



**OFFICE OF STATEWIDE BROADBAND**

# ***Connect Maryland:***

## ***Broadband Equity Access and Deployment Grant Program***

### ***PREQUALIFICATION APPLICATION GUIDE***

*Issued 3/10/2025*



WES MOORE  
Governor  
ARUNA MILLER  
Lt. Governor  
JACOB R. DAY  
Secretary  
JULIA GLANZ  
Deputy Secretary



# Table of Contents

---

|   |    |
|---|----|
| Introduction and Prequalification Overview.....           | 3  |
| Overview .....  | 3  |
| Curing .....  | 3  |
| When and Where to Submit Prequalification Materials:..... | 4  |
| Technical Assistance.....                                 | 5  |
| SAM.GOV Registration .....                                | 6  |
| Prequalification Application.....                         | 7  |
| Applicant Information .....                               | 7  |
| Managerial Capability.....                                | 8  |
| Technical Capability.....                                 | 8  |
| Operational Capability.....                               | 8  |
| Financial Capability .....                                | 9  |
| Legal Compliance.....                                     | 9  |
| Fair Labor Practices and Workforce Plan.....              | 10 |

# Introduction and Prequalification Overview

---

## **Office of Statewide Broadband**

### **Connect Maryland: Broadband Equity Access and Deployment -Pre-Application**

The State of Maryland was awarded \$267,738,400.71 by the National Telecommunications and Information Administration's (NTIA) for the Broadband Equity Access and Deployment (BEAD) program. The Maryland Office of Statewide Broadband (OSB) is administering the State's BEAD Grant Program. As part of the State's preparation for this program, it is requiring all potential applicants to participate in a prequalification phase.

### **Overview**

In accordance with OSB's Initial Proposal Volume 2 as approved by NTIA, this document outlines the materials and certifications that are required for prequalification, together with the format and date for submission. The materials and certifications will be focused on materials that address financial, managerial, and technical qualifications as well as experience and capacity. Other than materials regarding Fair Labor Standards and Workforce Plan, the materials submitted during the Prequalification Phase will not be scored but will be evaluated to determine whether the submitting entity is qualified to participate in the process. Materials regarding Fair Labor Standards will be evaluated for prequalification purposes and will be included in scoring consideration in the later BEAD program application phase. The prequalification phase requires documentation of:

- Financial Capability
- Managerial Capability
- Technical Capability
- Operational Capability
- Legal Compliance
- Cybersecurity Compliance
- Supply Chain Compliance
- Other Public Funding
- Letter of Credit or Performance Bond Understanding

## Key Dates

|   |                   |
|---|-------------------|
| <b>Announcement of Prequalification Phase</b>   | February 13, 2025 |
| <b>Posting of Pre-Qualification Materials on OSB Website (Pre-Qualification Guide, FAQs, and other templates)</b> | February 25, 2025 |
|   |                   |
| <b>Opening of Pre-Qualification Phase Window</b>  | February 28, 2025 |
| <b>Pre-Qualification Submission Deadline</b>  | March 14, 2025    |
| <b>Notice of Pre-Qualification Status and Notice to Proceed to the Full Application Phase</b>                     | March 28, 2025    |
| <b>Full Application (Scoring Phase) Timeline</b>  | TBD               |

### **When and Where to Submit Prequalification Materials:**

**Prequalification Responses must be submitted by 11:59pm ET: March 14, 2025.**

Prequalification responses must be submitted in the following way:

Prequalification responses will be submitted via email. All emails must have the “Maryland BEAD Grant Program - Prequalification – *your company name*”. Files should be attached as a zipped file to ensure data integrity. Except for file formats specifically called out in this guide, files should be converted to pdf’s prior to sending. Each file should be named to clearly reflect the information it contains. If files are too large to be sent in a single email, they may be split into multiple emails with each being labeled “1 of 2”, “2 of 2”, etc.

All submissions must be sent to **OSB.BEAD@maryland.gov**.

**Applicants that submit their prequalification response after the deadline noted above will be notified that their submission will not be considered, and the documents will be returned.**

### **Curing**

In the event reviewers find the data submitted to be insufficient or unclear, OSB may choose to cure submissions by providing Prequalification Phase participants with the opportunity to clarify or submit additional materials. All requests for clarification or additional submissions will be made in writing and all responses will be required to be in writing, with

full documentation. All entities whose prequalification response are determined to be sufficient will be qualified by OSB to proceed to the application phase of the program.

### **Technical Assistance**

Prior to official submission of a prequalification response, applicants may request technical assistance and guidance from the OSB, as long as such requests are made prior to March 5, 2025. Technical assistance is not meant to create or edit prequalification materials, be an analysis or assessment of the quality of the materials, a substitute for OSB review of a completed submission, nor a determination of eligibility. The OSB will not solicit or consider scoring related information that is submitted after the application deadline. The OSB reserves the right to contact applicants to seek clarification information on materials contained in the submitted documentation.

