruptcy proceedings or that it is probable that the interest will be an allowed claim. Had the Company recorded interest expense based on all of the prepetition contractual obligations, interest expense would have increased by $23.7 million and $25.3 million for the six months ended June 30, 2010 and 2009, respectively.

10. 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 maintained 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 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.

On December 1, 2008 and December 2, 2008, the Company's swap agreements were terminated by the counterparties under the default provisions of the agreements. The swap termination liability of $15.8 million, included in liabilities subject to compromise, is collateralized by the same assets that collateralize bank debt and is of the same priority as bank debt in the Chapter 11 proceeding.

In the first quarter of 2009, as the Company negotiated the terms of its restructuring with its lenders, the Company concluded that the notional amount being hedged in the Company's hedge effectiveness documentation was greater than the expected amount of debt outstanding during the remaining term of the original hedges because of the agreed upon reduction in interest payments (see Note 9). A loss of $4.0 million was recognized in the first quarter of 2009 for the additional amount of ineffectiveness in the Company's interest rate swaps.

10. Derivative Instruments and Hedging Activities (Continued)

The impact of the interest rate swaps, classified as cash flow hedges, was as follows (dollars in thousands):

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Amount of loss reclassified from accumulated other comprehensive loss into income (effective portion) recognized as interest expense	$276	$ 705
Loss recognized in income on derivative (ineffective portion) included in other income (expense)	—	(3,967)

Amounts included in accumulated other comprehensive loss for the cash flow hedges will be reclassified into earnings as cash interest is paid on the underlying debt that was hedged. The amortization will continue through the maturity date of the original hedges of December 31, 2010. Amounts expected to be reclassified during the next 12 months is $0.2 million.

11. 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 pension and 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 for the six months ended June 30, 2010 and 2009 (dollars in thousands):

Pension

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Service cost	$ 3,512	$ 3,479
Interest cost	5,074	4,721
Expected asset return	(4,206)	(2,967)
Amortization of loss	762	1,419
Net periodic benefit cost	5,142	6,652

11. Employee Benefit Plans (Continued)

Other Postretirement Benefits

	Six Months Ended June 30,	
	2010	2009
Service cost	$ 570	$ 513
Interest cost	1,132	910
Net periodic benefit cost	$1,702	$1,423

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2009 that it expected to contribute $23.5 million to its pension plan in 2010. As of June 30, 2010, the Company has contributed $3.2 million. The Company presently anticipates contributing the full amount during the remainder of 2010.

12. Income Taxes

The credit for income taxes differs from the amounts determined by applying the statutory federal income tax rate of 34% to the loss before credit for income taxes for the following reasons (dollars in thousands):

	Six Months Ended June 30,	
	2010	2009
Benefit at federal rate	$(15,512)	$(18,663)
Increase (decrease) resulting from:		
State income taxes, net of federal income tax	(1,825)	(2,133)
Valuation allowance	17,337	20,986
Provision for income taxes	$ —	$ 190

A valuation allowance has been provided at June 30, 2010 and December 31, 2009 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 for liability recognition. As of June 30, 2010, 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, 2010 or 2009. All tax years from 2006 remain open for both federal and Hawaii state purposes.

13. Stock Option Plan

On November 8, 2005, the Company adopted a stock option plan (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 the Company on the date the stock option is granted.

The Company recognized compensation expense of less than $0.1 million for six months ended June 30, 2010 and 2009.

14. Comprehensive Income (Loss)

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

	Six Months Ended June 30,	
	2010	2009
Net loss	$(45,624)	$(53,513)
Other comprehensive income (loss)—		
Reclassification adjustment for recognition of loss on interest rate swap	276	4,672
Unrealized loss on investments	(9)	(35)
Other comprehensive income (loss)	267	4,637
Comprehensive loss	$(45,357)	$(48,876)

15. Commitments and Contingencies

Third Party Claims

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

Litigation

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

15. Commitments and Contingencies (Continued)

Chapter 11 Claims

On December 23, 2008, the Clerk of the Bankruptcy Court filed the Notice of Chapter 11 Bankruptcy Cases, Meeting of Creditors, & Deadlines, establishing April 27, 2009 as the general claims bar date for each entity other than governmental units to file Proofs of Claim and July 31, 2009, as amended, as the claims bar date for governmental units. Based on management's most recent assessment, the Company believes the amount by which claims differ from liabilities recorded is not material and the ultimate outcome will not have a material adverse effect on the Company's results of operations, cash flows or financial position.

16. Fair Value of Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate the fair value. It is not practical to estimate the fair value of most financial liabilities as of June 30, 2010 because of the Chapter 11 proceeding.

Cash and cash equivalents, accounts receivable and accounts payable—The carrying amount approximates fair value because of the short maturities of these instruments.

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

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

	Carrying Value	Fair Value
June 30, 2010		
Assets—investment in U.S. Treasury obligations (Level 1)	$1,875	$1,875
December 31, 2009		
Assets—investment in U.S. Treasury obligations (Level 1)	$2,090	$2,090

Fair Value Measurements

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

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

Assets measured at fair value on a recurring basis represent investment securities included in other assets.

17. 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 Chief Executive Officer, 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 Internet, long distance services, managed 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 which is included in the wireline segment. 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):

	Wireline Services	Other	Intersegment Elimination	Total
For the six months ended and as of June 30, 2010				
Operating revenues				
Local voice and other retail services	$ 131,648	$ 3,152	$(724)	$ 134,076
Network access services	65,798	—	—	65,798
	$ 197,446	$ 3,152	$(724)	$ 199,874
Depreciation and amortization	$ 84,617	$ 54	$ —	$ 84,671
Net loss	(44,103)	(1,521)	—	(45,624)
Capital expenditures	30,063	—	—	30,063
Assets	1,144,945	815	—	1,145,760
Assets as of December 31, 2009	$1,182,783	$ 894	$ —	$1,183,677
For the six months ended June 30, 2009				
Operating revenues				
Local voice and other retail services	$ 139,476	$ 3,535	$(662)	$ 142,349
Network access services	66,239	—	—	66,239
	$ 205,715	$ 3,535	$(662)	$ 208,588
Depreciation and amortization	$ 81,263	$ 54	$ —	$ 81,317
Net loss	(51,208)	(1,643)	(662)	(53,513)
Capital expenditures	35,186	—	—	35,186

18. Restatement

Subsequent to the issuance of the of the 2009 consolidated financial statements, the Company's management determined that the Company had incorrectly assigned a value to an identifiable intangible asset for franchise rights in conjunction with the purchase of an acquired business. Because of the unique nature of this particular nontransferable franchise right, the Company concluded there is not an independent market participant useful for purposes of determining a separately identifiable

18. Restatement (Continued)

value. Hence, the Company concluded no value should have been assigned. The purchase price should have instead been allocated to goodwill of its wireline segment. As a result, the accompanying financial statements have been restated. The restatement resulted in the elimination of an impairment loss on the franchise right intangible asset that had been recognized in the 2007 results of operations and reclassification of the franchise right intangible asset (including the amount previously impaired) to goodwill of the Company's wireline segment. In conjunction with the restatement and the Company's annual impairment tests for goodwill, the Company concluded that the goodwill was impaired in 2007. The net impact of the restatement was to reduce intangible assets and increase the accumulated deficit by $66.3 million. Because of differences in intangible asset amortization for income tax and financial reporting purposes, the 2007 restatement also impacted the 2009 income tax provision resulting a net restatement impact to the accumulated deficit of $65.0 million as of December 31, 2009.

The consolidated balance sheet as of December 31, 2009 was restated as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
December 31, 2009			
Intangible assets, net	$ 368,163	$(66,300)	$ 301,863
Total assets	1,249,977	(66,300)	1,183,677
Deferred income taxes	$ 1,275	$ (1,275)	$ —
Total liabilities	1,365,216	(1,275)	1,363,941
Accumulated deficit	(511,045)	(65,025)	(576,070)
Total stockholders' deficiency	(115,239)	(65,025)	(180,264)
Total liabilities and stockholders' deficiency	1,249,977	(66,300)	1,183,677

The statement of changes in stockholders' deficiency was also restated for the six months ended June 30, 2009 for the changes in equity as indicated above.

CONFIDENTIAL EXHIBIT V.D.2

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL EXHIBIT V.D.3.a

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL EXHIBIT V.D.4

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

<u>CONFIDENTIAL EXHIBIT V.D.6</u>

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL EXHIBIT VI.C.1

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL EXHIBIT VI.D.1.a

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL FORM B-1

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL FORM B-2

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CONFIDENTIAL FORM B-3

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CONFIDENTIAL FORM B-4

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CONFIDENTIAL FORM B-5

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CONFIDENTIAL FORM B-6

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CONFIDENTIAL FORM B-7

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL FORM B-10

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL FORM B-11

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL EXHIBIT VII

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.8 DEPOSITS, (Cont'd.)

1.8.3 Customers who require service facilities requiring large capital expenditures for cable, conduit, or other types of construction material which cannot be used to service others, may be required to execute a termination agreement and make a deposit in the amount specified in such agreement between the Company and the Customer to assume continued use of such facilities or reimbursement in case they are abandoned. Simple interest at 12% per annum shall accrue to such deposits and refund or crediting of the deposit, plus accrued interest, shall be made as specified in the termination agreement.

