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

**FORM 10-Q**

**(Mark one)**

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

**For the quarterly period ended March 31, 2017**

**OR**

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

**For the transition period from ________to _______**

**Commission File Number: 001-34686**

**Hawaiian Telcom Holdco, Inc.**
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large Accelerated Filer [ ] | Accelerated Filer [X] | Non-Accelerated Filer [ ]<br>(Do not check if smaller reporting company) | Smaller reporting company [ ] |
| Emerging Growth Company [ ] | | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [X] No [ ]

As of May 9, 2017, 11,587,963 shares of the registrant's common stock were outstanding.

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## PART I — FINANCIAL INFORMATION

### Item 1. Condensed Consolidated Financial Statements (Unaudited)

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

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Operating revenues | $ 94,510 | $ 98,794 |
| Operating expenses: | | |
| Cost of revenues (exclusive of depreciation and amortization) | 41,191 | 42,479 |
| Selling, general and administrative | 31,395 | 29,865 |
| Depreciation and amortization | 21,269 | 21,950 |
| Total operating expenses | 93,855 | 94,294 |
| Operating income | 655 | 4,500 |
| Other income (expense): | | |
| Interest expense | (3,993) | (4,240) |
| Total other expense | (3,993) | (4,240) |
| Income (loss) before income tax provision (benefit) | (3,338) | 260 |
| Income tax provision (benefit) | (1,386) | 106 |
| Net income (loss) | $ (1,952) | $ 154 |
| Net income (loss) per common share - | | |
| Basic | $ (0.17) | $ 0.01 |
| Diluted | $ (0.17) | $ 0.01 |
| Weighted average shares used to compute net income (loss) per common share - | | |
| Basic | 11,529,046 | 11,475,834 |
| Diluted | 11,529,046 | 11,500,308 |

See accompanying notes to condensed consolidated financial statements.

**Hawaiian Telcom Holdco, Inc.**
**Condensed Consolidated Statements of Comprehensive Income**
**(Unaudited, dollars in thousands)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Net income (loss) | $ (1,952) | $ 154 |
| Other comprehensive income: | | |
| Retirement plan gain | 21,142 | 247 |
| Income tax provision on other comprehensive income | (8,080) | (94) |
| Other comprehensive income, net of tax | 13,062 | 153 |
| Comprehensive income | $ 11,110 | $ 307 |

See accompanying notes to condensed consolidated financial statements.

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 10,479 | $ 15,821 |
| Receivables, net | 31,377 | 33,377 |
| Material and supplies | 7,471 | 8,090 |
| Prepaid expenses | 3,901 | 4,093 |
| Other current assets | 7,638 | 7,229 |
| Total current assets | 60,866 | 68,610 |
| Property, plant and equipment, net | 598,798 | 595,997 |
| Intangible assets, net | 32,303 | 32,728 |
| Goodwill | 12,104 | 12,104 |
| Deferred income taxes, net | 85,891 | 92,171 |
| Other assets | 4,354 | 2,311 |
| Total assets | $ 794,316 | $ 803,921 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Current portion of long-term debt | $ 3,000 | $ 3,000 |
| Accounts payable | 47,713 | 53,506 |
| Accrued expenses | 13,310 | 15,293 |
| Advance billings and customer deposits | 15,967 | 15,013 |
| Other current liabilities | 5,948 | 6,327 |
| Total current liabilities | 85,938 | 93,139 |
| Long-term debt | 287,466 | 281,699 |
| Employee benefit obligations | 86,198 | 105,930 |
| Other liabilities | 17,668 | 18,239 |
| Total liabilities | 477,270 | 499,007 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity | | |
| Common stock, par value of $0.01 per share, 245,000,000 shares authorized and 11,587,963 and 11,513,279 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively | 116 | 115 |
| Additional paid-in capital | 180,429 | 179,958 |
| Accumulated other comprehensive loss | (22,156) | (35,218) |
| Retained earnings | 158,657 | 160,059 |
| Total stockholders' equity | 317,046 | 304,914 |
| Total liabilities and stockholders' equity | $ 794,316 | $ 803,921 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Cash flows from operating activities: | | |
| Net income (loss) | $ (1,952) | $ 154 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 21,269 | 21,950 |
| Deferred financing amortization | 529 | 492 |
| Employee retirement benefits | 1,410 | (1,846) |
| Provision for uncollectible receivables | 950 | 1,039 |
| Stock based compensation | 567 | 579 |
| Deferred income taxes | (1,251) | 240 |
| Changes in operating assets and liabilities: | | |
| Receivables | 1,050 | 207 |
| Material and supplies | 619 | (1,417) |
| Prepaid expenses and other current assets | (217) | (1,249) |
| Accounts payable and accrued expenses | (3,162) | 965 |
| Advance billings and customer deposits | 954 | 592 |
| Other current liabilities | 340 | (278) |
| Other | (839) | (512) |
| Net cash provided by operating activities | 20,267 | 20,916 |
| Cash flows from investing activities: | | |
| Capital expenditures | (27,242) | (28,139) |
| Net cash used in investing activities | (27,242) | (28,139) |
| Cash flows from financing activities: | | |
| Proceeds from borrowing | 6,000 | — |
| Repayment of capital lease and installment financing | (1,051) | (1,135) |
| Repayment of debt | (750) | (750) |
| Refinancing costs | (2,071) | — |
| Taxes paid related to net share settlement of equity awards | (495) | (352) |
| Net cash provided by (used in) financing activities | 1,633 | (2,237) |
| Net change in cash, cash equivalents and restricted cash | (5,342) | (9,460) |
| Cash, cash equivalents and restricted cash, beginning of period | 21,146 | 34,137 |
| Cash, cash equivalents and restricted cash, end of period | $ 15,804 | $ 24,677 |

See accompanying notes to condensed consolidated financial statements.

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

| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balance, January 1, 2017 | 11,513,279 | $ 115 | $ 179,958 | $ (35,218) | $ 160,059 | $ 304,914 |
| Cumulative effect of adoption of new accounting standard for stock compensation | — | — | — | — | 550 | 550 |
| Stock based compensation | — | — | 567 | — | — | 567 |
| Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes | 74,684 | 1 | (96) | — | — | (95) |
| Net loss | — | — | — | — | (1,952) | (1,952) |
| Other comprehensive income, net of tax | — | — | — | 13,062 | — | 13,062 |
| Balance, March 31, 2017 | 11,587,963 | $ 116 | $ 180,429 | $ (22,156) | $ 158,657 | $ 317,046 |
| Balance, January 1, 2016 | 11,466,398 | $ 115 | $ 178,019 | $ (29,388) | $ 158,953 | $ 307,699 |
| Stock based compensation | — | — | 579 | — | — | 579 |
| Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes | 45,193 | — | (352) | — | — | (352) |
| Net income | — | — | — | — | 154 | 154 |
| Other comprehensive income, net of tax | — | — | — | 153 | — | 153 |
| Balance, March 31, 2016 | 11,511,591 | $ 115 | $ 178,246 | $ (29,235) | $ 159,107 | $ 308,233 |

See accompanying notes to condensed consolidated financial statements.

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

## 1. Description of Business

### *Business Description*

Hawaiian Telcom Holdco, Inc. and subsidiaries (the "Company") is the incumbent local exchange carrier for the State of Hawaii with an integrated telecommunications network. The Company offers a variety of telecommunication services to residential and business customers in Hawaii including local telephone, network access and data transport, television, Internet, long distance and wireless phone service. The Company also provides communications equipment sales and maintenance, data center colocation and network managed services.

### *Organization*

The Company has one direct wholly-owned subsidiary, Hawaiian Telcom Communications, Inc. which has two direct wholly-owned subsidiaries – Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. Hawaiian Telcom, Inc. operates the regulated local exchange carrier and Hawaiian Telcom Services Company, Inc. operates all other businesses.

## 2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America and pursuant to rules and regulations of the U.S. Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted and condensed. In the opinion of the Company's management, all adjustments have been made to present fairly the results of operations, comprehensive income, financial position and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these financial statements should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2016.

### *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 March 31, 2017 are held in one bank in demand deposit accounts.

### *Supplemental Non-Cash Investing and Financing Activities*

Accounts payable included $21.9 million and $17.0 million at March 31, 2017 and 2016, respectively, for additions to property, plant and equipment.

### *Taxes Collected from Customers*

The Company presents taxes collected from customers and remitted to governmental authorities on a gross basis, including such amounts in the Company's reported operating revenues. Such amounts represent primarily Hawaii state general excise taxes and Hawaii Public Utility Commission fees. Such taxes and fees amounted to $2.2 million and $2.2 million for the three months ended March 31, 2017 and 2016, respectively.

***Earnings per Share***

Basic earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing earnings by the weighted average shares outstanding during the period. Diluted earnings per share is calculated by dividing earnings, adjusted for the effect, if any, from assumed conversion of all potentially dilutive common shares outstanding, by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. The denominator used to compute basic and diluted earnings per share was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Basic earnings per share - weighted average shares | 11,529,046 | 11,475,834 |
| Effect of dilutive securities: | | |
| Employee and director restricted stock units | — | 24,474 |
| Diluted earnings per share - weighted average shares | 11,529,046 | 11,500,308 |

The computation of weighted average dilutive shares outstanding excluded grants of restricted stock units convertible into 278,701 shares and 135,906 shares of common stock for the three months ended March 31, 2017 and 2016, respectively. For the three months ended March 31, 2017, the Company incurred a net loss so the restricted stock units are anti-dilutive to the computation of diluted net loss per share. For the three months ended March 31, 2016, the unrecognized compensation on a per unit basis for these restricted stock units was greater than the average market price of the Company's common stock for the period presented.