# SAM.GOV Registration

---

All BEAD grant applicants must have a Unique Entity Identification (UEI) with an Active Registration from the System for Award Management (SAM.gov). An Assigned ID from Sam.gov is not qualifying. If you have not already registered at SAM.gov, please do so as soon as possible since registration approvals can take several weeks.

To assist you with SAM.gov registration, the federal General Services Administration (GSA) has created several helpful videos. Please DO NOT pay anyone for assisting you with SAM.gov registration or maintaining your SAM.gov registration. This is a no-cost service from the federal government. It is highly recommended that you watch video 1 (“Get a Unique Entity ID”) and video 2 (“Entity Registration Core Data”) to fully understand the registration steps. The “Workspace Navigation” video will help you understand how to navigate the site and renew your registration. The “Entity Validation” video can assist if you have issues with validating your organization.

OSB requires SAM.gov registration to verify qualifications and validate the eligibility of applicants. These instructions will help with obtaining the verification:

1. [Get a Unique Entity ID](#)
2. [Entity Registration Core Data](#)
3. [Workspace Navigation](#)
4. [Entity Validation](#)

**TIP:** When registering an entity, make sure your organization’s name and address are the same name and address that appear on your state corporate records and at the Internal Revenue Service. In addition, when asked, indicate that you are pursuing federal assistance. DO NOT check the “All Awards” option. This will needlessly delay your registration.

Should you encounter issues with this process, you can access the Federal Service Desk at [fsd.gov](https://fsd.gov) to use their extensive guides or contact them via live chat. You can also email [OSB.BEAD@MARYLAND.GOV](mailto:OSB.BEAD@MARYLAND.GOV) for assistance.

# Prequalification Application

---

Each element of the Prequalification Application is detailed below including the information required and/or expected in each section.

## **Evaluation of Submissions**

Other than materials regarding Fair Labor Standards and Workforce Plan, submissions during the Prequalification Phase will not be scored but evaluated to determine if the submitting entity is qualified to participate in the process.

- Materials regarding Fair Labor Standards will be evaluated for prequalification purposes and included in scoring consideration should the applicant apply for a grant.

In the event reviewers find the submitted data insufficient or unclear, OSB may provide participants with the opportunity to clarify or submit additional materials. All requests for clarification or additional submissions will be made in writing, and all responses must also be in writing, with full documentation

## **Applicant Information**

Provide your company's information in this section. Be sure to provide all names and addresses as legally registered and listed with state and federal agencies. This information will be validated and could be used in any reports to NTIA or in subgrantee agreements.

- Company Name – Provide the legal company name including suffixes like LLC, Inc, etc. The name must match any name on file with the State or associated with the SAM.gov registration.
- DBA – If the applicant operates using a DBA provide that name.
- Provider Type – Choose the provider type as defined by the NTIA BEAD program guidelines.
- Address – Provide the company mailing address where legal documents or correspondence can be sent in paper form if necessary. This address is validated with agencies like FCC and the System for Award Management. In most cases OSB will send documents by email.
- Primary POC – Provide the name, title, and email address for the primary point of contact. The person who could answer any questions or curing items for the application. This must also be a person with the authority to legally bind the applicant.

- Secondary POC – In the event the primary POC is unable to be contacted, provide a second person that could respond to questions or curing items. This person may have authority to bind the applicant but is not required to have this authority.
- FCC Federal Registration Number – Provide the FCC Federal Registration Number (or provider ID). If the company is not registered with the FCC enter six nines (9's).
- Employer Identification Number - Provide the EIN issued to the listed company by the Internal Revenue Service.
- Unique Entity Identifier – Provide the listed company's UEI as issued by the System for Award Management (SAM.gov).
- Ownership Information – Consistent with the requirements set forth in 47 C.F.R. §1.2112(a)(1)-(7), attach a document detailing the applicant ownership.

### **Managerial Capability**

- Management Team - Provide the names, titles, and years of experience for the planned management team for the prospective broadband deployment project.
  - Include the CTO or Network Engineer and contractor oversight team (if known). If this person or entity is not known, explain in the capability statement when the person or entity will be named.
- Management Resumes – Attach the resumes for each person listed in the Management Team. Resumes should demonstrate a cumulative 5 years of experience in broadband network design, construction and operations for the management team. Limit to 2 pages per person.
- Organizational Chart – Attach a corporate organizational chart detailing the structure of the applicant including any parent, affiliates or subsidiaries and how they relate or are connected to the applicant listed in the Company Name/DBA fields.
  - Include a narrative detailing the processes and structure for managing large projects.
- Capability Statement – Provide a narrative that details the applicant's capabilities, knowledge, and experience with large scale broadband deployment projects, including how delays are addressed. This narrative should not exceed 3 pages.