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES

1.9.1 Service Connections

A. Definition

A service connection means the facilities required to connect an applicant's primary service to the Company's existing exchange distribution facilities located in a public thoroughfare or easement immediately adjacent to the property to be served. It includes the wire or cable and any associated supporting structure from the point of connection with the distribution facilities to the point of connection with interior cabling at the demarcation point in the applicant's building. A service connection serves only continuous property on which it is located; an incidental segment may be located in the adjacent public thoroughfare or the Company's easement.

B. General

1. Except as otherwise provided in these Regulations, the Company will (at its expense) furnish, install and maintain all wiring necessary to serve applicants or Customers in accordance with its lawful rates, regulations, and current construction standards.

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.1 Service Connections, (Cont'd.)

B. General, (Cont'd.)

2. Where an applicant requests a route or type of construction which is feasible but differs from that determined by the Company or where the individual requirements of a particular situation increases the construction costs, the applicant will be required to pay the estimated additional costs involved.

3. In lieu-of payment of excess construction costs, an applicant may furnish and install all or any part of the required supporting structures and wire or cable subject to specifications furnished by the Company. The Company in this case will complete the connection to its existing distribution facilities and require the applicant to pay only the cost of the work performed by the Company. Title to all construction provided wholly or partly at an applicant's expense shall be vested in the Company except for that portion of underground supporting structures located on private property.

4. Where special construction is furnished to a Customer, any unusual expense, including but not limited to the cost of trenching, backfill, removal of obstacles and replacement of conduit, shall be borne by the Customer.

5. When a single continuous property to be served does not abut the public thoroughfare or the Company's easement where distribution facilities are located, it is the applicant's responsibility to obtain an easement for Company facilities that must cross the intervening parcel or parcels of property to provide service. The easement must be in the name of the Company.

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.1 Service Connections, (Cont'd.)

B. General, (Cont'd.)

6. When two or more buildings located on private property (such as shopping centers, apartment complexes and condominium or town house developments) are to be served by a single service connection facility, the portion extending from the property line and excluding the "separate" branches to individual buildings is denoted as the "common portion" for which an easement acceptable to the Company must be obtained without charge to or condemnation by the Company.

7. Service connection facilities for service required temporarily by an applicant will be installed by the Company provided the applicant advances the total cost of constructing and removing the line necessary to render service less salvage value of the materials used. Such cost is not refundable.

C. Aerial Connections

1. Normally a single span of aerial drop wire will suffice to connect an applicant's primary service to existing distribution facilities located in an adjacent public thoroughfare or Company easement; but when needed, the Company will, at its expense, provide up to 320 feet of service connection facility in addition to the drop wire or cable between the last service pole on private property and the building served. The applicant will be required to bear the installed cost of any service connection facility in excess of 320 feet. Each applicant for primary service at any one premises is granted the 320 feet free allowance once regardless of the number of primary service lines subscribed to at that location.

2. An applicant or Customer must provide and maintain a suitable point of attachment on the building housing the premised to be served to give proper clearance between the service connection wire or cable service connection wire or cable and ground and other objects as required by applicable laws, ordinances, rules or regulations of public authorities.

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.1 Service Connections, (Cont'd.)

C. Aerial Connections, (Cont'd.)

3. Aerial service connections from underground distribution facilities are not provided unless an applicant specifically requests such an arrangement. Such an arrangement must be feasible and permissible in which case the applicant will be required to pay in advance a non-refundable amount equal to the estimated total cost of arranging the distribution facilities to accommodate the aerial service connection.

D. Underground Connections

1. In areas where the Company maintains an underground distribution system for its own operational purposes, or in redevelopment or urban renewal areas where it furnishes underground facilities, or where the Company is required by law to construct its facilities underground, the Company will, at its expense, extend the individual service connection (service lateral) underground to the property line of each lot occupied by an applicant or Customer in accordance with its established construction standards. The Company will determine the point on the property line to which it will extend its underground construction. The applicant or Customer at his expense shall perform all trenching and backfill and furnish, install and maintain on his property the required underground conduit system (conduit, pull boxes, etc.) satisfactory to the Company. The Company will then furnish, install and maintain in accordance with its construction standards and at its expense up to 500 feet of underground wiring on the applicant's or Customer's property. The applicant or Customer will be required to bear the installed cost of any wiring required in excess of 500 feet.

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.1 Service Connections, (Cont'd.)

D. Underground Connections, (Cont'd.)

2. In areas where the Company maintains an aerial distribution system or where aerial facilities would ordinarily be furnished, the Company will furnish and install an underground service connection from the nearest Company service pole to the applicant's or Customer's property line provided the applicant or Customer pays in advance the estimated cost of the underground construction less the estimated cost of an aerial service connection. The Company will determine the location of underground road crossings, if required, and the point on the property line where the underground connection will be placed. The underground conduit system on the property of the applicant or Customer shall be installed, maintained and replaced at the expense of the applicant or Customer. Necessary wiring will be owned, installed and maintained by the Company as set forth in 1.5.1 preceding.

3. In tracts, subdivisions, estates, etc., where, under agreement with the owners or promoters, the Company has furnished underground construction to the property line of the individual lots of the original subdivision, each applicant shall be furnished a service connection as set forth in 1.5.1 preceding.

   Where underground construction has been placed within a tract or subdivision but, due to a further subdivision or for other reasons, additional service outlets are required which would necessitate additional underground construction, the Company, at its expense, and only if required by law to do so, will furnish and ins tall such additional underground service connections to the property of additional applicants or Customers. If not required by law to provide additional underground construction and if additional applicants or Customers request underground construction to or on their property, then the regulations as stated in 1.5.2 preceding shall apply for such additional construction.

4. After an underground connection has been established, if the Customer requests a relocation of the connection for any reason not necessary for the maintenance of good service, the Customer shall bear the entire cost of the relocation, including labor and wiring to and on his property.

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.1 Service Connections, (Cont'd.)

D. Underground Connections, (Cont'd.)

5. If the conduit on the Customer's property for an existing service connection is damaged or requires relocation due to change on the Customer's property, the Customer shall at his expense repair the conduit or provide new conduit in a location approved by the Company and shall bear the cost of relocating the necessary underground wiring.

6. when temporary wiring is provided by the Company to restore Customer service that has been interrupted as the result of damage to Customer-provided conduit on his private property, such temporary wiring will be removed 60 days after its installation if the conduit has not yet been replaced by the Customer. Suspended service will not be restored until replacement of the Customer-provided conduit has been completed.

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.1 Service Connections, (Cont'd.)

E. Direct Buried Connections

1. A buried service connection (no conduit) will not ordinarily be furnished since it is subject to damage and is difficult to repair or replace. However, if because of terracing on the applicant's or Customer's property, or some similar reason, it appears that it will be much more economical to the applicant or Customer to pay for a buried connection, the Company may, at its option, agree to such a connection on the condition that the applicant or Customer pay in advance the estimated difference in cost of direct buried construction and aerial construction to the property line and perform all trenching and backfill on his property. The Company will then furnish and install the necessary buried wiring but the applicant or Customer will be required to pay the installed cost of any wiring in excess of 500 feet and sign an agreement wherein all costs incurred for repair or replacement of the wiring to and on the applicant's or Customer's property including the necessary excavations will be borne by the applicant or Customer.

2. Temporary wiring to restore Customer service that has been interrupted due to damage to a buried service connection will be provided by the Company at the Customer's expense and will be removed 60 days after its installation if the Customer fails to do the necessary work to facilitate permanent restoration of service. The service, thus suspended, will not be restored until the Customer completes the required work.

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.2 Interior Cabling

A. General

1. Interior cabling is the wire or cable within a building, from the point of entering the building served (where it connects with the service connection facility) extending to a demarcation point. It includes associated protective apparatus, terminal cabinets, connecting blocks and frames.

2. The interior cabling in buildings necessary to provide telephone service to the occupants thereof will be owned, installed and maintained by the Company except as provided for in Section 5.1. The Company shall not be required to connect its facilities with interior cabling furnished and installed by others. If the owner of a building under construction elects to furnish and install interior cabling, such wiring and installation must conform with the standards and specifications of the Company, and/or with Part 68 of the FCC Rules and Regulations.

3. The Company may determine the type and route of interior cabling and the location of protective apparatus, terminal chambers and other associated equipment on and within a building and the method of installation of interior cabling.

4. In buildings that are, or may be, occupied by more than one applicant or Customer, the Company upon request, will install, maintain or rearrange interior cabling in a manner which requires entering an area occupied or to be occupied by a party other than the applicant or Customer, provided that the applicant or Customer requesting service makes suitable arrangements with the party controlling the area for the Company's employees to enter and work in that area.

5. The applicant or Customer shall provide or arrange for the following items without cost to and as deemed necessary by the Company for the installation, maintenance and removal of interior cabling, in accordance with its standards and the applicable laws, ordinances and rules or regulations of public authorities:

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.2 Interior Cabling, (Cont'd.)

A. General, (Cont'd.)

5. (Cont'd.)

