

Attachment 1:

Loan Loss Reserve Program Requirements and Guidelines

Table of Contents

1.	Background and Purpose.....	4
1.1	Guiding Operational Principles	4
1.2	Guiding Program Principles	5
2.	Statutory Authority.....	5
3.	Definitions	6
4.	Responsible Entities.....	9
5.	Eligible Entities.....	11
6.	Loan Loss Program Credit Enhancement.....	11
6.1	Debt Service as a Credit Enhancement.....	12
6.1.1	Debt Service Reserve Tax-Exempt Basis	12
6.1.2	Debt Service Reserve Guarantee Repayment Seniority.....	12
6.2	The DSR Guarantee.....	13
6.2.1	DSR Guarantee Release of Guarantee from Awardee	13
6.2.2	DSR Guarantee Earned Interest.....	13
6.2.3	DSR Guarantee Location	13
6.3	Loan Loss Program and Multiple Eligible Debt Issuances	14
6.4	Loan Loss Program Funding Allocation Timing	14
6.5	Loan Loss Program Matching Funds Are Not Required	14
6.6	Provisions for Increased Capitalized Interest After Application Approval.....	14
6.7	Required Bond Terms	14
6.8	Loan Loss Program Eligible Capitalized Costs	15
6.9	Loan Loss Program Funding Reservation Period.....	15
6.10	Additional Support in the Event of Revenue Shortfalls	15
6.11	Loan Loss Program Reporting	16
7.	Loan Loss Program Design	16
7.1	Loan Loss Program Funding Cycle.....	16
7.2	General Market, Tribal, and Equity Track Requirements.....	17
7.3	Prioritization of Unserved Communities	18
7.4	Applicant Prioritization	18
8.	Applicant Eligibility Criteria.....	19
8.1	Project Service Standards	19
8.2	Affordability	19

8.3	Outreach Plan	19
9.	Loan Loss Program Application Process	19
9.1	Application Submission and Review Process	19
9.2	Application Guidelines	20
9.2.1	Guidance to Commission Staff on Information Required from Applicants.....	20
9.3	Application Approval Process for Bonds.....	24
9.3.1	Form of Guarantee	24
9.4	Pre-Buildout and Buildout Phase.....	24
9.5	Bond Maturity and Release of the Credit Enhancement	25
9.6	Eligible Debt Payment Deficiency	25
10	CPUC Outreach	26
11	Reporting Requirements.....	26
11.1	Bi-Annual Progress Reporting.....	26
11.2	Completion Reporting.....	27
11.3	Incident Reporting	28

1. Background and Purpose

This document sets out the requirements, guidelines, and application process for the newly established Loan Loss Reserve Program (hereafter, Loan Loss Program, or LLP).

Senate Bill 156 (Chapter 156, Statutes of 2021) created the Loan Loss Reserve Program to fund costs related to financing broadband infrastructure deployment by a local government agency, Tribal government agency, or a nonprofit organization, including payment of costs of debt issuance, obtaining credit enhancement, and establishment and funding of reserves for the payment of principal and interest on the debt.

Additionally, SB 156 authorizes the following:

- a) Permits the CPUC to establish, among other things, eligibility requirements, financing terms and conditions, and allocation criteria, for infrastructure projects deployed using financing supported in whole or in part by funds.
- b) Allows the CPUC to require a local government agency or nonprofit organization to provide information demonstrating an agency or nonprofit organization's ability to reasonably finance and implement an infrastructure project deployed using financing supported in whole or in part by funds allocated pursuant to this section.
- c) Requires biannual progress reports identifying project milestones and percent completion to date and a completion report, including a full description of the completed project, comparison of approved versus actual costs of construction, and speed test data for all areas served by the project.

The following proposed requirements and guidelines are based on SB 156,¹ the Budget Act of 2021 (AB 164)² and parties' comments to the California Public Utilities Commission's (CPUC) September 16, 2021 Scoping Memo in the Rulemaking Regarding Revisions to the California Advanced Services Fund (R.20-08-021), and the Communications Division Staff (Commission Staff) proposal and revised Staff proposal.

1.1 Guiding Operational Principles

1. The LLP should be optimized for effective utilization of limited funding to achieve extensive broadband deployment in conjunction with other applicable state and federal funding.
2. The CPUC will rely on the financial projections from a third-party accredited municipal advisor or credit agency ratings (if available) provided by the awardee to streamline the approval for a credit enhancement.
3. Credit enhancements offered in the LLP will be designed to induce investors or a private lender to lend to a borrower and reduce the cost of financing by reducing the risk of a loss for a bondholder/lender in the transaction.
4. The LLP will support local government agencies, non-profits, and sovereign Tribal governments in their eligible debt issuances.

¹ Sen. Bill No. 156 (2021-2022 Reg. Sess.), adding §281.2 to the California Public Utilities Code.

² Assem. Bill No. 164 (2021-2022 Reg. Sess.) §34, Item 8660-062-0001.

1.2 Guiding Program Principles

1. The LLP credit enhancement should aim to manage a wide range of credit risk profiles by supporting a diverse portfolio of borrowers' projects or issuers, without imposing concentration limits that constrain the development of robust municipal and nonprofit-owned broadband networks.
2. The issuance of eligible debt backed by the LLP credit enhancement must have a clear and specific purpose to support a specific broadband infrastructure project or multiple broadband projects.
 - 2.1 The purpose, risks, and structure of the eligible debt should be communicated to potential investors in a clear and concise manner through disclosure documents and other reporting requirements.
3. The issuer should ensure that the proposed eligible debt issuance is financially feasible and is structured in a manner that aligns with the LLP's long-term financial and broadband "futureproofing"³ goals.
 - 3.1 This includes working with one or more expert third-party advisors to analyze the eligible debt issuer's ability to repay the debt, considering factors such as revenue streams, debt service capacity, financial projections, project management, operations and maintenance, and technological choices.
4. The eligible debt issuer should be transparent in its financial reporting and provide investors with regular updates on the project and the debt's financial performance.
5. The eligible debt supported by the LLP credit enhancement should be priced through a negotiated sale or directly placed with a lender in a private placement considering the cost of capital, current market conditions, the creditworthiness of the municipality, and "tax-exempt" treatment if possible.
6. The proceeds from the eligible debt issuance backed by the LLP credit enhancement will be used to support one or more specific broadband infrastructure projects as described in the Official Statement or Private Placement Memorandum (if any).
7. The issuance of eligible debt backed by the LLP credit enhancement must comply with all applicable federal and state laws and regulations, including the execution of a Continuing Disclosure Agreement (CDA) (if the deal is a public transaction) for any instrument guaranteed by the LLP and filing with the CPUC and the Municipal Securities Rulemaking Board (EMMA), if applicable.
8. The eligible debt issuer should maintain good relationships with its investors or lenders, providing them with regular updates (to the extent desired by the lender) and responding to their inquiries in a timely manner.

2. Statutory Authority

Authority for the LLP is found in SB 156 (Chapter 112, Statutes of 2021) Section 8, which added Public Utilities Code section 281.2, and AB 164 (Chapter 84, Statutes of 2021) Section 34, Item 8660-062-0001.

