

September 25, 2019

Via E-Filing

Oregon Public Utility Commission
201 High St. SE, Suite 100
Salem, Oregon 97301
Attn: Filing Center

Re: Docket No. CP 1593 – Notification Regarding the Proposed Transfer of Control of SQF, LLC to SDC Tilson Investor, LLC

Dear Sir or Madam:

By this letter, SQF, LLC (CP 1593) (“SQF” or “Transferor”) notifies the Oregon Public Utility Commission (“Commission”) of the proposed transfer of control of SQF to SDC Tilson Investor, LLC (the “Transaction”). Because Commission action is not required for the transaction described herein¹ SQF submits this letter for informational purposes.

I. Description of the Parties

A. SQF, LLC

SQF is a Delaware limited liability company with its principal office at 16 Middle Street, 4th Floor, Portland, Maine 04101. SQF was authorized by the Oregon Public Utility Commission as competitive telecommunications provider pursuant to Order No. 16-112 issued in CP 1593 on March 17, 2016. SQF is currently a direct, wholly owned subsidiary of SQF Holdco, LLC.²

¹ 2017 ORS 759.040 exempts providers with less than 50,000 access lines from approval requirements for issuances of stock and other sales. As of the date of this filing, SQF has no access lines in the State of Oregon.

² At the time of SQF’s certification in Oregon, it was a wholly owned subsidiary of Tilson Technology Management, Inc. (“Tilson”). In March of 2019, Tilson contributed SQF, LLC to a newly created wholly-owned holding company, SQF HoldCo, LLC (“SQF HoldCo”). This change did not result in a change in control, ultimate ownership, or personnel of SQF. SQF Holdco is a holding company and does not directly hold authorizations or provide any telecommunications services.

B. SDC Tilson Investor, LLC

SDC Tilson Investor, LLC is a Delaware limited liability company with a principal office at 3 E. 28th Street, 3rd Floor, New York, New York 10016. SDC is wholly owned by funds managed by SDC Capital Partners, LLC, a New York City-based private investment firm focused on information technology and communications infrastructure. SDC is a holding company and does not directly hold any authorizations or provide any telecommunications services.

II. Contacts

For purposes of this filing, contacts are as follows:

For Transferor (SQF):

Nicholas Bournakel
Regulatory Administrator – SQF, LLC
16 Middle Street, 4th Floor
Portland, ME 04101
(207) 671-0893 (tel)
(207) 772-3427 (fax)
nbournakel@tilsontech.com

With copies to:

Clinton Karcher
SDC Capital Partners, LLC
3 East 28th Street, 3rd Floor
New York, NY 10016
ckarcher@sdccapitalpartners.com

Scott Gross
SDC Capital Partners, LLC
3 East 28th Street, 3rd Floor
New York, NY 10016
sgross@sdccapitalpartners.com

III. Description of the Transaction

Pursuant to the terms of an Investment Agreement between SQF and SDC dated February 27, 2019, after obtaining the necessary regulatory approvals, SDC will make a series of cash investments in exchange for shares in SQF (the “Transaction”). Once these investments are complete, SDC will own

a majority of SQF, LLC, with the remainder held by SQF's current owner, SQF HoldCo. The Exhibit A Current and Post-Transaction Ownership Structure Chart contains a depiction of the ownership structure both before and after the Transaction.

IV. Public Interest Considerations

The proposed transfer will serve the public interest. Once the Transaction is complete, SQF will continue to provide services at the same rates and on the same terms and conditions as are currently in effect, and the transaction will not result in the discontinuance, reduction, loss, or impairment of service to customers. The technical and managerial resources available to SQF after the Transaction will be the same or improved; it will continue to be managed and operated by the officers and personnel of Tilson, now supplemented by management of SDC and its parent. SQF will also have access to additional financial resources through its relationship with SDC, allowing it to better meet the needs of its customers and compete in the telecommunications market.

SDC is wholly-owned by the funds of SDC Capital Partners ("SDC Partners"), a private investment firm focused on IT and communication infrastructure investments. SDC Partners is currently investing out of a \$400 million digital infrastructure opportunity fund. SDC, through SDC Partners, is financially fit to own and control a majority share of SQF. SDC's investment in SQF will strengthen SQF's ability to make additional capital investments in telecommunications infrastructure and expand its operations and service offerings.