- suitable and adequate space for interior cabling, associated equipment and instrumentalities;

- suitable means for interior cabling to enter the building and to reach any location within the building;

- penetration of fire walls, drilling holes in concrete, masonry or metal walls or floors and any structural work necessary for housing and supporting interior cabling° associated equipment and instrumentalities;

- moving furniture, equipment, floor coverings or goods as may be required to facilitate the Company's work operations; and

- safe working conditions for the Company's employees.

6. Where service is to be extended between buildings on continuous property of an applicant or Customer and underground construction is either requested or required, the necessary conduit shall be installed, owned, maintained and replaced by the applicant or Customer in accordance with the Company's specifications. Where aerial construction is requested and such construction is feasible and permissible, the necessary supporting structures (eye bolts, weather head, cabinets, etc.) other than poles and guys shall be provided by the applicant or Customer. Poles and cable or wiring will be furnished and installed by the Company at no expense to the applicant or Customer except in cases where excessive costs are Involved, then the applicant or Customer may be required to pay all or a portion of such costs, the amount depending on whether the revenue to be derived from the service is sufficient to warrant the Company assuming such costs.

7. Relocation of interior cabling at the Customer's request shall be at Customer expense.

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.2 Interior Cabling, (Cont'd.)

B. Exposed Wiring

The Company will normally install and maintain its interior cabling and associated equipment on interior surfaces of buildings without concealment, however, the applicant or Customer will be required to provide or arrange for suitable mechanical protection for such wiring and equipment where the Company determines that such protection is necessary to avoid unreasonable risk or damage to its facilities.

C. Concealed Wiring

1. When an applicant or Customer requests concealed interior cabling, the Company will make such installations provided the applicant or Customer arranges or provides for the means of concealment in accordance With the provisions of 1.9.2.A.3 through 5 preceding and the following:

   a. The means of concealment may be conduit, moulding, under floor duct, cabinets or other means acceptable to the Company.

   b. A concealed space, such as an attic, false ceiling space, crawl space or pipeway, will be an acceptable means of concealment if it affords a suitable and safe working environment for the Company's personnel and its structure will support the workmen and facilities.

   c. An in-floor or baseboard raceway, or other space covered by removable floor, wall or ceiling panels, will be an acceptable means of concealment, if the applicant or Customer:

      - makes suitable arrangements with the party controlling the area from which the removable panels are accessible for the Company's employees to enter and work in the area, and,

      - removes and replaces the panels as required by the workman to gain access to the covered space.

SECTION 1 – GENERAL DEFINITIONS AND REGULATIONS, (Cont'd.)

1.9 SERVICE CONNECTIONS AND FACILITIES ON CUSTOMER PREMISES, (Cont'd.)

1.9.2 Interior Cabling, (Cont'd.)

C. Concealed Wiring, (Cont'd.)

2. When conduit or other concealment has-been installed for the use of the Company, it shall not be used for any other purpose without the Company's approval. In no case will approval be granted unless requirements of the National Electrical Code are met. Where a conduit or other concealment is being used by the Customer for some other wiring, whether with or without approval, any damage to the Company's wires or facilities will be repaired or replaced at the expense of the Customer.

3. If additional telephone facilities are required for a large building and space in existing conduit or other means of concealment is not available, the Customer or building owner must provide the required additional conduit or other means of concealment at his expense or exposed wiring will be used.

D. Additions and Changes

Existing interior cabling will be reinforced, rearranged or replaced as required to accommodate service requests in accordance with the provisions of this regulation.

CONFIDENTIAL EXHIBIT VIII.J.1

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CONFIDENTIAL EXHIBIT VIII.J.2

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

Exhibit IX.B.1.a

Alcatel 7750 Service Router

The Alcatel 7750 Service Router (SR) is the industry's first service router designed and optimized for the delivery of high-performance carrier data, voice and video services.

Carrier-Class Reliability

The Alcatel 7750 Service Router portfolio benefits from Alcatel's recognized experience in delivering carrier-grade telephony, wireless, optical and data solutions.
The Alcatel 7750 SR portfolio was designed to exceed the stringent reliability demands of service providers,
with a hardware and software architecture created for maximum uptime.

Hardware Implementation

The Alcatel 7750 SR is a fully redundant platform with no single-point of failure:
> 1:1 redundancy on all common system elements:
• power supplies, cooling etc. (SR-7 and SR-12)
> 1:1 control plane module redundancy with high-availability routing support (SR-7 and SR-12)
> 1:1 switch fabric module redundancy (SR-7 and SR-12):
• 100% bandwidth available in unlikely case of switch fabric failure
• 1:16 switch fabric component redundancy for graceful degradation
> In-service insertion and removal of system components and physical interfaces

Technical Summary

SR-12

Bandwidth

> 400 Gb/s (full duplex, redundant) fabric/system capacity
> 20 Gb/s I/O slots, scaling to 40 Gb/s (full duplex)

I/O Slots/MDAs
> 10/20

Redundancy
Fully redundant platforms with no single-point of failure
> 1:1 redundancy on all common system elements:
• power supplies, cooling, SONET clock generator, etc.
> 1:1 Control Plane Module redundancy
• enables high-availability routing
> 1:1 switch fabric module redundancy
• 100% available internal bandwidth in case of unlikely switch fabric failure
• 1:16 switch fabric component redundancy for graceful degradation
> In-service insertion and removal of system components and physical interfaces

Physical Dimensions
> Height: 62.2 cm (24.5 in.)
> Width: 44.4 cm (17.5 in.)
> Depth: 64.5 cm (25.4 in.)
> Fits in 1/3 of a rack

Power
> 220 V AC (requires external shelf)
> -48 V DC/-60 V DC
> 1+1 redundancy

Cooling
> Front-to-back airflow

Software Specifications

Protocol support
> Routing: BGP4, IS-IS, OSPF, RIPv1 and 2
> Equal cost multipath orotocol (ECMP) routing (up to 16 paths)
> MPLS: LSR and LER, RSVP-TE, LDP, Fast Reroute (FRR) with sub 50ms failover
> Extensive route policy support
> Line rate Layer 2 and Layer 3 ACL filtering at 10 Gb/s

Services
> Direct Internet access
> Virtual leased line (VLL) point-to-point Layer 2 VPNs
> Virtual private LAN service (VPLS) multipoint Layer 2 VPNs
> IP-VPNs (RFC 2547bis)
> Draft Martini encapsulation
> GRE encapsulation

Quality of service
> Per-service queuing, shaping and policing with more than 16,000 queues per interface slot
> Hierarchical queuing and scheduling
> Ingress and egress buffering (up to 200 ms at 10 Gb/s)
> CIR, PIR, MBS queue parameters
> Premium, assured and best effort forwarding classes
> IEEE 802.1p Filtering/Marking/Re-marking
> IETF DSCP Filtering/Marking/Re-marking
> WRED on ingress and egress

Management
> Fully featured industry CLI, including service CLI
> Port and service mirroring
> Service Assurance tools including: service

ping, SDP ping, LSP ping, MAC ping, MAC traceroute, VPN ping, VPN traceroute
> SSH and Telnet
> FTP, TFTP and SCP
> RADIUS (AAA)
> TACACS+
> SNMP v1, v2c and v3

Certification
Safety
> C-UL from Underwriters Laboratories
> CAN/CSA.C22.2 No. 60950-00-03
> UL 60950 Third Edition (2000)
> CB Certificate from TUV
> IEC 60950 Third Edition (1999)
EMI
> FCC Part 15, Class A, subpart B
> VCCI Class A
> ICES Class A
> AS/NZS A Class A
> EN 55022 Class A
EMC (Immunity)
> ESD: EN 61000-4-2
> RF Immunity: EN 61000-4-3
> EFT/Burst Test: EN 61000-4-4
> Surge: EN 61000-4-5
> Conducted Immunity: EN 61000-4-6
> Magnetic Field Immunity: EN 61000-4-8
> Voltage Dips/Interrupts: EN 61000-4-11
> Harmonics (AC): EN 61000-3-2
> Flickers (AC): EN 61000-3-3
> Immunity Europe: EN 55024 ITE
> Immunity Europe: EN 300 386 V1.3.1:2001 (Certification under way for SR-1)
NEBS
> Environmental: Telcordia GR-63-CORE (NEBS Requirements: Physical Protection) (Certification under way for SR-7 and SR-1)
> EMC/Telecom: Telcordia GR-1089-CORE (Electromagnetic Compatibility and Electrical Safety - Generic Criteria for Network Telecommunications Equipment) (Certification under way for SR-1)
> ETSI 300 019: Environmental Conditions and Environmental Tests for Telecommunications Equipment (Certification under way for SR-7 and SR-1)
Marking
> CE Mark
Operating Environment
> Operating temperature: 0 C to 40 C (32 F to 104 F)
> Relative humidity: 15 to 90% (non-condensing)
> Operating altitude: sea level to 3,048 m (10,000 ft)
Standards Compliance
> IEEE 802.1d Bridging
> IEEE 802.1p/q VLAN Tagging
> IEEE 802.3 10Base-T
> IEEE 802.3u 100Base-TX
> IEEE 802.3x Flow Control
> IEEE 802.3z 1000Base-SX/LX
> IEEE 802.3ad Link Aggregation
> IEEE 802.3ae 10 Gb/s Ethernet