³ Broadband projects that demonstrate a sufficient surplus capacity to remain competitive in the future without requiring major refurbishment upgrades.

3. Definitions

For purposes of the LLP, the following definitions apply:

“Arbitrage Rebate Returns” – The dollar profit earned from arbitrage that must be paid back (or rebated) to the federal government in connection with a tax-exempt bond deal.

“Bond Indenture” – A contract or legal document that records the obligations of the issuer and the benefits of the bondholders/lenders. It also provides repayment provisions and other rights of a credit enhancer, like a bond insurer, letter of credit bank or other guarantor. In some instances, a bond indenture can be referred to as a trust agreement, or fiscal agent agreement.

“Conduit Issuer” – An organization, usually a government agency, that issues municipal securities to raise capital for revenue-generating projects where the funds generated from the bond sale are used by a third-party (known as the “conduit borrower”) for a project or activity that has a public benefit and where the funds are repaid solely by the conduit borrower from specified revenues. The conduit issuer does not put its own credit behind the conduit bond and is not responsible for payment. Some local government borrowers may elect to issue their own bonds, and not utilize a conduit issuer.

“Credit Enhancement” – A mechanism or arrangement that helps strengthen creditworthiness or reduce the credit risk associated with an eligible debt offering. It is designed to provide additional assurances to lenders or bondholders/lenders that their principal and interest payments will be made in the event of missed payments or default by the eligible debt issuer. In the case of the LLP, the CPUC will provide the credit enhancement to applicable debt offerings in the form of a debt service reserve (DSR) supported by a DSR Guarantee.

“Debt Service Reserve” – A liquid reserve of funds to make debt service payments in the event of a disruption or delay in a project’s cash flow. These typically cover 6-12 months of payments.

“DSR Guarantee” – The CPUC’s reserve fund will support the DSR and function as the credit enhancement for the eligible debt.

“DSR Guarantee Balance” – The total amount remaining in the DSR Guarantee available to provide coverage as defined in Section 6.2.

“Deployment Schedule” – All necessary schedules to complete a broadband project, including a schedule for obtaining necessary permits prior to construction. The schedule must include the timeline required for the California Environmental Quality Act (CEQA) review, as applicable. Also, a deployment schedule must include a schedule for project construction following receipt of permits, to complete the project within 36 months.

“Depository” – An entity that holds financial securities in a dematerialized form. A bank, organization, or any institution holding and assisting in security trading is referred to as a depository. Depository accounts hold securities in the same way that bank accounts hold funds. A depository

functions as a connection between the public companies that issue financial securities and the investors or shareholders.⁴

“Eligible Debt” – Including, but not limited to, bonds, loans, and letters of credit available to eligible entities to finance broadband infrastructure deployments.

“Eligible Project” – A construction project is “future proof,” when complete, will be capable of offering wireline broadband service to last mile connections at or above 100 Megabits per second (Mbps) downstream and 100 Mbps upstream, or 100 Mbps downstream and 20 Mbps upstream if symmetrical service is constrained due to engineering limitations (hereinafter “100/100 Mbps” and “100/20 Mbps”). It will also demonstrate sufficient surplus capacity to remain competitive in the future without requiring major refurbishment upgrades.

“Fiscal Agent” – A fiscal agent in a credit enhancement program is a financial institution or entity responsible for managing and overseeing the DSR Guarantee on bonds or other debt securities issued by a government entity or organization on behalf of the CPUC. Their primary role is to ensure that the DSR guarantee obligations, including principal and interest payments, are made in a timely and efficient manner to bondholders/lenders.

“Guarantor” – An individual or entity who promises to pay a borrower’s debt in the event that the borrower fails to make payments or defaults on their loan obligation.⁵ The terms of the obligation will be defined in the indenture or similar document.

“Letter of Credit” – A letter of credit is a financial instrument issued by a bank/guarantor on behalf of a borrower/applicant. It is a written commitment that guarantees the lender will receive payment for goods and services if specified conditions, set forth in the letter of credit, are met. A letter of credit provides security for both a borrower and lender by providing a guarantee of payment and reducing the risk of non-payment or default by the borrower.

“Loan” – A loan refers to a financial arrangement in which a government or public entity borrows funds from a lending institution, typically a bank, in order to finance various public projects or initiatives. These projects can include infrastructure development, such as broadband. In order to repay the borrowed funds, governments can levy taxes or generate revenue from the project being financed.

“Low-Income Broadband Plans” – Income-qualified broadband plans offered to low-income customers.⁶

“Low-Income Customers” – Households with incomes that would qualify for the CARE (California Alternate Rates for Energy program) pursuant to Pub. Util. Code §739.1(a) and D.16-

⁴ CFI Team, Depository, Corporate Finance Institute (Aug. 15, 2022, 1:24 PM), <https://corporatefinanceinstitute.com/resources/knowledge/finance/depository/>.

⁵ Andrew Bloomenthal, Guarantor, Investopedia (Aug. 15, 2022, 1:18 PM), <https://www.investopedia.com/terms/g/guarantor.asp>.

⁶ See definitions in the Federal Funding Account Program Guidelines, D-22-04-055, Order Instituting Rulemaking Regarding Broadband Infrastructure Deployment and to Support Service Providers in the State of California, May 15, 2023 12:14 PM, <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M470/K481/470481278.PDF>.

11-022 at 18 (or as updated in a successor decision). The threshold is updated regularly in the CARE proceeding, A.19-11-003, et. al.⁷. The CARE standard is 200% of Federal Poverty Guidelines. Through May 31, 2023, this threshold is \$55,500 for a household of 4. Low-Income Customers may also be defined as households with incomes at or below 80 percent of the statewide median income or with incomes at or below the threshold designated as low income by the Department of Housing and Community Development’s list of state income limits adopted pursuant to Section 50093 of the Health and Safety Code. “Low-income customers” include publicly supported housing developments, farmworker housing, and other properties categorically eligible for Broadband Public Housing Account grants. Note that these definitions are only applicable at the reporting stage, see section 11.2.

“Municipal Bond” – A bond issued by a local government agency or other eligible entity to raise capital by borrowing money from investors to meet financial obligations, or to fund projects that benefit their jurisdiction. As with other bonds, it involves a promise to return the principal and pay interest on specified dates, but the interest payment may be exempt from federal income taxes. There are many types of municipal bonds, but the two types most pertinent to public finance are Revenue Bonds and general obligation (GO) bonds.

“Par-Amount” or “the Par Value of a Bond” – The face value or principal amount of the bond that is paid back to the bondholder at maturity. It is the initial investment or amount borrowed by the issuer of the bond. The par amount is typically set at a fixed amount, such as \$1,000 or \$10,000, and serves as the basis for calculating interest payments and determining the repayment amount to bondholders/lenders.

“Payment Default” – The failure to make required interest or principal repayments on a debt, whether that debt is a loan or a security.⁸ May also include all payments required under the indenture for the bonds (trustee fees, counsel fees, guarantee fees, insurance premiums, etc.) A Payment Deficiency that does not result in failure to make debt service payments (due to the availability of the DSR and DSR Guarantee) is not a Payment Default.