***Recently Adopted Accounting Pronouncements***

In March 2016, the Financial Accounting Standards Board (the "FASB") issued a new standard that simplifies the accounting for employee share-based payment transactions. The new standard impacts the accounting for related income taxes, forfeitures and statutory tax withholding requirements as well as the classification of certain related payments in the statement of cash flows. The new accounting guidance was effective for the Company in the first quarter of 2017. The adoption method required is specified as retrospective, modified retrospective or prospective for each of the various accounting provisions impacted by this new standard. The Company is accounting for forfeitures on its share-based transactions as they occur beginning January 1, 2017. The impact of the modified retrospective adoption of this provision was not significant. In addition, the Company began accounting for excess tax benefits and tax deductions on share-based award settlements prospectively as income tax expense or benefit in its condensed consolidated statements of income beginning January 1, 2017. Excess tax benefits that were not recognized prior to January 1, 2017 because the related tax deduction had not reduced taxes currently payable have been recognized on a modified retrospective basis through a cumulative effect adjustment which increased retained earnings as of January 1, 2017 by $0.6 million.

***Recently Issued Accounting Pronouncements***

In March 2017, the FASB issued a new standard that amends the income statement presentation of the components of net periodic benefit cost for defined benefit and other postretirement plans. The new standard requires that the current service cost component be disaggregated from the other components of net benefit cost. The other components must be presented elsewhere in the income statement outside of income from operations. In addition, only the service-cost component of net benefit cost is eligible for capitalization related to self-constructed assets. The new standard is effective for the Company beginning January 1, 2018 with early adoption permitted. The presentation requirements must be adopted on a retrospective basis and the change in capitalization methodology applied on a prospective basis. The Company currently presents the entire net benefit cost in income from operations but has disclosed the components of net benefit costs in Note 7 to the condensed consolidated financial statements. The Company is currently assessing the impact of adoption of the standard on its condensed consolidated financial statements.

**3. Receivables**

Receivables consisted of the following (dollars in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Customers and other | $ 35,141 | $ 37,408 |
| Allowance for doubtful accounts | (3,764) | (4,031) |
| | $ 31,377 | $ 33,377 |

**4. Long-Lived Assets**

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Property, plant and equipment cost | $ 1,058,673 | $ 1,036,137 |
| Less accumulated depreciation | 459,875 | 440,140 |
| | $ 598,798 | $ 595,997 |

Depreciation expense amounted to $20.8 million and $21.4 million for the three months ended March 31, 2017 and 2016, respectively.

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

| | March 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Subject to amortization: | | | | | | |
| Customer relationships | $ 21,709 | $ 16,720 | $ 4,989 | $ 21,709 | $ 16,299 | $ 5,410 |
| Trade name and other | 320 | 306 | 14 | 320 | 302 | 18 |
| | 22,029 | 17,026 | 5,003 | 22,029 | 16,601 | 5,428 |
| Not subject to amortization: | | | | | | |
| Brand name | 27,300 | — | 27,300 | 27,300 | — | 27,300 |
| | 27,300 | — | 27,300 | 27,300 | — | 27,300 |
| | $ 49,329 | $ 17,026 | $ 32,303 | $ 49,329 | $ 16,601 | $ 32,728 |

As of March 31, 2017, the Company has goodwill of $12.1 million. Previously, $10.5 million of goodwill was recognized as part of the data center services segment and $1.6 million in the telecommunications segment. As further discussed in Note 14, because of recent operational, organizational and reporting changes, the Company has concluded it now has only one segment and one reporting unit. As such, the Company now classifies all goodwill in the one segment.

Amortization expense amounted to $0.4 million and $0.5 million for the three months ended March 31, 2017 and 2016, respectively. Estimated amortization expense for the next five years and thereafter is as follows (dollars in thousands):

| | |
|---|---|
| Year ended December 31, | |
| 2017 (remaining months) | $ 1,278 |
| 2018 | 1,307 |
| 2019 | 930 |
| 2020 | 574 |
| 2021 | 270 |
| Thereafter | 644 |
| | $ 5,003 |

**5. Accrued Expenses and Other Current Liabilities**

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Salaries and benefits | $ 9,765 | $ 11,662 |
| Interest | 2,510 | 2,583 |
| Other taxes | 1,035 | 1,048 |
| | $ 13,310 | $ 15,293 |

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Other postretirement benefits, current | $ 3,465 | $ 3,332 |
| Installment financing contracts, current | 1,720 | 2,157 |
| Other | 763 | 838 |
| | $ 5,948 | $ 6,327 |

**6. Long-Term Debt**

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

| | Average Interest Rate at March 31, 2017 | Final Maturity | March 31, 2017 | December 31, 2016 |
|---|---|---|---|---|
| Term loan | 5.25 % | June 6, 2019 | $ 289,388 | $ 290,138 |
| Revolving loan | 5.77 | December 6, 2018 | 6,000 | — |
| Debt issue costs and issue discount | | | (4,922) | (5,439) |
| | | | 290,466 | 284,699 |
| Current | | | 3,000 | 3,000 |
| Noncurrent | | | $ 287,466 | $ 281,699 |

The term loan outstanding at March 31, 2017 provides for interest at the Alternate Base Rate, a rate which is indexed to the prime rate with certain adjustments as defined, plus a margin of 3.25% or a Eurocurrency rate on deposits of one, two, three or six months but no less than 1.00% per annum plus a margin of 4.25%. The Company has selected the Eurocurrency rate as of March 31, 2017 resulting in an interest rate currently at 5.25%. The interest rate margin is subject to a further increase of 0.25% should there be a downgrade in the Company's credit rating.

The term loan provides for interest payments no less than quarterly. In addition, quarterly principal payments of $0.8 million are required. The balance of the loan is due at maturity on June 6, 2019. The Company must prepay, generally within three months after year end, up to 75% of excess cash flow, as defined. The percent of excess cash flow required is dependent on the Company's leverage ratio. There was no excess cash flow payment due for the year ended December 31, 2016. The Company must also make prepayments on loans in the case of certain events such as large asset sales.

The Company also has a revolving credit facility which matures on December 6, 2018. The facility has an available balance of $24.0 million as of March 31, 2017. Drawings as of and for the three months ended March 31, 2017 amounted to $6.0 million due primarily to fund the construction of the SEA-US submarine cable system. There were no amounts drawn as of or for the three months ended March 31, 2016. A commitment fee is payable quarterly to the lender under the facility. Interest on amounts outstanding is based on, at the Company's option, the bank prime rate plus a margin of 3.0% to 6.0% or the Eurocurrency rate for one, two, three or six month periods plus a margin of 4.0% to 5.5%. The margin is dependent on the Company's leverage, as defined in the agreement, at the time of the borrowing.

***New Financing in 2017***

In February 2017, the Company entered into a delayed draw credit agreement for new term loans and a new revolving credit facility. The new facility fully funded the repayment of the existing term loan and replacement of the existing revolving credit on May 4, 2017. Included in the new facility is a term loan for $90.0 million with quarterly principal payments of $1.1 million with the balance due at maturity in May 2022. Interest, payable at least quarterly, is at the Alternate Base Rate plus a margin of 2.75% or a Eurocurrency rate plus a margin of 3.75%. In addition, the facility provides for a second term loan for $230.0 million with quarterly principal payments of $1.4 million for the first eight quarters and $2.9 million per quarter thereafter with the balance due at maturity in May 2023. Interest, payable at least quarterly, is at the Alternate Base Rate plus a margin of 3.0% or a Eurocurrency rate plus a margin of 4.0%. In addition, the agreement provides for a line of credit in the amount of $30.0 million with maturity in May 2022. Interest on the line of credit is at the Alternate Base Rate plus a margin of 2.75% or a Eurocurrency rate plus a margin of 3.75%. The interest rate margins on the facility are subject to a decrease of 0.25% with a defined improvement in the Company's leverage ratio.

***Maturities***

The annual requirements for principal payments on long-term debt as of March 31, 2017 are as follows (dollars in thousands):

| | |
|---|---|
| Year ended December 31, | |
| 2017 (remaining months) | $ 2,250 |
| 2018 | 9,000 |
| 2019 | 284,138 |
| | $ 295,388 |

***Capitalized Interest***

Interest capitalized by the Company amounted to $0.5 million and $0.3 million for the three months ended March 31, 2017 and 2016, respectively.

**7. Employee Benefit Plans**

The Company sponsors a defined benefit pension plan, with benefits frozen as of March 1, 2012, and postretirement health and life insurance benefits for union employees. The Company also sponsors a cash balance pension plan for nonunion employees, with benefits frozen as of April 1, 2007, and certain management employees receive postretirement health and life insurance under grandfathered provisions of a terminated plan.

The following provides the components of benefit costs (income) for the three months ended March, 2017 and 2016 (dollars in thousands):

Pension

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Interest cost | $ 1,781 | $ 1,996 |
| Expected asset return | (2,656) | (2,678) |
| Amortization of loss | 124 | 129 |
| Net periodic benefit income | (751) | (553) |
| Settlement loss | 1,956 | — |
| Total benefit (income) expense | $ 1,205 | $ (553) |

Other Postretirement Benefits

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Service cost | $ 254 | $ 259 |
| Interest cost | 596 | 655 |
| Amortization of (gain) loss | (38) | 119 |
| Total benefit expense | $ 812 | $ 1,033 |

During the three months ended March 31, 2017, the Company's pension plans for union employees and management employees paid lump-sum benefits to certain plan participants in full settlement of obligations due amounting to $10.6 million. This resulted in the recognition of a loss on settlement for both pension plans amounting to $2.0 million for the three months ended March 31, 2017. Because of the settlements, the Company measured its pension plan obligations and plan assets as of March 31, 2017. The Company used discount rates ranging from 3.81% to 3.82% as of March 31, 2017 to measure the pension plan obligations. The new measurements resulted in a retirement plan gain which was recognized in other comprehensive income of $1.6 million for the three months ended March 31, 2017. For the three months ended March 31, 2016, lump sum benefits paid did not exceed the threshold requiring settlement accounting.

In January 2017, the Company amended the postretirement health benefits plan for management employees by implementing a cap on the amount of the premium subsidy at 2017 levels. This resulted in recognition of a negative plan amendment as of January 31, 2017. Because of the plan amendment, the Company measured its management postretirement benefits obligation as of January 31, 2017 using a discount rate of 4.07%. The new measurement resulted in a retirement plan gain which was recognized in other comprehensive income of $19.7 million for the three months ended March 31, 2017.