Protocol Support
TCP/IP
> RFC 768 User Datagram Protocol
> RFC 791 Internet Protocol
> RFC 792 Internet Control Message Protocol
> RFC 793 Transmission Control Protocol
> RFC 826 Ethernet Address Resolution Protocol
> RFC 854 Telnet Protocol Specification
> RFC 951 Bootstrap Protocol
> RFC 1350 The TFTP Protocol
> RFC 1519 Classless Inter-Domain Routing (CIDR)
> RFC 1542 Clarifications and Extensions to the Bootstrap Protocol
> RFC 1812 Requirements for IPv4 Routers
> RFC 2787 Definitions of Managed Objects for VRRP
> RFC 3768 Virtual Router Redundancy Protocol (VRRP)
RIP
> RFC 1058 Routing Information Protocol
> RFC 2082 RIP-2 MD5 Authentication
> RFC 2453 RIP Version 2

OSPF
> RFC 1765 OSPF Database Overflow
> RFC 2328 OSPF Version 2
> RFC 2370 The OSPF Opaque LSA Option
> RFC 3101 The OSPF Not-So-Stubby Area (NSSA) Option
BGP
> RFC 1265 BGP Protocol Analysis
> RFC 1266 Experience with the BGP Protocol
> RFC 1397 Default Route Advertisement in BGP2 and BGP3 Version of the Border Gateway Protocol
> RFC 1656 BGP-4 Protocol Document Roadmap and Implementation Experience
> RFC 1771 A Border Gateway Protocol 4 (BGP-4)
> RFC 1772 Application of the Border Gateway Protocol in the Internet
> RFC 1966 BGP Route Reflection: An Alternative to Full Mesh IBGP
> RFC 1997 BGP Communities Attribute
> RFC 2270 Using a Dedicated AS for Sites Homed to a Single Provider
> RFC 2385 Protection of BGP Sessions via the TCP MD5 Signature Option
> RFC 2439 BGP Route Flap Damping
> RFC 2547bis BGP/MPLS VPNs
> RFC 2796 BGP Route Reflection - An Alternative to Full Mesh IBGP
> RFC 2858 Multi Protocol Extensions for BGP-4
> RFC 2918 Route Refresh Capability for BGP-4
> RFC 3065 Autonomous System Confederations for BGP
> RFC 3392 Capabilities Advertisement with BGP-4
IS-IS
> RFC 1142 OSI IS-IS Intra-Domain Routing Protocol
> RFC 1195 Use of OSI IS-IS for Routing

in TCP/IP and Dual Environments
> RFC 2763 Dynamic Hostname Exchange Mechanism for IS-IS
> RFC 2966 Domain-Wide Prefix Distribution with Two-Level IS-IS
> RFC 2973 IS-IS Mesh Groups
> RFC 3373 Three-Way Handshake for Intermediate System to Intermediate System (IS-IS) Point-to-Point Adjacencies
> RFC 3567 Intermediate System to Intermediate System (IS-IS) Cryptographic Authentication
> ISO/IEC 10589:2002 Information technology -- Telecommunications and information exchange between systems -- Intermediate System to Intermediate System intra-domain routing information exchange protocol for use in conjunction with the protocol for providing the connectionlessmode network service

IGMP
> RFC 3376 - Internet Group Management Protocol, Version 3
> RFC 2236 - Internet Group Management Protocol, Version 2
> RFC 1112 - Host Extensions for IP Multicasting

PPP
> RFC 1332 The PPP Internet Protocol Control Protocol (IPCP)
> RFC 1377 The PPP OSI Network Layer Control Protocol (OSINLCP)
> RFC 1661 The Point-to-Point Protocol (PPP)
> RFC 1662 PPP in HDLC-like Framing
> RFC PPP Link Quality Monitoring
> RFC 2615 PPP over SONET/SDH
> RFC 3518 Point-to-Point Protocol (PPP) Bridging Control Protocol (BCP)

GRE
> RFC 1701 Generic Routing Encapsulation (GRE)
> RFC 1702 Generic Routing Encapsulation over IPv4 Networks
> RFC 2784 Generic Routing Encapsulation (GRE)

MPLS
> RFC 2702 Requirements for Traffic Engineering Over MPLS
> RFC 3031 Requirements for Traffic Engineering Over MPLS
> RFC 3032 MPLS Label Stack Encoding
> RFC 3036 LDP Specification
> RFC 3037 LDP Applicability
> RFC 2430 A Provider Architecture for Differentiated Services and Traffic Engineering (PASTE)
> RFC 2961 RSVP Refresh Overhead Reduction Extensions
> RFC 3175 Aggregation of RSVP for IPv4 and IPv6 Reservations
> RFC 3181 Signaled Pre-emption Priority Policy Element
> RFC 3209 RSVP-TE: Extensions to RSVP for LSP Tunnels
> RFC 3210 Applicability Statement for Extensions to RSVP for LSP-Tunnels

Differentiated Services
> RFC 2474 Definition of the Differentiated Services Field (DS Field) in the IPv4 and IPv6 Headers
> RFC 2597 Assured Forwarding PHB Group
> RFC 3140 Per Hop Behavior Identification Codes
> RFC 3246 An Expedited Forwarding PHB (Per-Hop Behavior)

VPLS Services
> IETF draft-ietf-l2vpn-vpls-ldp-xx.txt (previously know as "lasserre-vkompella")
> IETF draft-stokes-vkompella-ppvpn-hvplsoam-xx.txt or "stokes-vkompella"
> IETF draft-augustyn-vpls-requirements-xx.txt

Other
> TACACS: IETF draft-grant-tacacs-02.txt
> SSH: IETF draft-ylonen-ssh-protocol-xx.txt

Ethernet Pseudowire
> IETF draft-ietf-pwe3-ethernet-encap-xx.txt
> IETF draft-ieft-pwe3-control-protocol-xx.txt
> IETF draft-so-pwe3-ethernet-xx.txt
> IETF draft-martini-l2circuit-trans-mpls-xx.txt
> IETF draft-martini-l2circuit-encap-mpls-xx.txt

RADIUS
> RFC 2865 Remote Authentication Dial In User Service (RADIUS)
> RFC 2866 RADIUS Accounting

SONET/SDH
> Telecordia GR-253-CORE (Synchronous Optical Network (SONET) Transport Systems: Common Generic Criteria)
> Automatic protection switching (APS)

Network Management
> ITU-T X.721 Information technology - OSI - Structure of management information: Definition of management information
> ITU-T X.734 Information technology - OSI - Systems Management: Event report management function
> ITU-T M.3100 Generic network information model
> ITU-T M.3120 CORBA generic network and network element level information model
> TMF 509/613 Network Connectivity Model
> RFC 1157 Simple Network Management Protocol (SNMP)
> RFC 1657 Definitions of Managed Objects for the Fourth Version of the Border Gateway Protocol (BGP-4) using SMIv2
> RFC 1724 RIP Version 2 MIB Extension
> RFC 1850 OSPF Version 2 Management Information Base
> RFC 2011 SNMPv2 Management Information Base for the Internet Protocol using SMIv2
> RFC 2012 SNMPv2 Management Information Base for the Transmission Control Protocol using SMIv2
> RFC 2013 SNMPv2 Management Information Base for the User Datagram Protocol using SMIv2
> RFC 2096 IP Forwarding Table MIB
> RFC 2206 RSVP Management Information Base using SMIv2
> RFC 2819 Remote Network Monitoring

Management Information Base
> RFC 2863 The Interfaces Group MIB
> RFC 2864 The Inverted Stack Table Extension to the Interfaces Group MIB
> RFC 2865 Remote Authentication Dial In User Service (RADIUS)
> RFC 2787 Definitions of Managed Objects for the Virtual Router Redundancy Protocol
> RFC 3014 Notification Log MIB
> RFC 3273 Remote Network Monitoring Management Information Base for High Capacity Networks
> RFC 3411 An Architecture for Describing Simple Network Management Protocol (SNMP) Management Frameworks
> RFC 3412 Message Processing and Dispatching for the Simple Network Management Protocol (SNMP)
> RFC 3413 Simple Network Management Protocol (SNMP) Applications
> RFC 3414 User-based Security Model (USM) for version 3 of the Simple Network Management Protocol (SNMPv3)
> RFC 3415 View-based Access Control Model (VACM) for the Simple Network Management Protocol (SNMP)
> RFC 3418 Management Information Base (MIB) for the Simple Network Management Protocol (SNMP)
> RFC 3584 Coexistence between Version 1, Version 2, and Version 3 of the Internetstandard Network Management Framework
> RFC 3592 Definitions of Managed Objects for the Synchronous Optical Network/Synchronous Digital Hierarchy (SONET/SDH) Interface Type
> RFC 3635 Definitions of Managed Objects for the Ethernet-like Interface Types

Other – Network Management

> IANA-IFType-MIB
> IEEE 802.3 LAG MIB
> An extensive array of proprietary MIBs is also supported.

ALCATEL 7450 Ethernet Services Switch

The Alcatel 7450 Ethernet Service Switch (ESS) sets a new market standard for enabling the delivery of profitable Ethernet business services and high density serviceaware Ethernet aggregation for consumer triple play services over IP/MPLS-based networks. The Alcatel 7450 ESS provides the stability and scalability of an MPLS control plane along with the bandwidth and economics of Ethernet.

