

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Agenda ID# 24429 (Rev. 1)
Communications Division

RESOLUTION T-17934
October 8, 2026
Item 5

R E S O L U T I O N

Resolution T-17934: Rescission of Federal Funding Account award to AVX Networks in Orange and Los Angeles Counties.

PROPOSED OUTCOME:

Terminates up to \$37,571,833 in Federal Funding Account funding awarded to AVX Networks (AVX) in Orange and Los Angeles Counties in Resolution T-17896 on December 18, 2025, and releases the funding for future Federal Funding Account projects. The unserved locations in the original project area will not be subject to a grant commitment and may be eligible for future rounds of funding.

SAFETY CONSIDERATIONS:

There are no direct safety considerations, though the grant project areas will not benefit from the communication and resilience improvements from broadband infrastructure investments.

ESTIMATED COST:

This resolution terminates one last-mile Federal Funding Account grant for a total of up to \$37,571,833.

SUMMARY

This Resolution terminates up to \$37,571,833 in Federal Funding Account funding awarded to AVX Networks in Resolution T-17896¹ and releases the funding for future Federal Funding Account projects. The decision to terminate AVX Networks' grant funds is being made due to AVX Networks' conduct since receiving the award to ensure proper use of public funding in carrying out the requisite administrative, technical, and operational capacity of the award. The program rules give either party the ability to terminate an award; moreover, since the award, AVX Networks has not shown itself to have the requisite administrative, technical, and operational capacity to deliver on its project, and AVX Networks has failed to comply with the terms and conditions of its award. No reimbursement or payments have been paid on this award as of July 17, 2026. The awardee has been provided technical assistance and feedback, and multiple opportunities to cure deficiencies. Properly incurred and documented expenses remain eligible for reimbursement under applicable rules. The termination is to the grant award to AVX Networks and does not reflect on the merits of the project or the population the project would have served. The unserved locations in the original project areas will not be subject to a Federal Funding Account grant commitment at this time and may be eligible for future Federal Funding Account or other grant funds, if eligible.

BACKGROUND

California's multi-year broadband investment package established the Federal Funding Account as part of the Budget Act of 2021 and Senate Bill 156² and invested \$2 billion in the program over multiple years. The last mile Federal Funding Account program is funded from the California State General Fund and the federal Capital Projects Fund.³ The Federal Funding Account funds the construction of last mile broadband infrastructure projects in unserved areas of California. The Federal Funding Account encourages the deployment of broadband throughout the State to enable the public to access internet-based safety applications, telehealth services, emergency services, and to allow first responders to communicate with each other and collaborate during emergencies.

On April 21, 2022, the California Public Utilities Commission (Commission) issued Decision 22-04-055, Decision Adopting Federal Funding Account Rules⁴ and its Appendix

¹ Resolution T-17896 available at:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M587/K245/587245335.PDF>.

² Statute 2021, Chapters 84 and 112.

³ The AVX Networks project is supported entirely by California State General Fund monies.

⁴ Decision 22-04-055, Decision Adopting Federal Funding Account Rules available at:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M470/K543/470543650.PDF>

A: Federal Funding Account Program Rules and Guidelines.⁵ The rules and guidelines adopted in that decision included, among other items, the following: rules about projects to benefit Environmental and Social Justice Communities, affordable offers, five and ten-year price commitments, low-cost plans, project eligibility, application requirements, application objections, implementation of Public Utilities Code section 281(n) allocating funding between “rural counties” and “urban counties,” a process to reimburse grantees, a review process whereby Communications Division may approve certain projects ministerially or make recommendations to the Commission. The rules and guidelines further provided that grant recipients must comply with the American Rescue Plan Act and all other applicable federal statutes, regulations, and executive orders. Decision 22-04-055, Appendix A sets out procedures for the Commission to terminate grants. The Federal Funding Account program is a reimbursement-based program, as opposed to allowing for advance payments to awardees.⁶

Applications required supporting documentation⁷ and were holistically evaluated⁸; Communications Division compared and assessed their merits on a county-by-county basis.

Orange and Los Angeles Counties

On December 18, 2025, the Commission approved Resolution T-17896, which approved a grant of up to \$37,571,833 to AVX Networks⁹ to construct the Digital Equity for Coastal and

⁵ Decision 22-04-055, Decision Adopting Federal Funding Account Rules, Appendix A: Federal Funding Account Program Rules and Guidelines available at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M470/K481/470481278.PDF>

⁶ California law prohibits advance payments under grant programs except under special circumstances, none of which are implicated under the Federal Funding Account. Cal. Govt. Code §§ 11019, 11019.3. See. Decision 22-04-055, Decision Adopting Federal Funding Account Rules, Section 22; Federal Funding Account Post-Award Administrative Manual, Section V, available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/broadband-implementation-for-california/ffa-webpages/post-award-items/awardee-administrative-manual---july-2025.pdf>

⁷ Decision 22-04-055, Decision Adopting Federal Funding Account Rules, Appendix A: Federal Funding Account Program Rules and Guidelines, sections 9.1-9.19. outlines the information applicants must submit to apply for a Federal Funding Account grant, including but not limited to, a project summary, a description of broadband infrastructure in the project area, project location data, project deployment schedule, proposed project expenditure, pricing commitment, a marketing plan, government and community support, funding sources, project viability, information about voice service, CEQA attestation, and an affidavit attesting that under penalty of perjury the presentation in the application is true and correct.