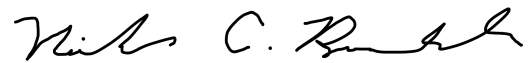
In addition, SDC's expertise will complement and supplement SQF's current managers and directors. Tilson will continue to provide services to SQF under the Services Agreement, so that SQF will have access to the same technical and managerial expertise as when the Commission initially granted a CPCN to SQF. Together, SDC and Tilson possess sufficient technical, financial, and managerial resources and abilities to provide the services under SQF's CPCN.

For the foregoing reasons, the Transaction is therefore in the public interest. The technical and managerial resources available to SQF if the Transaction is approved will be the same or improved: it will continue to be managed and operated by the same officers and personnel of Tilson, now supplemented by management of SDC and its parent. SQF will also have access to additional financial resources through its relationship with SDC, allowing it to better meet the needs of its customers and compete in the telecommunications market. This will serve the public interest by supporting technological innovation, deployment of new infrastructure, lower rates through increased competition, and greater reliability and availability of existing networks.

* * * *

This letter has been electronically filed with the Commission. We would appreciate acknowledgement of receipt and acceptance of this letter. If you should have any questions, please do not hesitate to contact me.

Respectfully Submitted,

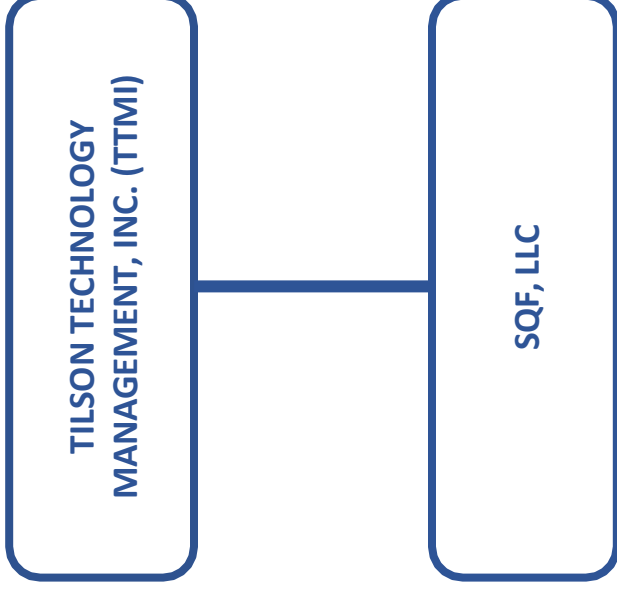
A handwritten signature in black ink, appearing to read "Nicholas C. Bournakel". The signature is written in a cursive, flowing style.

Nicholas C. Bournakel
Regulatory Administrator – SQF, LLC

EXHIBIT A

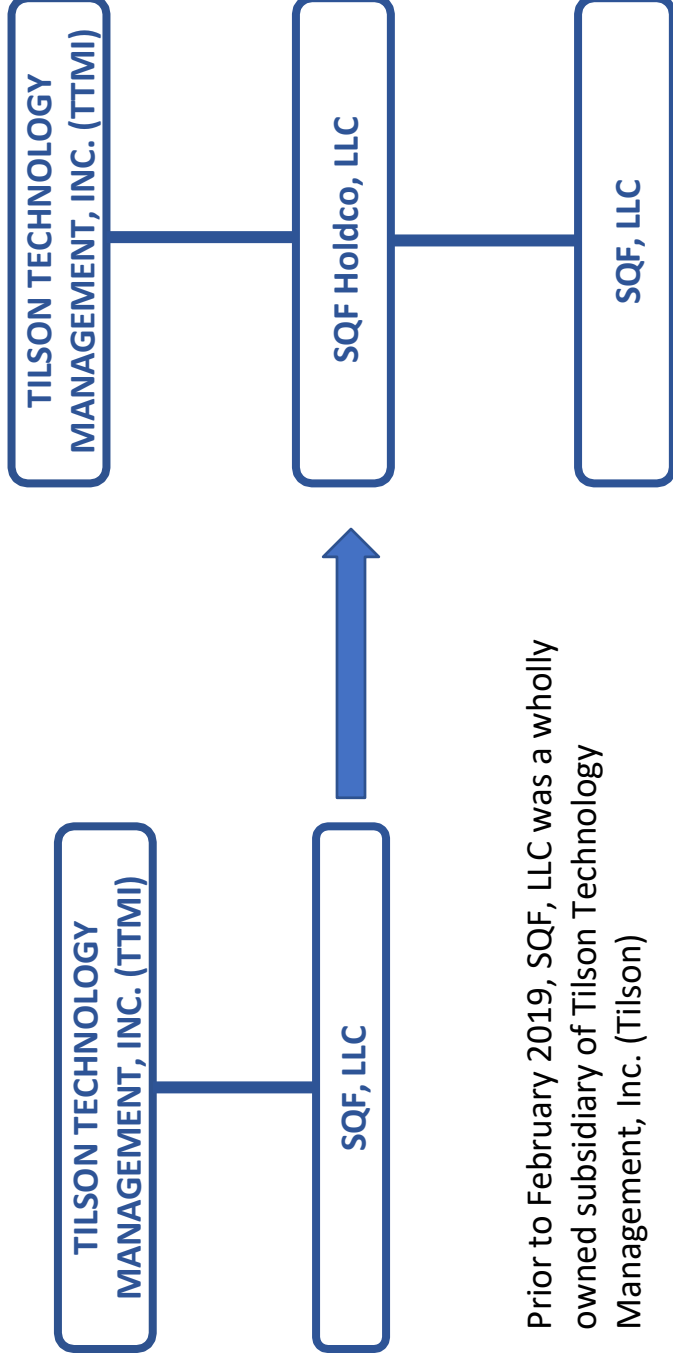
Pre- and Post Transaction Corporate Ownership Structure Diagrams