FEATURES

Reliability and Redundancy

> Passive backplane
> 1:1 rapid failover between redundant switch fabric/control plane modules (SF/CPM) in seven-slot chassis
> 1:1 redundancy on common system elements, power supply (AC or DC), cooling fan
> Switch fabric graceful degradation
> Hot-swappable system components and physical interfaces
> ECC memory protection
> IEEE 802.3ad link aggregation and IEEE 802.1w Rapid Spanning Tree
> Selective MAC flush
> Equal cost multi-path
> MPLS path protection
> MPLS FRR — sub-50 ms failover
> H-VPLS spoke redundancy with MAC flush capability

High Availability Features in Systems with Redundant SF/CPMs

> Configuration redundancy
> Non-stop routing support for OSPF, IS-IS, RIP, LDP, T-LDP, VRRP and PPP, ARP, LACP
> Non-stop service for VPLS and VLL
> Graceful restart helper mode for OSPF and IS-IS
> Persistency across reboot for anti-spoofing filters, ARP table and DHCP entries

Density and Flexibility

Seven-slot chassis:
> 200 Gb/s switch fabric option (redundant, full duplex)
> 5 input/output modules (IOMs)
> 20 Gb/s or 40 Gb/s IOM slot capacity (full duplex)
> Five ESS-7 chassis can be mounted in a 7-ft. rack

One-slot chassis:
> 20 Gb/s (full duplex) fabric/system capacity in 1.5 rack units
> 1 IOM
> 20 Gb/s IOM slot capacity
On both chassis:
> On both systems each IOM accepts two hot-pluggable MDAs; IOMs and MDAs can be spared across two chassis
> Optical interfaces use small form factor pluggable (SFP) optics that can be populated on a per-port basis
> 10 Gigabit Ethernet MDA
> Multirate PoS/SDH OC-3/STM-1, OC-12/ STM-4 MDAs
provide soft-selectable interface speeds on a per-port basis

Quality of Service

> Per-service QoS/H-QoS
> Per-service queuing, shaping and policing
> Ingress and egress buffering (up to 200 ms at 10 Gb/s in each direction)
> CIR, PIR, MBS queue parameters
> Thousands of ingress and egress operations
> Programmable queues, CIR/PIR enforcement
> Premium, assured and best-effort forwarding classes
> IEEE 802.1p filtering/marking/re-marking
> IETF DSCP filtering/marking/re-marking

> WRED on ingress and egress
> Packet marking (DiffServ)
> Traffic shaping and policing (ingress and egress)
> Packet and byte counter statistics (ingress and egress)

Alcatel Triple Play Services Delivery Architecture

> DHCP relay with support for option 82 and DHCP snooping
> DHCP session RADIUS authentication
> DHCP lease state persistency
> Automatically provisioned anti-spoofing filters
> Local proxy ARP
> ARP reply agent (for ARP security)
> IEEE 802.1x port-based authentication
> IGMP support for multicast and video services
> Split horizon groups to control unauthorized peer-to-peer communication
> Multicast VPLS registration

Service Assurance and Troubleshooting

> Integrated Ethernet OA&M utilities and diagnostics for VPN services
> Ethernet service, LSP and MAC pings, following the actual provisioned path of the service through the network
> Port and service mirroring, which goes far beyond the basic port mirroring, available on both ingress and egress flows; can be set up locally or remotely
> VPLS MAC trace route displays the Layer 2 path taken
by the packets from the specified source MAC address to the specified destination MAC address
> Service assurance agent (SAA)
> VPLS CPE ping locates IP addresses of client devices in a VPLS

Service-Aware Accounting and Billing

> Per-service, per-flow accounting and billing statistics — all at wirespeed
> Maintains statistics for thousands of services simultaneously
> Local data storage allows historical statistics to be maintained for several days
> Accounting data stored in XML format
> An extensive array of private enterprise MIBs are also supported

TECHNICAL SUMMARY

ESS-7

Bandwidth
> 200 Gb/s full duplex switch fabric options
> 20 Gb/s or 40 Gb/s IOM slot capacity (full duplex)
> Optional switch fabric/CPU redundancy

IOM Slots/MDAs
> 5/10

Redundancy
> Power, CPU, fabric, fans

Dimensions
> Height: 35.56 cm (14 in./8 rack units)
> Width: 44.4 cm (17.5 in.)
> Depth: 59.69 cm (23.5 in.)

Weight
> 27.22 kg (60 lb.) chassis weight (with 2 fan trays and air filters)
> Power supplies:
¬ DC PEM: 2.27 kg (5 lb.)
¬ AC PEM: 0.68 kg (1.5 lb.)
¬ AC power supply module (PSM): 4.76 kg (10.5 lb.)

Power
> 220 V AC
> -48 VDC
> 1+1 redundancy

Cooling
> Side-to-back air flow

Physical Interfaces

Copper Ethernet cards
> 60-port 10/100Base-T Ethernet
> 20-port 10/100/1000Base-T Ethernet

Optical Ethernet cards
> 20-port 100-FX Ethernet
> 10-port Gigabit Ethernet
> 20-port Gigabit Ethernet
> 1-port 10 Gigabit Ethernet
> 2-port 10 Gigabit Ethernet

POS cards (SONET and SDH)
> 16-port OC-3c/STM-1 POS
> 8-port OC-12c/STM-4 and OC-3c/STM-1 multirate POS
> 16-port OC-12c/STM-4 and OC-3c/STM-1 multirate POS
> 2-port OC-48c/STM-16 POS
> 4-port OC-48c/STM-16 POS

Software Specifications

Layer 2 features
> 802.1d Bridging, 802.1w Rapid Spanning Tree
> PVST Interoperability
> 802.1p/Q
> Q-in-Q VLAN stacking support
> 802.3x Flow Control
> 802.3ad Link Aggregation

Routing
> IS-IS, OSPF, RIPv1 and 2
> OSPF-TE and IS-IS-TE
> Equal cost multipath routing (up to 16 paths)
> Line rate Layer 2, Layer 3 and Layer 4 ACL filtering at 10 Gb/s
> Static and default routing
> GRE
> IGMP v1, v2, v3 and IGMP snooping

MPLS
> Static and dynamic LSPs
> Traffic engineering
> Signaling protocols: LDP and RSVP-TE
> LSR and LER
> LSP redundancy
> RSVP-TE: primary/secondary paths and explicit routing
> FRR with sub 50-ms failover

Security
> Denial of service (DoS) attack

prevention
> Wire-speed ACLs
> MD5 password encryption and authentication for routing protocols
> Classification and prioritization of control traffic
> SSH/SCP
> 802.1x port-based authentication
> Prevention of unauthorized communication between DSL subscribers
> DHCP-based automatic IP/MAC filter and static ARP cache population for DSL subscribers
> Dedicated management Ethernet routing instance
> Control processor module queuing (CPMQ); separate hardware-based CPM queues allocated on a per-peer basis
> Inbound and outbound LDP label binding filtering
> Limitation of MAC address moves between VPLS instances

Network Management
> Alcatel 5620 SAM provides extensive fault, configuration, accounting performance and security management
> Fully featured industry command line interface (CLI), including service CLI
> SSH and Telnet
> FTP, TFTP and SCP
> RADIUS (AAA)
> TACACS+
> SNMP v1, v2c and v3
> Local and remote port/service/ flow mirroring
> Service assurance tools including: service ping, SDP ping, LSP ping, MAC ping and MAC trace route
> Path MTU size measurement
> Round-trip delay, jitter, loss measurement (SAA)

Environmental Conditions
> Operating temperature: 0 C to 40 C (32 F to 104 F)
> Relative humidity: 0 to 90% (noncondensing)
> Operating altitude: sea level to 3,048 m (10,000 ft.)

Certification

Safety
> UL60950-1
> CAN60950-1
> EN60950-1
> CE Mark

EMC
> AS/NZS 3548:1995 (Australia/New Zealand)
> EN55022 (Europe)
> VCCI Class A (Japan)
> FCC Part 15 Class A (United States)

Standards Compliance

Ethernet
> IEEE 802.1D Bridging
> IEEE 802.1P/Q VLAN Tagging and Priority
> IEEE 802.1w Rapid STP
IEEE 802.1x Port-based Authentication
> IEEE 802.3 10Base-T
> IEEE 802.3u 100Base-TX
> IEEE 802.3x Flow Control
> IEEE 802.3z 1000Base-SX/LX
> IEEE 802.3ad Link Aggregation
> IEEE 802.3ae 10 Gb/s Ethernet

TCP/IP
> RFC 768 User Datagram Protocol
> RFC 791 Internet Protocol
> RFC 792 Internet Control Message Protocol
> RFC 793 Transmission Control Protocol
> RFC 826 Address Resolution Protocol
> RFC 854 Telnet Protocol Specification
> RFC 1350 Trivial File Transfer Protocol
> RFC 1519 Classless Inter-Domain Routing
> RFC 1542 Bootstrap Protocol
> RFC 1812 Requirements for IPv4 Routers

VRRP
> RFC 3768 Virtual Router Redundancy Protocol

RIP
> RFC 1058 RIP Version 1
> RFC 2082 RIP-2 MD5 Authentication
> RFC 2453 RIP Version 2