“Payment Deficiency” – The occurrence of a draw on the awardee’s DSR.

“Program Budget” – The total amount of available LLP funds to be utilized for credit enhancements and administrative expenses.

“Project Budget” – The total projected costs required to complete a project over a defined period of time.

“Revenue Bonds” – Bonds that finance projects such as hospitals, airports, toll roads, education facilities and bridges where the revenues from those projects repay the interest and principal of the issued bonds over time. The issuer’s general credit (and collateral) is not usually pledged to these bonds, and the investors look solely to project revenues and performance. For example, a bridge financed by revenue bonds may have a toll paid by motorists each time they cross the

⁷ *Id.*

⁸ James Chen, Default, Investopedia (Aug. 15, 2022, 1:12 PM), <https://www.investopedia.com/terms/d/default2.asp>.

bridge. Revenues from the toll are used to pay back investors who purchased the bonds used to finance construction of the bridge. These do not require voter approval.⁹

“Sovereign Tribal Government” – A Native American Tribe located in California that is on the contact list maintained by the Native American Heritage Commission for the purposes of Chapter 905 of the Statutes of 2004, (see Cal. Pub. Res. Code § 21073). Also includes wholly owned Tribal corporations, Tribal consortiums, Tribal nonprofits, and Tribal utility companies with proof of authorization to apply by the Tribe’s Council or other governing body or Tribal law.

“Trustee” – A financial institution that is granted trust powers, such as a commercial bank or trust company. This entity, in turn, has a fiduciary duty to the bondholders/lender to enforce the terms of the indenture, including any agreement or other credit support. A trustee sees that bond interest payments and principal repayments are made as scheduled and protects the interests of the bondholders/lender if the issuer defaults.¹⁰

“Underwriter” – A Broker/Dealer who initially purchases the bonds for redistribution to the “public”. They are often compensated in the form of a commission, premium, spread, or interest. Underwriters determine the level of risk for lenders and help them structure public market financing to provide project financing at the lowest possible rates. Underwriters purchase debt securities—such as government bonds, corporate bonds, municipal bonds, or preferred stock—from the issuing body (usually a company or government agency) to resell them for a profit. This profit is known as the “underwriting spread.”¹¹

“Unserved Community” – An area for which no wireline broadband provider reliably offers broadband.¹²

4. Responsible Entities

The following entities and their roles and responsibilities have been identified for implementing the LLP, as applicable.

- a) Beneficial Owner / Investor
 - a. Roles and Responsibilities: Owner or purchaser of the eligible debt issued by the local or Tribal government agency / non-profit. Provides capital.
- b) Legal Counsel(s)
 - a. Bond Counsel: represents the Borrower and is responsible for the transactional structuring and documentation.

⁹ John Chang, California Bonds 101: A Citizens Guide to State Revenue Bonds, California State Treasurer (Aug. 15 2022, 4:24 PM), https://www.treasurer.ca.gov/publications/bonds101_revenue.pdf.

¹⁰ James Chen, Bond Trustee, Investopedia (Aug. 15, 2022, 10:53 AM), <https://www.investopedia.com/terms/b/bond-trustee.asp#:~:text=A%20bond%20trustee%20is%20a%20financial%20institution%20that,to%20enforce%20the%20terms%20of%20a%20bond%20indenture.>

¹¹ Caroline Banton, Underwriter, Investopedia (Aug. 15, 2022, 3:39 PM), <https://www.investopedia.com/terms/u/underwriter.asp>.

¹² See D.22-04-055 Appendix A at A-8.

- b. Counsel to the Underwriter (in a publicly issued bond transaction): represents the Underwriter's interest in the structuring and sale process.
 - c. Lender's Counsel (in a private/ loan transaction): represents the Lender's interests.
 - d. Disclosure Counsel (in a publicly-issued bond transaction): responsible for the accuracy and completeness of disclosure to the public markets and to private party purchasers.
 - e. Counsel to the trustee: represents the discrete role of trustee.
 - f. Conduit Issuer Counsel: represents the discrete role of Conduit Issuer (if any).
 - g. Counsel to the CPUC as administrator of the LLP credit enhancement: represents the CPUC in the transaction and the servicing of the eligible debt.
- c) California Public Utilities Commission (CPUC)
 - a. Roles and Responsibilities: Reviewer of applicant eligibility, operational and technical fitness; Administrator of the LLP credit enhancement; and Custodian of the DSR Guarantee.
- d) Conduit Bond Issuer
 - a. Not applicable to all bond transactions. Some local government Obligor may elect to issue their own revenue bonds.
 - b. Roles and Responsibilities:
 - i. An authorized government entity (including Joint Powers Authorities (JPA)) that issues the bond on behalf of a local or Tribal government / non-profit.
 - Ensures that continuing disclosures are fulfilled in a publicly-issued transaction.
 - ii. Calculates and files arbitrage rebate returns (for tax-exempt transactions).
- e) Credit Rating Agency
 - a. Roles and Responsibilities: Determines the credit rating of the eligible debt.
- f) Obligor (Local Government Agency / Non-Profit / Joint Powers Authority / Tribal Government)
 - a. Roles and Responsibilities: Borrower, responsible for the repayment of the bond.
 - b. Administers any construction or acquisition program for the buildout of broadband infrastructure.
 - c. Addresses any workout-related issues, should the broadband project draw upon the credit enhancement.
- g) Municipal Advisor
 - a. Roles and Responsibilities: Advisor to the eligible debt Issuer or assists in structuring the debt and payment structure supporting the borrower.
- h) Rebate Consultant
 - a. Roles and Responsibilities: Complies with ongoing covenants specific to tax-exempt deals and the requirement to rebate certain amounts to the IRS.
- i) Trustee, Registrar or Paying Agent
 - a. Roles and Responsibilities: Fiduciary, establishes and maintains funds and accounts and funds required by the indenture, sends payments as required by the indenture, holds investments as directed, registers owners of the bonds. Ensures the enforcement of a bond indenture and ensures that debt interest and principal payments are made as scheduled. Protects the interests of the bond holder/lender in the event of default by the borrower.
 - b. May assist Borrower and Issuer in complying with certain covenants. Calculates and files arbitrage rebate returns (for tax-exempt transactions). This function may also be performed by a separate consultant retained by the borrower.

- j) Underwriter
 - a. Roles and Responsibilities: Underwrites the debt issuance by purchasing the bonds and selling them to bond investors (in a publicly sold transaction). May also serve as placement agent in a direct purchase transaction.
- k) Lender
 - a. Roles and Responsibilities: Typically, an institutional investor or commercial bank that makes a loan that is evidenced by the Municipal Bond issued by an Issuer, the proceeds of which are lent to the Borrower. This is typically referred to as a negotiated sale or private placement.

5. Eligible Entities

Entities eligible to participate in the LLP are nonprofit organizations or local government agencies as defined in Government Code Section 53167(e) including:

- a city.
- a county, including a county service area.
- a community service district.
- a public utility district.
- a municipal utility district.
- a joint powers authority.
- a local educational agency, as defined by Education Code Section 47640.
- a sovereign Tribal government, as defined above.
- an electrical cooperative as defined by Public Utilities Code Section 2776.

