



Rural Development

August 25, 2016

Asheboro Area Office

847 Curry Drive
Suite 104
Asheboro, NC 27205

Voice 336.629.4449
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Mr. Jim Matheny, Chairman
County of Montgomery
102 E. Spring St
Troy, NC 27371

Dear Mr. Matheny,

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to your application.

This letter is not to be considered as loan approval or as a representation as to the availability of funds. The docket may be completed on the basis of a loan(s) and not to exceed the following:

<u>Facility</u>	<u>Loan Amount</u>
Montgomery County High School	\$67,678,000

If Rural Development (RD) makes the loan(s), you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loans will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds" is mailed to you. If you want the lower of the two rates, your written request should ordinarily be submitted at least 30 calendar days before loan closing.

Any changes in project cost, sources of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by RD by written amendment to this letter. Any changes not approved by RD shall be cause for discontinuing processing of the application.

If the conditions set forth in this letter are not met within twelve (12) months from the date hereof, RD reserves the right to discontinue processing the application.

REPAYMENT SCHEDULE

The loan will be scheduled for repayment over a period not exceeding forty (40) years. Each installment will be due one year following the date of RD loan closing. The promissory note will provide for annual installments and will be fully amortized for the life of the loan.

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

SECURITY

Security will consist of an installment purchase agreement in the amount of \$ 67,678,000 secured by a Deed of Trust on the newly constructed Montgomery County High School facility. Security position for the deed of trust and the security agreements will be a first lien.

PREAUTHORIZED DEBIT PAYMENTS (PAD)

Prior to loan closing the applicant must complete U.S. Department of Treasury Form SF-5510, "Authorized Agreement for Preauthorized Payments." This form will authorize the government to electronically debit your Rural Utilities Service loan payment(s) from your specified bank account on a predetermined date (date payment is due). Preauthorized Debit is accomplished through the Automated Clearing House process providing for a cost-effective, secure, reliable, and convenient payment method, thus eliminating the need to write a check for each payment, the expense of mailing the payment, and allows you the certainty of when your payment will be applied. This service is provided to only qualified borrowers.

PROJECT COST

Funding from all sources has been budgeted for the estimated expenditures as follows:

<u>Project Costs:</u>	<u>Amount</u>
Development	\$54,850,000.00
Administrative & Legal Fees	710,000.00
Architectural & Engineering Fees	3,608,000.00
Interest	1,512,000.00
Project Contingency	5,560,000.00
Equipment & Machinery (CTE)	2,000,000.00
Furnishings	<u>1,250,000.00</u>
TOTALS	\$69,490,000.00

PROJECT FUNDS

The project funding is planned in the form of loans from the following sources and amounts:

<u>Project Funding Source:</u>	<u>Funding Amount:</u>
Applicant Contributions	\$ 1,812,000.00
RHS Loan Funds	<u>\$67,678,000.00</u>
Total Funding From All Sources	\$69,490,000.00

INTERIM FINANCING

The applicant will obtain temporary construction financing in accordance with RD Instructions 1942.17 (n)(2).

INSTALLMENT/PURCHASE CONTRACT

The Rural Development loan for this facility is made pursuant to provisions of Section 160A-20 of the North Carolina General Statutes so that the County may enter into Installment Purchase Contracts to finance the purchase of real property. A copy of the Installment/Purchase Contract is attached hereto.

APPRAISAL

An appraisal of the properties must be completed by a State Certified General Appraiser. Loan closing will be subject to the appraisal being an amount sufficient to adequately secure the proposed loan amount in the opinion of Rural Development. In accordance with RD Instruction 1942-A section 1942.17(g), all Rural Development loans must be secured by the best security position to adequately protect the interest of Rural Development during the repayment period. The cost of this appraisal will be borne by the applicant.

ORGANIZATION

The County must provide necessary certification, comments, and recommendations concerning its organization and authority to construct, operate, and maintain the proposed facility and meet the requirements of the following:

- A. Compliance with special laws and regulations.
- B. State Population control or environmental protection agency standards.
- C. Consistency with other development plans.
- D. State agency regulating water rights.
- E. Civil Rights Act of 1964.
- F. Title IX of the Education Amendment of 1972.
- G. Section 504 of the Rehabilitation Act of 1973.
- H. Age Discrimination Act of 1975.

ACCOUNTING, AUDITS AND REPORTS

Records, reports and audits will be established and maintained in accordance with RD Instructions 1942-A, Section 1942.17 (q). These requirements include an annual budget, and an annual audit completed in accordance with OMB Circular A-133.

INSURANCE AND BONDING

Insurance and bonding should be obtained as required by NC General Statutes and Rural Development Instructions 1942-A, Subsection 1942.17(j)(3). Evidence of required coverage must be provided to Rural Development prior to loan closing. Evidence that coverage is being maintained must be provided annually thereafter.