OSPF
> RFC 1765 OSPF Database Overflow
> RFC 2370 Opaque LSA Support
> RFC 2328 OSPF Version 2
> RFC 3101 OSPF NSSA Option
> RFC 3630 Traffic Engineering Extensions OSPFv2
> RFC 1321 The MD5 Message-Digest Algorithm
> RFC 3623 Graceful OSPF Restart

IS-IS
> RFC 1142 OSI IS-IS Intra-domain Routing Protocol
> RFC 1195 Use of OSI IS-IS for routing in TCP/IP and dual environments
> RFC 2763 Dynamic Hostname Exchange for IS-IS
> RFC 2966 Domain-wide Prefix Distribution with Two-Level IS-IS
> RFC 2973 IS-IS Mesh Group
> RFC 3373 3-way handshake for IS-IS point-to-point adjacencies
> draft-ietf-isis-traffic-02.txt Traffic Engineering Extensions ISIS
> RFC 3567 IS-IS Cryptographic Authentication (MD5)
> ISO/IEC 10589 IS to IS intra-domain routing information exchange protocol
> RFC 3847 Restart Signaling for IS-IS

IGMP
> RFC 1112 Host Extensions for IP Multicasting
> RFC 2236 Internet Group Management Protocol, Version 2
> RFC 3376 Internet Group Management Protocol, Version 3

PPP
> RFC 1661 The Point-to-Point Protocol (PPP)
> RFC 1332 The PPP Internet Protocol Control Protocol

> RFC 1377 The PPP OSI Network Layer Control Protocol
> RFC 1662 PPP in HDLC-like Framing
> RFC 1989 PPP Link Quality Monitoring
> RFC 2615 PPP over SONET/SDH
> RFC 3518 PPP Bridging Control Protocol

DHCP

> RFC 1542 Clarifications and Extensions for the Bootstrap Protocol
> RFC 2131 Dynamic Host Configuration Protocol
> RFC 3046 DHCP Relay Agent Information Option (Option 82)
> RFC 1534 Interoperation between DHCP and BOOTP

GRE

> RFC 1701 Generic Routing Encapsulation
> RFC 1702 Generic Routing Encapsulation over IPv4 networks
> RFC 2784 Generic Routing Encapsulation

MPLS

> RFC 2702 Requirements for Traffic Engineering over MPLS
> RFC 3031 MPLS Architecture
> RFC 3032 MPLS Label Stack Encoding
> RFC 3063 MPLS Loop Prevention Mechanism draft-ietf-mpls-lsp-ping-02.txt LSP Ping

LDP

> RFC 3036 LDP Specification
> RFC 3037 LDP Applicability

RSVP-TE

> RFC 2430 A Provider Architecture for DiffServ and TE
> RFC 3209 Extensions to RSVP for LSP Tunnels
> RFC 3210 Applicability Statement for Extensions to RSVP for LSP Tunnels
> RFC 2961 RSVP Refresh Overhead Reduction Extensions
> RFC 3175 Aggregation of RSVP for IPv4 and IPv6 Reservations
> RFC 3181 Signaled Pre-emption Priority Policy Element
> draft-ietf-mpls-lsp-fastreroute-03.txt Fast Reroute

Differentiated Services

> RFC 2474 Definition of the DS Field in the IPv4 and IPv6 Headers
> RFC 3246 Assured Forwarding PHB Group
> RFC 2598 An Expedited Forwarding PHB
> RFC 3140 Per-Hop Behavior Identification Codes

RADIUS

> RFC 2865 Remote Authentication Dial In User Service
> RFC 2866 RADIUS Accounting

VPLS

> draft-ietf-l2vpn-vpls-ldp-xx.txt (previously know as "lasserre-vkompella")
> draft-stokes-vkompella-ppvpn-hvplsoam-xx.txt or "stokes-vkompella"
> draft-augustyn-vpls-requirements-xx.txt

TACACS+

> IETF draft-grant-tacacs-02.txt

SSH

> IETF draft-ietf-secsh-userauth-18.txt SSH Authentication Protocol
> IETF draft-ietf-secsh-connect-18.txt SSH Connection Protocol
> IETF draft-ietf-secsh-transport-17.txt SSH Transport Protocol
> IETF draft-ylonen-ssh-protocol-xx.txt

Ethernet Pseudowire

> draft-ietf-pwe3-ethernet-encap-xx.txt
> draft-ieft-pwe3-control-protocol-xx.txt
> draft-so-pwe3-ethernet-xx.txt
> draft-martini-l2circuit-trans-mpls-xx.txt
> draft-martini-l2circuit-encap-mpls-xx.txt

SONET/SDH

> Telcordia GR-253-CORE Synchronous Optical Network (SONET) Transport Systems: Common Generic Criteria
> ITU-T G.783 Characteristics of Synchronous Digital Hierarchy (SDH) equipment functional blocks
> ITU-T G.957 Optical interfaces for equipment and systems relating to the synchronous digital hierarchy
> ITU-T G.707 Synchronous Digital Hierarchy Bit Rates

Network Management

> RFC 1724 RIPv2 MIB Extensions
> RFC 1850 OSPF-MIB
> RFC 1907 SNMPv2-MIB
> RFC 2011 IP-MIB
> RFC 2012 TCP-MIB
> RFC 2013 UDP-MIB
> RFC 2096 IP-Forward-MIB
> RFC 2206 RSVP-MIB
> RFC 2558 SONET-MIB
> RFC 2571 SNMP-FRAMEWORK-MIB
> RFC 2572 SNMP-MPD-MIB
> RFC 2573 SNMP-TARGET-&-NOTIFICATION-MIB
> RFC 2574 SNMP-USER-BASED-SM-MIB
> RFC 2575 SNMP-VIEW-BASED-ACM-MIB
> RFC 2576 SNMP-COMMUNITY-MIB
> RFC 2665 EtherLike-MIB
> RFC 2819 RMON-MIB
> RFC 2863 IF-MIB
> RFC 2864 Inverted-Stack-MIB
> RFC 2787 VRRP-MIB
> RFC 3014 Notification-LOG-MIB
> RFC 3273 HCRMON-MIB
> IETF draft-ietf-ospf-mib-update-04.txt OSPF Version 2 Management Information Base
> IETF draft-ietf-mpls-lsr-mib-06.txt MPLS Label Switch Router Management Information Base Using SMIv2
> IETF draft-ietf-mpls-te-mib-04.txt MPLS Traffic Engineering Management Information Base Using SMIv2
> IETF draft-ietf-mpls-ldp-mib-07.txt Definitions of Managed Objects for the Multiprotocol Label Switching, Label Distribution Protocol (LDP)
> IETF draft-ietf-isis-wg-mib-05.txt Management Information Base for IS-IS
> IANA iFType-MIB Textual Convention
> IEEE 8023-LAG-MIB Link Aggregation module for managing IEEE Std 802.3ad
> An extensive array of private enterprise MIBs are also supported

ALCATEL 7330 ISAM

The Alcatel 7330 Intelligent Services Access Manager Fiber to the Node (ISAM FTTN) takes the best of Alcatel's DSL developments, providing a unique set of capabilities that enables service providers to deliver the most competitive triple-play service offerings. Building on Alcatel's leadership in broadband access, the Alcatel 7330 ISAM FTTN addresses the growing need for a deep-fiber access solution. This innovative platform enables service providers to offer IPTV and other ultra-high bandwidth applications while leveraging the existing copper plant. As a member of the ISAM family,
the Alcatel 7330 ISAM FTTN shares technology with the Alcatel 7302 ISAM, the industry's first IP-based platform capable of delivering 100 percent triple-play services.