⁸ As stated in Resolution T-17896, “[a]pplications were holistically evaluated: required and supporting documentation and the merits of the applications were compared and assessed on a county basis. Staff’s holistic evaluation included project engineering, technical feasibility and design, financial viability, cost, applicant capacity, and community need, among other factors. Staff assessed how to manage overlapping applications and applications planning to include some already-served areas in their project area. Staff also evaluated how applications and groups of applications compared to competing applications in the same county.”

⁹ AVX Networks is an independent telecommunications company providing limited fixed wireless microwave service to locations on Catalina Island. AVX Networks holds Certificate of Public Convenience and Necessity authority as a Cellular

North Orange County and Catalina Island project, proposing to build a last mile fiber network in Coastal Orange County, North Orange County, and Catalina Island. Resolution T-17896 stated:

“Staff determined that the applicant and the project are financially viable, and the applicant’s engineering meets the program standards. The applicant demonstrated the administrative, technical, and operational capacity to provide broadband service at the scale of this project.”

As approved, the project would have provided up to 10 Gigabit per second (Gbps) service to an estimated 1,125 unserved locations (a total population of 3,620) and 10 community anchor institutions.

Table 1: Summary of Approved Grant

Project Name	Unserved Locations Served	% Low-Income Locations Served	Project Cost	Awarded Amount	Low-Cost Plan
Digital Equity for Coastal and North Orange County and Catalina Island	1,127	38%	\$41,301,833	\$37,571,833	\$40.00 for 50/50 Mbps

AVX Networks was issued an award letter on December 29, 2025, that stated, “the grant award is contingent upon fulfilling the requirements as specified in Decision 22-02-055, Appendix A: Federal Funding Account Program Rules and Guidelines and Title 2 of the Code of Federal Regulations Part 200. These requirements include, but are not limited to, execution and performance, payment, and reporting requirements.”

AVX Networks submitted a consent form on January 12, 2026, agreeing to

Carrier under U-3093 and as a Competitive Local Carrier, Competitive Local Reseller, Interexchange Carrier and Interexchange Reseller under U-7406.

“comply with all grant terms, conditions, and requirements set forth in the Resolution or Award Letter, those in the Federal Funding Account, Last Mile program rules, and all applicable federal requirements.”

Communications Division provided guidance to awardees on the submission of payment requests, including, but not limited to, the Federal Funding Account Post-Award Administrative Manual,¹⁰ Guidance for Awardees on Submitting Reimbursement Requests,¹¹ Awardee Reimbursement Checklist,¹² and Guidance on Supporting Documentation for Reimbursement Requests.¹³

Under applicable rules, AVX Networks’ properly incurred and documented expenses remain eligible for reimbursement.

DISCUSSION

On April 19, 2026, AVX Networks submitted an initial reimbursement request for \$2,559,284.03. Communications Division provided AVX Networks several opportunities between April 27, 2026, and July 7, 2026, to submit the required justification and supporting documentation to demonstrate the invoices met state and federal criteria. Communications Division provided technical assistance and support in the preparation of a first reimbursement request and overviews of the guidance documents, and related documents to support awardees. On April 27, 2026, Communications Division sent an email to AVX Networks requesting additional documentation and information (Exhibit A).¹⁴ AVX Networks replied on April 27, 2026 (Exhibit B). On May 1, 2026, Communications Division sent an email notifying AVX Networks that the invoices submitted with the payment request raised concerns, and to stop all work and spending related to its Federal Funding Account award until a review of the reasonable and appropriate use of public funds could

¹⁰ Federal Funding Account Post-Award Administrative Manual available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/broadband-implementation-for-california/ffa-webpages/post-award-items/awardee-administrative-manual---july-2025.pdf>

¹¹ Guidance for Awardees on Submitting Reimbursement Requests available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/broadband-implementation-for-california/ffa-webpages/post-award-items/guidance-for-awardees-on-submitting-reimbursement-requests-june-2025.pdf>

¹² Awardee Reimbursement Checklist available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/broadband-implementation-for-california/ffa-webpages/post-award-items/awardee-reimbursement-checklist-june-2025.pdf>

¹³ Guidance on Supporting Documentation for Reimbursement Requests available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/broadband-implementation-for-california/ffa-webpages/post-award-items/guidance-on-supporting-documentation-for-reimbursement-requests.pdf>

¹⁴ Exhibits available at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M613/K857/613857024.pdf>, which are incorporated herein by this reference.

be completed (Exhibit C). AVX Networks sent an email on May 4, 2026, requesting a meeting (Exhibit D).

Communications Division sent a follow up letter on May 8, 2026 that continued to express concern about the requested expenses and the lack of supporting documentation, requested additional information and justification, and stated that any expenses that do not meet the Federal Funding Account program requirement threshold would be denied payment (Exhibit E). On May 15, 2026, AVX Networks responded by email (Exhibit F) with an attached letter marked as confidential. AVX Networks requested confidential treatment for the personnel information, salary information, vendor pricing, and other commercially sensitive information contained in its response. The letter provided attachments and responses to Communications Division's requests such as the purchase of residential real estate and a fleet vehicle, without prior approval, the employment of a family member, and contracting, administrative, and engineering costs.

