Key Updates for Tennessee BEAD Grantees

As grantees prepare for contracting and required financial assurances, the TNECD Broadband Office is sharing this one-pager with key updates on grantee obligations and a financial security compliance checklist.

Updates from the BEAD FAQs Version 18

The National Telecommunications and Information Administration (NTIA) released the updated BEAD FAQs Version 18, on Feb. 3, 2026. TNECD is implementing the V18 guidance summarized below.

Update (FAQ)	What This Means For You (Grantee)

Milestone-Based Grantees Only: One Irrevocable Letter of Credit (ILOC)/ Performance Bond May Cover Multiple Tennessee BEAD Contracted Areas	• Milestone-based grantees may use a single ILOC or performance bond rather than acquiring one per contracted area.
	• If you submit one ILOC or performance bond covering multiple BEAD projects, it must:
	  ○ List **each project separately**, and
	  ○ **Assign a specific dollar value** to each project.
	• **Required templates still apply:**
	  ○ **ILOC Template**
	  ○ **Performance Bond Template**

Limited Allowance for Payments Prior to NEPA Approval	• Grantees must provide a milestone schedule identifying specific deadlines and describing how the grantee proposes to meet timing requirements including, as required, the completion of consultations, the completion of NEPA and Section 106 reviews, and the submission of Environmental Assessments (EAs) or Environmental Impact Statements (EISs) prior to receiving grant funds, unless otherwise approved by TNECD

BEAD Security Checklist

Grantees may use the following checklist to ensure their ILOC or performance bond meet all requirements of the BEAD Program.

Step 1. Choose Your Security Option

You must provide one of the following **prior to execution** of your subgrant agreement:

- ❑ Option A: Irrevocable Letter of Credit (ILOC)
- ❑ Option B: Performance Bond

Option A – ILOC

1. ILOC Amount Requirement

Two possible structures:

- ❑ ILOC value is no less than 25% of the total BEAD subaward amount
- ❑ ILOC value is no less than 10% of the total BEAD subaward amount

2. Issuing Bank Eligibility

The financial institution must be U.S.-based and meet **one** of the following:

- ☐ "Well capitalized" as defined in the 12 CFR 324.403(b)
- ☐ U.S. Credit Union insured by NCUA
- ☐ Rated BBB- or higher by a Nationally Recognized Statistical Rating Organization (NRSRO)

3. Tennessee Model Form Compliance

- ☐ ILOC is in the Tennessee Model Letter of Credit Template

4. Bankruptcy Opinion Letter (Required)

- ☐ Legal counsel opinion provided stating that bankruptcy court would not treat the ILOC as property of the grantee's bankruptcy estate

5. Reduction Provisions

- ☐ If using 10% ILOC: Include an attestation committing your organization to maintain an ILOC equal to 10% of the subaward amount until TNECD verifies completion of 100% of the project locations or the subaward period of performance ends, whichever occurs first

Option B – Performance Bond

1. Bond Amount Requirement

Two possible structures:

- ☐ Bond amount is 100% of the total BEAD subaward amount
- ☐ Bond amount is 10% of the total BEAD subaward amount

2. Surety Company Eligibility

- ☐ Surety is listed on U.S. Treasury Circular 570

3. Bond Form Compliance

☐ Bond is in the Performance Bond Template

4. Reduction Provisions

☐ If using 10% performance bond: Include an attestation committing your organization to maintain a performance bond equal to 10% of the subaward amount until TNECD verifies completion of 100% of the project locations or the subaward period of performance ends, whichever occurs first

Universal Requirements (Applies to BOTH ILOC and Bond)

1. Timing

☐ Security instrument delivered **before execution of subgrant agreement**

☐ The expiration date must ensure that the ILOC or performance bond remains in effect until all applicable BEAD obligations have been satisfied and the State formally releases the security.

- Please note, if the security expires before contract completion, it must be renewed or replaced without lapse to remain valid until the State confirms all BEAD requirements are met
- Grantees are required to provide the full initial ILOC or performance bond amount at award execution. However, BEAD guidance allows TNECD to reduce the required security amount as defined deployment milestones are achieved and verified. For more information, see the BEAD Letter of Credit Waiver

2. Milestone-based Grantees Only

☐ If you choose to use a single ILOC or performance bond to cover multiple BEAD projects, it must list each project separately and assign a specific dollar value to each project