Privately-owned projects are not eligible for LLP support. Public-private partnerships are allowed, but infrastructure supported by the LLP must be owned by a public agency or non-profit.

6. Loan Loss Program Credit Enhancement

The LLP credit enhancement consists of a Debt Service Reserve (DSR) supported by a DSR Guarantee that will be available based on the awardee's CPUC approved coverage levels. The LLP is not a broadband grant program. The LLP credit enhancement will support broadband financing by issuing DSR backstopped by the approved reserved amount of DSR Guarantee to trustees on behalf of local government agencies, non-profits, and sovereign Tribal governments to support broadband eligible debt issuance.

If the debt is issued for the purpose of the development of broadband infrastructure, the applicant demonstrates sufficient expertise in deployment, and the proposed project is evaluated as financially viable, the DSR Guarantee may support a portion of the eligible debt issued on behalf of the project. Such support will be limited to an amount equivalent to 100% of the debt's principal.

Credit enhancements offered in the LLP will be designed to induce bond investors or lenders to lend to a borrower and decrease the cost of financing by reducing the risk of a total loss for a bondholder/direct lender in the transaction. Credit enhancements function as a credit guarantee,

with the positive credit benefit of the guarantee going primarily to the borrower by way of reducing costs or providing the borrower with the ability to obtain better financing terms than would be accessible without a credit enhancement.

The CPUC does not impose strict funding caps per awardee as that would impede the awardee's ability to deliver broadband infrastructure most effectively.

6.1 Debt Service as a Credit Enhancement

The LLP credit enhancement consists of a DSR that shall be included in each applicable eligible debt issuance, with sufficient funds to ensure timely regularly scheduled principal and interest payments to trustees on behalf of bondholders/lenders up to the amount of the applicable approved guarantee. The DSR will be drawn upon if broadband revenues are insufficient to support such payments. DSR draws are a reportable material event for continuing disclosure purposes in a public transaction. DSR draws shall be outlined in the indenture.

Should the DSR be drawn upon, it will be replenished from the DSR Guarantee by the amount the DSR is depleted within the timeframes set forth in the indenture. For example, if an awardee receives coverage up to 30% of bond principal on a \$10 million bond, the DSR will be replenished up to \$3 million, the maximum available from the DSR Guarantee. The DSR Guarantee will cover no more payments after the full amount of coverage has been exhausted. When the DSR Guarantee is repaid, those funds will again be available to provide coverage up to the awarded amount. If the DSR Guarantee is not repaid within three months, the liability to the DSR Guarantee will bear interest. This liability will accrue interest based on the prime rate plus one percent, compounded monthly, which functions as a deterrent on draws and to incentivize repayment of the drawn funds.

6.1.1 Debt Service Reserve Tax-Exempt Basis

If a broadband eligible debt transaction is issued on a tax-exempt basis, issuers and borrowers must coordinate with their respective counsel to structure the DSR in compliance with federal tax requirements set forth in the Internal Revenue Service Code.

In a bond tax-exempt arrangement, the DSR must meet the following test when funded: the lesser of: (i) Maximum Annual Debt Service, (ii) 125% of Average Annual Debt Service, or (iii) 10% of the par amount of the bonds.¹³ In taxable arrangements, parties may follow the tests as guidelines in determining the size of their DSR. The information in this paragraph is provided only for the convenience of awardees and does not limit the DSR Guarantee coverage that may be awarded for a tax-exempt or taxable bond transaction.

6.1.2 Debt Service Reserve Guarantee Repayment Seniority

The DSR shall be required to be repaid immediately after debt service, and before any broadband revenues can otherwise be allocated to bondholders/lenders under the applicable indenture. Upon a failure to repay the DSR, the CPUC shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the form of guarantee described in Section 9.3 or the indenture.

¹³ IRS Code 1.148-2(f).

6.2 The DSR Guarantee

The DSR Guarantee will function as a support fund to the DSR. When applicants apply to the LLP, the percent coverage of principal they are awarded will depend on how much available funding is remaining in the Loan Loss Program.

If there is a draw upon the DSR to meet debt service, the DSR Guarantee will continue to “refill” the applicable DSR account until the allocated guarantee is exhausted, subject to the terms set forth in the form of guarantee and indenture.

In order to be eligible to transfer funds from the DSR Guarantee to the DSR, awardees shall register the trustee or other applicable entity with the CPUC Accounting Department’s payment system or CPUC Fiscal Agent.

6.2.1 DSR Guarantee Release of Guarantee from Awardee

The allocation of the Loan Loss Fund reserved as credit guarantees may be gradually released according to pre-defined performance milestones, to be made available again as credit enhancement for future awardees, as awardees’ partially-enhanced eligible debt are paid down successfully.

6.2.2 DSR Guarantee Earned Interest

Interest earnings in the DSR Guarantee will be used first to pay for the administrative services incurred from the management of the DSR Guarantee; the remainder will be used to replenish or grow the DSR Guarantee.

1.1.1 DSR Guarantee Location

Per legislation and after the July 2023 appropriation the DSR Guarantee will be transferred from the General Fund to Fund 3411.¹⁴ The CPUC will work with the California Department of Finance and the State Controller’s Office to initiate the transfer. Following the transfer, Commission Staff anticipates the DSR Guarantee will be managed by the CPUC or its Fiscal Agent and any funds not reserved by

¹⁴ <https://esd.dof.ca.gov/funds/app/download/3411>.

awardees shall be placed in the Surplus Money Investment Fund (SMIF) or an investment of the CPUC's choosing.

1.2 Loan Loss Program and Multiple Eligible Debt Issuances

The LLP will permit funds to be reserved for multiple eligible debt issuances: applicants are able to reserve funds to provide new credit enhancements for multiple projects. Applicants are required to submit a new application when they plan to issue new debt. Funds will be awarded on a per-application and per-project basis and will require a new application for each reservation.

1.3 Loan Loss Program Funding Allocation Timing

Awardees can encumber funds in the LLP to be used as a credit enhancement for up to 30 years. Shorter times are preferable so that funding can be released, returned to the fund, and redistributed to support other projects.

1.4 Loan Loss Program Matching Funds Are Not Required

The LLP will not require applicants to provide matching funds to support their project.

1.5 Provisions for Increased Capitalized Interest After Application Approval

Commission Staff will ministerially approve support for an increase in capitalized interest of up to 20% above the amount identified in the project application if allowable under applicable law. Awardees must attest and provide documentation demonstrating that the increase in costs is due to factors outside their control in a letter to the Director of Communications Division.