From May 16, 2026 through July 6, 2026, Communications Division evaluated AVX Networks' submissions, program rules, opportunities for technical assistance, remediation, additional data, and procedures under the program rules.

On July 7, 2026, Communications Division sent a letter notifying AVX Networks that the Communications Division, after reviewing the additional information provided by AVX Networks, determined that AVX Networks had submitted insufficient and inadequate documentation and justification for how project expenditures meet the Federal Funding Account or Capital Project Funds requirements (Exhibit G). The letter stated Communications Division would initiate the formal Commission process to withdraw the award for the Digital Equity for Coastal and North Orange County and Catalina Island project. As a result, Communications Division recommends terminating AVX Network's grant award, thereby making all the proposed unserved locations eligible and up to \$37,571,833 available for future funding opportunities.

Failure to Comply with Terms and Conditions

Per the grant terms, all Federal Fund Account grant awardees, regardless of whether their grant was funded with Capital Projects Fund monies, are required to comply with U.S. Treasury Department rules, including those in Title 2 of the Code of Federal Regulations, Part 200.¹⁵ The Communications Division has found AVX Networks to be in violation of and/or did not provide documentation to comply with the following program requirements, among others:

¹⁵ See Dec. 29, 2025, award letter; see also Cal. Pub. Util. Code § 281(n)(2).

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in Title 2 of the Code of Federal Regulations Part 200¹⁶:
 - Section 200.112 Conflict of interest
 - Section 200.311 Real Property
 - Section 200.318(c) General procurement standards
 - Section 200.319 Competition
 - Section 200.320 Procurement Methods
 - Section 200.400 Policy Guide
 - Section 200.403 Factors Affecting Allowability Costs
 - Section 200.404 Reasonable Costs
 - Section 200.405 Allocable costs
 - Section 200.407 Prior written approval
 - Section 200.421 Advertising and public relations
 - Section 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements
 - Section 200.439(b)(1) Prior Approval for Real Property
 - Section 200.445 Goods or services for personal use
 - Section 200.449(a) Interest
 - Section 200.458 Pre-Award Costs
 - Section 200.459 Professional Services Costs
 - Section 200.460 Proposal Costs
- Decision 22-04-055 Appendix A: Federal Funding Account Rules and Guidelines, Section 8.a. Costs directly related to the deployment of infrastructure
- Decision 22-04-055 Appendix A: Federal Funding Account Rules and Guidelines, Section 15 Payments.

Sole Discretion to Terminate

Decision 22-04-055 Appendix A: Federal Funding Account Rules and Guidelines, Section 17 states,

“The Commission or the Recipient may terminate a grant award, at any time at its sole discretion by delivering ten (10) days written notice to the applicant/grant award recipient.”

¹⁶ Title 2 of the Code of Federal Regulations Part 200 available at: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

Under the Federal Funding Account Rules and Guidelines, Section 17, the Commission, through Resolution initiated by the Communications Division, may terminate an award at its sole discretion.¹⁷

Analysis

AVX Networks' conduct since receiving the grant award warrants termination. As described above, the Communications Division has found AVX Networks to be in violation of and/or to have failed to provide documentation to comply with multiple critical program requirements. AVX Networks' conduct is summarized in Exhibits A-G to this Resolution. But for clarity, we also repeat the information here.

The Federal Funding Account program is a reimbursement-based program, meaning that grantees must first incur and pay project costs and only then can seek reimbursement of those expenses. On April 19, 2026, AVX Networks submitted an initial reimbursement request for \$2,559,284.03 that included 18 documents and invoices. In response to Communications Division's questions, on May 15, 2026, AVX Networks resubmitted a reimbursement request with 26 documents and invoices that included the previously submitted 18 documents and invoices. On July 10, 2026, AVX Networks' legal counsel submitted seven invoices including six previously submitted invoices. On July 22, 2026, AVX Networks' legal counsel resubmitted the 26 documents and invoices that had been submitted on May 15, 2026. This first reimbursement request included multiple unacceptable and impermissible requests for reimbursement that involved inadequately addressed conflicts of interest. Representative examples, as described in Exhibits E and G, are also provided below.

First, AVX Networks requested reimbursement of \$1.5 million for the purchase of a residential property. AVX Networks did not request prior approval of a residential property purchase, as required by 2 C.F.R. § 200.439. When Communications Division asked for additional information on why the purchase of a residential property was a reasonable expense for a grant to deploy broadband infrastructure, AVX Networks' primary support was that the house would serve as the "headend" for the submarine cable system.¹⁸

The property's Purchase and Sale Agreement indicated the transaction had an effective date of December 18, 2025, and the property's seller was identified as Estamos Perdidos

¹⁷ AVX Networks has asserted that the Commission must establish additional criteria to terminate the award. AVX Networks' assertion is not accurate. As quoted above, the grant agreement allows the Commission to terminate in its sole discretion. But in any event, as described in this Resolution, AVX Networks has failed to comply with the terms and conditions of the grant award.

