DAVID Y. IGE
GOVERNOR

JOSH GREEN
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CATHERINE P. AWAKUNI COLÓN
DIRECTOR

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VIA EMAIL & U.S. MAIL

April 29, 2019

Steven P. Golden
Vice President, External Affiars
Hawaiian Telcom
1177 Bishop Street, Suite 17
Honolulu, Hawai`i 96813

Re: Letter Order – Annual Audited Financial Statements

Dear Mr. Golden:

Pursuant to Hawai`i Revised Statutes ("**HRS**") § 440G-14 the Director of the Department of Commerce and Consumer Affairs ("**DCCA**") requires that cable operators shall file with the Director of DCCA ("**Director**") reports of its financial, technical, and operational condition and its ownership. Moreover, pursuant to Hawai`i Administrative Rules ("**HAR**") § 16-131-44, each cable operator shall submit to the Director audited or reviewed financial statements for the preceding fiscal year.

On June 24, 2011, Decision and Order ("**D&O**") No. 352 was issued granting Hawaiian Telcom Services Company, Inc. ("**HTSC**") a cable franchise on Oahu. Pursuant to Section IV.S.5., HTSC is required to provide to the Director by April 30th of each calendar year,

> Holdco's audited consolidated and consolidating financial statements which such consolidating financial statements will disclose separate financial information for HTSC (i.e., Balance Sheet and Income Statement), for the preceding calendar year, required by the Director pursuant to HAR chapter 16-131 (including but not limited to HAR section 16-131-44). In the event the Department determines that Holdco's financial statements do not contain sufficient detail to allow the DCCA to analyze HTSC's financial condition on a stand-alone basis, then HTSC shall cooperate with the DCCA

> to provide supplemental financial information that will provide the DCCA with such sufficient detail. HTSC acknowledges its obligation to comply with HAR chapter 16-131 (including but not limited to HAR section 16-131-44).[1]

On December 8, 2017, DCCA issued D&O No. 370 approving, with certain conditions, the indirect transfer of control of HTSC's cable franchise at the parent company level resulting in Cincinnati Bell Inc. ("**CB**") becoming the parent company of Holdco and its subsidiaries. As part of the approval, CB and HTSC would, *inter alia*, adhere to the requirements, obligations, and terms of the existing cable franchise orders. See D&O No. 370 at 24-25.

On April 24, 2019, HTSC submitted a letter requesting a waiver of its annual audited financial statement filing obligations under D&O No. 352 and the HAR ("**Waiver Request**"). In its Waiver Request HTSC notes that due to the indirect transfer of control of HTSC's cable franchise to CB, Holdco's stock was acquired by CB and became a component of CB's consolidated group of companies and, therefore, is no longer required to file annual audited financial statements with the United States Securities and Exchange Commission. HTSC further explains that preparing separate annual audited financial statements for Holdco and its subsidiaries to file with DCCA would create "a significant financial burden" by incurring substantial external and internal costs in order to support the audit process.

Pursuant to HRS § 440G-12, the Director has the power and jurisdiction to supervise and regulate every cable operator within this State so far as may be necessary to carry out the purposes of Chapter 440G, HRS, and to do all things which are necessary or convenient in the exercise of this power and jurisdiction. DCCA recognizes that due to the changes in corporate structure, the required submittal of the annual audited financial statements of Holdco, pose unnecessary financial reporting burdens on CB and HTSC's operations. Furthermore, during the transfer proceeding, DCCA determined that CB was financially qualified to acquire control of HTSC (see, Section V. of D&O No. 352).

Based on the foregoing, DCCA finds it reasonable to grant the Waiver Request submitted by HTSC. Notwithstanding any existing franchise requirement or rule to the contrary, beginning April 30, 2019, HTSC may satisfy its obligation to provide annual reviewed or audited financial statements pursuant to HAR § 16-131-44 and D&O No. 352, by submitting to the Director on April 30th of each calendar year, the consolidated annual audited financial statements for CB as well as Holdco's unaudited consolidating schedule based on the same financial records used in CB's consolidated financial

[1]During the issuance of D&O No. 352, HTSC was a wholly-owned subsidiary of Hawaiian Telcom Communications, Inc., a holding company which in turn was a wholly-owned subsidiary of Hawaiian Telcom Holdco, Inc. ("**Holdco**"). Holdco oversaw the Hawaiian Telcom family of companies, which collectively offer telecommunications and information services to residential and business customers throughout the State.

statements, so long as the financial statements are prepared in accordance with generally accepted accounting principles, consistently applied, and disclose separate financial information for HTSC (i.e., Balance Sheet and Income Statement). HTSC and CB shall also continue to fully cooperate with DCCA, DCCA staff, and its consultants and provide all requested information during any HTSC financial reviews and verifications.[2]

Except as otherwise provided in this Letter Order, the remaining provisions of all D&Os, Orders, Letter Orders and other directives that have been issued periodically to address specific needs and requirements shall continue to remain in full force and effect. The waiver of the filing requirements as set forth above may be revoked at any time at the Director's sole discretion.

If you have any questions on the above, please contact Ji Sook "Lisa" Kim, Cable Television Administrator, at (808) 586-2620.

Sincerely,

CATHERINE P. AWAKUNI COLÓN
Director

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[2]In particular, among other matters, HTSC and its parent company, as applicable and necessary, will continue to provide DCCA, DCCA staff, and its consultants with individual franchise (or franchise taxing authority level) detailed financial information during DCCA's annual review and verification of HTSC's franchise fee payments, including among other things, gross revenues, military revenues (if applicable), and bad debt.