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2016 that it expected to contribute $4.8 million to its pension plan in 2017. For the three months ended March 31, 2017, the Company has made no contributions to the plan. The Company presently expects to contribute the full amount during the remainder of 2017.

**8. Income Taxes**

The income tax provision (credit) differs from the amounts determined by applying the statutory federal income tax rate of 34% to the income (loss) before income tax provision (credit) for the following reasons (dollars in thousands):

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Income tax at federal rate | $ (1,135) | $ 88 |
| Increase (decrease) resulting from: | | |
| State income taxes, net of federal income tax | (123) | 12 |
| Expense not deductible for tax | — | 16 |
| Tax credit included in taxable income | 93 | — |
| Other permanent differences | 52 | 4 |
| Capital goods excise tax credit | (273) | (14) |
| Total income tax provision (credit) | $ (1,386) | $ 106 |

The Company evaluates its tax positions for liability recognition. As of March 31, 2017, the Company had no unrecognized tax benefits. No interest or penalties related to income tax assessments were recognized in the Company's condensed consolidated statements of income (loss) for the three months ended March 31, 2017 and 2016. All tax years from 2013 remain open for both federal and Hawaii state tax purposes.

**9. Stock Compensation**

The Company has an equity incentive plan. The Compensation Committee of the Company's Board of Directors may grant awards under the plan in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The maximum number of shares issuable under the equity incentive plan is 1,400,000 shares with 500,000 shares remaining to be issued at March 31, 2017. All grants under the equity incentive plan will be issued to acquire shares at the fair value on date of grant.

As of March 31, 2017, all awards were restricted stock units. Activity with respect to outstanding restricted stock units for the three months ended March 31, 2017 and 2016 was as follows:

| | Shares | Weighted-Average Grant-Date Fair Value per Share |
|---|---|---|
| **2017** | | |
| Nonvested at January 1, 2017 | 226,690 | $ 25 |
| Granted | 131,801 | 23 |
| Vested | (78,623) | 25 |
| Forfeited | (1,167) | 21 |
| Nonvested at March 31, 2017 | 278,701 | $ 25 |
| | | |
| **2016** | | |
| Nonvested at January 1, 2016 | 174,518 | $ 26 |
| Granted | 121,724 | 25 |
| Vested | (60,425) | 25 |
| Nonvested at March 31, 2016 | 235,817 | $ 25 |

The Company recognized compensation expense of $0.6 million and $0.6 million for the three months ended March 31, 2017 and 2016, respectively. The fair value as of the vesting date for the restricted stock units that vested during the three months ended March 31, 2017 and 2016 was $1.3 million and $0.9 million, respectively. Upon vesting, unit holders have the option to net share-settle to cover the required withholding tax and the remaining amount is converted into an equivalent number of shares of common stock. The total shares withheld were 20,996 and 15,234 for the three months ended March 31, 2017 and 2016, respectively, and were based on the value of the restricted stock units as determined by the Company's closing stock price on the date of vesting. Total payments for the employees' tax obligations to the tax authorities amounted to $0.5 million and $0.4 million for the three months ended March 31, 2017 and 2016, respectively. Other than reimbursements for tax withholdings, there was no cash received under the restricted stock unit arrangements.

The Company also has a performance based compensation plan. The incentive compensation is settled in March of each year for the prior year services and is based on Company performance relative to certain company specific metrics. The Company recognizes the expense during the performance period based on the expected compensation amount. Beginning for the 2016 performance period, a specified portion of the compensation amount for certain employees are settled in Company shares based on the share price at the date of settlement. The estimated performance based compensation to be settled in stock amounted to $0.2 million and $0.2 million for the three months ended March 31, 2017 and 2016, respectively. The fair value of the shares granted under the plan in March 2017 amounted to $0.7 million. Upon grant, employees were required to net share-settle to cover the required withholding tax. Total payments for the employees' tax obligations to the tax authorities by the Company amounted to $0.3 million. The net shares issued amounted to 17,174 shares which was based on the value of shares on the date of vesting.

**10. Accumulated Other Comprehensive Loss**

The balance of and all of the changes in accumulated other comprehensive loss as of and for the three months ended March 31, 2017 and 2016, net of tax, are attributed to the Company's retirement plans.

Reclassifications out of accumulated other comprehensive loss for the three months ended March 31, 2017 and 2016 were as follows (dollars in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Retirement plans | | |
| Amortization of gain/loss and settlement loss | $ 2,042 | $ 247 |
| Income tax provision on comprehensive income | (776) | (94) |
| Total | $ 1,266 | $ 153 |

The amortization of gains and losses, and settlement loss were recognized primarily in selling, general and administrative expense for the periods ended March 31, 2017 and 2016.

## 11. Commitments and Contingencies

***Trans-Pacific Submarine Cable***

In August 2014, the Company joined several other telecommunication companies to build and operate a trans-Pacific submarine cable system. The total system cost is expected to be $235 million and is primarily composed of a supply contract with the lead contractor. The Company will contribute $25 million over the multi-year construction period in exchange for a fractional ownership in the system. The Company will recognize its fractional share of the cost. In addition, the Company will construct a cable landing station in Hawaii and provide cable landing services. The system is expected to be completed in the second half of 2017. As of March 31, 2017, the Company had incurred capital costs of $18.7 million primarily to the cable contractor for construction with all such costs capitalized to telephone plant under construction.

The Company will have excess capacity on its share of the trans-Pacific cable that it will make available to other carriers for a fee. The Company has contracted and expects to enter into additional contracts with other carriers for long-term indefeasible right of use, or IRU, agreements for fiber circuit capacity. The Company may receive up-front payments for services to be delivered over a period of up to 25 years. The Company has entered into agreements for the sale of capacity for $27.0 million plus fees to activate assigned capacity, and for operations and maintenance. As of March 31, 2017, the Company had received up-front payments of $7.2 million. As provided for in one of the agreements, funds of $5.0 million were held in escrow. The funds in escrow will be released to the Company when the trans-Pacific cable is ready for service. The restricted cash is reflected in other current assets in the condensed consolidated balance sheet. A liability to provide services in the future for all up-front payments is included in advance billings and customer deposits and other liabilities. The Company will recognize revenue for the circuits, beginning upon activation of the services, on a straight-line basis over the contract term.

***Connect America Fund Phase II***

In conjunction with reforming the Universal Service Fund, the Federal Communications Commission (“FCC”) established the Connect America Fund (“CAF”) which provides incremental support to broadband service providers. CAF Phase II is the long-term component of the program. In August 2015, the Company notified the FCC that it was accepting CAF Phase II support which amounts to $4.4 million in annual funding. Support is retroactive through the beginning of 2015 and will continue for six years. Under the terms of the CAF Phase II, the Company will offer broadband service at 10 Mbps downstream and 1 Mbps upstream or better to approximately 11,000 eligible locations in high-cost areas in the State of Hawaii and will provide voice and broadband services at reasonable rates. For the three months ended March 31, 2017 and 2016, the Company recognized $1.1 million and $1.1 million, respectively, in CAF Phase II funding as revenue.

***Collective Bargaining Agreement***

The Company has a collective bargaining agreement with the International Brotherhood of Electrical Workers Local 1357 (“IBEW”) that expires on December 31, 2017. The agreement covers approximately half of the Company’s work force.

***Third Party Claims***

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

***Joint-Owned Utility Poles***

Each of the electric utilities for the four counties in the State of Hawaii have separate agreements with the Company for the joint ownership and maintenance of utility poles along with other third parties, such as the State of Hawaii. The agreements set forth various circumstances requiring pole removal, installation and replacement and the sharing of costs among the joint pole owners. The agreements allow for the cost of work done by one joint pole owner to be shared by the other joint pole owners based on the apportionment of costs in the agreements. Generally, the electric utilities have maintained, replaced and installed the majority of the jointly-owned poles and have billed the other joint pole owners for their respective share of the costs. The Company has a disagreement with the common owner of the utilities in three of the counties regarding the amount the utilities are requesting for their share of the capitalized costs.

For one of the three utilities referenced above, a dispute resolution process is proceeding as specified by the joint pole agreement. For another of the utilities, a complaint for payment was filed by the utility with the State court in 2016. Management of the Company believes the amount recognized in the Company's condensed consolidated financial statements for amounts due the utilities are reflective of what is owed and a reasonable estimate of the final settlement to be reached with the utilities.

***Litigation***

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

**12. Fair Value of Financial Instruments**

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate the fair value.

Cash and cash equivalents, accounts receivable and accounts payable – The carrying amount approximates fair value. The valuation is based on settlements of similar financial instruments all of which are short-term in nature and generally settled at or near cost. Cash and cash equivalents is measured at Level 1.

Debt – The fair value of debt is based on the value at which the debt is trading among holders.

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

| | Carrying Value | Fair Value |
|---|---|---|
| March 31, 2017 | | |
| Liabilities - long-term debt (carried at cost) | 290,466 | 294,665 |
| December 31, 2016 | | |
| Liabilities - long-term debt (carried at cost) | 284,699 | 293,765 |

***Fair Value Measurements***

The objective of the fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

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).

Liabilities carried at amortized cost with fair value disclosure on a recurring basis represent long-term debt. A summary is as follows (dollars in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Liability value measurements using: | | |
| Quoted prices in active markets for identical liabilities (Level 1) | $ — | $ — |
| Significant other observable inputs (Level 2) | 294,665 | 293,765 |
| Significant unobservable inputs (Level 3) | — | — |
| | $ 294,665 | $ 293,765 |

**13. Cash Flow Information**

Supplemental cash flow information is as follows:

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Cash paid during the year: | | |
| Income taxes paid | $ — | $ — |
| Interest paid, net of amounts capitalized | 3,537 | 2,492 |
| Non-cash investing activities - capital assets acquired under installment contracts | 617 | — |
| Non-cash financing activities - common shares issued for performance based compensation, net of withholding taxes paid | 400 | — |

The Company includes restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows effective with issuance of a new accounting standard in November 2016. Retrospective application of the new standard was required so the condensed consolidated statement of cash flows for the three months ended March 31, 2016 were revised to reflect application of the new standard. This resulted in an increase to the beginning and ending reported cash, cash equivalents and restricted cash previously reported in the condensed consolidated statements of cash flow of $3.8 million for the three months ended March 31, 2016.

