CONNECT ILLINOIS

Letter of Credit Guidance

Version 1, as of March 15, 2026

The Broadband Equity, Access, and Deployment (BEAD) Program requires grantees to submit a letter from a bank which meets eligibility requirements consistent with those set forth in 47 CFR 54.804(c)(2) committing to issue an irrevocable standby Letter of Credit (LoC) to the grantee.

This letter must be provided prior to entering into the grant agreement with the Illinois Office of Broadband (IOB) and must be in a value of no less than 25 percent of the grant award amount applicable to each project.

For Grantees with multiple projects, the Grantee may secure one LoC (or performance bond, as discussed below) that lists multiple BEAD projects with the value assigned to each project. The term of the letter must be in place for the length of the project buildout or until the end of the period of performance, whichever comes first. Banks rated BBB- or higher by an NRSRO may be utilized by grantees to receive the irrevocable standby letter of credit.

NTIA and the State of Illinois need reasonable assurance that grantees have the financial means to complete the awarded project(s). Letters of credit are essential for large transactions to build trust between unknown parties, ensure compliance with contract terms, and manage cash flow.

This document contains:

Letter of Credit Conditional Programmatic Waiver

The BEAD LoC Waiver Notice allows for four options to waive required parts of the Letter of Credit requirements through a Conditional Programmatic Waiver.

Option 1: Grantee may obtain the Letter of Credit through a credit union in lieu of a bank.

- Letter can be issued by any United States credit union that is insured by the National Credit Union Administration.

Option 2: Grantee may obtain performance bonds in lieu of a Letter of Credit.

- Within 60 days of entering into the grant agreement, the grantee must obtain a performance bond in the value of no less than 100 percent of the grant award amount.
- If a performance bond has not been obtained prior to entering a grant agreement, a clause in the agreement allows for termination of the grant should the grantee fail to obtain the performance bond within 60 days.

Option 3: The value of the Letter of Credit (or Performance Bonds, if applicable) may be reduced upon the completion of service milestones.

- The grantee shall obtain a new Letter of Credit in a reduced amount upon achievement of specific deployment milestones.
- If utilizing performance bonds, the bond amount may be reduced by a commensurate amount.
- Service milestones for reduction are as follows:

Letter of Credit

Upon certification of the following percentage of locations served:	**Grantee obtains new letter of credit valued no less than the following award amount:**
40% of locations served	20% LoC
60% of locations served	15% LoC
80% of locations served	10% LoC

Performance Bond

Upon certification of the following percentage of locations served:	**Grantee obtains new performance bond valued no less than the following award amount:**
25% of locations served	75% performance bond
50% of locations served	50% performance bond
75% of locations served	25% performance bond

Option 4: Grantee may opt for an Alternative Initial Letter of Credit / Performance Bonds percentage.

- The grantee commits to maintain a Letter of Credit or Performance Bond in the amount of 10% of the grant award amount until it has completed the buildout of 100% of locations to be served by the project, or until the period of performance for the grant award has ended, whichever occurs first.
- Reimbursement of expenses through the use of Fixed Amount Subawards will occur in periods no less frequently than every six months, as completed with the reporting milestone of submission of reporting for periods ending March 31 and September 30.
- The IOB has included language in the grant agreement to ensure funding is consistent with Section IV.C.1.b of the NTIA BEAD NOFO.

Low Earth Orbit (LEO) Satellite Project Guidance

LEO grantees that receive funding for reserving capacity (rather than constructing a physical network) must provide a Letter of Credit that incentivizes them to reach out to potential subscribers to encourage adoption. Accordingly, LEO Capacity grant recipients must provide an irrevocable standby letter of credit in a value of no less than 25 percent of the grant award amount prior to entering into the Grant Agreement. The LoC can then be reduced based on the methodology outlined in Appendix B of the RPN, also described in the next paragraph. No other Letter of Credit programmatic waivers are applicable to LEO Capacity grants.

The LEO grantee may reduce its LoC by 50% at the point of certification that service is available to each location in the project area. The LoC can further be reduced by an additional 25% of the original amount after the subscription rate reaches at least 25% of all locations in the project area and may be closed out once the subscription rate reaches 50%. Regardless of the subscription rate, the LoC may be terminated four years after the LEO Capacity grantee certifies it can initiate broadband service within 10 business days of a request to any covered BSL in the project area.

The LOC requirement may be waived where:

- During the application process, prospective grantees are required to submit a letter from a company holding a certificate of authority as an acceptable surety on federal bonds as identified in the Department of Treasury Circular 570 committing to issue a performance bond to the prospective grantee. The letter shall at a minimum provide the dollar amount of the performance bond.
- Within 60 days of entering into any grantee agreement, each prospective grantee obtains a performance bond, acceptable in all respects to the State of Illinois and in a value of no less than 100 percent of the subaward amount. If a performance bond has not been obtained prior to entering a subgrant agreement, the State of Illinois must include a clause in the agreement that allows for termination should the subgrantee fail to obtain the performance bond within 60 days.
- Where a grantee chooses to exercise the option to obtain a performance bond under this waiver, the requirement that the grantee "provide with its letter of credit an opinion letter from legal counsel clearly stating, subject only to customary assumptions, limitations, and qualifications, that in a proceeding under Title 11 of the United States Code, 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"), the bankruptcy court would not treat the letter of credit or proceeds of the letter of credit as property of the winning grantee's bankruptcy estate under Section 541 of the Bankruptcy Code" is waived.

Letter of Credit Waiver Instructions

The grantee will provide IOB a letter signed by the Authorized Signatory / Designee describing the process they used to obtain the letter of credit/performance bond. If the grantee is electing one of the waiver options above, grantee should state they are electing that option, along with their intention of meeting any and all requirements described herein.

- The grantee will obtain the actual letter of credit or performance bond in accordance with letter provided above and provides all documentation to the IOB.
    - If the grantee is using a letter of credit, this must be obtained **prior** to entering into the grant agreement.
    - If the grantee is opting to use performance bonds, these must be obtained **within 60 days** of entering into the grant agreement.
- The grantee will obtain updates to letter of credit or performance bond as applicable and provide all documentation to the IOB.

Applicable NTIA Guidance

- BEAD Notice of Funding Opportunity, which describes NTIA requirement - BEAD NOFO
- NTIA BEAD Restructuring Policy Notice, which provides further clarification - BEAD Restructuring Policy Notice (RPN)
- Code of Federal Regulations that apply - 47 CFR 54.804(c)(2)
- NTIA BEAD Letter of Credit Notice - BEAD LOC Waiver Notice (Oct 2023 - updated Jan 2026)
- Letter of Credit Programmatic Waiver - BEAD LOC Programmatic Waiver Update (July 2025)