<u>Exhibit 2</u>

DESCRIPTION OF TRANSACTION, PUBLIC INTEREST SHOWING AND RELATED REQUESTS AND DEMONSTRATIONS

By this application and related applications (the "Applications"), and pursuant to Sections 214 and 310(d) of the Communications Act of 1934, as amended ("the Act"), Wavecom Solutions Corporation ("Wavecom") and Hawaiian Telcom, Inc. ("HTI" and, together with Wavecom, "Applicants"), hereby request the Commission's consent to the transfer of control to HTI of various radio station authorizations, a submarine cable landing license, and domestic and international Section 214 authority held by Wavecom. As discussed herein, the proposed transfers of control satisfy the Commission's standards for approval, do not require any waivers of the Commission's rules, and accordingly can be approved expeditiously.

I. DESCRIPTION OF THE TRANSACTION

A. Wavecom

Wavecom, formerly known as Pacific Lightnet, Inc., is a Hawaii corporation and a facilities-based competitive local exchange carrier providing regulated and unregulated telecommunications products and services to its customers throughout the State of Hawaii. Among its services, Wavecom provides local dial tone, high-speed Internet access, dedicated and switched long distance (intrastate and interstate), special access, enhanced data services, hosted PBX offerings, managed services, and a recently formed cloud services business.[1] Wavecom provides communications services through an

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[1] The cloud service business and related equipment are not included as part of the Transaction. Prior to the consummation of the Transaction, Wavecom will transfer the business and relevant equipment and assets of its cloud service business to another entity that the shareholders of Wavecom either currently own or will form.

interisland submarine fiber optic network, which consists of approximately 400 miles of undersea fiber that connects the six major islands of Oahu, Kauai, Molokai, Lanai, Maui and the island of Hawaii. Wavecom's network also includes about 140 route miles of terrestrial (land-based) fiber, which includes three SONET fiber rings on Oahu.

B. HTI

HTI, which is headquartered in Honolulu, Hawaii, is the incumbent local exchange carrier for the State of Hawaii and provides services to all of Hawaii's major islands. Its sister company, Hawaiian Telcom Services Company, Inc. ("HTSC"), provides communications services, including interstate and intrastate long distance, high-speed Internet, managed services, video services, and wireless services. Together, these companies offer a wide spectrum of telecommunications products and services to residential customers, government agencies, large corporate clients and small- and mid-sized businesses. In addition to the services noted above, HTI and HTSC provide customer premises equipment, data solutions, billing and collection, and pay telephone services. As of March 31, 2012, HTI and HTSC served:

- 408,883 local access lines, of which 53 percent served residential customers and 46 percent served business customers, with the remaining 1 percent serving other customers;

- 209,845 long distance lines, of which 64 percent served residential customers and 36 percent served business customers; and

- 104,358 high-speed internet lines, which served 85,518 retail residential lines, 17,714 retail business lines and 1,126 wholesale business and resale lines.

HTI owns and operates a submarine undersea cable that was licensed in 1993 to GTE Hawaiian Telephone Co., the predecessor to HTI.[2] The cable connects four of the Hawaiian islands and is a completely intrastate, interisland cable facility.

C. The Proposed Transaction

On July 12, 2012, HTI and the shareholders of Wavecom, including SK Telecom Holdings, L.P. as representative of the Wavecom shareholders, entered into a Share Purchase Agreement in which the shareholders of Wavecom agreed to sell to HTI all the shares of Wavecom for cash. Immediately after the transaction is consummated, Wavecom will be a wholly owned subsidiary of HTI and the FCC licenses and authorizations held by Wavecom will be indirectly controlled by HTI.[3]

II. THE PROPOSED TRANSACTION IS IN THE PUBLIC INTEREST AND SHOULD BE PROMPTLY APPROVED

The communications industry is rapidly evolving in response to developments in competition, technology, new customer preferences, and the maturation and convergence of different communications services platforms. These developments include the adoption of Internet protocol ("IP") services and platforms. Successful adaptation to this evolution is critical to maintaining the economic resources necessary to provide high quality communications services to consumers at affordable rates.