### **Technical Capability**

- Technical Statement – Attach a statement certifying that if the applicant chooses to contract resources such as outside plant design, construction, or other services to design or build the broadband deployment project, all the contracted resources will have relevant and necessary skills to carry out the project. This statement should also describe any procedures or methodologies used to qualify contractors or



develop a prospective roster of contractors. This statement should not exceed 3 pages.

- Certification – If the applicant chooses to contract resources, certify in this statement that all contracted resources will have the relevant and necessary skills
- Resumes of Technical Staff - Including an employed CTO or network engineer and contractor oversight team with relevant certifications (both management and non-management) for deployment projects.

### **Operational Capability**

- Service Offering – Provide the type of service(s) the applicant has offered for at least 2 consecutive years.
- Years of Operation- Enter the number of years the applicant has been providing voice, broadband, and/or electric transmission or distribution service. If the applicant is a wholly owned subsidiary, include the number of service years of the parent company in addition to the applicant.
- Subscriber Count – List the number of broadband subscribers in all states. List the number of broadband subscribers and in Maryland.
- FCC Compliance – Confirm that the applicant has timely filed FCC Form 477s and Broadband DATA Act submissions, if applicable, as required during the indicated years of operation, and otherwise has complied with FCC requirements.
- Certification of Service Provision - That participants have provided voice, broadband, and/or electric transmission or distribution service for at least two consecutive years or are a wholly owned subsidiary of such an entity.
- FCC Compliance: Certification that the participant has filed FCC Form 477s and Broadband DATA Act submissions, if applicable.

**NOTE:** If the applicant has not provided broadband service and has operated only a voice or an electric transmission or distribution service, the applicant must submit qualified operating or financial reports, that it has filed with relevant financial institution(s) or regulatory agencies in Maryland for the relevant time period. A certification that the submission is a true and accurate copy of the reports that were provided to the relevant financial institution(s) or regulatory agencies must be provided.

### **Financial Capability**

Applicants must demonstrate their financial capacity to successfully implement and sustain a broadband deployment project under the BEAD program. The following documentation is required:

- **Certification Statement:** Attach a certification statement, signed by an executive with the authority to bind the company, attesting to the applicant’s financial position and ability to manage a large-scale broadband deployment project. The certification must confirm that the organization has the necessary financial qualifications, capabilities, and resources to comply with all program requirements and sustain the project, given that reimbursements will be issued on a quarterly basis if awarded a grant.
- **Audited Financial Statements:** Attach a copy of the most recent audited financial statements, including any auditor’s opinion.
  - If audited financial statements are not available or are more than one year old, the applicant must provide:
    - A balance sheet, income statement, and statement of cash flow for its most recent fiscal year.
      - If audited financial statements are not available, the applicant must provide a statement attesting that a year of audited financials will be provided within eight months of submitting an application.
- **Financial Sustainability – OSB will assess the financial sustainability of proposed broadband deployment projects based on information submitted during both the Prequalification Phase and the Scoring Phase. While a full business case analysis is required during the Scoring Phase, the Prequalification Phase serves as a foundation for validating an applicant’s financial viability.**
  - **Scoring Phase Requirements:**
    - A budget narrative detailing anticipated expenditures and revenue sources.
    - A proposed budget outlining the project’s financial plan.
    - A pro forma business case analysis demonstrating financial sustainability and projected growth.
  - **Prequalification Phase Requirements (to complement Scoring Phase documents):**
    - Audited financial statements.
    - Balance sheets, income statements, and historical financial data.
- **Five-Year Pro Forma Financial Statement:** All applicants must provide a five-year pro forma financial statement with at least two years of historical financial data, covering the anticipated BEAD award period from late 2025 through mid-2030 (including a potential one-year project extension).
  - The pro forma must be submitted using the OSB-provided form available on the OSB website.
  - Assumptions used in the pro forma must be included as a PDF attachment.

- A listing of pro forma categories and instructions is available in Appendix C.

### **Subgrantee Certification of Qualifications**

As part of the Prequalification Phase, OSB requires all potential subgrantees to demonstrate their financial, technical, and managerial capabilities. The certification process ensures that only qualified entities advance to the Scoring Phase and full application submission.

- **Prequalification Phase Requirements:** Applicants must submit a certification statement from an officer or director of the organization attesting that:
  - The organization has the necessary financial qualifications, capabilities, and resources to successfully participate in the BEAD program.
  - The organization meets all program compliance requirements and understands that only prequalified entities may submit full applications.
- **Scoring Phase Requirements:** If an applicant advances to the Scoring Phase, additional project-specific financial certifications will be required, including:
  - A certification from an officer or director confirming that the applicant has sufficient financial resources to complete the proposed project.
  - Acknowledgment of the reimbursement-based funding structure: The organization must certify that it understands BEAD grant disbursements will be made on a reimbursement basis, requiring subgrantees to finance project construction before receiving grant payments.
- Failure to provide the required certifications or meet the program's qualification criteria may result in disqualification from the full application process.