1.6 Required Bond Terms

The CPUC establishes the following requirements for each bond issuance that receives LLP support. The purpose of these provisions is to ensure that the DSR Guarantee is protected, and to ease the negotiation of bond terms by setting a minimum standard before bond negotiations begin, which include:

1. The CPUC must consent to any additional debt to be issued that can either be repaid from the same DSR Guarantee or that materially impacts the revenue repayment source on an existing DSR Guarantee.
2. The bond trustee shall not be replaced without the consent of the CPUC.
3. Bond documents and indentures shall not be revised without the consent of the CPUC.
4. Ongoing information such as audited financial information, notices of draws on reserve accounts prior to any withdrawals, notices of defaults, prior redemption/refunding notices, notices of commencement of any bankruptcy proceedings, and any notices (including rating agency-related matters) that go to bond owners/lenders must also be sent concurrently to the CPUC and its representatives.
5. The CPUC is a third-party beneficiary of the issuing documentation.
6. Delinquent payments owed to the credit enhancer (CPUC) will be based on the prime rate plus one percent, compounded monthly after the 3-month grace period.

7. Any agreements that materially impact the security or sources of repayment of the bonds or credit enhancer (CPUC) cannot be entered into without the prior written consent of the CPUC.
8. Legal opinions also must be addressed to the CPUC and its legal representatives.
9. The indenture cannot be fully discharged until all amounts due to and owing to the CPUC have been repaid.
10. The CPUC or its legal representatives must have signoff on flow of funds.
11. Costs/fees/amounts owed to the CPUC shall be included in calculations for additional debt to be issued.

1.7 Loan Loss Program Eligible Capitalized Costs

Costs associated with the issuance of eligible debt for the development of broadband infrastructure are considered approved project costs under Public Utilities Code Section 281.2. Costs of issuance will be included within the debt that may be covered by the LLP. These include costs related, but not limited, to payment of costs of debt issuance (not to exceed two percent of the total debt issued for non-profits in a tax-exempt transaction, or five percent in all other transactions, i.e., taxable non-profit transactions, or debt issued for other eligible entities).¹⁵ Costs for obtaining credit enhancement; including transaction costs such as bond counsel fees and the cost of the guarantor to issue.

1.8 Loan Loss Program Funding Reservation Period

After an application is approved by Resolution, awardees have 180 days to close the eligible debt transaction. Any request for extension must include reasons and remedies for the delay; extension requests may be approved by the Director of Communications Division or the Director's designee.

1.9 Additional Support in the Event of Revenue Shortfalls

In the event a project risks insolvency, the bond issuer/awardee will be required to hire a consultant with relevant expertise to evaluate operational problems of the system and make recommendations to the borrower's management. The CPUC will not limit external support or prohibit the eligible debt issuer/awardee from subsidizing broadband projects with non-broadband revenues if they wish to do so.

If the project meets either of the following two criteria, awardees shall hire a consultant with the appropriate expertise:

- a. The borrower has not fully repaid any draws on the DSR within twelve months.
- b. Revenues minus operation and maintenance costs are less than 105% of the funds required to meet bond payments for a period of 12 months (a key indicator of financial viability).

¹⁵ IRS Section 501(c)(3) federal tax exemptions place a two percent limit on the cost of debt issuance for nonprofits.

Commission Staff will discuss possible recommendations to remedy the revenue shortfalls with the trustee. Those recommendations agreed upon to provide financial stability to the project will be implemented by the borrower and trustee to the extent feasible.

1.10 Loan Loss Program Reporting

The CPUC shall report the source and amount of funds in the LLP on its website, including the webpage for the LLP. The reporting shall be done based on when funds become reserved.

7. Loan Loss Program Design

7.1 Loan Loss Program Funding Cycle

CPUC intends to offer funding each calendar year three times in three separate four-month cycles. Commission Staff will publish dates and timelines. The CPUC will accept applications three times per calendar year beginning and ending on the first seven days of a funding cycle. Each funding cycle will appropriate a subset of that calendar year's available LLP funds equally, including any unawarded funds from prior years, see Table 2 below. Awardees may apply for any level of support up to an amount equivalent to 100% of bond principal within each funding cycle.

Table 1 presents the appropriation funding for fiscal year 2023-2024, and the estimated funding for years 2024-2025 and 2025-2026.

Table 1. Loan Loss Program Funding Appropriation for Fiscal Years 2023-2026

	2023-24	2024-25 ¹⁶	2025-26 ¹⁷
Loan Loss Program Annual Appropriation	\$175M	\$300M	\$275M
Cycle 1	\$58.3M	\$100M	\$91.7M
Cycle 2	\$58.3M	\$100M	\$91.7M
Cycle 3	\$58.3M	\$100M	\$91.7M
Total	\$175M	\$475M	\$750M

To ensure that funds are available for low-income and vulnerable communities, each cycle will have a General Market Track, Tribal Track, and Equity Track offering. The General Market Track will be allocated 40% of available funds and will be available to all applicant project areas whether served, underserved, or unserved. The Tribal Track will be allocated 10% of available funds and will be restricted to projects proposed by Sovereign Tribal Governments or in partnership with Sovereign Tribal Governments. The Equity Track will be allocated 50% of available funds and will be restricted to projects where three

¹⁶ Estimated appropriation.

¹⁷ Estimated appropriation.

fourths or more of the project area is within Disadvantaged Communities and Low-Income Areas, and/or Tribal areas.^{18,19}

Table 2. Loan Loss Program Funding Allocation for each Fiscal Year

	Cycle 1 (months 1-4)	Cycle 2 (months 5-8)	Cycle 3 (months 9-12)
General Market Track Open to all projects (40% of available funds per cycle)	4/10 of available funds	4/10 of available funds, plus any remaining funds from Cycle 1	4/10 of available funds, plus any remaining funds from Cycles 1 and 2
Tribal Track (10% of available funds per cycle)	1/10 of available funds	1/10 of available funds, plus any remaining funds from Cycle 1	1/10 of available funds, plus any remaining funds from Cycles 1 and 2
Equity Track Open to projects serving SB 535 Disadvantaged Communities and Low-Income Areas, including Tribes. (50% of available funds per cycle)	5/10 of available funds	5/10 of available funds, plus any remaining funds from Cycle 1	5/10 of available funds, plus any remaining funds from Cycles 1 and 2

7.2 General Market, Tribal, and Equity Track Requirements

Broadband projects eligible for the Equity Track are also eligible for the General Market Track.

In the event the Equity Track becomes oversubscribed in a cycle, Equity Track projects will be given priority over General Market Track projects during funding allocation.

¹⁸ See <https://federalfundingaccountmap.vetro.io/map>. Parties may see a representation of eligible communities on the Federal Funding Account map, by selecting the “Disadvantaged Communities” layer and the “Low-Income Areas” layer.

¹⁹ For purposes of defining areas eligible for the Equity Track, Tribal areas include areas controlled or held in trust by a Tribal entity listed on the Bureau of Indian Affairs Office of Federal Acknowledgement petitioner list pursuant to Title 25 C.F.R. Part 83 et seq.; or an area controlled by an Indian Tribe located in California that is on the contact list maintained by the California Native American Heritage Commission for the purposes of consultation pursuant to section 65352.3 of the Government Code; and has organized a separate legal entity, either a non-profit or for-profit entity, in compliance with CCR Title 25, Section 8301(s) and it has demonstrated to the satisfaction of the Commission that the Tribal area is controlled by the separate legal entity controlled by the Tribal entity, whether held off-reservation trust land or on reservation trust land. This includes:

- (1) Joint Use Areas;
- (2) Legal reservation and associated off-reservation trust land;
- (3) Legal area consisting of reservation only;
- (4) Legal area consisting of off-reservation trust land only;
- (5) A Tribal designated statistical area (TDSA); including any fee lands owned and controlled by a Tribal entity for the purposes of providing housing or economic opportunities for tribal members or the Tribe.