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[2] *GTE Hawaiian Telephone Co.; Application for a License to Land and Operate a High Capacity Digital Submarine Cable System wholly within the State of Hawaii, linking the islands of Kauai, Oahu, Maui and Hawaii*, 8 FCC Rcd 7605 (Com. Car. Bur. 1993).

[3] After the transaction is consummated, HTI and its affiliates will evaluate the Wavecom business and determine whether certain operations should be consolidated with existing HTI and HTSC operations. HTI, and/or its affiliates, will seek the appropriate authorization or file any required notifications required by such consolidation at the time required by the Commission's rules.

The proposed transaction will result in a combined enterprise that can achieve greater economies of scale and scope than would have been the case if Wavecom had continued to operate as a standalone entity. The telecommunications marketplace in Hawaii is vibrantly competitive, and Wavecom currently lacks the resources to compete effectively for customers in the State on a standalone basis. By combining its operations with those of HTI, the transaction will improve Wavecom's ability to respond rapidly to the needs of customers in providing a full portfolio of quality, advanced communications services. As detailed below, the transaction will create important efficiency enhancements and help ensure the future financial stability of the combined company.

The proposed transaction also will enhance HTI's network capabilities by augmenting next-generation fiber capacity and diversity statewide. The enhanced capabilities will better position the company to deliver next generation, end-to-end solutions for customers in Hawaii. Importantly, the combined company will enjoy an enhanced ability to deploy next-generation broadband services. In addition to other scale and scope efficiencies, by combining Wavecom's and HTI's existing networks, the Applicants will be able to realize greater "transport" economies of scale. The transaction also will increase the combined company's network capacity, which will improve its ability to provide customers with access to high quality, next-generation broadband services as a result of this transaction.

A. Customers of Both Companies Will Benefit from the Transaction

The transaction will enable current customers of Wavecom to receive an improved level of service due to the greater resources afforded by the larger enterprise. After the transaction, Wavecom customers will continue to enjoy local exchange and domestic interstate and intrastate long distance services without reduction, impairment, or discontinuance of service. Further, because the transaction will put Wavecom on more solid financial footing, the combined company will be in a better position to continue providing quality service and to offer and invest in next generation services, while delivering reasonable returns to its ultimate shareholders. Current Wavecom customers have limited access to bandwidth due to legacy equipment limitations. The transaction will give these customers access to greater bandwidth enabling the next generation of telecommunications services and backed by a strong operations team present on all the major Hawaiian Islands.

The transaction will benefit the current and future customers of HTI and its affiliates by adding additional capacity to the overall network. This additional capacity and resiliency will better meet the rapidly growing demands of its customers for broadband and video services. Broadband growth in Hawaii has followed the national trends of doubling approximately every two years, necessitating the need for more capacity with greater resiliency. This transaction will allow great improvement to the transport backbones in the islands of Lanai and Molokai that have been limited in their broadband growth due to bandwidth limitations on the microwave radio system, while also enhancing existing capacity in the major Hawaiian Islands. This transaction will also help bring fiber deployment closer to the combined company's customers and replace copper cables in areas that cannot meet increasing bandwidth demands from Hawaii Kai to Waianae on the island of Oahu. Through this transaction, the combined company will be able to increase resiliency by diversifying the interisland network, the cable landing stations at Makaha and Keawaula which are important to attract more

Transpacific cables to Hawaii, and the key customer rings on Oahu by simplifying network designs.

The transaction will also benefit all consumers in Hawaii by enabling the company to become a more effective provider of broadband access and video services in the highly competitive Hawaii marketplace for Internet access services and multichannel video programming. Currently, Oceanic Time Warner ("OTW"), an affiliate of Time Warner Cable and the existing dominant cable TV provider, is also the largest player in the Internet access services market in Hawaii. The addition of greater network capacity will better enable the combined company to compete effectively with OTW for the provisioning of broadband access services by extending the feeder fiber reach to more communities on the island of Oahu, especially in the Nanakuli and Waianae areas. By extending its fiber reach, the combined company will be able to deploy more fiber-to-the-node or fiber-to-the-premises networks that will greatly increase the bandwidth access capacities in these neighborhoods. With this greater bandwidth, the combined company can offer access to higher speed broadband services. In addition, HTSC, HTI's affiliate, is a recent new entrant in the video marketplace as a multichannel video programming distributor ("MVPD") in the State of Hawaii. Its market share in the video market is *de minimis* compared to the services provided by the dominant company, which provides video services to over 95 percent of residential subscribers on the island of Oahu. New network capacity will better enable HTSC to better compete with the dominant company in the provision of video services.