### **Legal Compliance**

- **Legal Opinion** – Attach a legal opinion from the applicant's legal counsel attesting to compliance and detailing any violations or pending court proceedings that would materially impact the applicant's ability to enter into an agreement with the State of Maryland or its ability to complete the project. See the model opinion in Appendix A. Include a description of the attorney's expertise and qualifications.
  - A listing of the various laws to be considered is included in Appendix B.
- **Cybersecurity Risk Management Plan** – Indicate if the applicant has a cybersecurity plan that is either operational or ready to be operational if awarded grant funds. Indicate the level of compliance with the National Institute of Standards and Technology (NIST) Cybersecurity Framework, the standards and controls set forth in Executive Order 14028, and that the plan specifies the security and privacy controls being implemented. Indicate how often the applicant will reevaluate and update the plan. Confirm agreement to submit a copy of the plan to the OSB if awarded a grant.

- Supply Chain Compliance – Indicate if the applicant has a supply chain risk management plan that is either operational or ready to be operational if awarded grant funds. Indicate that the plan is based on the key practices discussed in the NIST publication NISTIR 8276, Key Practices in Cyber Supply Chain Risk Management: Observations from Industry and related SCRM guidance from NIST, including NIST 800-161, Cybersecurity Supply Chain Risk Management Practices for Systems and Organizations and specifies the supply chain risk management controls being implemented. Indicate how often the applicant will reevaluate and update the plan. Confirm agreement to submit a copy of the plan to the OSB if awarded a grant.
- Other Public Funding Disclosure – Using the provided spreadsheet, downloadable from the OSB website, provide a list of applications the applicant submitted or plans to submit related for federal or State broadband funding, and every broadband deployment project that the applicant, subsidiaries, or its affiliates are undertaking or have committed to undertake at the time of the prequalification using public funds.
  - The template must include details for each publicly funded broadband project, including:
    - Funding source (e.g., RDOF, CAF, ARPA, state/local broadband grants).
    - Number of unserved and underserved locations covered.
    - Project status (e.g., built, committed, under construction).
    - Total public funding awarded.
    - Obligations and compliance status: Provide an overview of your compliance with deployment requirements for each funding source, including details on the percentage of deployment required and achieved within the specified timeframes, how you are meeting the percentage completion requirements established by various funding sources, any defaults encountered, and the status of reporting obligations.
    - Project timelines, including expected and actual completion dates.
  - Submission Format: To ensure consistency, applicants must submit this information in the OSB-provided Excel template, which is structured to capture:
    - Funding source and amount received.
    - Deployment milestones and progress tracking.
    - Compliance verification details.

- Submission Requirements: As part of the Prequalification Phase, applicants must submit detailed information regarding any publicly funded broadband projects they are currently implementation or have completed.
  - Required Information: For each publicly funded project, applicants must provide:
    - Geographic area covered, including Fabric ID, if applicable
    - Speed and latency of the broadband service provided
    - Completion status (past, in progress, or future anticipated)
    - County-level details, where available
    - Planned milestones and project deadlines
- Letter of Credit or Performance Bond - Indicate that you understand that the BEAD Program rules require subgrantees to obtain an irrevocable standby letter of credit from a qualified financial institution or a performance bond executed by a surety company listed on the Department of Treasury’s list of approved surety companies. Pursuant to BEAD Program rules and the BEAD NOFO (Section IV.D.2.a.ii), OSB will implement a letter of credit process using the framework adopted by the FCC for its Rural Digital Opportunity Fund (RDOF) Program (47 C.F.R. §54.804).
  - NTIA’s waiver expands the scope of approved financial institutions to allow subgrantees to meet the letter of credit requirement using any United States credit union that:
    1. Is insured by the National Credit Union Administration; and
    2. Has a credit union safety rating issued by Weiss of B– or better.
  - The following options are available to applicants:
    1. Applicants may choose to provide performance bonds equal to 100 percent of the BEAD subaward amount in lieu of a letter of credit.
    2. Applicants may choose to have their letter of credit or performance bond obligation progressively reduced with completion of deployment milestones based on a percent buildout completion schedule supplied by OSB.

### **Fair Labor Practices and Workforce Plan**

Complete and attach a Fair Labor Practices and Workforce Plan. The plan will be scored as part of the prequalification phase. The resulting score will be used in the scoring phase should the applicant elect to submit a full proposal or proposals. In this plan the applicant will respond and attest to various statements, provide narrative responses, and have the plan signed by an officer/director level employee (or equivalent).