If funding becomes oversubscribed in a cycle in either of the General Market, Tribal or Equity Track, the application shall be rolled over to the next funding cycle and be evaluated there once funding is replenished. Applicants will not need to resubmit their applications in the new cycle.

7.3 Prioritization of Unserved Communities

The CPUC will not restrict the LLP financing to unserved areas and will allow for financing in adjacent underserved and served communities.

7.4 Applicant Prioritization

Commission Staff will score all applications based on the scoring criteria below. In the event the LLP receives more applications for funding within a cycle than is available, Commission Staff will prioritize applications based on the amount of credit enhancement coverage requested, the proportion of unserved locations in the application, whether the applicant will offer a low-cost plan, and the project's technology choice. Commission Staff may update or modify the scoring criteria by CPUC Resolution if an update to the scoring criteria is needed.

Table 3. Loan Loss Program Scoring Criteria

Category	Maximum Points	Scoring
A. Coverage requested: The amount of LLP funds requested as a percentage of the eligible debt.	50	<ul style="list-style-type: none"> • 50 points: Coverage requested is less than or equal to 40%. • 25 points: Coverage requested is greater than 40% but less than or equal to 60%. • 10 points: Coverage requested is greater than 60% but less than or equal to 100%.
B. Serves unserved: The applicant's proposed project area will benefit a portion of unserved locations.	50	Yes = 50, No = 0
C. Offers low-cost plan at 50/20+: An application proposing to offer the low-cost broadband plan at 50/20 Mbps. Recipients have the option to adjust plans in accordance with the Consumer Price Index.	25	Yes = 25, No = 0
D. Infrastructure life: Fiber optic is scalable and enables the next generation of application solutions for all communities. An application proposing to invest in fiber optic infrastructure will receive credit.	25	Yes = 25, No = 0

8. Applicant Eligibility Criteria

8.1 Project Service Standards

Eligible broadband projects under the LLP should be designed to reliably offer, upon completion, symmetrical speeds at or above 100 Mbps download and upload. In some cases, 100 Mbps symmetrical speeds may be constrained due to engineering limitations and minimum speeds of 100 Mbps download and 20 Mbps upload may be considered. Additionally, broadband projects shall include sufficient surplus capacity to remain competitive in the future without requiring major refurbishment upgrades. Further, providers must adhere to open access middle-mile infrastructure requirements.

8.2 Affordability

Providers shall offer a low-income broadband plan such as the Affordable Connectivity Program (ACP) or a similar successor program to the ACP as identified by the CPUC.

8.3 Outreach Plan

Applicants shall provide an outreach plan that encourages subscription to the service in the project locations. Applicants shall also include evidence of support from communities affected by the proposed broadband projects, planned marketing and outreach efforts, including proposed stakeholder engagement, or any other relevant material in their application. Where an applicant proposes to serve Tribal areas, the applicant shall also include evidence of support from the applicable Sovereign Tribal Government(s).

9. Loan Loss Program Application Process

9.1 Application Submission and Review Process

Applicants shall complete and submit the required application information as stated in section 9.2 Application Guidelines to Broadband.LoanLoss@cpuc.ca.gov by the last day of the application window to be considered for that LLP funding cycle. Any applicant submitting their application after the last day of the application window will be asked to re-apply in the next funding cycle.

Commission Staff will notify stakeholders via the CASF distribution list²⁰ and post the start and end dates of the application window on the CPUC Broadband LLP webpage²¹. Accepted applications will have summary information posted to the CPUC Broadband LLP webpage along with project location information.

Commission Staff will post a list of current funding levels, application statuses, deadlines, and notices to the CPUC Broadband LLP webpage when applications are awarded or denied through CPUC Resolution.

Commission Staff shall notify the applicant by email specifying the results of the Commission Staff preliminary review for completeness.

²⁰ R.20-08-021.

²¹ <https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/broadband-implementation-for-california/loan-loss-reserve-fund>.

Commission Staff shall email the applicant the results of the CPUC's review of their request for credit enhancement including a link to the Resolution. Rejected applicants may reapply in a future application cycle.

8.1 Application Guidelines

An LLP application for credit enhancement should include all the components and requirements, listed below, to demonstrate the financial, technical, and operational capacity to execute the project successfully and completely in the timeframe established. Further, the application should demonstrate a well-planned project, with a reasonable budget, that will deliver speeds and services as proposed, and be sufficiently robust to meet increasing demand for bandwidth. A finalized application form shall be provided on the CPUC Broadband LLP webpage²².

This section describes the components and requirements that should be included in the application.

8.1.1 Guidance to Commission Staff on Information Required from Applicants

A. Application Item 1 – Project Summary.

- Description of proposed broadband project plan.
 - Project location name.
 - Project technology type.
 - Credit guarantee requested.
 - LLP Track (General Track, Tribal or Equity Track).
- Describe the project cost and how the proceeds from the debt financing will be utilized to fund its development.
- Map of projected area (with census block groups indicated).
- Map of where infrastructure will be built within project area.
- Number of unserved and served locations the project will serve, including total number of households within these locations.
- Customer concentration data.
 - Potential customer count.
 - Revenue contribution by customer group.

B. Application Item 2 – Applicant Entity Information.

- Organization name.
- Key contact information.
- Certificate of good standing issued by the CA Secretary of State (if applicable/for nonprofits).
- Organizational chart.
- Key company officers and organization history.
- Identify staff or entities responsible for legal counsel, project design and construction, marketing and technical support, and maintenance and operation.

²² Additional revisions to the application that require CPUC approval will be done through CPUC Resolution.