¹⁸ Exhibits A, B.

LLC, a California Limited Liability Company whose Sole Member & Managing Member was Lance Ware. The indicated buyer was AVX Networks, a California Corporation and the grant recipient of which Lance Ware is the Chief Executive Officer (CEO). AVX Networks did not provide adequate justification for this plainly non-arms-length transaction.¹⁹ Communications Division did not find the justification for the expense to be adequate, including because AVX Networks did not provide evidence to demonstrate that a remote and substantially cheaper Optical Line Terminal was insufficient. In sum, AVX Networks requested more than \$1 million in reimbursements that would have flowed to AVX Networks' CEO Mr. Ware in a non-arms-length transaction and without adequate justification.

Further, a nepotism policy or other process would need to be in place in order to potentially justify such a transaction, supported by grant funds, where the seller and buyer were the same.²⁰ In response to a request for additional information, the awardee provided a Conflict of Interest and Nepotism policy dated May 11, 2026 – three days after the Communications Division May 8, 2026, letter raising concerns on a related matter. This indicates the buyer bought a property from itself, without prior approval, without following reasonable processes, where the property appears not to be necessary or reasonable, and then responded to the Communications Division with a policy document that was created after the fact.

Second, AVX Networks requested salary reimbursements for a third-party corporation, DEC, LLC. The proposed agreement between AVX Networks and DEC disclosed that Mr. Ware was the Managing Member of DEC and that Julie Ware was a member of DEC but did not otherwise disclose ownership interests in DEC. The requested reimbursements translated to a \$250,000 yearly salary to be paid by AVX Networks to DEC for Mr. Ware's consulting services and a \$200,000 yearly salary for Julie Ware.²¹ AVX Networks in its reimbursement request did not disclose that Julie Ware was Mr. Ware's spouse. AVX Networks also did not provide evidence indicating that it took appropriate steps to address the clear conflict of interest and lack of arms-length transaction between DEC and AVX Networks, where Mr. Ware is on both sides of a transaction in which AVX Networks, the grant recipient and for whom Mr. Ware is CEO, was to pay DEC \$250,000 per year for Mr. Ware's consulting services. Communications Division found that AVX Networks had not provided adequate justification for the use of a subcontractor for owner wages, adequate justification demonstrating that the salaries paid to Mr. Ware and Julie Ware were reasonable, or payroll documents detailing the hours performed solely on the project.

¹⁹ 2 C.F.R. § 200-112

²⁰ 2 C.F.R. §§ 200.318-.320.

²¹ Exhibit E.

Third, AVX Networks requested reimbursement for the purchase of a fleet vehicle with a luxury trim package and racing parts. Again, AVX Networks did not obtain approval for this purchase prior to the purchase, as required by 2 C.F.R. § 200.407. Nor was the purchase of this type of more expensive vehicle adequately justified for construction projects to install broadband infrastructure.²²

AVX Networks' documentation and comportment does not indicate policies, procedures, and subject matter expertise to implement a project and grant of this size consistent with program requirements. Based on the totality of the circumstances, including AVX Networks' inability, after multiple opportunities, to substantiate and document expenses sufficient to demonstrate compliance with federal and state requirements, including Title 2 of the Code of Federal Regulations Part 200 and Commission Decision 22-04-055, Appendix A criteria of allowable / eligible expenses, AVX Networks does not demonstrate the expertise necessary to administer a publicly funded grant.

AVX Networks also did not comply with state and federal requirements or demonstrate awareness of program requirements, an understanding of the breadth and magnitude of its non-compliance, or an ability to substantiate compliance. The state and federal rules exist to ensure the proper use of public funds. They aid in protecting against self-dealing, conflicts of interest, and other misuse of public monies. The CPUC, through Communications Division, acts as stewards of such funds and must ensure grantees act in accordance with these rules, as clearly outlined in the awarding resolutions. Awardees are expected to review and comply with all state and federal requirements and Communications Division may provide technical assistance and monitor grant performance to ensure compliance.

In light of AVX Networks' demonstrated lack of ability to comply with state and federal requirements, Communications Division recommends the Commission terminate the grant based on an inability of the grantee to successfully execute on the grant as outlined in Resolution T-17896. Recommendation to rescind this award has been made after careful consideration of the totality of facts, the comportment of the grantee, and a weighing of the risk to the program should this grantee be allowed to further utilize public funds. Communications Division has provided the required 10 day written notice to AVX Networks to terminate the award and now presents the Resolution for the Commission's determination.

No reimbursements or payments have been paid to AVX Networks on this award. Communications Division may review documentation and justifications for work conducted from December 18, 2025, through July 17, 2026, and may reimburse invoices that meet state and federal criteria of eligible and allowable expenses on the condition that

²² The foregoing is not an exhaustive recitation of the deficiencies contained in AVX's reimbursement requests submitted to date.

sufficient documentation is submitted. Significantly, to date, AVX Networks has failed to provide proof of payment of any eligible expenses related to the award.