- Certify Compliance – The applicant must certify that the applicant and any contractors or subcontractors have not been found in violation of the Occupational Safety and Health Act, the Fair Labor Standards Act, Title VII of the Civil Rights Act of

1964, Maryland labor and employment laws, or any other applicable federal or state labor and employment laws for the preceding three years (since January 2022). If there are any violations in the preceding three years (since January 2022) those must be detailed in a narrative response including the date of violation, the name of the agency issuing the violation, the reason or cause for the violation, and the remedies or changes made to prevent future violations. By signing the plan, the officer, director level employee (or equivalent) will attest and certify to continued compliance with relevant workplace protections including the Occupational Safety and Health Act, the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, and Maryland labor and employment laws. Any violations must be disclosed (if awarded a subgrant) and such reporting requirements will be defined in the subgrantee agreement.

- Wage Scales – The applicant must attest that it and the applicant contractors or subcontractors have applicable wage scales and overtime payment policies that will apply to the BEAD funded project and agree to disclosure of the wage scale and overtime payment policy to OSB if and as often as requested for the duration of the subgrant reporting period (if awarded a BEAD grant by OSB).
- Safety Committees – The applicant must indicate if Workplace Safety Committees are currently being used by the applicant, contractors, or subcontractors, and if not, will the applicant ensure the implementation of workplace safety committees that management will meet with upon reasonable request and that are authorized to raise health and safety concerns in connection with the delivery of deployment projects. If the applicant has adopted a safety plan, policy, or other policy that meets this requirement that item may be attached to the plan. This certification must be attested to annually (if awarded a BEAD grant by OSB).
- Directly Employed Workforce – The applicant will indicate what level of its workforce will be directly employed versus contracted/subcontracted for the BEAD funded project. The more of the applicant workforce that is directly employed, the higher the score.
- Local and Targeted Hiring – The applicant will indicate the level of Maryland based employees that it will have for the BEAD funded project. The higher the percentage of local hiring, the higher the score for this area. In addition, a narrative that discusses how career pathways for local employees or plans to hire members of marginalized communities must be provided.
- Safety and Training – An application that includes a more comprehensive in-house training program that is tied to certifications, licenses, titles, and uniform wage

scales and/or participation in a joint labor-management apprenticeship program, will receive a higher score.

- Job Quality – An application that describes paying higher wages and more robust benefits to workers will receive greater score credit. Applicants giving additional workforce protections such as union protections will result in a higher score. If the applicant uses a contracted workforce, having a plan to monitor compliance and job quality should be included.
- Local/directly employed Network Operations (Post Deployment) – An application that includes a plan for an applicant’s locally based and/or directly employed workforce to perform ongoing customer service, installation, and maintenance work, will receive a higher score.

# Appendix A

---



# Appendix C

---

The following provides guidance for pro forma worksheets completion by tab:

## **Data**

Provisions for input of subscriber forecast and rates for each type of potential product are included. The projections should match the information provided in other parts of the application.

The next portion of the spreadsheet allows for the projection of cost related to grant construction and the projected percent increase or decrease of an expense category year by year. This information is used as input for the later sheets. There are “blank” rows to allow additional categories to be added, if necessary.

The last part of the spreadsheet allows the input of your projected tax rate used to calculate the income tax portion of the Income Statement.

How each assumption was reached must be explained in detail on the Financial Assumptions worksheet that should be created by the applicant.

## **Fixed Assets and Depreciation**

This spreadsheet provides for the input of existing and grant related plant and equipment costs and calculates the straight-line depreciation for inclusion on the balance sheet. Plant and equipment necessary for any expansion or improvements to the existing network are input separately from the grant related assets. Straight-line depreciation is the only acceptable depreciation for the application.

## **Debt Activity**

Debt activity is existing and any new borrowing by the applicant. Principal and interest payment amounts for existing and new debt are entered in their respective areas.

## **Grant Activity**

The grant activity worksheet provides information to populate the deferred grant revenue category on the Balance Sheet.

## **Income Statement**

The tab is pre-populated with preferred revenue and expense categories. Applicants must use these exact categories in order to facilitate the processing of applications. Applicants can use their Financial Assumptions worksheet to provide any detail they feel is necessary to explain how the revenue and expenses per line were established for those cells that are not populated by one of the previous worksheets.

The following is a brief description of the pre-populated revenue and expense categories contained on the Income Statement worksheet in this template.