The following is a reconciliation of cash, cash equivalents and restricted cash reported in the condensed consolidated balance sheets to the total of such amounts in the condensed consolidated statements of cash flows (dollars in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Cash and cash equivalents | $ 10,479 | $ 15,821 |
| Restricted cash included in other current assets | | |
| Escrow deposits for capacity sales | 5,000 | 5,000 |
| Restricted cash included in other assets | | |
| Other | 325 | 325 |
| Total cash, cash equivalents and restricted cash | $ 15,804 | $ 21,146 |

The escrow deposits for capacity sales are more fully described in Note 11. The restriction on the escrow deposits is expected to be removed in 2017 so the restricted cash amount is reflected in other current assets as of March 31, 2017 and December 31, 2016.

**14. Segment Information and Revenue by Product Group**

The Company previously operated in two reportable segments of telecommunications and data center services. This conclusion was based on how resources were allocated and assessed by the Company's Chief Executive Officer, the Company's chief operating decision maker. The Company had initially formed the data center colocation segment in 2013 with the expectation that the segment would operate independently and focus on colocation services. The Company's strategy has evolved to emphasize a bundle of telecommunication services to its customers including colocation. In addition, the Company is focusing its efforts on obtaining the benefit of cross selling services and gaining efficiencies of a more integrated operation. With this change in strategy, the Company has implemented certain operational, organizational and reporting changes. Among the changes is the Chief Executive Officer is no longer provided information with which to separately evaluate the data center services segment or any other component for standalone performance or resource allocation. Hence, given the integrated nature of the Company's telecommunication operations, including its leveraging of its primary network to provide the majority of its services, management has concluded the Company now has only one segment.

The following table provides information on the Company's revenue by product group (dollars in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Local voice and other retail services | $ 81,682 | $ 85,032 |
| Wholesale carrier data services | 12,828 | 13,762 |
| | $ 94,510 | $ 98,794 |

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

### Forward-Looking Statements

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance (including our anticipated cost structure) and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues," "assumption" or the negative of these terms or other comparable terminology. These statements (including statements related to our anticipated cost structure) are only predictions. Actual events or results may differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to:

- changes in demand for our products and services;
- our ability to fund capital expenditures for network enhancements;
- failures in critical back-office systems and IT infrastructure;
- our ability to retain experienced personnel;
- our ability to enter into a new collective bargaining agreement;
- a breach of our data security systems;
- our ability to provide customers with reliable and uninterrupted service;
- the ability to maintain arrangements with third-party service providers;
- changes in regulations and legislation applicable to providers of telecommunications services;
- the ability of our operating subsidiaries to distribute funds or assets to the parent company;
- a reduction in rates we are allowed to charge our customers as dictated by regulatory authorities;
- technological changes affecting the telecommunications industry;
- our ability to continue to license or enforce the intellectual property rights on which our business depends;
- failure to renegotiate contracts with television content providers on acceptable terms or at all;
- economic conditions in Hawaii;
- our ability to utilize net operating loss carryforwards or fund tax payments;
- the effect our indebtedness could have on our financial condition;
- the effect of severe weather and natural disasters;
- the ability of a few large shareholders to influence corporate decisions; and
- the effect future sales of a substantial amount of common stock may have on our stock price.

These and other factors may cause our actual results to differ materially from any forward-looking statement. Refer to our Annual Report on Form 10-K for a detailed discussion of risks that could materially adversely affect our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business operations.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements are made as of the date of issuance of these quarterly condensed consolidated financial statements, we assume no obligation to update or revise them or to provide reasons why actual results may differ.

We do not undertake any responsibility to release any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of issuance of these quarterly condensed consolidated financial statements. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this quarterly report.

**Background**

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

**Sources of Revenue**

We derive revenue from the following sources in three main customer channels:

*Business Channel*

Business data services include high bandwidth data products such as Ethernet, Routed Network Services and Dedicated Internet Access along with traditional High-Speed Internet ("HSI") for business customers and VoIP. Business VoIP, also referred to as BVoIP, is a unified hosted communications solution for business that includes digital voice services bundled with internet service.

Voice services include local telephone service for business customers. These revenues include monthly charges for basic service and enhanced calling features such as voice mail, caller ID and 3-way calling. Voice also includes long distance services and subscriber line charges prescribed by the Federal Communications Commission and imposed on voice customers.

Hosted and managed services includes physical colocation, virtual colocation and various related security, network management and network installation related services.

Equipment and related services includes installation and maintenance of business customer premise equipment as well as managed service for customer telephone and IT networks.

*Consumer Channel*

Video services are marketed as Hawaiian Telcom TV which includes digital television as well as advanced entertainment services. High-Speed Internet services are provided to residential customers as well. Voice services include basic local phone and long distance services, as well as enhanced features.

*Wholesale Channel*

Wholesale revenue represents wholesale carrier data services provided to both wireline and wireless carriers.

*Other*

We receive revenue from various other sources such as wireless services which includes the sale of wireless handsets and other wireless accessories, and switched carrier access which compensates us for origination, transport and termination of calls for long distance and other interexchange carriers. Also included in other revenue is government subsidies generally to provide service in rural or isolated areas.

**Results of Operations for the Three Months Ended March 31, 2017 and 2016**

For the three months ended March 31, 2017, the Company incurred a net loss of $2.0 million. For the three months ended March 31, 2016, the Company had net income of $0.2 million. The loss in 2017 is attributed, in part, to $3.7 million in pension settlement losses and other related costs associated with a higher level of retirements in the first quarter of 2017. On an ongoing basis, we expect these retirements will cause our labor expense to decline by an annual average of $1.5 million on a net reduction of 20 employees.

***Operating Revenues***

The following tables summarize our volume information (lines or subscribers) as of March 31, 2017 and 2016, and our operating revenues for the three months ended March 31, 2017 and 2016. For comparability, we also present volume information as of March 31, 2017 compared to December 31, 2016.

Volume information includes certain information by lines. The line counts represent the number of billed units as of the end of the period as reflected in the records of our primary billing system. The separation of units by the business and consumer channel is based on the customer account designation in the billing system which is generally consistent with how revenue information is separated by channel. Business data lines represent digital subscriber lines used to provide internet services. Video service subscribers are determined with a count of individual customers as reflected in our primary billing system as of period end. For bulk contracts for multi dwelling units, we count individual residences subject to the bulk contract. Video homes enabled is estimated based on a count of single family homes and homes in multi dwelling units that are able to obtain our television service as of the period end.

Beginning in 2017, we discontinued separate reporting of data center services revenue. As discussed in Note 14 to the condensed consolidated financial statements, we no longer separately report data center services as a separate segment. All revenue is now reported by its nature on a companywide basis. Prior period information has been revised to reflect the current presentation.

**Volume Information**

As of March 31, 2017 compared to March 31, 2016

| | March 31, | | Change | |
|---|---|---|---|---|
| | **2017** | **2016** | **Number** | **Percentage** |
| Business | | | | |
| Data lines | 19,341 | 19,954 | (613) | (3.1)% |
| BVoIP lines | 20,034 | 17,281 | 2,753 | 15.9 % |
| Voice access lines | 158,621 | 166,073 | (7,452) | (4.5)% |
| | | | | |
| Consumer | | | | |
| Video subscribers | 42,771 | 37,108 | 5,663 | 15.3 % |
| Internet lines | 90,693 | 92,820 | (2,127) | (2.3)% |
| Voice access lines | 131,142 | 147,375 | (16,233) | (11.0)% |
| Homes enabled for video | 203,000 | 195,000 | 8,000 | 4.1 % |

As of March 31, 2017 compared to December 31, 2016

| | March 31, 2017 | December 31, 2016 | Change | |
|---|---|---|---|---|
| | | | **Number** | **Percentage** |
| Business | | | | |
| Data lines | 19,341 | 19,596 | (255) | (1.3)% |
| BVoIP lines | 20,034 | 19,091 | 943 | 4.9 % |
| Voice access lines | 158,621 | 160,829 | (2,208) | (1.4)% |
| | | | | |
| Consumer | | | | |
| Video subscribers | 42,771 | 41,557 | 1,214 | 2.9 % |
| Internet lines | 90,693 | 91,089 | (396) | (0.4)% |
| Voice access lines | 131,142 | 135,363 | (4,221) | (3.1)% |
| Homes enabled for video | 203,000 | 202,000 | 1,000 | 0.5 % |

**Operating Revenues (dollars in thousands)**

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 | Change Amount | Change Percentage |
|---|---|---|---|---|
| Business | | | | |
| Data services | $ 15,617 | $ 16,384 | $ (767) | (4.7)% |
| Voice services | 21,258 | 22,412 | (1,154) | (5.1)% |
| Hosted and managed services | 1,532 | 1,581 | (49) | (3.1)% |
| Equipment and related services | 5,443 | 4,465 | 978 | 21.9 % |
| | 43,850 | 44,842 | (992) | (2.2)% |
| Consumer | | | | |
| Video services | 10,594 | 9,426 | 1,168 | 12.4 % |
| Internet services | 6,681 | 7,725 | (1,044) | (13.5)% |
| Voice services | 16,986 | 19,054 | (2,068) | (10.9)% |
| | 34,261 | 36,205 | (1,944) | (5.4)% |
| Wholesale carrier data | 12,828 | 13,762 | (934) | (6.8)% |
| Other | 3,571 | 3,985 | (414) | (10.4)% |
| | $ 94,510 | $ 98,794 | $ (4,284) | (4.3)% |

*Business Channel*

The Company continues to transform its business channel by replacing traditional voice services with next generation strategic services. The Company considers strategic service revenues in the business channel to include business data services and colocation services.