B. The Transaction Poses No Risk of Anti-Competitive Harm

The transaction will not adversely affect competition in the relevant telecommunications services markets. Wavecom has a relatively small number of customers in a market with lots of options for service. Wavecom derives the majority of its revenues from the enterprise and small business market, and that market is subject to intense competition from multiple providers in the State of Hawaii. The size of Wavecom's share of the end-user business market is extremely small and thus the proposed transaction will not harm competition in that market. Moreover, Wavecom's IP-based services that provide termination services for VoIP and telecommunications carriers are only one option of many in an intensely competitive market. Accordingly, and as detailed further below, the proposed transaction will not adversely affect competition in any relevant telecommunications services market.

CLEC Overlaps. The proposed transaction will result in a limited number of overlapping customers affecting only the enterprise and small business end user markets. Wavecom provides dial-up Internet and VoIP service to only a handful of residential telecommunications customers. Under established Commission precedent, the overlaps involved in this transaction pose no threat of consumer harm.[4] First, these overlaps involve only a small portion of the Applicants' operations and customer base. After the transaction is completed, a substantial number of competitors will remain in each market, such as tw telecom and OTW, an affiliate of Time Warner Cable, both of which are

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[4] *See, e.g.*, *In re Joint Applications of Telephone and Data Systems, Inc. and Chorus Communications, Ltd. for Authority to Transfer Control of Commission Licenses and Authorizations Pursuant to Sections 214 and 310(D) of the Communications Act and Parts 22, 63 and 90 of the Commission's Rules*, 16 FCC Rcd 15,293, ¶¶ 8-9 (CCB/WTB 2001) (*TDS and Chorus Order*).

substantially larger than Wavecom. Other large providers in the enterprise market include Sprint, Qwest and Verizon Business. Numerous smaller competitors also serve the State of Hawaii, including registered CLECs Servpac and Hawaii Dialogix and VoIP providers AlohaTone and Red Road Telecom. There is also substantial competition from wireless carriers such as Verizon Wireless, AT&T, and Sprint, particularly in the small business market. The Commission has repeatedly found that anti-competitive risk to business customers is limited because businesses generally have more communications options than residential consumers and are more attractive to CLECs.[5] Such risk is further curtailed when, as here, a significant number of competitors will remain in these areas after the transaction is consummated. Given that there are numerous competitors already in these markets and that Wavecom serves only a tiny share of these markets, this transaction falls comfortably within Commission precedent finding no likelihood of public harm.[6]

Broadband and Video Services. Wavecom currently provides broadband services to relatively few customers and does not offer any video services. Thus, the transaction

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[5] *See, e.g.*, *In re Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, Memorandum Opinion and Order, 15 FCC Rcd 14,032, ¶ 121 (2000).

[6] *See TDS and Chorus Order*, 16 FCC Rcd at 15,298, ¶ 9. In this Order, the Commission approved a merger of two companies that were actual competitors in the Madison, Wisconsin area. The Commission found that the transaction was not likely to result in anti-competitive harm in large part because a significant number of competitors would remain in the area after the transaction was consummated and because the vast majority of TDS's customers were businesses. *See also* Public Notice, *Notice of Non-Streamlined Domestic 214 Application Granted*, DA 07-3580, 22 FCC Rcd 15,145 (WCB Aug. 10, 2007) (approving a merger between CT Communications, Inc. and Windstream Corporation involving 7 ILEC-CLEC overlaps and 5 CLEC-CLEC overlaps, including several in higher-density areas).

will have no anticompetitive impacts on the broadband and video markets. OTW is by far the largest provider of broadband services in both the business and residential markets in Hawaii. In the medium-to-large business segments, there are several national broadband service providers providing dedicated Internet access, including Sprint, Qwest, tw telecom and Verizon Business. In the small business market, competition is vigorous from Hawaii-based broadband providers such as Systemmetics as well as Tri-Net and wireless providers such as Clearcom, Verizon Wireless, AT&T and Sprint.