Position Fidelity Bond: The Applicant will provide fidelity bond coverage for the positions of officials entrusted with the receipt and disbursement of its funds and the custody of valuable property. The amount of the bond will normally approximate the total annual debt service requirements for the Rural Development loan(s).

Corporate Liability and Property Damage Insurance: The Applicant will provide public liability, and property damage insurance in an amount to adequately protect the applicant from civil action arising from the function of the applicant relative to the project.

Real Property Insurance: The applicant will provide fire and extended coverage in an amount equal to the replacement value of the building and improvements. The United States of America will be named first mortgagee for all real property held as security for the Rural Development loan.

Workman's Compensation Insurance: The applicant will provide adequate Workman's Compensation Insurance if applicable.

LOAN RESOLUTION

The County must formally adopt form RD-NC 1947, "Loan Resolution" and Form RD 400-4, "Assurance Agreement", and Form RD 400-1 "Equal Opportunity Agreement".

OPERATING BUDGET

The applicant must adopt an operating budget that provides adequate revenues for operations and maintenance expenses, debt service, and reserve payments after approval by RD.

OPERATIONS AND MANAGEMENT AGREEMENT

The applicant will submit for Rural Development approval the operations and management agreement for the high school facility between the County and the Montgomery Board of Education prior to start of construction.

RESERVE REQUIREMENT

The Applicant must establish a Reserve Account in accordance with RD-NC 1942-47, "Loan Resolution Security Agreement," and make monthly deposits to that account in an amount equal to ten percent of the Rural Development annual payment. These deposits shall be made on a monthly basis until the reserve account has an amount equal to the equivalent of one full year of payments.

FINANCIAL COVENANTS

The County may not borrow any money from any source, enter into any contract or agreement, or incur any liabilities in connection with making enlargements, improvements or extensions to, or for any other purpose in connection with the facility (exclusive of normal maintenance) with the prior written consent of the Government if such undertaking would involve the source of funds pledged to repay the debt to Rural Development.

GRADUATION

The County will refinance the unpaid balance, in whole or in part, of its debt upon the request of the Government if at any time it should appear to the Government that the County is able to refinance its loan by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms.

APPLICANT CERTIFICATION

The County is to properly execute Form RD 1910-11, "Applicant Certification, Federal Collection Policies for Consumer or Commercial Debts", prior to loan approval. Applicant must complete and execute Form AD 3030 Representation Regarding Felony Conviction or Tax Delinquent Status for Corporate Applicants

DEBARMENT CERTIFICATION

The County is to certify that they are not debarred or suspended for Federal Nonprocurement Programs by the use of the attached form AD-1047, "Certification Regarding Debarment, Suspension, and other Responsibility Matters - Primary Covered Transitions". Also Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion - Lower Tier Covered Transactions", is attached and is to be used by lower tier parties (builders, contractors, dealers, suppliers, manufactures, and others) involved in transactions exceeding \$25,000.00.

SYSTEM FOR AWARD MANAGEMENT and UNIVERSAL IDENTIFIER REQUIREMENTS

Requirement for System for Award Management (SAM):

- a. *You as the recipient must maintain the currency of your information in the SAM until you submit the final financial report required under this award and all grants funds under this award have been disbursed or de-obligated, whichever is later. This requires that you review and update the information at least annually after the initial registration, and more frequently if required by changes in your information or another award term. Recipients can register on-line at www.sam.gov).*
- b. *You as the recipient may not make a sub-award to an entity unless the entity has provided its Data Universal Numbering System (DUNS) number to you. Sub-recipients with sub-awards of \$25,000 or more must also have and maintain a current CCR registration.*
- c. *Recipient Reporting: You as the recipient must report each first tier sub-awards of \$25,000 or more in non-Recovery Act funds to <http://www.fsrs.gov> no later than the end of the month following the month the obligation was made. As part of your registration profile at <http://www.sam.gov>, you must report the total compensation of the 5 most highly compensated executives (if the award was \$25,000 or more, 80% or more of annual gross revenues subject to Transparency Act, and \$25 Million of annual gross revenues subject to Transparency Act) by end of month following month in which award was made. This requirement also pertains to sub-recipients (if the award was \$25,000 or more, 80% or more of annual gross revenues subject to Transparency Act, and \$25 Million of annual gross revenues subject to Transparency Act).*

OTHER CONDITIONS

All applicable items set out in Form RD NC 442-11, "Processing Checklist", apply to this project and become a part of the Letter of Conditions. Title insurance will be required.

PROCUREMENT, BIDDING, AND CONSTRUCTION

These must be completed in accordance with RD Instructions 1942.18, Appendix B.

In any case where the borrower proposes to award a contract (or contracts) to a bidder, other than the apparent low bidder, the borrower must first obtain concurrence from the RD State Director before taking action to award the contract (or contracts). Plans, specifications, and contract documents for proposed project must be reviewed and signed by the Rural Development State Engineer prior to issuance of a notice to proceed with construction by the Architect.