- This shall include information about the project architects or engineers and general contractor (if already identified).
 - Applicant should provide a history of the team's prior work, if applicable.
- Documentation (e.g., a signed letter or contract) of in-house or contracted expertise for evaluating and deploying broadband infrastructure.
- Documentation of expertise in bond financing and financial administration, or contracts with consultants or advisory entities (e.g., underwriters, financial advisors, bond counsel, etc.) necessary for successful bond issuance or encumbrance of other forms of debt for project deployment.
- Documentation (e.g., a signed letter or contract) of in-house or contracted experts in debt management (e.g., administrative capacity, debt ratio coverage, past performance).
- Statement of readiness to build, manage, and operate broadband.
- C. Application Item 3 – Description of Applicant's Current Broadband Infrastructure and Existing Infrastructure in the Area.
 - A description of the applicant's current broadband infrastructure and service within 5 miles of the proposed project (if any).
 - A description of other providers' infrastructure within the project area which can be leased, purchased, or accessed via interconnection.
 - Max speed offered currently to households by incumbent providers.
- D. Application Item 4 – Project Location Data.
 - Proposed broadband project location shapefile.
 - Geographic location of project related key network equipment.
- E. Application Item 5 – Median Income.
 - Median household incomes of all census block groups in project area.
- F. Application Item 6 – Deployment Schedule.
 - Project start and end dates.
 - Schedule for obtaining permits prior to construction.
 - Estimated project plan with major milestones and construction timeline.
 - Milestone risks.
- G. Application Item 7 – Proposed Project Expenditures.
 - Project Budget (Total, major equipment costs).
 - Estimated breakdown of aerial and underground installations.
 - Availability of matching funds with identified funding source.
- H. Application Item 8 – Economic Life of all assets to be funded.
 - Description of major infrastructure to be deployed, including economic life.
 - Buildings, outside plant, towers and poles, network and access equipment, operating equipment, customer premise equipment), the type of equipment (new building, prefabricated building, rehab of existing building, new towers or poles, modification of existing towers and poles, broadband switching equipment, fixtures, etc., and the estimated useful life (10, 15, 20, etc. years).
- I. Application Item 9 – Proposed Pricing.
 - Proposed pricing for the project, including pricing model for monthly services, installation and return requirements. Specify how much the affordable service offering will cost, what speeds it will provide, and how long the offering will be

- available.
- Other recurring costs.
- Other non-recurring costs.
- Applicant participation in Affordable Connectivity Plan (ACP) or equivalent low-income affordability program.
- J. Application Item 10 – Marketing/Outreach Plan.
 - Applicant must include a plan for engaging and marketing to Environmental and Social Justice (ESJ) communities.
 - Applicant must provide an estimate of the percentage of ESJ community residents in the project area.
- K. Application Item 11 – Local Government and Community Support.
 - Letters of support from state, local, Tribal government, or community organization.
 - Applications proposing to serve Tribal Areas must include evidence of support from the applicable Sovereign Tribal Government(s) for the project.
 - Anchor institutions and public safety locations in the project area that will receive new or improved service (optional).
- L. Application Item 12 – Funding Sources.
 - All project funding sources such as loans, bonds, financial contributions of the provider and other sources.
 - Applicant must describe whether applicant has or will pursue additional sources of outside funding (Sources and Uses Table).
- M. Application Item 13 – Financial Qualifications.
 - Certified Public Accountant-audited financial statements for the last three years. Local governments may submit Annual Comprehensive Financial Reports. If an applicant has less than three years of financial statements, as many years as financial documents exist from the parent or sponsoring organization, providing the borrower's:
 - Balance Sheet.
 - Income Statement.
 - Statement of Cash Flows.
 - Pro forma five-year financial forecast.
 - Schedule of all outstanding and planned debt.
 - Collateral documentation.
 - Indicate status of sources and uses of funding.
 - A non-binding term sheet that outlines the proposed financing deal (for an issuance that is underway but not yet complete).
- N. Application Item 14 – Project Viability.
 - Pro-forma financial forecast over 5-years (specific to the broadband project)
 - Income Statement.
 - Project viability forecast to include projected revenue from customers, showing take rate, changes in subscription and service rates, estimated revenue per customer, and minimum revenue per customer to cover debt service payments.
- O. Application Item 15 – Providing Voice Service (If applicable).
 - Availability of voice service that meets California and FCC requirements for 9-1-1

service.

- Listing of types of services offered.
- Timeframe of offering.
- Deployment plans for applicable Federal and state requirements for battery back-up, if applicable.

P. Application Item 16 – Environmental Review.

- Applicant must provide information about their project of demonstrating how CEQA compliance is to be obtained. The applicant shall attest that they have contacted the CPUC's Energy Division CEQA section in advance of the filing and have consulted with CEQA Staff regarding the process of developing and filing a Proponent's Environmental Assessment (PEA) or other CEQA documents are aware of their responsibilities if their proposed project is not exempt from CEQA.²³

Q. Application Item 17 – Application Checklist.

- Applicant must complete the LLP Application Checklist form and attach it to each credit guarantee proposal.

R. Application Item 18 – Affidavit.

- Applicant provides affidavit attesting that all information provided in their application is true and correct.

S. Application Item 19 – Eligible Debt Terms.

- Preliminary debt service schedule, estimated coupon rate, including anticipated coupon dates, and maturity date, if any.
- Other relevant security details.
- Details of additional bonds test, if any.
- Other outstanding debt.
 - Bonds issued under separate indentures or agreements by the applicant which rely on the same broadband revenue source.
- Proposed debt service reserve for bonds.
 - An account that holds the maximum annual debt service for the bond issuance stated in the application.
- Debt service schedule for financing, security, and sources of payment.
- Flow of Funds.
- An opinion from a registered Independent Municipal Advisor estimating the bond interest rate with and without the requested LLP guarantee.
- Expected Bond Rating, if any.
- Municipal Advisor, if any.
- Underwriting Team.
- Legal Matters.
 - Material litigation, if any.
 - Legal team.
 - A breakdown of counsel titles and responsibilities to parties on legal matters pertaining to the implementation of the bond issuance.

²³ Information on PEA and CEQA requirements is available on the CPUC's website at www.cpuc.ca.gov/ceqa.

8.2 Application Approval Process for Bonds

The following constitutes the major steps to approve a LLP bond application:

During the open funding cycle window, applicant provides an application with an estimate of the bond interest rate, calculated by an independent municipal advisor, with and without the LLP guarantee.

Commission Staff will preliminarily review LLP application for completeness and apply the scoring criteria. In the event the LLP receives more applications for funding within a cycle than is available, Commission Staff will apply the scoring criteria to determine what applications shall be reviewed and receive funding.

Commission Staff and its contractors will then review the application for technical and operational viability.

If viability is determined, Commission Staff will issue draft Resolution for public comment.

Commission Staff will specify the “form of guarantee”²⁴ and draft the terms, which will be provided to the applicant’s bond counsel as an attachment to the Resolution and must be included in the applicant’s closing bond documentation.

CPUC will vote to approve the Resolution and approve the coverage amount and reserve the approved credit guarantee amount.

8.2.1 Form of Guarantee

The awardee’s bond counsel should include the “form of guarantee” as part of the documentation to be included in the bond sale and include all required information in their indenture from the “form of guarantee”.

Commission Staff will determine industry conventions and standardization for the “form of guarantee” document, including contingency account funding provisions. Commission Staff will ensure that the offering meets all legal and statutory requirements and to limit the liability and risk to the CPUC by the terms of the “form of guarantee”.

8.3 Pre-Buildout and Buildout Phase

Broadband projects under the LLP shall be completed within 36 months after their project start date. Commission Staff and the awardee shall determine a project start date after the awardee has obtained CPUC Resolution approval, completed all necessary documentation, and obtained all necessary permits to begin construction.

²⁴ The “form of guarantee” will be a standard non-negotiable form that will be updated for each deal depending on the size of the guarantee.