Business data services, including internet and BVoIP, for the three months ended March 31, 2017 decreased compared to the same period in the prior year primarily due to non-recurring fees associated with one large institutional customer. For the three months ended March 31, 2017 and 2016, business data services revenue from this customer amounted to $0.5 million and $1.7 million, respectively, including non-recurring fee revenue. We anticipate less revenue from this customer in 2017 as the recognition of revenue on certain upfront billed amounts ended with the fixed contract term on June 30, 2016. In addition, during the three months ended March 31, 2016, we recognized the remaining balance of deferred up-front charges of $0.8 million when another institutional customer terminated the related services. In general, exclusive of revenue from these non-recurring fees, revenue and the related demand for data services continues to rise as reflected in the growth of BVoIP lines.

Continued competition in the telecommunications industry has increasingly resulted in customers using technologies other than traditional phone lines for voice and data. Business customers are moving local voice services to VoIP technology. Generally, VoIP technology is less expensive than traditional wireline phone service, requiring us to respond with more competitive bundled unified service such as our BVoIP product.

The decrease in voice service revenues for the business channel for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 was caused primarily by the decline of voice access lines. Business voice access lines decreased 4.5% as of March 31, 2017 compared to March 31, 2016. The decline in traditional voice access lines was partially offset by an increase in BVoIP lines of 15.9%.

Hosted and managed services revenues for the three months ended March 31, 2017 were comparable to the prior year period.

Equipment and related services sales increased for the three months ended March 31, 2017 when compared to the prior year period because of large contract installations for certain commercial and institutional customers. Revenue from equipment sales varies from period to period based on the volume of large installation projects.

*Consumer Channel*

The Company continues to transform its consumer channel by replacing traditional voice services with next generation strategic services. The Company considers strategic service revenues in the consumer channel to include video and internet services. Consumer strategic revenues now represent 50% of the total consumer channel revenues compared to 47% in the prior year period.

Video services revenue increased for the three months ended March 31, 2017 compared to the same period in the prior year because of an increase in video subscribers of 15.3%.

Internet revenues for the three months ended March 31, 2017 decreased compared to the prior year as a result of the combined effect of competitive pricing and a decline in low-bandwidth internet subscribers.

The decrease in voice services revenue for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 was caused primarily by a decline in voice access lines. Consumer voice access lines decreased 11.0% from the year ago period which contributed an estimated $2.1 million to the decline in consumer voice services revenue. Residential customers are increasingly using wireless services in place of traditional wireline phone services as well as using VoIP technology offered by cable competitors.

In an effort to slow the rate of internet and voice 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 also emphasize win back and employee referral programs. Additionally, we are intensifying our efforts relative to developing tools and training to enhance our customer service capability to improve customer retention and growth.

*Wholesale and Other Channel*

Wholesale carrier revenue decreased for the three months ended March 31, 2017 compared to the same period in the prior year as certain carriers have replaced older legacy circuits with more cost effective higher bandwidth solutions.

Other revenue decreased for the three months ended March 31, 2017 compared to the same period in 2016 because of a decline in ancillary services. There has been a reduction in marketing effort on certain ancillary products, such as wireless, as we focus on other telecommunication services.

***Operating Costs and Expenses***

The following table summarizes our costs and expenses for the three months ended March 31, 2017 compared to the costs and expenses for the three months ended March 31, 2016 (dollars in thousands):

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | **2017** | **2016** | **Amount** | **Percentage** |
| Cost of revenues (exclusive of depreciation and amortization) | $41,191 | $42,479 | $(1,288) | (3.0)% |
| Selling, general and administrative expenses | 31,395 | 29,865 | 1,530 | 5.1 % |
| Depreciation and amortization | 21,269 | 21,950 | (681) | (3.1)% |
| | $93,855 | $94,294 | $ (439) | (0.5)% |

The Company’s total headcount as of March 31, 2017 was 1,251 compared to 1,318 as of March 31, 2016. Employee related costs are included in both cost of revenues and selling, general and administrative expenses.

Cost of revenues consists of costs we incur to provide our products and services including those for operating and maintaining our networks, installing and maintaining customer premise equipment, and cost of services directly associated with various products. Costs of revenue for the three months ended March 31, 2017 when compared to the prior year period were impacted by increased content costs for Hawaiian Telcom TV of $1.1 million with increased subscribers and increased cost of goods related to equipment revenue of $0.7 million on higher volume. This was offset by reduced costs of plant maintenance of $2.2 million and the benefit of various other cost saving initiatives for the three months ended March 31, 2017.

Selling, general and administrative expenses include costs related to sales and marketing, information systems and other administrative functions. The increase for the three months ended March 31, 2017 relative to the three months ended March 31, 2016 is primarily due to $3.7 million in pension settlement losses and other related costs associated with a higher level of retirements in the first quarter of 2017. This increase in expenses was offset by lower wage costs, excluding retirement costs, of $0.7 million. In addition we had other cost saving initiatives which resulted in reduced costs of $1.0 million.

Depreciation and amortization for the three month period ended March 31, 2017 was lower than the same period in the prior year due to certain assets becoming fully depreciated in the latter part of 2016.

***Other Income and (Expense)***

The following table summarizes other income (expense) for the three months ended March 31, 2017 and 2016 (dollars in thousands).

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | Amount | Percentage |
| Interest expense | $ (3,993) | $ (4,240) | $ 247 | (5.8)% |

Interest expense for the three month period ended March 31, 2017 decreased compared to the same period in 2016 because of an increase in capitalized interest. Interest capitalized amounted to $0.5 and $0.3 million for three months ended March 31, 2017 and 2016, respectively. The growth in capitalized interest is due to the financing costs attributed to the trans-Pacific cable that is currently under construction.

***Income Tax Provision***

For the three months ended March 31, 2017, we recognized an income tax benefit on a loss before the income tax benefit. For the three months ended March 31, 2016, we recognized an income tax provision on income before the income tax provision. We had effective tax rates of 41.5% and 40.8% for the three months ended March 31, 2017 and 2016, respectively. The effective tax rates increased from the prior year as permanent differences between financial reporting and income tax income increased relative to pretax income. We consider a variety of factors in determining the effective tax rate, including our forecasted full-year pretax results, the U.S. federal statutory rate, expected nondeductible expenses and estimated state taxes.

As of December 31, 2016, net operating losses available for carry forward through 2036 amounted to $166.5 million for federal tax purposes and $172.5 million for state tax purposes. Availability of net operating losses in future periods may be subject to additional limitations if there is a deemed change in control for income tax reporting purposes. Such change in control is determined for income tax reporting purposes based on cumulative changes in stock ownership over a defined period.

**Liquidity and Capital Resources**

As of March 31, 2017, we had cash and cash equivalents of $10.5 million. From an ongoing operating perspective, our cash requirements in 2017 consist of supporting the development and introduction of new products, capital expenditure projects, pension funding obligations and other changes in working capital. A combination of cash-on-hand, cash generated from operating activities and available financing will be used to fund our cash requirements. Additional sources of cash from our refinancing of debt are discussed below.

We continue to focus on improving operating results, including efforts to simplify product offerings, improve our customer service experience and increase our revenue enhancement activities. There can be no assurance that these actions will result in improved overall cash flow. We continue to have sizable retirement obligations for our existing employee base. Any sustained declines in the value of pension trust assets or relatively high levels of pension lump sum benefit payments, will increase the magnitude of future plan contributions.

Agreements with the Hawaii Public Utilities Commission and the debt agreements of Hawaiian Telcom Communications, Inc. limit the ability of our subsidiaries to pay dividends to the parent company and restrict the net assets of all of our subsidiaries. This can limit our ability to pay dividends to our shareholders. As the parent company has no operations, debt or other obligations, this restriction has no other immediate impact on our operations.

***Cash Flows for Three Months Ended March 31, 2017 and 2016***

Our primary source of funds continues to be cash generated from operations. We use the net cash generated from operations to fund network expansion and modernization. We expect that our capital spending requirements will continue to be financed through internally generated funds. We also expect to use cash generated in future periods for debt service. Additional debt or equity financing may be needed to fund additional development activities or to maintain our capital structure to ensure financial flexibility.

Net cash provided by operations amounted to $20.3 million for the three months ended March 31, 2017. Net cash provided by operations amounted to $20.9 million for the three months ended March 31, 2016. The decrease in cash provided by operations was because of working capital demands during the three months ended March 31, 2017.

Cash used in investing activities for the three months ended March 31, 2017 was comprised of capital expenditures of $27.2 million. Cash used in investing activities included capital expenditures of $28.1 million for the three months ended March 31, 2016. The level of capital expenditures for 2017 is expected to be less than in 2016 as we scale back capital on certain elements of our network expansion initiatives focusing on those directly related to sales opportunities.

During the three months ended March 31, 2017, we had drawings of $6.0 million on our revolving line of credit. The drawing was used, in part, to fund capital costs of our trans-Pacific submarine cable under construction. In addition, we paid costs related to our new delayed draw credit facility amount to $2.1 million. The balance of cash flows from financing activities for the three months ended March 31, 2017 and 2016 was related primarily to the repayment of our debt and satisfaction of other obligations.

***Outstanding Debt and Financing Arrangements***

As of March 31, 2017, we had outstanding $289.4 million in aggregate long-term term debt with a maturity date of June 2019. In addition, we had drawings as of and for the three months ended March 31, 2017 amounting to $6.0 million on our line of credit.

In February 2017, we entered into a delayed draw credit agreement for new term loans and a new revolving credit facility. The new facility funded repayment of the existing term loan and replacement of the existing revolving credit facility on May 4, 2017. Included in the new facility is a term loan for $90.0 million with a maturity in 2022 and another term loan for $230.0 million with a maturity in 2023. The agreement also provides for a new line of credit for $30.0 million with a maturity in 2022. The new financing increased the nominal value of outstanding debt by $24.6 million compared to that outstanding at March 31, 2017 and provided significant additional cash resources.

