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Michigan BEAD Preregistration: Additional Guidance on the Financial Capability Requirement

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The Michigan High-Speed Internet Office released the preregistration application on Friday, June 28, 2024. The preregistration application is aimed at gathering the necessary information at an organizational level to evaluate a Potential Applicant's financial, technical, managerial, operational, and other capabilities, as outlined in the BEAD Notice of Funding Opportunity (NOFO) and Michigan's BEAD Initial Proposal. MIHI has received several questions to date related to the financial capability requirements in the preregistration application. Please find some clarifying language below related to these requirements. Please also refer to the Frequently Asked Questions (FAQs) document, which can be found through the following link: [EGrAMS: Home \(egrams-mi.com\)](https://egrams-mi.com). (Choose Current Grants > BEAD Pre-Registration > User Documents.)

§ 5.1 - Financial Capability: Submitted financial capability information such as audited financials and commitment letters, surety letters, or cash and in-kind match must pertain to the entity that will be the Primary Applicant (whose information must be provided in the Applicant Section of the project application). If the financial capability information provided pertains to a related entity other than the Primary Applicant (such as a parent entity), then the entity providing the security must certify that it will commit to take on the of the Primary Applicant's financial obligations for the project(s) they get awarded under the BEAD program. It is important to note that the information populated in the financial capability section of the application should be for the entity assuming the financial responsibility of the project(s).

§ 5.1.7 - Performance Security

Preregistration Phase

To demonstrate sufficient financial strength and capability, submit one of the following three options:

1. **Commitment Letter:** A letter from a bank, meeting eligibility requirements consistent with those set forth in 47 C.F.R. § 54.804(c)(2), committing to issue an irrevocable standby letter of credit equal to 25% of the total expected subawards for the Potential Applicant.
2. **Surety Letter:** Submit a surety letter from an approved surety company (as listed in the Department of Treasury Circular 570) promising to issue a performance bond. This bond should cover the total expected subawards for the BEAD program.
3. **Cash and In-Kind Match Attestation OR Bank Attestation:**
 - **Cash and In-Kind Match Attestation:** Sign a statement confirming the amount and source of the match amount (see Attachment 1).
 - OR**
 - **Bank Attestation:** Submit a letter from a bank stating your capacity to obtain a letter of credit or a performance bond up to the stated match amount (see Attachment 2).

MIHI recognizes that at the preregistration phase Potential Applicants may not know the exact amounts of their expected subaward. Potential Applicants can therefore provide indicative amounts at the preregistration phase, which will then need to be updated at the submission of their project applications to reflect the expected subaward amounts.

Application Phase

Applicants, including those who submitted a Cash and In-Kind Match Attestation or a Bank Attestation at the preregistration phase, will be required to submit a commitment letter or surety letter with their project applications. MIHI understands that the total subaward amount may change. Applicants are required to use the Project costs in their application to size their performance security:

1. **Commitment Letter from a Bank:** A letter from a bank, meeting eligibility requirements consistent with those set forth in 47 C.F.R. § 54.804(c)(2), committing to issue an irrevocable standby letter of credit equal to 25% of the total expected subawards for the Potential Applicant.
2. **Surety Letter:** Submit a surety letter from an approved surety company (as listed in the Department of Treasury Circular 570) promising to issue a performance bond. This bond should cover the total expected subawards for the BEAD program.

Subgrantee Agreement Phase

Prior to entering into any subgrantee agreement, a prospective subgrantee must provide one of the following documents:

1. **Letter of credit:** Submit a signed LOC from an eligible bank, covering at least 25% of the subaward amount for each project. Additionally, they need to provide a legal opinion stating that the LOC would not be considered part of their bankruptcy estate. MIHI will provide a letter of credit template closer to the subgrantee agreement phase.
2. **Performance bond for the value of each project:** Obtain a performance bond in a value of no less than 100 percent of the subaward amount.

ATTACHMENT 1 – Cash and In-Kind Match Attestation:

The use of this form is optional, but highly recommended. If you choose not to use this form, you must provide ALL of the information requested below in a similar format. The applicant must sign this statement to verify the amount and source of cash and in-kind match.

Legal Name of Applicant: _____

Total Expected Cumulative Cost of Proposed Projects: \$ _____

Total Expected BEAD Grant Requests: \$ _____

Total Expected Applicant Cumulative Cash and In-Kind Match: \$ _____

Identify all source(s), amounts, and uses of **Applicant Cash and In-Kind Match** that your organization currently has available and committed to eligible BEAD program during the grant performance period.

Applicant Source of Cash and In-Kind Funds	Name of Holding Institution	Cash or In-Kind Match Amount
Checking Account		\$
Savings Account		\$
Certificate of Deposit		\$
In-Kind		\$
Other		\$
Total Cash and In-Kind		\$

Has your organization formally approved the Cash and In-Kind Match Amount and Purpose for BEAD Program?

☐ Yes ☐ No ☐ N/A

If "Yes" Date of Approval _____

Print Name of Applicant/Authorized Representative: _____

Title of Applicant/Authorized Representative: _____

Signature of Applicant or Authorized Representative: _____ Date: _____

ATTACHMENT 2 – Bank Attestation Letter

The use of this form is optional. Applicants are required to submit this letter on the financial institution's letterhead. The applicant may submit a non-binding opinion letter from an eligible financial institution stating the applicant's capacity to obtain a LoC or performance bond up to a stated dollar amount. If you choose not to use this form, you must provide ALL of the information requested below in a similar format.

Regarding: [Insert name of Applicant]
[Insert address of Applicant]

Subject: Bank Confirmation for Issuance of [select one: Letter of Credit OR Performance Bond]

To Whom It May Concern,

[Insert name of financial institution] *hereby confirms that as of the date hereof it is the banking agent for* [insert name of Applicant], *under which* [letters of credit OR performance bonds] *may be issued for* [insert name of Applicant] *or any of its subsidiaries, subject to the terms and conditions applicable to the* [selection one: letter of credit OR performance bond] *issuances. As of the date hereof, up to \$XXXX is available for issuance of new* [select one: letters of credit OR performance bonds].

This confirmation is made at the request of our client and implies no obligation on our part until a formal application for the [select one: Letter of Credit OR Performance Bond] is duly approved and issued in accordance with our terms and conditions.

Should you have any further questions or require additional information, please do not hesitate to contact us at [Phone Number] or [Email Address].

Yours sincerely,

[Financial Institution Representative's Name]
[Financial Institution Representative's Title]
[Financial Institution's Name]

Signature of Financial Institution Representative: _____ Date: _____