Initial SQF, LLC Ownership



SQF, LLC was a wholly owned subsidiary of TTMI.

Contribution to SQF HoldCo

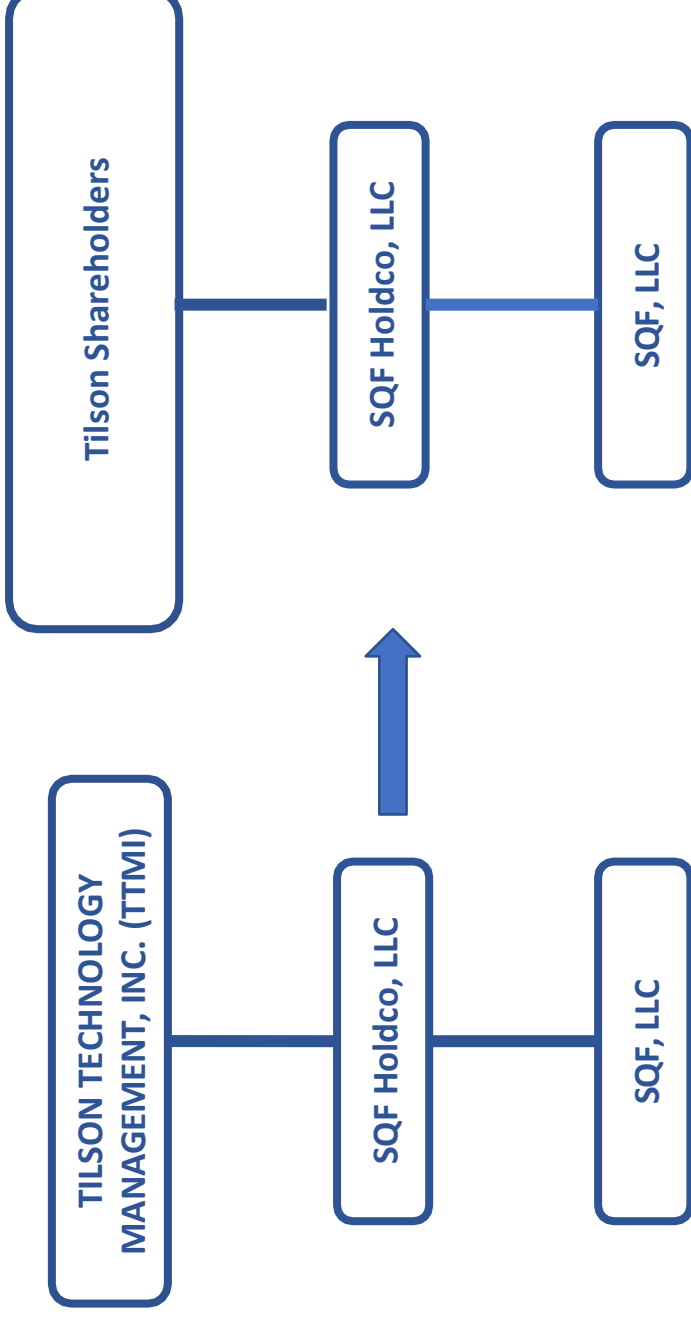


Prior to February 2019, SQF, LLC was a wholly owned subsidiary of Tilson Technology Management, Inc. (Tilson)