With our new debt structure, we do not expect to generate the necessary cash flow from operations to repay the facility in its entirety by the maturity dates of 2022 and 2023. Repayment is dependent on our ability to refinance the credit facility at reasonable terms. The ability to refinance the indebtedness at reasonable terms before maturity cannot be assured.

***Contractual Obligations***

During the three months ended March 31, 2017, the Company's future contractual obligations have not changed materially from the amounts disclosed as of December 31, 2016 in our Form 10-K. However, we did fund our new term debt facility on May 4, 2017 and repaid existing debt which resulted in revised obligations for term debt and debt interest, at current rates, as follows (dollars in thousands):

| | 2017 | 2018 and 2019 | 2020 and 2021 | 2022 and Thereafter | Total |
|---|---|---|---|---|---|
| Term loan facility | $ 5,125 | $23,375 | $32,000 | $259,500 | $320,000 |
| Debt interest | 11,029 | 31,500 | 28,637 | 13,864 | 85,030 |
| Total | $16,154 | $54,875 | $60,637 | $273,364 | $405,030 |

We do not maintain any off balance sheet financing or other arrangements.

**Critical Accounting Policies and Estimates**

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on the condensed consolidated financial statements and thus actual results could differ from the amounts reported and disclosed herein. The Company's critical accounting policies that require the use of estimates and assumptions were discussed in detail in our Annual Report on Form 10-K for the year ended December 31, 2016, and have not changed materially from that discussion.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2017, our floating rate obligations consisted of $295.4 million of debt outstanding under our term loan facility and line of credit. Accordingly, our earnings and cash flow are affected by changes in interest rates. Based on our borrowings at March 31, 2017 and assuming a 1.0 percentage point increase or decrease in the average interest rate under these borrowings, we estimate that our annual interest expense would increase or decrease by approximately $3.0 million.

## Item 4. Controls and Procedures

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

**Changes in Internal Control over Financial Reporting**

There have been no changes in internal control over financial reporting during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**Certifications**

The certifications attached hereto as Exhibits 31.1, 31.2, 32.1 and 32.2 should be read in conjunction with the disclosures set forth herein.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

Other than ordinary routine litigation incidental to the business, we are not involved in any material pending legal proceedings that are likely to have a material adverse effect on us.

### Item 1A. Risk Factors

See Part I, Item 1A, "Risk Factors," of our 2016 Annual Report for a detailed discussion of risk factors related to our business, results of operations and financial condition.

## Item 5. Other Information.

**Earnings Release**

Hawaiian Telcom Holdco, Inc. issued a press release on May 9, 2017 announcing its 2017 first quarter earnings. This information, attached as Exhibit 99.1, is being furnished to the SEC pursuant to Item 2.02 of Form 8-K.

**Draw Down on Credit Facility**

On May 4, 2017 (the “Closing Date”), Hawaiian Telcom Communications, Inc. (the “Borrower”), a wholly-owned subsidiary of Hawaiian Telcom Holdco, Inc. (the “Company”), drew down $320 million under the Credit Agreement (the “Credit Agreement”) dated as of February 24, 2017, with CoBank, ACB, as administrative agent, an issuing lender, a joint lead arranger, bookrunner and swing line lender, and Fifth Third Bank and MUFG Union Bank, N.A., each as a joint lead arranger and co-syndication agent and the other lenders party thereto. The indebtedness consisted of (a) a term loan A-1 in the principal amount of $90 million (the “Term Loan A-1”), and (B) a term loan A-2 in the principal amount of $230 million (the “Term Loan A-2”, and together with the Term Loan A-1, the “Term A Loans”). The Term Loan A-1 matures on the date that is five years after the Closing Date and the Term Loan A-2 matures on the date that is six years from the Closing Date. The Term A Loans bear interest, at the Borrower’s election, at either the LIBOR rate or the base rate, in each case plus the applicable margin, which varies depending on whether our total debt to consolidated EBITDA ratio is less than 2.25x, or equal to or greater than 2.25x.

The foregoing description of the Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the text of the Credit Agreement which was filed as Exhibit 10.1 to the Company’s Form 8-K, File No. 01-34686, filed with the SEC on February 27, 2017.

**Termination of Credit Facility**

On May 4, 2017, the Borrower used a portion of the proceeds from the Credit Agreement to pay off all outstanding indebtedness under, and terminated, the Credit Agreement, dated as of February 29, 2012, among the Borrower, Hawaiian Telcom Holdco, Inc., the lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, as amended by Amendments No. 1 and No. 2.

On May 4, 2017, the Borrower also used a portion of the proceeds from the Credit Agreement to pay off all outstanding indebtedness under, and terminated, the Amended and Restated Revolving Line of Credit Agreement, dated as of October 3, 2011, among the Borrower, First Hawaiian Bank, as agent, and the lenders from time to time party thereto, as amended to date.

Black Diamond Capital Management, L.L.C. (“Black Diamond”) was one of the syndicated lenders under the Credit Suisse Credit Agreement. Black Diamond currently holds approximately 23% of the Company’s outstanding common stock, and is party to a Nomination, Standstill and Support Agreement with the Company, pursuant to which Black Diamond’s designee, N. John Fontana III, was nominated to the Company’s Board and elected as a Director at the annual meeting of stockholders held on April 28, 2017.

Eric K. Yeaman is a director of the Company and the Borrower, and is President and Chief Operating Officer of First Hawaiian Bank. Walter A. Dods, Jr. is a director of the Company and the Borrower, and is also a director of First Hawaiian Bank.

## Item 6. Exhibits

See Exhibit Index following the signature page of this Report.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | HAWAIIAN TELCOM HOLDCO, INC. |
| May 9, 2017 | /s/ Scott K. Barber |
| | Scott K. Barber<br>Chief Executive Officer |
| May 9, 2017 | /s/ Dan T. Bessey |
| | Dan T. Bessey<br>Chief Financial Officer |

**EXHIBIT INDEX**

| | |
|---|---|
| 10.1 | Credit Agreement dated as of February 24, 2017 among Hawaiian Telcom Communications, Inc., as the Borrower, the Guarantors party thereto, CoBank ACB, in its capacity as Administrative Agent for the Secured Parties, a Joint Lead Arranger, Bookrunner, an Issuing Lender and Swing Line Lender, Fifth Third Bank, as a Joint Lead Arranger and Co-Syndication Agent, and MUFG Union Bank, as a Joint Lead Arranger and Co-Syndication Agent, and the Lenders who are a party thereto (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, File No. 01-34686, filed with the SEC on February 27, 2017). |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 | Press Release dated May 9, 2017 announcing first quarter earnings. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

__________
* Identifies each management contract or compensatory plan or arrangement.

**Exhibit 31.1**

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

I, Scott K. Barber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawaiian Telcom Holdco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2017

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

**Exhibit 31.2**

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

I, Dan T. Bessey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawaiian Telcom Holdco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2017

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

**Exhibit 32.1**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hawaiian Telcom Holdco, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott K. Barber, certify, pursuant to 18 U.S.C.§1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2017

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

**Exhibit 32.2**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hawaiian Telcom Holdco, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan T. Bessey, certify, pursuant to 18 U.S.C.§1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| May 9, 2017 | /s/ Dan T. Bessey |
| | Dan T. Bessey |
| | Chief Financial Officer |

Exhibit 99.1

Hawaiian Telcom
HAWAII'S TECHNOLOGY LEADER


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**For Immediate Release**

**Hawaiian Telcom Reports First Quarter 2017 Results**

***Grew Hawaiian Telcom TV subscribers by 15 percent***
***Increased Next-Generation Network penetration on O'ahu to 24 percent***
***Completed Hawai'i cable landing on the trans-Pacific undersea cable system***
***Successfully closed on a new term loan to refinance existing credit facility***

HONOLULU (Tuesday, May 9, 2017) -- Hawaiian Telcom Holdco, Inc. (NASDAQ: HCOM) reported financial results for its first quarter ended March 31. The highlights are as follows:

- Revenue totaled $94.5 million, resulting in Adjusted EBITDA(1) of $27.1 million.
- Business strategic revenue(2) was $17.1 million, compared to $18.0 million in the same period in the prior year. Excluding one-time revenues related to two large institutional customers recorded in the first quarter 2016, normalized business strategic revenue for the quarter increased 7.8 percent year-over-year, driven by strong growth in Ethernet, dedicated Internet access, and VoIP revenues.
- Consumer strategic revenue(2) increased nearly 1 percent year-over-year to $17.3 million, driven by a solid 12.4 percent growth in video services revenue.
- Hawaiian Telcom TV subscribers grew 15.3 percent to nearly 42,800. When combined with approximately 5,500 additional Internet subscribers on our Next-Generation Network (NGN) that do not have our TV service, our penetration in our NGN footprint is 24 percent, an increase from 21 percent in the same period the prior year.
- Incurred a net loss of $2.0 million, or $0.17 per diluted share for the quarter, primarily due to $3.7 million in non-cash pension expense and other related one-time costs associated with employee retirements in the quarter.
- Successfully landed the trans-Pacific undersea cable to Hawai'i cable landing station. Overall system is on track to be ready for service in third quarter 2017.
- Successfully refinanced the existing credit facility with a new term loan of $320 million, extending maturity, reducing effective interest rate, and providing added flexibility to enhance shareholder value.

"Hawaiian Telcom's next-generation fiber network continues to serve as the anchor for consistent growth in strategic services across all three revenue channels," said Scott K. Barber, Hawaiian Telcom's president and CEO. "In the business channel, we continue to see growth in our next-generation IP-based data services, driven by a 16 percent year-over-year increase in Ethernet revenue and 14 percent year-over-year increase in VoIP revenue. Data revenues are the cornerstone of our commercial and SMB market, and represent an important source of sustainable cash flow with high gross margins. Data services also serve as the foundation for us to continue to layer on cloud and managed services.

"In the consumer channel, we continue to consistently grow market share with our superior IPTV service. TV subscriber penetration also increased to more than 21 percent in the first quarter, while TV penetration in our mature fiber footprint reached approximately 34 percent. In addition, nearly all Hawaiian Telcom TV customers subscribe to our high-margin Internet services so TV continues to be the key driver of our consumer strategic growth.

