

BEAD PREQUALIFICATION FAQs

Broadband Equity, Access, and Deployment (BEAD) Program

- 1. Will a consolidated audit report at the parent company/holding company for all affiliates be permissible or does each applying legal entity need to be broken out separately by its own individual audit report?**

To ensure a comprehensive assessment of all entities, potential applicants are required to submit individual audited financial statements for each entity/affiliate under the parent/holding company for the past three years.

- 2. On page 32 of the prequalification guidance document, it states that a “project” may constitute a single unserved or underserved broadband-serviceable location, or a grouping of broadband-serviceable locations in which not less than 80% of broadband serviceable locations served by the project are unserved locations or underserved locations. Does this mean a provider can apply for any project area as long as in that area 80% of the locations are unserved or underserved? Does the unserved and underserved in this context also include the list of community anchor institutions?**

As per the BEAD Notice of Funding Opportunity (NOFO) and the state of North Carolina's BEAD Initial Proposal Volume II, a potential applicant will have the opportunity to select and apply for a project area at the project application stage. Additional information on the selection of project areas will be provided prior to the subgrantee selection process.

- 3. Does North Carolina plan to permit providers to secure a 10% Letter of Credit (LOC)?**

NCDIT plans to offer the options outlined in the conditional programmatic waiver of the LOC only to the extent to and as described in [NTIA BEAD LOC Waiver Notice](#). The waiver includes categories for subgrantees to opt for:

- Use of credit unions in the United States insured by the National Credit Union Administration and with a credit union safety rating issued by Weiss of B- or better
- Use of performance bonds with a value of no less than 100% of the subaward amount
- Reduction of LOC/performance bonds upon completion of specific deployment milestones
- Alternative initial LOC or performance bond percentage

With reference to the waiver category for alternative initial LOC percentage, securing a LOC for 10% of the subaward is contingent upon the following criteria:

- The division issues funding on a reimbursable basis consistent with Section IV.C.1.b of the NOFO;
- Reimbursement is for periods of no more than six months; and

- The subgrantee commits to maintain a letter of credit or performance bond in the amount of 10% of the subaward until it has demonstrated to satisfaction of the division that it has completed the buildout of 100% of locations to be served by the project or until the period of performance of the subaward has ended, whichever occurs first.

Additionally, NCDIT will also continue to evaluate the risk factors related to the financial and operational capacity of the applicants at the project application stage for determining the allowability of this waiver for particular providers.

- 4. Based on the answer to question 1, the parent company audit does have consolidating statements for each of the entities under the parent. Would the entity under the parent be able to use the parent's audit (where they are identified) for the past three years for the application? Would NCDIT in that case request a Parent Guarantee letter to accompany the BEAD prequalification?**

The potential applicant can submit the consolidated statements of the parent company where they are identified for the past three years for the application. However, it is important to note that as per section 6 – General requirements in the prequalification guidance document, in the event of the guarantor is identified, the guarantor will be held liable for financial and contractual obligations. A parental guarantee will be required at the time of signing the grant agreement.

- 5. If individual financial statements are not individually audited for the last 3 years for an entity/affiliate, how should that be handled? Do they have to be audited prior to the submission?**

As per section 7.1.2 - Audited Financial Statements in the prequalification guidance document, if the potential applicant has not been audited during the ordinary course of business, they should submit unaudited financial statements from the prior three fiscal years. In addition, they should certify that the latest audited financial statements from the prior fiscal year will be provided by an independently certified public accountant prior to receiving any subgrants.

- 6. What is the expectation for question 49 regarding relevant completed and ongoing projects in the last two years? Are you looking for North Carolina projects specifically, or all projects across an organization's footprint? What "supporting documentation" are you looking to be uploaded for these projects (other states are looking for the columns in the table)?**

Potential applicants, who are existing service providers, are required to submit details of ongoing and/or completed voice, broadband, and/or electric transmission or distribution projects that are either completed or in-progress within the last two years. These projects are not limited to the state of North Carolina. Additionally, potential applicants are required to provide supporting documentation as evidence for past project experience. Supporting documentation can include award letters, completion letters, any press releases, project-based internal or external reports, network maps or any other relevant documentation that provides evidence that those projects have been undertaken by the potential applicant.

- 7. For question 67 of the prequalification application, the list of FCC-Regulated Entity Information, it spells out we need to list any FCC-regulated entity in which our organization “owns 10% or more of stock, whether voting or nonvoting, common, or preferred.” We are not a publicly held company but do own over 50 FCC-regulated ILECs across our footprint. Under the FCC-Regulated Entity Information section, should those entities be listed? Will a corporate organization chart that outlines all regulated entities and where they fit into the corporate organization be sufficient? Or do you require an upload with the column headings on the table in the response form?**

Yes, the potential applicant is required to provide ownership information consistent with the requirements set forth in 47 C.F.R. § 1.2112(a)(1)-(7). This regulation mandates that the potential applicants provide full disclosure of direct and indirect ownership interests, including details of any parties with a 10% or more stake, the nature of the interest and the inter-relationships with any FCC-regulated entities.

To meet these requirements, please upload the details of these entities in the table format for question 67 in the prequalification response form. Additionally, a corporate organizational chart must also be submitted in question 12 under section 3.3.1-Corporate Organization Chart, identifying the parent company and any subsidiaries or affiliates that will be performing work in North Carolina.