Awardees will provide a phased-approach project plan to Commission Staff prior to the project start date. Should the awardee or the awardee's contractor fail to commence work at the agreed-upon date or deviate from the awardee's Deployment Schedule as defined in Section 3 Definitions, the awardee will notify Commission Staff by written letter as to the nature of the delay with estimated revised project start dates as soon as they are aware.

If there is a project delay during buildout, the borrower shall provide Commission Staff with a written letter as to the nature of the delay with estimated revised dates for the project to resume as soon as they are aware. Commission Staff may then provide a project delay exemption to the awardee and update its internal tracking systems.

After completion of the project, revenues generated from the broadband network will be used towards paying off the debt service for the life of the eligible debt.

8.4 Bond Maturity and Release of the Credit Enhancement

The bond issuer or trustee will notify Commission Staff of the maturity date of the bond, as well as repayment terms, and any required actions by bondholders.²⁵

For serial bonds²⁶, Commission Staff will withdraw an amount from the awardee's credit enhancement that is in proportion to the amount the awardee paid to the bond principal. This will allow Commission Staff to free up the credit enhancement for future applications and maintain the awarded credit enhancement percentage for the bond or bonds.

For term bonds²⁷, the bond issuer will calculate the total amount due to bondholders upon maturity. This includes the repayment of the principal amount (face value) of the bonds as well as any accrued interest up to the maturity date.

On the maturity date of a term bond, the bond issuer or trustee will distribute the repayment amount to bondholders and will close the bond. The bond issuer or trustee will provide Commission Staff with all closing documentation and will fulfill bond terms nine and ten as identified in Section 6.7 above. Commission Staff will then detach the credit enhancement between the awardee and the DSR Guarantee.

8.5 Eligible Debt Payment Deficiency

The issuer, borrower, Commission Staff, trustee, lender/bond owner and any other partnering agency or entity servicing the eligible debt may work together to address any issues that occur

²⁵ It's important to note that not all bonds necessarily reach maturity. Some bonds may contain call options that allow the bond issuer to redeem bonds before the stated maturity. In such instances, if the bond issuer decides to exercise the call option, bondholders might receive their principal and any accrued interest before the originally scheduled maturity date.

²⁶ Serial bonds mature in installments over a period of years.

²⁷ Term bonds mature on a single date.

throughout the life of the debt. In the event of a Payment Deficiency as defined in Section 3, Definitions, parties will follow the procedure described in section 11.3, Incident Reporting, and any additional applicable procedures set out in the indenture or similar document.

9 CPUC Outreach

Commission Staff will work with and leverage the expertise of other state agencies and partners, such as Community-based Organizations (CBOs) and Tribal Organizations, to better coordinate outreach to eligible entities, prior to and during the implementation of the LLP. Commission Staff will monitor and evaluate outreach efforts to ensure alignment with the CPUC's Environmental and Social Justice Action Plan.

10 Reporting Requirements

10.1 Bi-Annual Progress Reporting

Commission Staff will provide guidance and a template to awardees for reporting progress on a bi-annual basis. LLP awardees are required to file progress reports identifying project milestones and percent complete to date on a bi-annual basis. Progress reports are due on March 1 and September 1 of each year. In the event either date falls on a weekend or holiday, the reports are due the following business day.

Bi-annual progress reports will consist of the information listed below. These progress reports will be submitted to the Commission Staff and will be made available to the public via the CPUC's Broadband LLP webpage. Commission Staff will provide submission instructions and other relevant information, consistent with these requirements, on the CPUC Broadband LLP webpage.

- Description of project accomplishments during the reporting period.
- Identification of project milestones and the percent complete to date. If the percent completed is more than 5% delayed from the estimated target milestones shown in the Loan Loss application, the awardee must provide a narrative description explaining the delay.
- Major construction milestones (including a reporting on all CEQA mitigation implementation and monitoring activities, if CEQA review was required), date of completion of each task/milestone as well as problems/issues encountered, and actions taken to resolve these issues/problems during construction (including CEQA compliance, if applicable).
- Description of any challenges or issues and any risks faced during the reporting period in achieving planned progress on the project, including environmental compliance and permitting challenges if applicable.
- Description of significant project milestones or accomplishments planned for the following reporting period.
- Projected date of completion of the project, problems/issues encountered since previous bi-annual progress report and actions taken to resolve these issues/problems during construction (and comprehensive reporting on CEQA mitigation compliance, if applicable).
- Certification that each progress report is true and correct, under penalty of perjury.

8.1 Completion Reporting

In addition to the bi-annual progress reporting requirements, awardees will file a completion report, per Public Utilities Code 281.2(d)(2) within 30 days of the project completion date. Commission Staff will provide guidance and a template to awardees for completion reporting. The completion report will contain the following:

- Description of the project, including any changes in the project construction and alignment, if applicable.
- Comparison of approved versus actual costs of construction.
- Description of status of progress as compared with Deployment Schedule proposed in application.
- Subscribership information to date.
 - Projected subscribers versus actual subscribers (by subscriber type), as of the date of the completion report.
 - The actual number of current subscribers by subscriber type and subscriber speed.
 - The potential number of subscribers of each type that could be served using the LLP project's existing facilities at the same minimum defined speed.
 - Both the number of low-income customers in the project area and the number of low-income customers subscribing to low-income plans.
 - Number of subscribers broken down by each broadband plan offered, if applicable.
- Speed test data at the address level for the project area, including:
 - Test results for download and upload speeds.
 - A representative sample of speed test results at dispersed locations in the project area, including locations at the edge of the project area; the number of tests will vary based on the project.
 - Maps and associated data of speed test locations and results in a .kmz/ .kml file, shapefile or .csv spreadsheet.
 - A screenshot of the results of CalSPEED speed tests, which can be accessed at <http://www.calspeed.org/index.html>.
 - Peak and off-peak speed tests.
- Maps and associated data of all locations served.
- The geographic coordinates of all locations that are served. This information will be provided in a plain-text, comma-separated values (.csv) file, or .kmz/ .kml file or shapefile that contains.
geo- located street address information, including latitude and longitude, as well as census

block code (GEOID).

- Identification of the number of served locations in the project area that have broadband availability at or above the aforementioned minimum speeds.
- Documentation of advertisements issued, billing inserts and marketing information.
- Documentation of all service plans offered by the awardee, including speed tiers and prices.
- Open access interconnections (if applicable).
 - The number of interconnection requests and executed service agreements.
- Updates on project permitting (if applicable).

8.2 Incident Reporting

In the event of an anticipated deficiency in broadband revenues, the LLP requires sufficient notice to minimize risk of losses. The awardee and trustee must notify Commission Staff and the Director of the Communications Divisions as soon as they know (or should know) of anticipated deficiencies in broadband revenue that will be used for payments on debt service.

Awardee and trustee shall put in writing the following facts²⁸:

- The anticipated date of the draw on the applicable DSR or a draw from the DSR Guarantee to the DSR.
- Incident type and details including preventative measures.
- Amount of deficiency or anticipated future draws from the DSR or DSR Guarantee.

(END OF ATTACHMENT 1)

²⁸ These items can also be addressed via “Notice Provisions” required of the trustee to seek reimbursement for draws on the debt service reserve.