"In the wholesale channel, we continue to leverage our strategic fiber infrastructure throughout the state to enable wholesale carriers to serve their customers' growing bandwidth needs, driving almost 4 percent year-over-year revenue increase in our fiber-based Ethernet and optical services. These next-generation IP services provide a stable source of cash flow with high rates of return. Our terrestrial fiber assets as well as our undersea fiber capacity coming later this year will further increase our capability and competitiveness, allowing us to pursue additional revenue opportunities in this channel.

"Our investments in fiber have continued to transform our company and position us well for future growth in revenue and cash flow. We believe we have a strong combination of fiber assets, product portfolio, employees and strategies to capitalize on key opportunities in this marketplace and drive long-term value for our shareholders," concluded Barber.

**First Quarter 2017 Results**

First quarter revenue was $94.5 million, compared to $98.8 million in the first quarter of 2016. Excluding one-time revenues from two large institutional customers recorded in the first quarter of 2016, first quarter revenue declined $2.0 million year-over-year. Revenue declines associated with legacy voice and low-bandwidth Internet services were partially offset by revenue increases from consumer video, high-bandwidth business data services, and equipment and related services. Adjusted EBITDA was $27.1 million, a decrease of $1.1 million year-over-year.

Net loss for the first quarter was $2.0 million, or $0.17 per diluted share, primarily due to $3.7 million in non-cash pension expense and other related one-time costs associated with employee retirements in the quarter.

**Business Revenue**

First quarter business revenue totaled $43.9 million, compared to $44.8 million in the first quarter of 2016. Excluding the nonrecurring revenues associated with two large institutional customers mentioned above, normalized total business revenue increased 3.1 percent year-over-year and normalized business strategic revenue increased 7.8 percent year-over-year.

In business data services, customer demand for high-bandwidth IP-based services continued to rise, as reflected by a 16.1 percent year-over-year revenue increase in Ethernet and routed network services, 14.1 percent increase in normalized dedicated Internet access revenue, and 14.4 percent increase in VoIP revenue. Business VoIP lines grew 15.9 percent year-over-year to approximately 20,000 lines, offsetting more than a third of total legacy voice access line decline.

To support the growing demand for bandwidth and cloud adoption, the Company deployed its fiber GPON technology to further leverage its next-generation network to 300 additional small business addresses, providing customers access to 1 Gigabit Internet service. This brings Hawaiian Telcom's total fiber-GPON-enabled business addresses to more than 7,000 at the end of the first quarter.

Hosted and managed services revenue for the first quarter was comparable to the prior year period.

First quarter business strategic revenue now represents 39 percent of total reported business revenue, compared to 34 percent in the same period two years ago. Increases from normalized business strategic service revenue and equipment and related services revenue offset the year-over-year decline in business legacy voice services revenue.

**Consumer Revenue**

First quarter consumer revenue totaled $34.3 million, compared to $36.2 million in the first quarter of 2016. Revenue growth in the quarter from Hawaiian Telcom TV and high-bandwidth fiber Internet services was more than offset by the year-over-year revenue decline in consumer legacy voice and low-bandwidth copper Internet services. First quarter consumer strategic revenue increased nearly 1 percent year-over-year and now represents half of total consumer revenue, up from 43 percent in the same period two years ago.

Hawaiian Telcom TV continued to be the driver of revenue growth in the consumer channel. Video services revenue grew 12.4 percent year-over-year to $10.6 million for the quarter and has become a $43 million and growing annualized revenue stream. Video subscribers grew 15.3 percent during the same period and the Company ended the first quarter with nearly 42,800 subscribers in service. When combined with approximately 5,500 additional Internet subscribers on our NGN footprint that do not have our TV service, our penetration rate in our NGN footprint is 24 percent, an increase from 21 percent in the same period the prior year. During the first quarter, 1,000 additional success-based households were fiber-enabled, increasing the total number of households enabled to 203,000.

Customer demand for Hawaiian Telcom Internet continued to be driven by TV attachment and higher data speeds. As of March 31, 2017, approximately 95 percent of all video subscribers had double- or triple-play bundles with Internet. In the first quarter, the number of O‘ahu Internet subscribers attached to TV grew 14.7 percent year-over-year and now represents 57 percent of total O‘ahu Internet subscribers, up from 41 percent in the same period two years ago. Customer adoption of higher speed offerings also continued to grow. The number of Internet subscribers on packages with 21 Mbps to 1 Gbps speeds in the first quarter grew 17.2 percent year-over-year. Internet services revenue for the first quarter decreased $1.0 million from the same period a year ago as a result of the combined effect of promotional pricing and a decline in low-bandwidth copper Internet subscribers.

**Wholesale Revenue**

First quarter wholesale revenue totaled $12.8 million, a decline of $0.9 million compared to first quarter 2016. The revenue growth in wholesale high-bandwidth Ethernet services on multi-year contracts was more than offset by the revenue decline from certain wholesale customers disconnecting low-bandwidth, less efficient legacy circuits on month-to-month service, as well as reductions in rates for certain wireless carriers in exchange for extended terms.

**Operating Expenses**

Operating expenses, exclusive of non-cash and special items which we exclude from our Adjusted EBITDA calculation, decreased $3.2 million year-over-year to $67.4 million in the first quarter. The decrease was primarily due to reduced costs of plant maintenance, lower labor overtime and wage costs, and benefits of various other cost savings initiatives. These decreases were partially offset by higher direct cost of services related to video from increasing numbers of subscribers, as well as increased cost of goods as a result of higher levels of equipment sales.

**Capital Expenditures and Liquidity**

For the first quarter 2017, capital expenditures totaled $27.2 million, $0.9 million lower compared to the same period in 2016. Approximately 90 percent of first quarter capital expenditures was directed towards growth and expansion initiatives, which include payments on the trans-Pacific undersea cable system, Connect America Fund build out, spending on fiber-to-the-business, as well as success-based spending to support the growth of the Company's next-generation services. Overall, the level of capital expenditures for 2017 is expected to be lower than in 2016 and in the high-$80 million range due to the completion of our targeted single family home fiber build.

As of March 31, 2017, the Company had $10.5 million in cash and cash equivalents compared to $15.8 million at the end of 2016. The decrease in cash is primarily related to payments on our trans-Pacific undersea cable. Net Debt(3) was $280.0 million, resulting in a Net Leverage Ratio(4) as of March 31, 2017 of 2.4x. Levered Free Cash Flow(5) for the first quarter was negative $3.7 million.

**Conference Call**

The Company will host a conference call to discuss its first quarter 2017 results at 8:00 a.m. (Hawaii Time), or 2:00 p.m. (Eastern Time) on Tuesday, May 9, 2017. The accompanying slide presentation will be available from the Investor Relations section of the Company's website at hawaiiantel.com prior to the call.

To access the call, participants should dial (877) 456-0428 (US/Canada), or (615) 247-0082 (International) ten minutes prior to the start of the call and provide passcode 7663636.

A live webcast of the conference call will be available from the Investor Relations section of the Company's website at hawaiiantel.com. The webcast will be archived at the same location.

A telephonic replay of the conference call will be available two hours after the conclusion of the call until 5:00 p.m. (Eastern Time) May 16, 2017. Access the replay by dialing (855) 859-2056 or (404) 537-3406 and entering passcode 7663636.

**Use of Non-GAAP Financial Measures**

This press release contains information about adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), Net Debt, Net Leverage Ratio and Levered Free Cash Flow. These are non-GAAP financial measures used by Hawaiian Telcom management when evaluating results of operations. Management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Detailed reconciliations of Adjusted EBITDA, Net Debt, Net Leverage Ratio and Levered Free Cash Flow to comparable GAAP financial measures have been included in the tables distributed with this release and are available in the Investor Relations section of hawaiiantel.com.

**Forward-Looking Statements**

In addition to historical information, this release includes certain statements and predictions that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, any statement, projection or estimate that includes or references the words "believes", "anticipates", "intends", "expected", or any similar expression falls within the safe harbor of forward-looking statements contained in the Reform Act. Actual results or outcomes may differ materially from those indicated or suggested by any such forward-looking statement for a variety of reasons, including, but not limited to: failures in Hawaiian Telcom's critical back office systems and IT infrastructure; breach of the our data security systems; increases in the amount of capital expenditures required to execute our business plan; the loss of certain outsourcing agreements, or the failure of any third party to perform under these agreements; our ability to sell capacity on the new submarine fiber cable project; adverse changes to applicable laws and regulations; the failure to adequately adapt to technological changes in the telecommunications industry, including changes in consumer technology preferences; adverse economic conditions in Hawai'i; the availability of lump sum distributions under our union pension plan; limitations on the ability to utilize net operating losses due to an ownership change under Internal Revenue Code Section 382; the inability to service our indebtedness; limitations imposed on our business from restrictive covenants in the credit agreements; and severe weather conditions and natural disasters. More information on potential risks and uncertainties is available in recent filings with the Securities and Exchange Commission, including Hawaiian Telcom's 2016 Annual Report on Form 10-K. The information contained in this release is as of May 9, 2017. It is anticipated that subsequent events and developments may cause estimates to change, and the Company undertakes no duty to update forward-looking statements.

**About Hawaiian Telcom**

Hawaiian Telcom (NASDAQ: HCOM), headquartered in Honolulu, is Hawai'i's Technology Leader, providing integrated communications, broadband, data center and entertainment solutions for business and residential customers. With roots in Hawai'i beginning in 1883, the Company offers a full range of services including Internet, video, voice, wireless, data network solutions and security, colocation, and managed and cloud services supported by the reach and reliability of its next generation fiber network and a 24/7 state-of-the-art network operations center. With employees statewide sharing a commitment to innovation and a passion for delivering superior service, Hawaiian Telcom provides an Always On℠ customer experience. For more information, visit hawaiiantel.com.