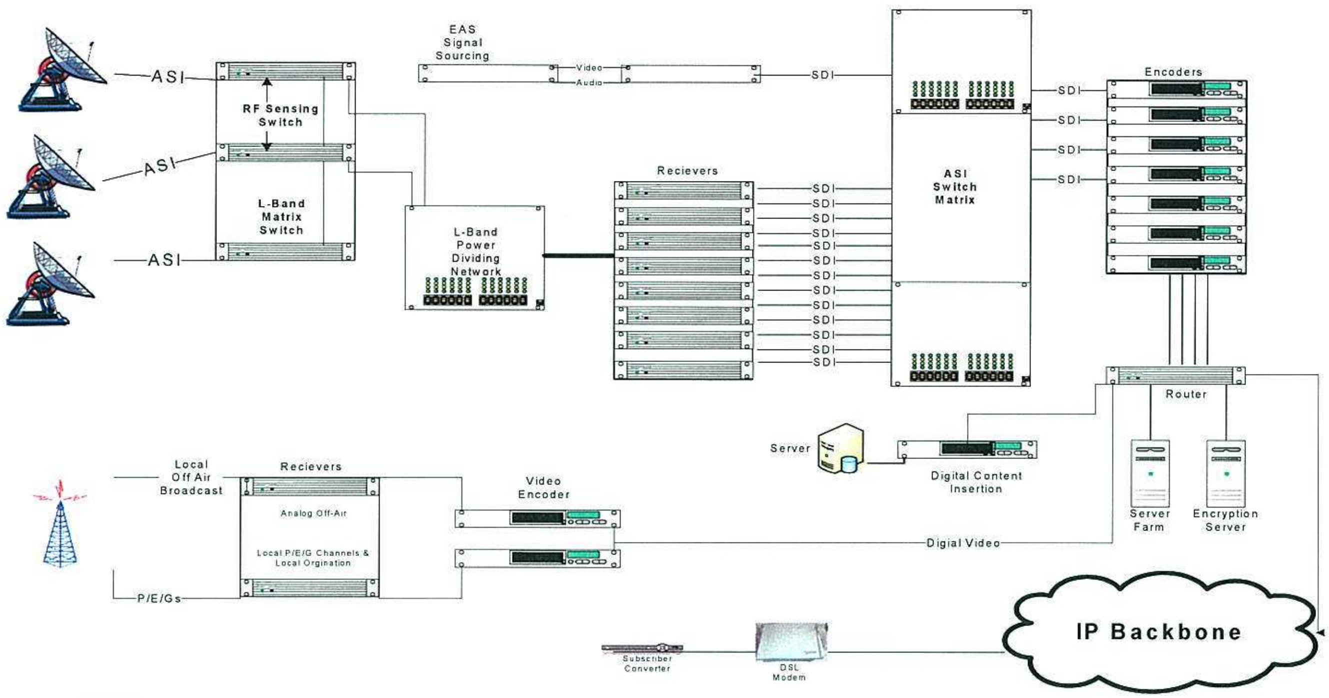
The Alcatel 7330 ISAM FTTN is the latest member of the ISAM family. It builds on Alcatel's worldwide DSL expertise by integrating the best technology available from the 7302 ISAM into a more compact remote digital subscriber line access multiplexer (DSLAM) tailored for the unique requirements of FTTN networks. Figure 3 provides an Alcatel 7330 ISAM FTTN network layout showing a standard area the service provider would cover (the carrier serving area). The central office has an Alcatel 7330 ISAM FTTN host shelf that is connected to an Alcatel 7330 ISAM FTTN expansion shelf (ES) at a remote site. This extends the carrier serving area in a cost-efficient way, allowing modular growth and quick deployment of new services. Another way of extending the coverage is subtending an Alcatel 7330 ISAM
FTTN host to an Alcatel 7302 ISAM. The host shelf is extended with an Alcatel 7330 ISAM FTTN ES.
To meet the very challenging requirements of an FTTN network, the Alcatel 7330 FTTN has been engineered to support:

> A non-blocking Ethernet architecture to enable 100 percent take rates of IPTV
> Full Internet group management protocol (IGMP) support for multicasting
> Line-rate IP and Ethernet forwarding via reuse of the 7302 ISAM network processor technology
> Multiple ADSL line termination (LT) options:
  ¬ ADSL
  ¬ ADSL2
  ¬ ADSL2plus, with bonding
  ¬ READSL2
> VDSL LT options
  ¬ VDSL
  ¬ VDSL2
> Gigabit Ethernet (GigE) network interfaces
> Integration with the Alcatel 5523 ADSL Work Station (AWS) element management system (ETSI)
> Integration with the Alcatel 5526 Access Management System (AMS) element management system (ANSI)

The 7330 ISAM FTTN architecture meets the service providers' challenge by delivering ultra-high bandwidth connectivity to subscribers over the existing copper plant. With the Alcatel 7330 ISAM FTTN in their arsenal, service providers can halt the competitive siege by rapidly deploying a ubiquitous service offering to their entire subscriber base. Very small to large serving areas can be addressed with multiple form factors of a single Alcatel solution (see Figure 6). Regardless of the form factor, each 7330 ISAM FTTN supports:

> A non-blocking, Ethernet architecture with a 24-Gb/s switching fabric
> Multi-ADSL (ADSL, ADSL2, ADSL2plus with bonding and READSL2)
> VDSL and VDSL2 services
> Multicast requirements with IGMP snooping
> Priority queuing for QoS
> Full element management through the Alcatel 5526 AMS (ANSI) or the Alcatel 5523 AWS (ETSI)

Exhibit IX.C


EAS Signal Sourcing
Video
Audio
SDI
ASI
RF Sensing Switch
L-Band Matrix Switch
L-Band Power Dividing Network
Recievers
ASI Switch Matrix
Encoders
Router
Server
Digital Content Insertion
Server Farm
Encryption Server
Local Off Air Broadcast
Recievers
Analog Off-Air
Local P/E/G Channels & Local Orgination
Video Encoder
Digial Video
P/E/Gs
IP Backbone
Subscriber Converter
DSL Modem

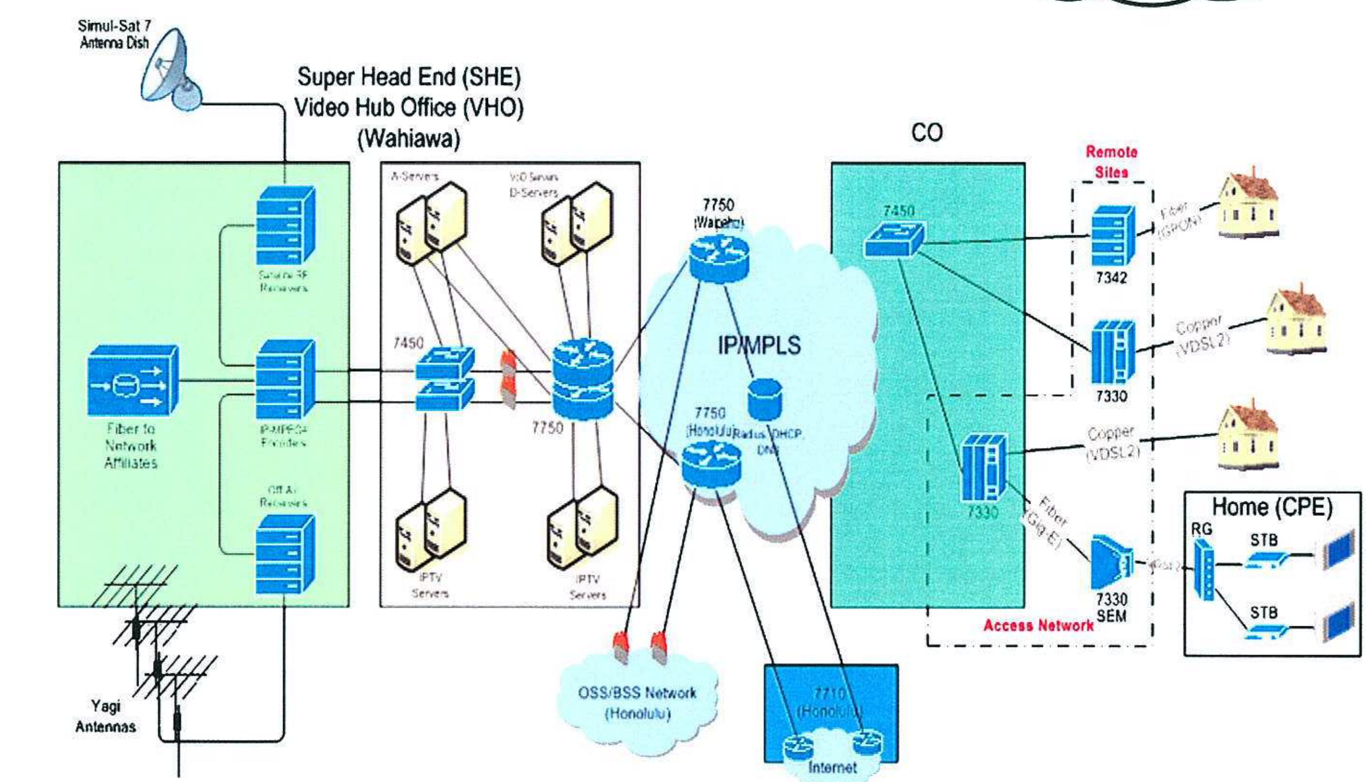

Simul-Sat 7 Antenna Dish
Super Head End (SHE)
Video Hub Office (VHO)
(Wahiawa)
A-Servers
D-Servers
7450
7750
7750 (Waipahu)
IP/MPLS
7750 (Honolulu)
Radius, DHCP, DNS
Fiber to Network Affiliates
IP-MPEG4 Encoders
Off Air Receivers
IPTV Servers
OSS/BSS Network (Honolulu)
7710 (Honolulu)
Internet
Yagi Antennas
CO
7450
Remote Sites
7342
7330
Fiber (GPON)
Copper (VDSL2)
Copper (VDSL2)
Fiber (Gig-E)
7330
7330 SEM
Access Network
Home (CPE)
RG
STB
STB

Exhibit IX.Q

The following are the testing procedures that will be determined upon final design and build of Applicant's super headend (SHE). The following criteria have been incorporated in the Acceptance Test Plan for Applicant.

Test Strategy – Applicant's headend vendor and consultant developed detailed component and system level test plans for SHE supplied equipment. Vendors used their lab facilities to create and validate these detailed component and system level test plans. The test plans were successfully completed to verify the performance of the SHE equipment and systems. The following is an outline of the completed test plans.