Long distance services. In addition, the combined entity will have no anti-competitive effect on the domestic interstate exchange market. HTSC, HTI's affiliate, and Wavecom presently operate as resellers in the long distance market; they have only a small share of the domestic interstate interexchange market and are regulated as non-dominant carriers in that market. The Commission has concluded that mergers between non-dominant carriers resulting in a combined firm with less than a ten percent share of the interstate interexchange market are "extremely unlikely [to] result in a public interest harm" and "unlikely to raise public interest concerns."[7] After the completion of the transaction, the combined company's interexchange telecommunications service market share will remain well below that threshold.

Wholesale carrier services. Wavecom serves a small portion of the wholesale market providing primarily terminating services to domestic and international carriers. After the transaction, both tw telecom and OTW will continue to provide carrier

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[7] *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd 5517, ¶ 30 (2002) (*Streamlining Order*) (citing U.S. Dep't of Justice and Federal Trade Commission Horizontal Merger Guidelines, § 1.51 n.18).

wholesale services in the State, both of which are significantly larger than Wavecom. Thus, the transaction will have no significant adverse impact in this market.

Submarine Cable and Terrestrial Transport Overlap. Wavecom and tw telecom, a competing common carrier, jointly own the majority of the Hawaii Island Fiber Network (HiFN), which contains fiber spans among six of the Hawaiian Islands.[8] The HiFN was installed in 1997 using non-zero dispersion shifted fiber (NZDSF), which was optimized for long haul and high bandwidth transmission. With modern telecommunications technology and equipment today, the cable system can support up to 8 terabytes capacity to provide interisland telecommunications and broadband services.[9] This undersea cable is connected to a land-based fiber optic transport network on six of the Hawaiian Islands.

There are a number of competitive alternatives to the HiFN. Paniolo Cable (PFOC-Paniolo Fiber-Optic Cable) owns and operates an undersea submarine cable system among five of the Hawaiian Islands that is available for other communications providers to use to provide services. Southern Cross Cable, a major international cable system, has interisland capacity between Hawaii and Oahu, which is used for intraisland communications and international telecommunications and non-communications services.[10] HTI owns a submarine cable system (HICS-Hawaii Inter-Island Cable

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[8] tw telecom owns the sheath and 50 percent of the fibers within the sheath for all of the segments except for the segments to Lanai and Molokai. Wavecom owns the remaining 50 percent of the fibers within the interisland segments other than to Lanai and Molokai. Wavecom owns the sheath and 100 percent of the fibers for the Lanai and Molokai interisland segments.

[9] *GST Interisland Order*, 11 FCC Rcd 3024 (Chief Int'l Bur., 1996); *GST Modification Order*, 16 FCC Rcd 869 (Int'l Bur., 2001).

[10] Wavecom leases less than five percent of the capacity on this segment.

Systems) among the four major Hawaiian Islands, which it uses to provide intrastate telecommunications and access to broadband services. There will therefore be four separate owners of undersea cable systems in the State of Hawaii after consummation of the instant transfer of control. In addition, point-to-point microwave facilities, satellite services, and facilities-based terrestrial wireless services are abundantly available in Hawaii, which will serve as a strong competitive deterrent to any entity seeking to charge unreasonable prices for capacity on these undersea cables.

Furthermore, there is rampant competition for the services that utilize these undersea and terrestrial cables, such as local, long distance telecommunications, and deregulated Internet access and video services, which will continue unabated after the transaction. In addition, because the HTI and Wavecom cables are both common carrier cable systems, they are under a statutory duty to provide service to customers on reasonable request and at reasonable prices pursuant to 47 U.S.C. § 201(b), and are prohibited from engaging in unreasonable discrimination pursuant to 47 U.S.C. § 202(a).

Both Wavecom and HTI and its affiliates are minor participants in the domestic transport business, and in the provision of undersea cable facilities on a global basis. As such, they cannot have a significant impact on the national market for Internet backbone or transport services.[11] In addition, as the FCC has noted, the Pacific Region has enjoyed explosive growth in undersea cable facilities and is expected to see continued growth into the future.[12] There are also numerous competitive alternative facilities that are available,

[11] Indeed, the Commission has approved a transaction that would consolidate much larger market participants in the backbone and transport markets. *See, e.g., Applications filed by Global Crossing Limited and Level 3 Communications, Inc. for Consent to Transfer Control,* IB Docket No. 11-78, 26 FCC Rcd 14056 (2011).

