

SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Joint)	Application No. C-5179
Application of ALLO)	
Communications, LLC, and Nelnet,)	
Inc., Lincoln, Nebraska seeking)	GRANTED
a transfer of control to SDC)	
Allo Holdings, LLC, New York,)	
New York, as well as seeking)	
approval for indebtedness.)	Entered: December 8, 2020

BY THE COMMISSION:

On October 13, 2020 an application was filed by ALLO Communications LLC ("ALLO"), and Nelnet, Inc., ("Nelnet") (collectively referred to as the "Applicants"), of Lincoln, Nebraska, seeking a transfer of control to SDC Allo Holdings, LLC ("SDC-AH"), New York, New York, as well as an application seeking approval for indebtedness Notice of the application was published in The Daily Record, Omaha, Nebraska, on October 20, 2020. No protests were filed; therefore, this application is processed pursuant to the Commission's rule of modified procedure.

O P I N I O N A N D F I N D I N G S

The Applicants

ALLO is a limited liability company organized under the laws of the State of Nebraska. The principal office is located at 121 South 13th Street, Lincoln, Nebraska. Currently, ALLO is majority owned by Nelnet. ALLO offers competitive local telephone, long distance, broadband, Internet, and television services to homes and businesses in Nebraska and Colorado. ALLO was authorized as a local exchange and interexchange carrier in Nebraska pursuant to Application No. C-2844 granted on January 7 2003, and as amended and expanded in Application No. C-4679 (June 24,2014). ALLO was designated as an eligible telecommunications carrier (ETC) pursuant to the approval granted in Application No. C-2919, dated August 26, 2003.

Nelnet is a publicly traded Nebraska corporation with its corporate headquarters location in Lincoln, Nebraska. Nelnet's core operations include loan serving, asset management, education technology services, payment processing, and communications. Nelnet has also made investments to further diversify within and outside of its historical core education-related businesses including but not limited to, investments in real estate, early stage and emerging growth companies, and renewable energy.

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SDC-AH is a Delaware limited liability company created for the purpose of this transaction. SDC-AH is owned by investment funds controlled by an affiliate of SDC Capital Partners, LLC ("SDC"). SDC is a New York City-based digital infrastructure investment firm. SDC invests in data centers, fiber networks, wireless infrastructure and associated businesses.

Description of the Transaction:

Pursuant to the Member Unit Purchase Agreement, by and among SDC-AH, Nelnet and ALLO dated October 1, 2020, SDC-AH will acquire preferred membership units in ALLO SDC-AH, Nelnet and ALLO ("Acquisition") that will represent approximately 48% of the voting membership of ALLO when the preferred membership units convert to voting membership units upon receipt of all required regulatory approvals. Pursuant to the terms of the Ninth Amended and Restated Operating Agreement ("Operating Agreement"), until all required regulatory approvals are obtained, Nelnet retains voting control of ALLO and the ability to appoint a majority of ALLO's Board of Managers. Following receipt of required approvals from the Commission and other regulatory agencies, the Operating Agreement provides that SDC-AH's membership units will automatically convert from non-voting preferred units to voting units and ALLO's Board of Managers will increase from five to up to nine managers with SDC-AH and Nelnet each appointing three managers, and after one year, up to two mutually agreed upon independent managers (the "Conversion"). Bradley A. Moline, co-founder of ALLO and its current President, will also have a seat on ALLO's Board of Managers.

The Applicants stated the proposed transaction will affect only the controlling interest in ALLO. As a result of the Conversion, Nelnet will no longer have a controlling interest in ALLO, and SDC-AH will acquire a negative control of ALLO. In connection with the Conversion and Debt Arrangements (as described below), one or more holding companies ("New Holdco") will be inserted between ALLO and its members, which would result in a change in the direct ownership of ALLO with SDC-AH and Nelnet having indirect negative control of ALLO. The Conversion will not result in any changes in rates, terms, or conditions, as governed by existing contracts and tariffs, as applicable. ALLO will continue to be managed by a core team with significant expertise in the Nebraska telecommunications market.

According to the Applicants, the proposed transfer of control will serve the public interest, convenience, and necessity. The

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access to additional capital will allow ALLO to continue to invest in and expand its all-fiber-optic network.

Financing Arrangements

In connection with the transaction, Applicants also seek Commission approval for ALLO to issue evidences of indebtedness up to an aggregate amount of up to \$250 million (the "Debt Arrangements"). In order to respond to market conditions and requirements and to respond to future expansion, financing and other business opportunities, Applicants seek approval for ALLO to issue, or otherwise participate in, Debt Arrangements that are substantially consistent with the terms outlined below, which would permit, to the extent market conditions may warrant, modifications to the specific structure of the financing in a manner most favorable to the Applicants. The financing includes (i) an aggregate amount up to \$250 million, (ii) ALLO is currently the expected borrower or co-borrower under the Debt Arrangement (however if New Holdco is inserted, they may be the borrower or co-borrower), (iii) the Debt Arrangements may include notes or debentures, conventional credit facilities, letters of credit, bridge loans, or a combination thereof, and (iv) some or all of the Debt Arrangements may be secured facilities for which the equity of ALLO and its current and future subsidiaries may be pledged as additional securities, and a portion may be unsecured facilities. The Debt Arrangement may be used to finance the redemption of certain membership interests of ALLO, fund capital to support ALLO's growth capital needs, and provide working capital to fund general corporate purposes.

According to the Applicants, neither the change in controlling interest transaction nor the financing will disrupt customer service in Nebraska or result in a degradation of services. The Applicants submit that the issuance of the Debt Arrangements will serve the public interest and provide access to greater financial resources that will allow ALLO to become a more effective competitor in the Nebraska communications market. The Debt Arrangements are necessary and appropriate and will not impair ALLO's ability to provide its services and will promote its corporate purposes. Further, the Debt Arrangements will not disrupt service or cause customer confusion or inconvenience.

Applicant seeks approval from the Commission pursuant to Neb. Rev. Stat. § 75-148, which states in pertinent part,

A common carrier may issue stock, bonds, notes,
or other evidence of indebtedness, payable at

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periods of more than twelve months after the date thereof, when necessary for the acquisition of property, the construction, completion, extension or improvement of facilities, the improvement or maintenance of its service, or the discharge or lawful refunding of its obligations if the common carrier first secures from the Commission an order authorizing such issue and the amount thereof and stating that in the opinion of the Commission the use of the capital to be secured by the issue of such stock, bonds, notes, or other evidence of indebtedness is reasonably required for the purposes of the carrier.

Upon review of the evidence, the Commission finds that the application filed herein is in compliance with the applicable Nebraska Statutes and that approval of the transfer of control and debt financing agreement are reasonably required for the aforementioned purpose. The application is fair, reasonable and in the public interest and should be granted.

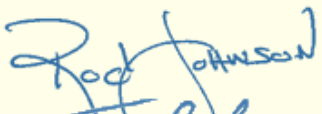
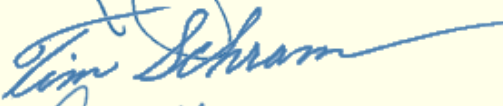

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-5179 be, and is hereby, granted.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 8th day of December, 2020.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:


Chair

ATTEST:


Executive Director