- **Super Headend (SHE) Test Plan**
    - SHE Signal Acquisition
        - Satellite Antenna Subsystem

Fixed Receive-Only Satellite Antenna Test:

- Verify that the satellite antenna is peaked and cross-polarized on the assigned satellite
- Verify that the satellite antenna and LNBs meet performance specifications
- Verify that the LNB power inserter is functioning properly
- Verify that the ROSA NMS can monitor and control the active devices properly on the satellite antenna subsystem

Motorized Receive Only Satellite Antenna Test:

- Verify that the motors on the satellite antenna can travel the specified azimuth, elevation, and polarization distances.
- Verify that the azimuth, elevation, and polarization hardware and software limits are adjusted correctly
- Verify that the satellite antenna and LNBs meet performance specifications
- Verify that the de-icing subsystem is functioning properly both in manual and automatic modes
- Verify that the LNB power inserter is functioning properly
- Verify that the assigned satellites are programmed in the controller memory correctly (peaked and cross-polarized)
- Verify that the ROSA NMS can monitor and control the active devices properly on the satellite antenna subsystem
- L-Band Fiber Transport Test
- Verify that the primary and standby L-Band fiber optic transmitter has the specified RF input level and optical output level
- Verify that the primary and standby L-Band fiber optic receiver has the specified optical input level and RF output level

        - Verify that the active L-Band splitter has the specified RF input level and output level (on all output ports)
        - Verify the 2 x 1 L-Band protection switch is configured properly and will switch automatically from its primary input to its standby input when the primary RF input drops below the configured threshold level
        - Verify that the ROSA NMS can monitor and control the active devices properly

    - L-Band Switch Matrix Test

        - Verify that the L-Band switch matrix is connected and configured properly
        - Verify that any of the eight inputs on the switch can be routed to any or all outputs on the switch
        - Verify that the ROSA NMS can monitor and control the switch properly

- SHE Receivers

    - Analog Satellite Receiver Test (Primary and Standby)

        - Verify that the RF input signal level is within the specified levels
        - Verify that the receiver is tuned to the correct service
        - Verify that the receiver's carrier-to-noise level is equal to or above the specified minimum level
        - Verify that the receiver is authorized to receive the service
        - Verify that the audio and video output is correct for the assigned service and meets specifications
        - Verify that the ROSA NMS can monitor and control the receiver properly

    - SD Digital Satellite Receiver Test (Primary and Standby)

        - Verify that the RF input signal level is within specified levels
        - Verify that the receiver is tuned to the correct service
        - Verify that the receiver's Bit Error Rate (BER) or Eb/No is equal to or above the specified minimum level
        - Verify that the receiver is authorized to receive the service
        - Verify that the audio and video output is correct for the assigned service and meets specifications
        - Verify that the ROSA NMS can monitor and control the receiver properly

    - HD Digital Satellite Receiver Test (Primary and Standby)

        - Verify that the RF input signal level is within specified levels
        - Verify that the receiver is tuned to the correct service

  - Verify that the receiver's Bit Error Rate (BER) or Eb/No is equal to or above the specified minimum level
  - Verify that the receiver is authorized to receive the service
  - Verify that the ASI output on the receiver is configured correctly and meets specifications
  - Verify that the audio/video decoders are disabled on the receivers
  - Verify that the ROSA NMS can monitor and control the receiver properly

- HD Decoder Test (Primary and Standby)

  - Verify that the decoder is tuned to the correct service
  - Verify that the decoder has the correct audio and video output for the assigned service and meets specifications
  - Verify that the ROSA NMS can monitor and control the decoder properly

- Music Service Receiver Test (Primary and Standby)

  - Verify that the RF input signal level is within specified levels
  - Verify that the receiver is tuned to the correct service
  - Verify that the receiver's Bit Error Rate (BER) or Eb/No is equal to or above the specified minimum level
  - Verify that the receiver is authorized to receive the services
  - Verify that the ASI output on the receiver is configured correctly and meets specifications
  - Verify that the ROSA NMS can monitor and control the receiver properly

- SD Analog-to-Digital Converter/Frame Synchronizer/Processing Amplifier Test (Primary and Standby)

  - Verify the audio and video analog-to-digital conversion is functioning properly and meets specifications
  - Verify that the audio embedding is functioning properly and meets specifications
  - Verify that the audio and video processing amplifiers are functioning correctly and meets specifications
  - Verify that the frame synchronizer is functioning properly with both internal and external reference signals and meets specifications
  - Verify that the video thumbnail output is functioning properly and is received and displayed on the thumbnail server and client
  - Verify that the ROSA NMS can monitor and control the device properly

- SD Frame Synchronizer/Processing Amplifier Test (Primary and Standby)

- Verify that the audio and video processing amplifiers are functioning correctly and meets specifications
- Verify that the frame synchronizer is functioning properly with both internal and external reference signals and meets specifications
- Verify that the video thumbnail output is functioning properly and is received and displayed on the thumbnail server and client
- Verify that the ROSA NMS can monitor and control the device properly

- HD Frame Synchronizer and Processing Amplifier Test (Primary and Standby)

  - Verify that the audio and video processing amplifiers are functioning correctly and meets specifications
  - Verify that the frame synchronizer is functioning properly with both internal and external reference signals and meets specifications
  - Verify that the video thumbnail output is functioning properly and is received and displayed on the thumbnail server and client
  - Verify that the ROSA NMS can monitor and control the device properly

- SDI/HD-SDI/ASI Video Matrix Switch Test

  - Verify that the switch is functioning properly including redundant power supplies, fans, and controller
  - Verify that the switch is provisioned correctly
  - Verify that the remote control panels are functioning properly
  - Verify that the controller is functioning properly
  - Verify that any SDI input can be routed to any or all SDI outputs, but can not be routed to any HD-SDI or ASI outputs
  - Verify that any HD-SDI input can be routed to any or all HD-SDI outputs, but can not be routed to any SDI or ASI outputs
  - Verify that any ASI input can be routed to any or all ASI outputs, but can not be routed to any SDI or HD-SDI outputs
  - Verify that the ROSA NMS can monitor and control the switch properly

- SHE Encoders

  - SD H.264 Encoder Test
  - Verify the encoder is functioning properly and meets specifications
  - Verify that the encoder is configured correctly for the assigned service
  - Verify the correct source content is routed to the encoder
  - Verify via a reference decoder that the correct audio/video service is being encoded
  - Verify that the ROSA NMS can control and monitor the encoder properly

- HD-SDI Audio De-embedder Test

- Verify that the audio de-embedder is functioning properly and meets specifications
- Verify the AES audio outputs and HD-SDI output
- Verify that the ROSA NMS can monitor and control the de-embedder properly

• HD H.264 Encoder Test

  - Verify the encoder is functioning properly and specified performance specifications
  - Verify that the encoder is configured correctly for the assigned service
  - Verify the correct source content is routed to the encoder
  - Verify via a reference decoder and stream analyzer that the correct audio/video service is being encoded at the assigned data rates and service configuration
  - Verify that the ROSA NMS can control and monitor the encoder properly

- ROSA NMS/EMS

  • ROSA NMS Test

    - Verify monitor and control of active devices
    - Verify system diagrams and maps are configured and functioning properly
    - Verify relationships, backup tasks, and alarm notifications are configured, enabled, and functioning correctly
    - Verify user privileges are configured correctly
    - Verify that the assigned local and remote clients are configured correctly

  • Device and System Level Redundancy Tests (All redundancy tests will include procedures to verify alarm correlation tasks, backup tasks, and alarm notification tasks on the ROSA NMS)

    - Antenna Subsystem Redundancy Test
    - L-Band Fiber Transport Redundancy Test
    - Analog Satellite Receiver Redundancy Test
    - SD Digital Satellite Receiver Redundancy Test
    - HD Digital Satellite Receiver Redundancy Test
    - HD Decoder Redundancy Test
    - SD Analog-to-Digital Converter/Frame Synchronizer/Processing Amplifier Redundancy Test
    - SD Frame Synchronizer/Processing Amplifier Redundancy Test
    - HD Frame Synchronizer/Processing Amplifier Redundancy Test

- SDI/HD-SDI/ASI Video Matrix Switch Redundancy Test
- SD H.264 Encoder Redundancy Test
- HD H.264 Encoder Redundancy Test
- ROSA NMS Hardware Redundancy Test

CONFIDENTIAL EXHIBIT IX.F

DUE TO CONFIDENTIAL, PROPRIETARY, AND/OR COMPETITIVELY SENSITIVE INFORMATION CONTAINED WITHIN, THE MATERIAL IS BEING PROVIDED UNDER SEPARATE COVER AND MAY NOT BE DISCLOSED TO THIRD PARTIES OUTSIDE THE CABLE TELEVISION DIVISION, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, WITHOUT THE PRIOR WRITTEN CONSENT OF HAWAIIAN TELCOM SERVICES COMPANY, INC.

CONFIDENTIAL EXHIBIT IX.J.2

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CONFIDENTIAL EXHIBIT IX.U

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CONFIDENTIAL EXHIBIT IX.X.1

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<u>CONFIDENTIAL EXHIBIT IX.X.2</u>

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CONFIDENTIAL EXHIBIT X.A

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CONFIDENTIAL EXHIBIT X.B

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CONFIDENTIAL EXHIBIT X.D

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CONFIDENTIAL EXHIBIT X.G.1

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CONFIDENTIAL EXHIBIT X.G.2

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CONFIDENTIAL EXHIBIT XI.A

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CONFIDENTIAL EXHIBIT XI.B

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CONFIDENTIAL EXHIBIT XI.C

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