(1) **Adjusted EBITDA** is a non-GAAP measure defined by the Company as Net Income plus interest expense (net of interest income and other), income taxes, depreciation and amortization, gain on sale of property, non-cash stock and other performance-based compensation, SystemMetrics earn-out, pension settlement loss, severance costs and other special items. The Company believes this non-GAAP measure is a meaningful performance measure for investors because it is used by our Board and management to evaluate performance, enhance comparability between periods and make operating decisions. Our use of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in the telecommunications industry. A detailed reconciliation of Adjusted EBITDA to comparable GAAP financial measures has been included in the table distributed with this release.

(2) **Business strategic revenue**, as defined by the Company, includes data services and hosted and managed services revenues. Data services include high-bandwidth data products such as Ethernet, Routed Network Services, Dedicated Internet Access, along with traditional High-Speed Internet for business customers, VoIP, and legacy data services such as ATM and Frame Relay. Business VoIP, also referred to as BVoIP, is a unified hosted communications solution for business that includes digital voice services bundled with Internet service. Hosted and managed services include physical colocation, virtual colocation, security, cloud services, professional services, network management and network installation related services. **Consumer strategic revenue**, as defined by the Company, includes video services and consumer Internet services revenues.

(3) **Net Debt** provides a useful measure of liquidity and financial health. The Company defines Net Debt as the sum of the face amount of short-term and long-term debt and unamortized premium and/or discount, offset by cash and cash equivalents. A detailed reconciliation of Net Debt has been included in the tables distributed with this release.

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

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

(6) Beginning in the first quarter of 2017, the Company no longer reports data center services as a separate segment and a separate revenue line item in the business channel. This is as a result of the Company's evolving strategy to increase emphasis on bundling of strategic communications services to customers as well as maximize the efficiency benefits of an integrated operation. Data center services revenue has been reclassified to the appropriate revenue line items in the business channel. Prior period information has been revised to reflect the current presentation.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Operating revenues | $ 94,510 | $ 98,794 |
| Operating expenses: | | |
| Cost of revenues (exclusive of depreciation and amortization) | 41,191 | 42,479 |
| Selling, general and administrative | 31,395 | 29,865 |
| Depreciation and amortization | 21,269 | 21,950 |
| Total operating expenses | 93,855 | 94,294 |
| Operating income | 655 | 4,500 |
| Other income (expense): | | |
| Interest expense | (3,993) | (4,240) |
| Total other expense | (3,993) | (4,240) |
| Income (loss) before income tax provision (benefit) | (3,338) | 260 |
| Income tax provision (benefit) | (1,386) | 106 |
| Net income (loss) | $ (1,952) | $ 154 |
| Net income (loss) per common share - | | |
| Basic | $ (0.17) | $ 0.01 |
| Diluted | $ (0.17) | $ 0.01 |
| Weighted average shares used to compute net income (loss) per common share - | | |
| Basic | 11,529,046 | 11,475,834 |
| Diluted | 11,529,046 | 11,500,308 |

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 10,479 | $ 15,821 |
| Receivables, net | 31,377 | 33,377 |
| Material and supplies | 7,471 | 8,090 |
| Prepaid expenses | 3,901 | 4,093 |
| Other current assets | 7,638 | 7,229 |
| Total current assets | 60,866 | 68,610 |
| Property, plant and equipment, net | 598,798 | 595,997 |
| Intangible assets, net | 32,303 | 32,728 |
| Goodwill | 12,104 | 12,104 |
| Deferred income taxes, net | 85,891 | 92,171 |
| Other assets | 4,354 | 2,311 |
| Total assets | $ 794,316 | $ 803,921 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Current portion of long-term debt | $ 3,000 | $ 3,000 |
| Accounts payable | 47,713 | 53,506 |
| Accrued expenses | 13,310 | 15,293 |
| Advance billings and customer deposits | 15,967 | 15,013 |
| Other current liabilities | 5,948 | 6,327 |
| Total current liabilities | 85,938 | 93,139 |
| Long-term debt | 287,466 | 281,699 |
| Employee benefit obligations | 86,198 | 105,930 |
| Other liabilities | 17,668 | 18,239 |
| Total liabilities | 477,270 | 499,007 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity | | |
| Common stock, par value of $0.01 per share, 245,000,000 shares authorized and 11,587,963 and 11,513,279 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively | 116 | 115 |
| Additional paid-in capital | 180,429 | 179,958 |
| Accumulated other comprehensive loss | (22,156) | (35,218) |
| Retained earnings | 158,657 | 160,059 |
| Total stockholders' equity | 317,046 | 304,914 |
| Total liabilities and stockholders' equity | $ 794,316 | $ 803,921 |

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

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | $ (1,952) | $ 154 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 21,269 | 21,950 |
| Deferred financing amortization | 529 | 492 |
| Employee retirement benefits | 1,410 | (1,846) |
| Provision for uncollectible receivables | 950 | 1,039 |
| Stock based compensation | 567 | 579 |
| Deferred income taxes | (1,251) | 240 |
| Changes in operating assets and liabilities: | | |
| Receivables | 1,050 | 207 |
| Material and supplies | 619 | (1,417) |
| Prepaid expenses and other current assets | (217) | (1,249) |
| Accounts payable and accrued expenses | (3,162) | 965 |
| Advance billings and customer deposits | 954 | 592 |
| Other current liabilities | 340 | (278) |
| Other | (839) | (512) |
| Net cash provided by operating activities | 20,267 | 20,916 |
| Cash flows from investing activities: | | |
| Capital expenditures | (27,242) | (28,139) |
| Net cash used in investing activities | (27,242) | (28,139) |
| Cash flows from financing activities: | | |
| Proceeds from borrowing | 6,000 | — |
| Repayment of capital lease and installment financing | (1,051) | (1,135) |
| Repayment of debt | (750) | (750) |
| Refinancing costs | (2,071) | — |
| Taxes paid related to net share settlement of equity awards | (495) | (352) |
| Net cash provided by (used in) financing activities | 1,633 | (2,237) |
| Net change in cash, cash equivalents and restricted cash | (5,342) | (9,460) |
| Cash, cash equivalents and restricted cash, beginning of period | 21,146 | 34,137 |
| Cash, cash equivalents and restricted cash, end of period | $ 15,804 | $ 24,677 |

**Hawaiian Telcom Holdco, Inc.**
**Revenue by Category and Channel (6)**
**(Unaudited, dollars in thousands)**

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | Amount | Percentage |
| Business | | | | |
| Data services: | | | | |
| Ethernet and routed network services | $ 4,791 | $ 4,128 | $ 663 | 16.1 % |
| Dedicated Internet access | 2,603 | 3,519 | (916) | (26.0)% |
| Internet services | 3,354 | 3,562 | (208) | (5.8)% |
| BVoIP | 3,326 | 2,907 | 419 | 14.4 % |
| Legacy data services | 1,543 | 2,268 | (725) | (32.0)% |
| Total data services | 15,617 | 16,384 | (767) | (4.7)% |
| Voice services | 21,258 | 22,412 | (1,154) | (5.1)% |
| Hosted and managed services | 1,532 | 1,581 | (49) | (3.1)% |
| Equipment and related services | 5,443 | 4,465 | 978 | 21.9 % |
| | 43,850 | 44,842 | (992) | (2.2)% |
| Consumer | | | | |
| Video services | 10,594 | 9,426 | 1,168 | 12.4 % |
| Internet services | 6,681 | 7,725 | (1,044) | (13.5)% |
| Voice services | 16,986 | 19,054 | (2,068) | (10.9)% |
| | 34,261 | 36,205 | (1,944) | (5.4)% |
| Wholesale carrier data | 12,828 | 13,762 | (934) | (6.8)% |
| Other | 3,571 | 3,985 | (414) | (10.4)% |
| | $ 94,510 | $ 98,794 | $ (4,284) | (4.3)% |

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

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 | LTM Ended March 31, 2017 |
|---|---|---|---|
| Net income (loss) | $ (1,952) | $ 154 | $ (1,000) |
| Income tax provision (credit) | (1,386) | 106 | (901) |
| Interest expense and other income and expense, net | 3,993 | 4,240 | 16,848 |
| Operating income | 655 | 4,500 | 14,947 |
| Depreciation and amortization | 21,269 | 21,950 | 89,235 |
| Non-cash stock and other performance-based compensation | 725 | 779 | 2,892 |
| SystemMetrics earn-out | — | 515 | 250 |
| Pension settlement loss | 1,956 | — | 3,233 |
| Early retirement plan severance | 1,743 | — | 1,743 |
| Other special items | 714 | 390 | 2,611 |
| Adjusted EBITDA | $ 27,062 | $ 28,134 | $ 114,911 |

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

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 | LTM Ended March 31, 2017 |
|---|---|---|---|
| Adjusted EBITDA | $ 27,062 | $ 28,134 | $ 114,911 |
| Cash interest expense | (3,537) | (2,492) | (14,751) |
| Capital expenditures | (27,242) | (28,139) | (96,944) |
| Levered Free Cash Flow | $ (3,717) | $ (2,497) | $ 3,216 |

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

| | |
|---|---|
| Long-term debt as of March 31, 2017 | $ 290,466 |
| Less cash on hand | (10,479) |
| Total net debt as of March 31, 2017 | $ 279,987 |
| | |
| LTM Adjusted EBITDA as of March 31, 2017 | $ 114,911 |
| Net leverage ratio as of March 31, 2017 | 2.4 x |

**Hawaiian Telcom Holdco, Inc.**
**Volume Information**
**(Unaudited)**

| | March 31, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | Number | Percentage |
| Business | | | | |
| Data lines | 19,341 | 19,954 | (613) | (3.1)% |
| BVoIP lines | 20,034 | 17,281 | 2,753 | 15.9 % |
| Voice access lines | 158,621 | 166,073 | (7,452) | (4.5)% |
| | | | | |
| Consumer | | | | |
| Video subscribers | 42,771 | 37,108 | 5,663 | 15.3 % |
| Internet lines | 90,693 | 92,820 | (2,127) | (2.3)% |
| Voice access lines | 131,142 | 147,375 | (16,233) | (11.0)% |
| Homes enabled for video | 203,000 | 195,000 | 8,000 | 4.1 % |