[12] 2010 Section 43.82 Circuit Status Data, Table 7-A (Int'l Bur., Mar. 2012).

including undersea cable facilities provided by tw telecom and Paniolo, as well as satellite and microwave facilities. There is no barrier to competitive entry to provide transport in the Pacific region.

In conclusion, the proposed transaction offers the potential for a combined enterprise that can more effectively and efficiently meet the needs of its customers. The transaction will put Wavecom on a stronger financial footing and expand capacity in network backbone facilities to provide broadband and video services, allowing the combined entity to continue to invest in new and existing technologies, networks, and services, which will produce substantial benefits to customers. At the same time, the transaction will not interrupt the services that Wavecom and HTI customers currently receive and presents no danger of anti-competitive harm. Because the public interest benefits of the transaction greatly outweigh any conceivable harms, the Applicants respectfully request that the Commission consent to the transfer of control of FCC licenses and authorizations held by Wavecom to HTI.

III. PROCEDURAL CONSIDERATIONS

A. Request for Declaratory Ruling on Foreign Ownership

Hawaiian Telcom Holdco, Inc. ("Holdco"), the ultimate parent corporation of HTI, requests that the Commission extend Holdco's current Section 310(b)(4) authority to hold interests in common carrier licenses and authorizations to encompass Wavecom and the FCC licenses it will hold following transfer to HTI as a result of this transaction. In this transaction, Wavecom will become a wholly owned subsidiary of HTI, which is ultimately wholly owned by Holdco. Holdco is a publicly traded corporation that is widely held by a large number of shareholders.

Holdco has previously received authorization from the FCC to control common carrier licenses and authorizations through Holdco's existing subsidiaries.[13] The Commission has approved up to 100 percent foreign ownership in Holdco pursuant to Section 310(b)(4) of the Communications Act.[14] In doing so, the Commission determined that "the public interest would be served by allowing the proposed indirect foreign ownership," consistent with the Commission's *Foreign Participation Order*.[15] No material changes have occurred in Holdco's foreign ownership since that authorization was granted. Thus, the proposed transaction – involving the same types of FCC licenses and authorizations as Holdco and its subsidiaries already have authority to hold – raises no new foreign ownership issues, and the Commission can and should extend Holdco's existing Section 310(b)(4) authority to the Wavecom subsidiary and the FCC licenses and authorizations it will hold following transfer to HTI.[16]

The public interest will be served if the Commission extends Holdco's current Section 310(b)(4) authority as requested. In the *Foreign Participation Order*, the Commission concluded that allowing additional foreign investment in common carrier wireless licensees beyond the 25 percent benchmark of Section 310(b)(4) will promote

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13 *See* International Authorizations Granted, Public Notice, DA No. 10-1798 at 2 (Sept. 23, 2010) ("Holdco PDR Grant").

14 *Id*.

15 *Id.* at 2.

16 Holdco submits that the Commission need not issue a declaratory ruling, given the agency's prior Section 310(b)(4) rulings approving Holdco's current foreign ownership. Nonetheless, should the Commission determine that a new declaratory ruling is necessary, Holdco hereby requests such a ruling extending its current Section 310(b)(4) authority to hold interests in common carrier licenses and authorizations to encompass the FCC licensees and licenses in which it will hold an interest as a result of the proposed transaction.

competition in the U.S. market, thereby serving the public interest.[17] The Commission, therefore, adopted a presumption in favor of allowing such investment if the investment is from entities organized under the laws of WTO Members.[18] The Commission should therefore issue a declaratory ruling extending Holdco's Section 310(b)(4) authority to these licenses and authorizations, to the extent such extension of authority is needed.

B. Additional Authorizations

While these Applications are pending, Wavecom may have on file or hereafter file additional requests for authorizations for new or modified facilities, which may be granted or remain pending during the pendency of the Applications. Accordingly, Applicants request that the FCC authorize HTI to acquire control of the following upon the grant of the transfer of control applications:

- Any license or authorization issued to Wavecom during the Commission's consideration of the Applications and the period required for consummation of the transaction following approval;
- Any construction permits held by Wavecom that mature into licenses after closing; and
- Applications that are filed after the date of these Applications and that are pending at the time of consummation.