## **OPERATING REVENUES**

1. Operating Revenues:
  - a. Broadband Service revenues are derived from the provision of broadband data services to customers. Broadband service revenues should relate to the number of subscribers and price per subscriber information contained in the Pro Forma Financial Assumptions. Present broadband service revenues for existing services and grant funded service separately.
  - b. Video Service revenues are derived from the provision of video services to customers. Video service revenues should relate to the number of video service subscribers and price per subscriber information contained in the Pro Forma Financial Assumptions. This should include set-top box revenue, basic, expanded basic, digital, premium channel packs and video on demand subscribers. Present video service revenues for existing services and grant funded service separately.
  - c. VoIP (Voice over Internet Protocol) revenues are derived from the provision of local voice services to customers. Local voice service revenues should relate to the number of local voice service subscribers and price per subscriber information contained in the Pro Forma Financial Assumptions. This should include revenue from residential, single-line businesses, multi-line businesses, and optional features. Present VoIP service revenues for existing services and grant funded service separately.
2. Other Operating Revenues are all other revenues derived from sources other than those described above. These revenues may be from middle mile transport, customer installation charges, sale of equipment to customers, other revenue from other grant sources or any other revenue sources. Present Other Operating Revenues for existing services and grant funded service separately.

## **OPERATING EXPENSES**

1. Backhaul expenses are associated with transporting voice and broadband data network traffic from the customer premises equipment (CPE) to the point of interconnection to the Internet.
2. IP/Interconnection expenses are associated with interconnecting with and transferring traffic across the Internet.
3. Video Content Costs are related to the provision of video services revenue and consist of video programming costs and fees.

4. Spectrum expenses are related to leasing spectrum from others in a wireless services network. Amortized spectrum acquisition expenses related to purchased spectrum should be included in the Amortization Expense category described below.
5. Network Maintenance/Monitoring expenses are the personnel and related costs of maintaining/monitoring the network and customer premises equipment.
6. Utilities expense is the cost of utilities related to network operations.
7. Sales/Marketing expenses are all costs associated with marketing to and obtaining customers and subscribers, including salesperson compensation, advertising and marketing promotions, and subsidies on customer premises equipment or handsets.
8. Customer Care expenses are the personnel and related costs of providing customer service operations to customers.
9. Administrative Labor expenses include personnel, occupancy, insurance, billing and collections.
10. Administrative Other expenses include all other general and administrative expenses.
11. Other Operating Expenses are all other operating expenses not included above.
12. Blanks 1-3 are provided should it be necessary for the applicant to provide additional Operating Expense Categories.
13. Amortization Expense is the amortization expense associated with intangible assets such as franchise agreements, lease agreements, service contracts, customer lists, order backlog, computer software. Present the Amortization Expenses for existing services and grant funded service separately.
14. Depreciation of Grant Assets is the depreciation expense related to all plant in service associated with the proposed Maryland Broadband Infrastructure Grant project. The depreciation method required for the purposes of this pro forma is straight-line depreciation.
15. Depreciation Existing Assets is the depreciation expense related to the plant in service not associated with the proposed Maryland Broadband Infrastructure Grant project. The depreciation method required for the purposes of this pro forma is straight-line depreciation.

#### **Other Income (Expense)**

1. Interest Income is interest income earned from marketable securities and/or cash.
2. Amortized MD Broadband Grant Revenues are recognized from the MD Broadband Grant Program or other grants.

3. Other Income (Expense) is the net income (expense) derived from sources other than the applicant's primary telecommunications operations.
4. Gain (Loss) on Disposal of Assets is the net difference between the original asset cost and any accumulated depreciation.
5. Gain (Loss) on Marketable Securities is the net total realized and unrealized gain or loss for the period as a result of selling or holding marketable securities.
6. Interest Expense – Existing Debt is the interest cost associated with all existing outstanding debt, if any.
7. Interest Expense -New Debt is the interest cost associated with the applicant's new interest-bearing debt, if any.

### **Pretax Income**

1. Federal and State Tax expenses are the costs incurred for federal and state income taxes and any other similar taxes levied on the company.

**Net Income (Loss)** represents the net income (loss) for the historical or forecast year.

**EBITDA** represents earnings before interest, taxes, depreciation, and amortization.

### **Balance Sheet**

The Pro Forma Balance Sheets must comply with basic GAAP requirements that state Total Assets must equal Total Liabilities and Total Equity, and loans are reflected with current and long-term positions for each Pro Forma year. The following is a brief description of the pre-populated balance sheet categories contained on the Balance Sheet worksheet in this template.

### **ASSETS**

#### **Current Assets**

1. Cash includes all restricted and non-restricted cash balances.
2. Accounts Receivable consists of amounts owed by customers and subscribers from the provision of services or the sale of equipment.
3. Prepaid Expenses are those expenses that are paid in advance such as insurance, leases, taxes, etc.
4. Inventory expenses are related to inventory acquired for future and ongoing work as well as the cost of storing the inventory.
5. Marketable Securities consists of all short-term investments of excess cash not required for on-going operations.

