



## Idaho BEAD Letter of Credit & Performance Bond Requirements

The Idaho Office of Broadband requires each awarded project to have an irrevocable standby letter of credit issued by an eligible financial institution or a performance bond issued by an authorized surety as financial security for the project. This requirement will strengthen the financial capability and accountability of each subgrantee.

	Funding Application Process	Within 60 days of award notification and prior to signing a sub-award agreement	During Deployment
<b>Letter of Credit</b>	Applicants must submit a “letter of commitment” to issue an irrevocable standby letter of credit from an eligible bank or credit union. <sup>1</sup> The letter must specify the project-specific expected amount of the letter of credit and state that the issuer will comply with all relevant terms and conditions of the program.	Subgrantees must: <ul style="list-style-type: none"> <li>» Obtain and submit an irrevocable standby letter of credit of at least 25% of the sub-award amount.<sup>3</sup></li> <li>» Submit an opinion letter from legal counsel stating that the proceeds from the letter of credit will not be treated as property of subgrantee’s bankruptcy estate.</li> </ul>	Subgrantees may incrementally reduce the letter of credit amount upon evidence of achieving approved project completion milestones.
<b>Performance Bond</b>	Applicants must submit a “letter of commitment” from an acceptable authorized surety <sup>2</sup> to issue a performance bond. The letter must specify the project-specific expected amount of the performance bond and state that the issuer will comply with all relevant terms and conditions of the program.	Subgrantees, or an appropriate construction subcontractor, must obtain and submit proof of a performance bond of 100% of the sub-award amount. <sup>3</sup>	Subgrantees may incrementally reduce the performance bond amount upon evidence of achieving approved project completion milestones.

<sup>1</sup>To satisfy this requirement, applicants must engage a qualifying bank or credit union that meets eligibility requirements under 47 CFR 54.804(c)(2) or is a United States institution that is insured by the National Credit Union Administration and has a credit union safety rating issued by Weiss of B- or higher.

<sup>2</sup>The issuer must hold a certificate of authority as an acceptable surety on federal bonds as identified in the [Department of Treasury Circular 570](#) and be authorized to write surety bonds in Idaho. For more information, see [BEAD Program Surety Bond Information Kit - National Association of Surety Bond Producers](#).

<sup>3</sup>A subgrantee may request permission to submit a reduced amount for the required letter of credit or performance bond that is 10% of the sub-award amount, but only if the subgrantee (i) agrees to maintain the letter of credit or performance bond during the entire period of the grant performance, (ii) will be subject to a sub-award reimbursement schedule with periods of no more than six months each, and (iii) will be subject to accountability and recovery of funds in the event of noncompliance pursuant to BEAD NOFO rules.

# *Sample Letter of Commitment (for either LOC or Performance Bond)*

## On Financial Institution/Surety Letterhead

### COMMITMENT FOR IRREVOCABLE STANDBY LETTER OF CREDIT/PERFORMANCE BOND

(Applicant)

(Address)

(Date)

We understand that [**Applicant**] is submitting a proposal for broadband infrastructure deployment to the Idaho Office of Broadband as part of the Broadband Equity, Access, and Deployment (BEAD) program in the approximate amount of \$[**XX**]. This letter confirms that [**Financial Institution/Surety**] has reviewed the financial security requirements of the Idaho Office of Broadband BEAD program and has authorized [**a letter of credit up to \$[XXX] / single performance bond requests up to \$[XX]**] for [**Applicant**] for the proposed project, to be issued if the project is selected and [**Applicant**] becomes a subgrantee of the Program.

As a [**insert category or description of Financial Institution/Surety**], [**Financial Institution/Surety**] is a [**qualified financial institution/authorized surety**] pursuant to the Idaho Office of Broadband BEAD program rules and is prepared to comply with all relevant terms and conditions of the Program. [**Financial Institution/Surety**] will submit the [**letter of credit/performance bond**] to the Idaho Office of Broadband prior to the finalization of the sub-award agreement between [**Applicant**] and the Idaho Office of Broadband.

Any arrangement for financial security required by the Program is a matter between [**Financial Institution/Surety**] and [**Applicant**]. Therefore, we assume no liability to the Idaho Office of Broadband or third parties if we do not execute [**this letter of credit/these bonds**] for any reason.

Signature

Name of Signatory

Title of Signatory