The Communications Division may refer matters of this type to an investigatory body for investigation and culpability apart from grant termination.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

Between August 14, 2026, and September 3, 2026, the Communications Division received a total of 26 comments, including 18 comments from the public, in response to Draft Resolution T-17934. The 18 comments from the public discussed their need for reliable internet services and raised two primary concerns. First, the need to ensure public safety through reliable broadband. Commenters expressed concerns about their need to reach emergency services and the hospital's ability to render quality medical services. Second, commenters expressed their need for reliable internet to conduct business and the loss of income that arises without reliable service.

The Commission agrees with the commenters on the need for dependable communications infrastructure for public safety, and for reliable internet to conduct business. This Resolution is not intended to minimize the importance of reliable internet for Catalina Island. The unserved locations in the original project areas will not be subject to a Federal Funding Account grant commitment and may be eligible for future Federal Funding Account or other grant funds, if eligible.

On August 14, 2026, the Commission received comment from Tim Kielpinski on behalf of Catalina Island Health, Catalina Island's only hospital. The comment expressed the importance of recognizing safety concerns in the Resolution, citing the hospital's need for reliable infrastructure to provide telehealth, telepsychiatry, remote diagnosis, and real-time collaboration with mainland specialists. The comment also expressed the current difficulties with connectivity due to capacity failures and outages. The commenter expressed concerns about the CPUC's process for grant administration and recommended 10 changes to the draft Resolution.

In response to Tim Kielpinski of Catalina Island Health regarding safety concerns, the Commission is aware of the importance of broadband to public safety and supports this objective through the Federal Funding Account. This Resolution is not intended to overlook community needs but to protect public funds and ensure grantees act in accordance with these rules. Finally, the Commission has followed the approved process for administering grant funding according to its rules, which were published April 21, 2022.

On September 3, 2026, the Commission received comment from Christopher L Shipley of INCOMPAS. INCOMPAS expressed concerns about a deficiency in transparent administrative processes, graduated remedies and using predictable procedures as a way to protect competition, specifically asserting that completed work be reimbursed. INCOMPAS provided three recommendations suggesting the Commission state their awardee risk assessment, cite history of communications to the awardee concerning deficiencies with meaningful opportunities for awardee to respond, and adoption of the Broadband Equity and Access Deployment (BEAD) framework for the “Notice and Cure” process.

In response to Christopher L Shipley of INCOMPAS, the Commission notes the commenter’s concerns about communication and procedure and refers to the exhibits in Draft Resolution T-17934. Exhibits A – G demonstrate that Communications Division communicated with the awardee and provided opportunity for the awardee to submit the necessary proof of payment, justification, or supporting documentation that expenses incurred were necessary for the project. For example, Exhibit G (dated July 7, 2026), states:

“Communications Division has determined that AVX Networks has not submitted adequate supporting documentation and justification of how project expenditures meet the Federal Funding account or Capital Project Funds requirements. The issues are summarized below.

1. Purchase of residential real estate
 - a. Communications Division requested a justification for the purchase of residential real estate for the project. AVX Network submitted a response, which included a podcast describing real estate challenges on Catalina Island. AVX Networks also provided information on the commercial property alternatives that were explored and an explanation of why AVX Networks considered a remote Optical Line Terminal (OLT) insufficient.

- b. AVX Networks did not provide supporting engineering documentation to demonstrate that a remote OLT was insufficient. Further, AVX Network's response characterized a residential property as necessary because of climate change and rising sea levels while the property appears to be in a flood zone according to the Federal Emergency Management Agency (FEMA) flood map.
 - c. AVX Networks' response indicates a purchase price for the property of \$1.5 million, and \$2 million in renovations. AVX Network's responses do not provide documentation to demonstrate the \$3.5 million real estate expenditure or how the expenditure is necessary to complete the project. The documentation and justification fails to meet the reasonableness standards in the Code of Federal Regulations Part 200 (CFR), Section 200.400[4]. In addition, AVX Networks failed to request approval prior to the purchase of the property, and therefore, does not meet the requirements in CFR 200, Section [2]400.439.
 - d. Communications Division requested more information about the seller related to the purchase of the property. AVX Networks confirmed that the property is currently owned by Estamos Perdidos, an LLC of which Lance Ware is the sole member. It appears that Lance Ware sold a property from one company of which he is the President to another of which he is also the President. Reasonable justification for this non-arm's length transaction was not provided. The purchase of the property does not meet the reasonableness standards in CFR 200, Section 20[0]2.404.
2. Contracting Costs
- a. Communications Division requested an explanation for the salary reimbursements submitted through a third-party corporation, DEC, LLC of which Lance Ware is the sole owner, an explanation of contracting costs and relationships, a justification about salaries paid to Lance Ware and Julie Ware, payroll documents, and a copy of the nepotism policy. AVX Networks failed to submit an adequate justification for the use of a subcontractor for owner wages, adequate justification demonstrating that the salaries paid to Lance and Julie Ware are reasonable for a small company, and payroll documents

detailing hours performed solely on this project. The invoices do not meet the reasonableness standards in the CFR 200, Section 200.404. This also does not follow competitive sourcing requirements, does not meet CFR 200, Section 200.319, and raises concerns about a conflict of interest.