6. Maryland Broadband Grant Receivable are those funds due from grant expenditures but not yet received.
7. Other Current Assets consists of all other current assets not included above.

### **Other Assets**

1. Other Assets consists of all other non-current assets not included elsewhere.
2. Amortizable Assets consists of intangible assets amortized over their useful life.
3. Accumulated Amortization is the total sum of amortization expense recorded for an intangible asset.
4. Land is the value of owned real property exclusive of constructed assets on the property.
5. Plant in Service contains the plant and equipment at costs associated with the network as contained in the construction budget. Annual changes to this category should relate to the Acquisition and Construction of Plant in Service category included on the Statement of Cash Flows. Present the Plant in Service assets for existing services and grant funded service separately.
6. Accumulated Depreciation consists of the accumulated depreciation of assets included in the “Plant in Service –Other Assets” categories. Accumulated Depreciation includes both grant and existing asset depreciation. Annual changes to this category should relate to the Depreciation Expense – Other Assets category included on the Income Statement.

## **LIABILITIES AND EQUITY**

### **Current Liabilities**

1. Accounts Payable consists of the amounts owed to trade vendors.
2. Accrued Expenses are those expenses that have been incurred but not yet paid.
3. Current- Deferred Grant Revenue consists of the total amount of deferred grant revenue that will be recognized as revenue in the following year and should relate to Amortized Grant Revenue category included on the Income Statement.
4. Current Portion LTD consists of the total principal balance related to debt that will be repaid in the following year and should relate to the “Principal Paid on Notes Payable” category included on the Statement of Cash Flows.
5. Other Current Liabilities consists of all other current liabilities not included above.

### **Other Liabilities**

1. Notes Payable – Existing & New consists of the total outstanding principal balance

related to the all existing and new sources of debt, if any, less the Current Portion – Existing Debt category.

2. Deferred Grant Revenue: Grantees should account for revenue recognized from grants. This consists of the remaining unamortized grant revenue less the Current Portion – Deferred Grant Revenue category. Rate-regulated Telecom or Electric companies may leave this item blank.
3. Other Liabilities consists of all other non-current liabilities not included above.

### **Equity**

1. Capital Stock consists of the par value of capital stock.
2. Additional Paid in Capital consists of all other investor transactions. The category is the net change in Distributions/Dividends and Additional Paid in Capital included on the Statement of Cash Flows.
3. Retained Earnings represent after-tax profits in the company. The changes from year to year must reconcile with the Net Income category included on the Income Statement.

### **Statement of Cash Flows**

The Pro Forma statement of cash flows must reflect the proposed Maryland Broadband Program project funding and investments as well as any additional funding for working capital and other capital expenditures for the applicant exclusive of the Grant project. The following is a brief description of the pre-populated cash flow categories contained on the Cash Flow worksheet in this template.

### **Beginning Cash represents cash balances at the beginning of the period. Cash Flows from Operating Activities:**

1. Net Income (Loss) is obtained from the Net Income (Loss) category on the Pro Forma Income Statement.
2. Adjustments to Reconcile Net Income (Loss) to Net Cash Provided from Operating Activities:
  - a. Depreciation & Amortization is obtained from the Depreciation and Amortization categories on the Income Statement. Grant and Existing categories are combined for this line.
  - b. MD Broadband Grant is obtained from the Amortized MD Broadband Grant category on the Income Statement.
  - c. Gain (Loss) on Disposal of Assets is obtained from the Gain (Loss) on Disposal of Assets on the Income Statement.

- d. Gain (Loss) on Investments is obtained from the Gain (Loss) on Investments on the Income Statement.
3. Effects of Changes in Operating Assets and Liabilities:
    - a. Accounts Receivable is the net change in the Accounts Receivable category on the Balance Sheet.
    - b. Prepaid Expenses is the net change in the Prepaid Expenses category on the Balance Sheet.
    - c. Inventory is the net change in the Inventory category on the Balance Sheet.
    - d. Other Current Assets is the net change in the Other Current Assets category on the Balance Sheet.
    - e. Accounts Payable is the net change in the Accounts Payable category on the Balance Sheet.
    - f. Accrued Expenses is the net change in the Accrued Expenses category on the Balance Sheet.
    - g. Unearned Revenue is the net change in the Current -Deferred Grant Revenue category on the Balance Sheet.
    - h. Other Current Liabilities is the net change in the Other Current Liabilities category on the Balance Sheet.
    - i. Other Assets is the net change in the Other Assets category on the Balance Sheet.
    - j. Other Liabilities is the net change in the Other Liabilities category on the Balance Sheet.