Such actions would be consistent with prior Commission precedent.[19] In addition, the Applicants request that Commission approval of the transfer Applications include any licenses that may have been inadvertently omitted from the Applications.

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17 *Rules and Policies on Foreign Participation in the U.S. Telecomms. Market*, Report and Order and Order on Reconsideration, 12 FCC Rcd 23,891, 23,940 (¶ 111) (1997).

18 *Id.* at 23,913 (¶ 50) and 23,940 (¶¶ 111-12).

19 *See Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,626 (¶ 275); *Application of WorldCom, Inc., and MCI Commc'ns Corp. for Transfer of Control of MCI Commc'ns Corp. to WorldCom, Inc.*, Memorandum Opinion and Order, 13 FCC Rcd 18,025 (¶ 226)

C. Exemption from Cut-Off Rules

Pursuant to Sections 1.927(h), 1.929(a)(2) and 1.933(b) of the Commission's Rules,[20] to the extent necessary,[21] the Applicants request a blanket exemption from any applicable cut-off rules in cases where Wavecom files amendments to pending applications to reflect consummation of the proposed transfer of control. This exemption is requested so that amendments to pending applications to report the change in ultimate ownership of Wavecom would not be treated as major amendments. The scope of the transaction between Wavecom and HTI demonstrates that the ownership change would not be made for the acquisition of any particular pending application, but as part of a larger transaction undertaken for an independent and legitimate business purpose. Grant of such application would be consistent with previous Commission decisions routinely granting a blanket exemption in cases involving similar transactions.[22]

(1998); *Applications of NYNEX Corp., Transferor, and Bell Atlantic Corp., Transferee, for Consent to Transfer Control of NYNEX Corp. and Its Subsidiaries*, Memorandum Opinion and Order, 12 FCC Rcd 19,985, 20,097 (¶ 247) (1997) ("*NYNEX-Bell Atlantic Order*"); *Applications of Craig O. McCaw and AT&T for Consent to Transfer of Control of McCaw Cellular Commc'ns, Inc. and Its Subsidiaries*, Memorandum Opinion & Order, 9 FCC Rcd 5836, 5909 (¶ 137 & n.300) (1994) ("*McCaw-AT&T Order*").

[20] 47 C.F.R. §§ 1.927(h), 1.929(a)(2), and 1.933(b).

[21] With respect to cut-off rules under Sections 1.927(h) and 1.929(a)(2), the Commission has previously found that the public notice announcing the transaction will provide adequate notice to the public with respect to the licenses involved, including for any license modifications pending. In such cases, it determined that a blanket exemption of the cut-off rules was unnecessary. *See Applications of Ameritech Corp. and GTE Consumer Servs. Inc.*, Memorandum Opinion and Order, 15 FCC Rcd 6667, 6668 (¶ 2 & n.6) (1999); *In re Applications of Comcast Cellular Holdings, Co. and SBC Commc'ns, Inc.,* Memorandum Opinion and Order, 14 FCC Rcd 10,604, 10,605 (¶ 2 & n.3) (1999).

[22] See, e.g. *NYNEX-Bell Atlantic Order, 12 FCC Rcd at 20,091-0922 (¶ 234); Applications of PacifiCorp Holdings, Inc., Transferor, and Century Tel. Enters., Inc., Transferee, For Consent to Transfer Control of Pacific Telecom, Inc., a Subsidiary of PacifiCorp Holdings, Inc.*, Memorandum Opinion and Order, 13 FCC Rcd 8,891, 8915-16 (¶ 47) (1997); *McCaw-AT&T Order*, 9 FCC Rcd at 5909 (¶ 137 & n.300).

D. Environmental Impact

As required by Section 1.923(e) of the Commission's rules,[23] the Applicants state that the transfers of control of licenses involved in this transaction will not have a significant environmental effect, as defined by Section 1.1307 of the Commission's rules.[24] A transfer of control of licenses does not involve any engineering changes and, therefore, cannot have a significant environmental impact.

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[23] 47 C.F.R. § 1.923(e).

[24] *Id.* § 1.1307.