3. Fleet Vehicle

- a. Communications Division requested that AVX Networks explain why it chose a fleet vehicle with a luxury trim package and racing parts, including leather seats rather than a lower trim vehicle suitable to construction projects. AVX Networks cited island specific concerns such as access to maintenance and rugged terrain. AVX Networks has failed to provide sufficient documentation and explanation to support this purchase. AVX Networks did not obtain approval prior to the purchase of this vehicle and fails to meet the requirement in CFR 200, Section [2]400.439. This purchase does not comport with reasonableness standards outlines in the CFR 200, Section [2]400.404.

4. Administrative Costs

- a. Communications Division requested the contract between AVX and Wolf Advisory, and a description of work completed in the invoice. A justification and supporting documents were not provided and AVX agreed to remove the expense.
- b. Communications Division requested a contract, record of hours worked, proof of payment and justification for work performed by Kanatiz Communications. AVX Networks provided proof of payment, but no sample work nor a Master Service Agreement (MSA) to justify the monthly retainer fee. AVX Networks has failed to provide adequate explanation and documentation to support this invoice, and therefore, it does not meet the standard for adequate documentation in the CFR 200, Section [2]400.403.
- c. Communications Division requested documentation demonstrating iComm Law invoice is solely for services related to the project. AVX Networks provided an invoice with billed hours, a description of services attached, and an addendum to a retainer agreement. The itemized bill contains legal work completed outside of the scope of the Federal Funding Account project, including unallowable charges for legal work on AVX Networks' fixed wireless antennas, and does not meet the requirements in CFR 200, Section 200.459.

5. Engineering
 - a. Communications Division requested proof of payment for the EGS invoice. AVX Networks provided a contract but did not provide proof of purchase, copy of deliverables, or demonstrate that goods or services were obtained. The contract and Gantt chart indicate the work included in the invoice is not expected to be completed until October 10, 2026. AVX Networks has failed to provide supporting documentation to support this invoice and therefore, does not meet the requirements for adequate documentation in the CFR Part 200, Section [2]400.403.
 - b. Communications Division requested a contract, explanation of services rendered and hours worked for HMB Solutions to demonstrate the type of work conducted and proof of payment for engineering work. AVX Networks provided a copy of the contract with HMB Solutions and a billing backup document with a fixed fee schedule, which is not commensurate with the work completed. AVX Networks also failed to submit a schedule of hours worked. AVX Networks has failed to submit adequate documentation to support this invoice and does not to meet the cost reasonableness requirements in CFR Part 200, Section 200.404.”

In response to the comment, the Commission clarifies that since the AVX Networks submission of its payment request in April 2026, it has had opportunity to submit documentation. To date, AVX Networks has not submitted the requested proof of payment, justification, or supporting documentation that expenses were necessary for the project or incurred. Further, Commission refers the commenter to the approved rules for the Federal Funding Account program, which were published by the Commission on April 22, 2022. Federal and state guidelines are in alignment about reimbursing justified expenses.

On September 3, 2026, the Commission received comment from Gil Tran of Attain Partners.²³ The commenter asserts that once a federal award is granted, an escalation process is required before the award can be terminated and that grant costs incurred before the termination date are allowable as long as the costs are in accordance with the terms of the award. The commenter states the period of performance for the Capital

²³ The commenter states, “AVX has engaged Gil [Tran] to provide clarification and interpretation of the requirements of the Uniform Guidance 2 CFR 200 related the Treasury’s Capital Projects Fund ALN 21.029 and applicable to AVX’s FFA award.”

Projects Funds and asserts that because the State of California is listed as one of the recipients of Capital Project Funds, it has a requirement to report expenditures in accordance with the CFR guidelines. The commenter asserts that if this was not completed, the State of California would be out of compliance.

In response to comments by Attain Partners, the Commission notes the commenter's concerns about compliance with state and federal procedures and reporting. The Commission has followed approved procedures for administering grant funding according to its rules, which were published April 21, 2022. Both the federal and state guidelines are in alignment about the inappropriate use of public funds. Furthermore, the funding source of the AVX Networks grant is not the Capital Projects Fund.

On September 3, 2026, the Commission received comment from the City of Avalon Council on behalf of the City of Avalon. The Council strongly urged the Commission to distinguish between the grant recipient and the underlying infrastructure project. The Council cites Catalina Island's geographic locations as a barrier to reliable telecommunications that are essential to public safety, emergency response, healthcare, education, government operations, and the daily lives of residents. The Council recommends that the Commission address concerns regarding the awardee independently, asks that the project funding be reserved for this project specifically, and that an expedited process to find a qualified provider be created.

On September 3, 2026, AVX Networks submitted reply comments in response to the City of Avalon Council noting that the City of Avalon does not speak for the identified residents of Catalina Island or those that supported the project. AVX Networks claims that the City of Avalon's comments are based on errors and noted the City of Avalon's comments are contradicted by the City of Huntington Beach's comments. AVX Networks further referenced the support for the project including support from the City of Huntington Beach and other commenters.

In response to the City of Avalon Council, the Commission acknowledges the specific telecommunications challenges that Catalina Island faces. The intention of this Resolution is to protect public funds and ensure grantees act in accordance with these rules. The objective of the Federal Funding Account program is to ensure that unserved areas in California receive reliable fiber service. The unserved locations in the original project area will not be subject to a Federal Funding Account grant commitment and may be eligible for future Federal Funding Account or other grant funds, if eligible.