FINAL PLANS AND SPECIFICATIONS

The project described in the final plans and specifications must conform essentially in scope to the project as described in the most recent approved version of the Preliminary Architectural Feasibility Report, including any addendums. If any significant change in the project should develop after Rural Development funding has been approved, the County will take immediate action to stop incurring, to the extent practicable, any additional project costs or expenses. A supplement or addendum to the Preliminary Architectural Feasibility Report will be prepared, which shall include a revised project costs summary and operating budget, if necessary, and submitted to Rural Development for review and concurrence.

Final plans and specifications shall be submitted to Rural Development and other appropriate agencies for review and approval within thirteen (13) months from the date of this letter.

CONSTRUCTION MONITORING

Full-time inspection is required unless a written exception is made by the Agency upon your written request. This service is to be provided by the project architect or by other arrangements as approved by the Agency. Prior to the pre-construction conference, a resume of qualifications of the resident inspector(s) will be submitted to the owner and Agency for review and approval. The owner will provide a letter of acceptance for all proposed observers to the architect and Agency. The resident inspector(s) must attend the pre-construction conference.

The Agency requires prior agency concurrence with all Change Orders, Invoices, and Payment Estimates.

The Agency requires a pre-construction conference, pre-final, final, and warranty inspection.

DISBURSEMENT OF FUNDS

The applicant contribution of \$1,812,00.00 shall be considered the first funds expended, followed by the Rural Development loan funds.

Rural Development loan funds will be delivered to the applicant Attorney at the time of loan closing. These loan funds will be used to pay off interim financing. Interim financing funds placed into the above mentioned construction fund will not be disbursed for any purpose until written approval is obtained from Rural Development. The disbursement of all project funds must be approved by Rural Development.

You must establish a separate construction account, with an acceptable financial institution or depository that meets the requirements of 31 CFR Part 202. All project funds will be deposited into this account. Financial institutions or depositories accepting deposits of public funds and providing other financial agency services to the Federal Government are required to pledge adequate, acceptable securities as collateral.

All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the construction account at any one time. Additional guidance on collateral acceptability and valuation are available at Treasury's Bureau of the public debt website at www.publicdebt.treas.gov.

After providing for all authorized costs at the completion of project construction, any remaining Rural Development funds are considered Agency funds and will be refunded to Rural Development.

EXCESS FUNDS

If there is a significant reduction in project costs as a result of redesign or bids received, funding needs for the project will be reassessed prior to loan closing.

ENVIRONMENTAL MITIGATION MEASURES

The County will implement the environmental mitigation measures as stated in the "Environmental Assessment for County of Montgomery" dated August 15, 2016. This document and any comments from the public, Federal, State or local agencies have been adopted by Rural Development as its Environmental Assessment for the project. The approval of this

assistance is further subject to any mitigation measures that will be required as a result of public comments received or agency regulatory concerns. In order to mitigate any adverse effects to the environment the following mitigation measures are required as a condition of loan assistance:

- Best Management Practices (BMPs) will be utilized continuously to ensure protection from sedimentation associated with surface erosion. Erosion and sedimentation controls will be installed, maintained, and repaired when damaged prior to and during construction.
- Montgomery County zoning ordinance provides mitigation measures applicable to development in the area. The ordinance can be obtained from Montgomery County and downloaded from:
<http://www.montgomerycountync.com/sites/default/files/planning/>
- Maintain a 100-foot undisturbed, native, forested buffer along perennial streams, and a minimum 50-foot buffer along intermittent streams and wetlands.
- Reduce storm water runoff by reducing impervious surfaces and increasing infiltration by using LID techniques like permeable pavement and bioretention areas that can collect storm water.
- Re-seed disturbed areas with seed mixtures that are beneficial to wildlife. Using native species should reduce the need for water, fertilizers, and Pesticides.
- If pesticides or chemicals will be used for site maintenance, storm water runoff should be funneled to bio-retention areas prior to discharge to streams or wetlands.
- Sediment and erosion control measures should be installed prior to any land disturbing activity, and using biodegradable and wildlife-friendly sediment and erosion control devices is strongly recommended.

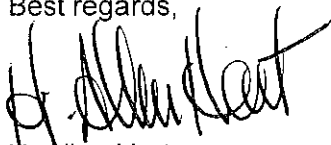
CLOSING INSTRUCTIONS

This loan will be closed in accordance with instructions issued by the USDA Office of General Counsel, the RD State Office, and applicable RD and State Procedures.

APPLICANT CONTRIBUTION

Applicant will contribute \$1,812,000.00 from its funds on hand for the development of these projects. Applicant cash contribution will be the first funds spent on the project.

Best regards,



H. Allen Hart

Area Director