**Cash Flows from Financing Activities:**

1. Acquisition and Construction of Plant in Service is obtained from the Land and Plant in Service categories on the Income Statement. Grant and Existing categories are combined for this line.
2. Amortizable Assets is the net change in the Amortizable Assets category on the Balance Sheet.
3. Proceeds from Maryland Broadband Program grant are the cash grant proceeds received under a Maryland Broadband Program grant.
4. Proceeds from Notes Payable is the amount received from new sources of debt as shown on the Debt Activity worksheet.
5. Principal Paid on Notes Payable is the cash repayments of principal related to the all debt, if any.

6. Distributions/Dividends are the cash payments of dividends to the owners of capital stock or distribution of cash to investors.
7. Additional Paid-in-Capital are funds paid into the project by investors.

**Cash Flows from Investing Activities:**

1. Proceeds from Disposal of Assets is the amounts received from the sale of an asset.
2. Sale of Marketable Securities is the amount received from the sale of marketable securities.
3. Purchase of Marketable Securities is the net change in marketable securities from the balance sheet plus the Gain (Loss) on Marketable Securities on the Income Statement.

**Increase (Decrease) in Cash**

**Cash and Cash Equivalents – Beginning of Year** is the prior year’s Cash and Cash Equivalents End of Year.

**Cash and Cash Equivalents – End of Year** represents the cash balance at the end of the period and should agree with the Cash category of the Balance Sheet.



## **Guidance Related to the Pro Forma Financial Assumptions (required pdf attachment)**

**Overview:** Applicants are required to submit a detailed written narrative that documents the various Pro Forma financial assumptions used to prepare the Pro Forma Financial Forecast.

**Every category in the Pro Forma financial statements must be explained with clear details so that the OSB may review and understand the basis for the financial projections. The assumptions must allow a financial analyst to re-create the Pro-Forma financial statements. If the financial forecast is not fully supported by a detailed narrative for every category, it may affect the final decision on the application.**

While applicants are not required to utilize all the categories in the workbook, applicants must provide a sufficient level of detail to provide a reasonable understanding of existing and proposed operations, including the proposed Maryland Broadband Program grant project. Any modifications to the Pro Forma financial statements submitted must adequately document, support, and justify the information in any modified categories.

### **Historical Financial Reconciliation**

If there are any gaps or discrepancies between the submitted historical financial statements and the historical data provided in the Pro Forma Financial Forecast, applicants should include detailed explanations in the assumptions.

### **Income Statement Assumptions**

Applicants must provide assumptions for **all** the categories on the Income Statement. The detailed network plan should link to the Pro Forma financial statements. Applicants should describe existing capacity and give its annual cost for backhaul, IP/interconnection, and/or spectrum and video. Include proposed capacity that will be necessary to serve subscribers as well as projected annual cost. Ensure that the annual cost totals for each category reconcile with the corresponding expense items.

Backhaul should include all transport costs for taking the applicant's network traffic to its provider. IP/Interconnection should include all IP traffic costs for providing service to users. Spectrum should include all spectrum costs for providing service to users (if applicable). Video content should include all costs associated with the provision of TV content to users (if applicable). Growth in these costs should generally correspond to projected subscriber growth for each of the various services, as applicable.

If other grant awards are being utilized for match, you must provide a complete explanation of the grant funds conditions, amounts and distribution methods. If utilizing an award that is based on subscriber connections or passings (such as the FCC RDOF program), an explanation of the funding timing and amount per household within the ISA to be received

over the Connect Maryland Program construction period must be included. When utilizing other grant funds, the match must be available at the time of reimbursement. If the other grant funds are not available at the time of reimbursement request, an explanation of how the match will be provided must be included. If the match will be made via short or long term debt, that debt must be included under the debt tab of the workbook.

### **Balance Sheet Assumptions**

Applicants must provide assumptions for **all** the categories on the Balance Sheet.

**Statement of Cash Flows Assumptions** -The Cash Flow statement should tie to the net change in the various categories from the Balance Sheet. Net Income in each year should come directly from the Income Statement.

**Accounting for Grant Funds** -When reporting the State's grant amounts on Pro Forma financials or other documents submitted with your application, the grant amounts must be treated as revenue on a separate line item. Because this revenue is used to purchase capital assets, it must be amortized over the average useful life of the assets. Failure to use this accounting method can produce unfavorable outcomes in the financial review process. However, those applicants that are rate regulated Telecom or Electric companies must continue to utilize the accounting required by the respective uniform system of accounts for those industries, which require that the plant accounts be reduced by the grant funds received in the year of receipt.

### **5-Year Financial Forecast Workbook**

**Applicants must complete the entire workbook. The workbook is available at: <https://dhcd.maryland.gov/broadband>.**

**Applicants should complete the entire pro forma workbook and include all of the worksheets in their application. The worksheets should be provided as a printed pdf document and electronic Excel Spreadsheet.**