On September 3, 2026, the Commission received comments from Casey McKeon, Mayor of the City of Huntington Beach. The Mayor's comments expressed concerns with program transparency and the potential negative effects for Orange County. Specifically, the Mayor addressed safety concerns, clarity in the findings calling for rescission of the award, and the Commission's administrative process and schedule. The Mayor recommended four changes: the acknowledgement of safety concerns, identification and transmission of evidence to support changing the Commission's prior findings on the awardee, a record of the administrative process in reference to the audit of this award, and a posted intended schedule for re-solicitation.

In response to the Mayor of Huntington Beach regarding safety concerns: The Commission is aware of the importance of broadband to public safety and supports this objective through the Federal Funding Account. This Resolution does not dispute community need; the intent of this Resolution is to protect public funds and ensure grantees act in accordance with the rules. The Commission has followed proper process for rescinding grant funding according to its rules, which were published April 21, 2022, and received comment before the Commission adopted them. This Resolution describes both the process and communication with the awardee regarding the presentation of invoices. The objective of the Federal Funding Account program remains to ensure that unserved areas in California receive reliable fiber service. The unserved locations in the original project areas will not be subject to a Federal Funding Account grant commitment and may be eligible for future Federal Funding Account or other grant funds, if eligible.

The Commission received comments on September 2, 2026, from AVX Networks in response to Draft Resolution T-17934. AVX Networks asserted that a federal court has jurisdiction over this proceeding as the award is administered using the Code of Federal Regulations. AVX Networks claimed legal and factual errors within the draft Resolution, citing violations in process, unfair treatment, inconsistency in Resolution language, specifically the Commission's assessment of safety concerns, and the Communications Division's authority to approve award termination before the resolution is scheduled for a Commission vote. AVX Networks has recommended four changes to the draft Resolution, including a subset of six points that refer to 2 Code of Federal Regulation Section 200.339. AVX Networks requested that the draft Resolution be withdrawn or rejected, and for staff to follow federal processes.

In response to AVX Networks, the Commission has followed proper process for rescinding grant funding according to its rules, which were published April 21, 2022. The Resolution describes both the process and communication with the awardee regarding the presentation of invoices, which indicate the potential for inappropriate use of funds. The Commission acknowledges two typos in the Discussion section of this resolution, which should read “200.400 Policy guide” and “200.403 Factors affecting allowability of costs.” The Draft Resolution was a proposal for comment and will appear on the agenda at the next Commission meeting to be held October 8, 2026, which is at least 30 days after the date the Draft Resolution was published for comment. The Commission may vote on this Resolution at that time, or it may postpone a vote until a later meeting.

Regarding the claim that the AVX Networks invoices are acceptable because they comply with the budget, the awardee was informed that invoices do not comply with the rules. Manual Section V.E provides that costs in the application or accepted budget schedule are not automatically allowable. Awardees must follow state and federal program rules and ensure that any necessary prior approval is obtained and that all expenses are allowable.

Exhibit E (dated May 8, 2026) demonstrates that Communications Division attempted to obtain additional documentation and justification about expenses incurred. On May 8, 2026, Communications Division sent AVX Networks a letter stating:

“Communications Division staff reviewed the reimbursement request and supporting documentation, which raised significant concerns about the requested expenses meeting the Federal Funding Account’s criteria for allowable and reasonable expenses. Specifically, the following concerns and questions have been identified:

1. Fleet vehicle. A fleet vehicle was purchased but the reimbursement request did not include a robust justification for why the specific make, model, and premium trim package was selected. In accordance with Code of Federal Regulation Part 200, Section 200.439, vehicle purchases require prior approval and costs are limited to a reasonable amount to complete the project. AVX Networks must:
 - a. Provide a justification why it chose a vehicle that costs double those with lower trim packages and greater tow capacity.
 - b. Explain how the purchase of the vehicle comports with Code of Federal Regulation Part 200, Section 200.404.

- c. Explain why prior approval for the purchase of the vehicle was not sought.
2. Contracting costs and relationships. AVX Networks has requested salary reimbursement through a contracting company, of which Lance Ware is the sole owner, to provide payment to Lance Ware and Julie Ware. It is unclear what the relationship is between Lance Ware and Julie Ware. Entities must have in place a documented nepotism and related policies. AVX must:
- a. Explain who is Julie Ware in relation to this project and what her relationship is to Lance Ware.
 - b. Explain what services will be provided that justify the proposed yearly salary of \$250,000 for Lance Ware and \$200,000 for Julie Ware.
 - c. Provide payroll documents to show hours solely worked on this project.
 - d. Provide copies of nepotism and related policies.
3. Purchase of a house. The reimbursement request includes the purchase of a house and a link to a podcast discussing property acquisition difficulties on Catalina Island. The reimbursement request did not include prior approval in accordance with Code of Federal Regulation 200 Section 200.439; why a home was purchased; or justification of why the purchase was necessary for the project. AVX must:
- a. Explain why was a residential property purchased instead of a commercial building.
 - b. Provide information about the seller and related purchase documentation.
 - c. Explain why was this specific property chosen.
 - d. Explain why was the appraisal cost is higher than neighboring buildings.
 - e. Explain why the appraisal cost of the property was submitted in the payment request.
 - f. Explain how the property comports with Code of Federal Regulations, Section 200.311?
 - g. Explain and provide documentation for why SC-special commercial zoning allows for the intended use case.
 - h. Provide architectural drawing(s) and construction cost estimates for how the building will be converted and utilized.