In February 2019, Tilson:

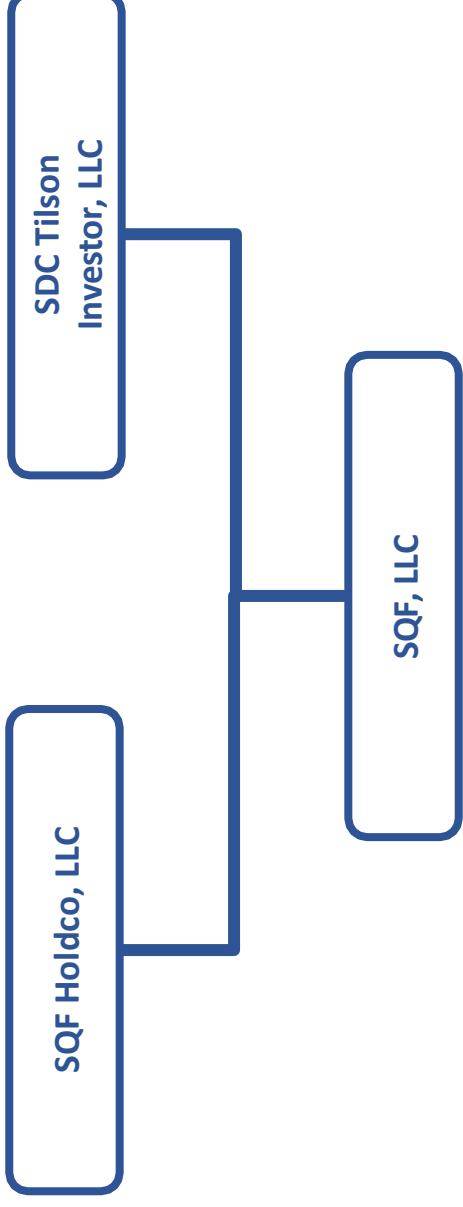
- contributed SQF into a newly created subsidiary, SQF Holdco, LLC.
- Converted SQF from a Maine to a Delaware LLC

SQF Spinout



- In March 2019, Tilson distributed units in SQF Holdco to Tilson’s shareholders, “spinning out” SQF HoldCo and with it, SQF into a separate company.
- SQF’s ultimate ownership (i.e., the Tilson investors) remained largely unchanged
- Tilson simultaneously entered into a Services Agreement with SQF whereby Tilson will manage and provide services to SQF.

SDC Investment in SQF – (Post Transaction Structure)

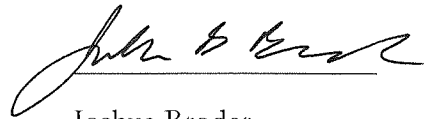


VERIFICATIONS

STATE OF MAINE)
)
)
COUNTY OF CUMBERLAND)

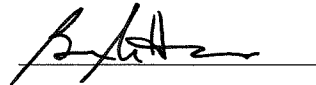
Verification

I, Joshua Broder, state that I am the Manager of SQF, LLC ("SQF") and that I am authorized to make this Verification on behalf of SQF. This filing was prepared under my direction and supervision, and the contents with respect to SQF are true and correct to the best of my knowledge, information, and belief.



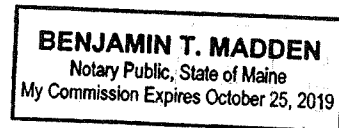
Joshua Broder
Manager - SQF, LLC

Sworn and subscribed before me this 2nd day of April, 2019.



NOTARY PUBLIC

My commission expires October 25, 2019



Verification

I, Todd Aaron, state that I am the sole member of SDC GP Manager, LLC, which is the Managing Member of SDC DIOF I GP, LLC, which is the the Non-Member Manager of SDC Tilson Investor, LLC ("SDC") and that I am authorized to make this Verification on behalf of SDC. This filing was prepared under my direction and supervision, and the contents with respect to SDC are true and correct to the best of my knowledge, information, and belief.

MANAGER:

SDC DIOF I GP, LLC, as
Non-Member Manager

By: SDC GP Manager, LLC,
as Managing Member

By: 

Name: Todd Aaron
Title: Member

STATE OF NEW YORK)
)
)
CITY/COUNTY OF Queens)

ss:

Sworn and subscribed before me this 4th day of April, 2019.



NOTARY PUBLIC

My commission expires 12/12/2020