- i. Provide cost analysis for why a brick and mortar central office will be more cost effective than a remote optical line terminal.
 - j. Explain what efforts were made to explore leasing office/commercial space for the duration of the project and why this was not done instead of purchasing a residential property?
4. Administrative Costs. AVX Networks submitted various expenses under administrative costs but did not provide sufficient documentation or explanation. AVX Networks must:
- a. Provide an explanation for “Model Development” for the Wolf Advisory invoice.
 - b. Provide a contract, a description of work completed, and record of hours worked for the Wolf Advisory invoice that demonstrates the work conducted was solely for the Digital Equity Project.
 - c. Provide a contract that demonstrates that the iCommLaw invoice is solely for services rendered for the Digital Equity project.
 - d. Provide a labor contract, a record for hours worked, proof of payment, and an explanation of work conducted, and how it is an allowable expense for the Kanatsiz Communications, Inc. invoice.
5. Engineering. AVX Networks submitted various invoices for engineering expenses but did not provide sufficient explanation or documentation. AVX Networks must:
- a. Provide a contract, an explanation of services rendered, and hours work for the HMB Solutions invoices.
 - b. Provide proof of payment for the EGS invoice. This program does not reimburse for advance payments or deposits.
 - c. Provide proof of payment for the Blue Meridian invoice.”

To date, AVX Networks has failed to provide proof of payment of any eligible expenses related to the award, justification to demonstrate expenses incurred are necessary for the project, and the requested contracts, explanations of services rendered, and hours worked by employees and contractors. As noted in the May 8, 2026, letter (Exhibit E), the review of the payment request raised concerns about AVX Networks’ ability to comport with the rules and administer the grant. This Resolution is modified to provide

clarification that the termination of this grant is in part predicated on AVX Networks self-dealing and attempts to self-benefit from public funds.

Regarding any claims about Communications Divisions' authority to terminate an award, Exhibit F (letter dated July 7, 2026) states:

"This letter memorializes Communication Division's intention to formally begin the process to recommend rescinding the Federal Funding Account award pursuant to Section 17 of the Program Rules..."

The Commission clarifies that the July 7, 2026, letter does not terminate the award. Communications Division followed the appropriate rules and procedures by notifying the awardee "of intent to prepare for Commission approval, a draft resolution that would rescind a FFA grant due to nonperformance."

Regarding the use of fixed amount subawards procedures for invoicing, AVX Networks was not authorized for this payment request process. The program was made available to identified awards supported by federal Capital Project Fund monies and with awarded end dates before December 31, 2026, among other criteria.²⁴ As set forth above, the AVX Networks award is not CPF-funded, and its end date was December 25, 2027.

FINDINGS AND CONCLUSIONS

1. On December 18, 2025, the Commission approved Resolution T-17896, which approved AVX Networks' Digital Equity for Coastal and North Orange County and Catalina Island project for a grant of up to \$37,571,833.
2. On April 19, 2026, AVX Networks submitted a reimbursement request for \$2,559,284.03 Digital Equity for Coastal and North Orange County and Catalina Island project.
3. On April 27, 2026, Communications Division sent an email to AVX Networks requesting additional documentation and information.

²⁴ See Fixed Amount Subawards Guidance available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/broadband-implementation-for-california/ffa-webpages/post-award-items/fixed-amount-subawards-guidance-june-2026.pdf>.

4. On April 27, 2026, AVX Networks submitted a response.
5. On May 1, 2026, Communications Division sent an email to AVX Networks stating that the invoices submitted with the payment request raised concerns, and to stop all spending related to its Federal Funding Account award until a review of reasonableness and appropriateness could be completed.
6. On May 8, 2026, Communications Division sent a letter that raised concern about the requested expenses, lack of supporting documentation, requested additional information and justification, and stated any expenses that do not meet the requirement threshold would be denied payment.
7. On May 15, 2026, AVX Networks submitted a response.
8. On July 7, 2026, Communications Division, pursuant to Decision 22-04-055, Appendix A: Federal Funding Account Program Rules and Guidelines, Section 17, sent to AVX Networks notification of its intent to prepare for Commission approval a draft resolution to rescind AVX Networks' Federal Funding Account grant due to nonperformance.

THEREFORE IT IS ORDERED THAT:

1. The grant awarded to AVX Networks on December 18, 2025, in Resolution T-17896, be terminated and the grant amount of up to \$37,571,833 be made available for future Federal Funding Account Projects.
2. All eligible unserved locations in the Digital Equity for Coastal and North Orange County and Catalina Island project area are eligible for future Federal Funding Account grant funding if reliable service at the required speeds is not available.

This Resolution is effective today.

Commissioner Signature blocks to be added
upon adoption of the resolution

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 8, 2026; the following Commissioners voting favorably thereon:

Dated _____, at <Voting meeting location>, California