



April 9, 2018

Dr. Frank McElroy, Jr.  
Westminster Presbyterian  
Homes, Inc.  
P.O. Box 926  
Quitman, GA 31643

Dear Dr. McElroy:

This letter establishes conditions that 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 direct Community Facilities loan not to exceed \$40,000,000. The loan will be administered by USDA, Rural Development.

These loan funds will be utilized for the construction of a Health Center at Presbyterian Village in Oconee County, GA. The facility is more accurately described in the Preliminary Architectural Feasibility Report prepared for this project. Any change in project cost, source of funds, scope of services, or any other significant changes in the project or Westminster Presbyterian Homes, Inc. must be reported to and approved by Rural Development by written amendment to this letter. Any changes not approved by Rural Development could be reason for discontinuing processing of the application. The proposed funding for this project is set forth on the attached copy of Form RD 1942-14, "Association Project Fund Analysis."

If Rural Development makes the loan, 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 loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. Form RD 1942-46, "Letter of Intent to Meet Conditions," will be used to exercise your choice of the lower interest rate.

The conditions are as outlined below:

- A. Organization: Consideration for this loan is based on the Westminster Presbyterian Homes, Inc. being properly organized and operating under Georgia Law.
- B. Maximum Amount of Loan to be Considered: \$40,000,000
- C. Applicant Contribution: \$8,959,000

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Evidence as to the availability of these funds must be presented to USDA prior to the start of construction. The fund raising goal of \$8,959,000 must be met before the interim financing is closed.

- D. **Repayment Schedule:** The loan will be repayable over a period not to exceed forty (40) years from the date of loan closing. The first payment will be due one year from the date of loan closing and will be an interest only payment. The second payment will be due two years from the date of loan closing and will also be an interest only payment. The third payment will be due three years from the date of loan closing and will be an interest only payment. The fourth payment will be due thirty-seven (37) months following the date of loan closing and will be a fully amortized instalment of both principal and interest. All payments thereafter will be due monthly and will be a fully amortized installment of both principal and interest. If the loan is closed on the 29th, 30th or 31st day of the month, the due date of the installment will be the 28th day of the month. Interest will accrue on the basis of a 365-day year. For planning purposes only, use an interest rate of 3.25% and an amortization factor of 3.88 per \$1,000, which equates to a monthly payment of \$155,200.

In addition to the funds needed to pay the principal and interest on the note each month, the Corporation must also collect sufficient revenues to create and maintain the required debt reserve fund. Such reserve fund will require the monthly deposit of funds equivalent to ten percent of the amount needed to pay the monthly installment of principal and interest on the note. Monthly deposits to the reserve fund in the above described amount are required until the fund has accumulated an amount equal to that needed to pay the principal and interest on the note for the next succeeding year. For planning purposes only, the monthly reserve deposit is estimated to be \$15,520 until the account is fully funded at \$1,862,400. If disbursements are made after reaching the fully funded level, the Corporation will begin making monthly deposits of \$15,800 until the fully funded level is reached.

You will be required to complete Form RD 3550-28, "Authorization Agreement for Preauthorized Debt," for all new and existing indebtedness to Rural Development. This will allow for your payment to be electronically debited from your account on the date your payment is due. The Monroe Area Rural Development Office will provide more information on this payment process.

- E. **Security Requirements:** The loan will be evidenced by a Promissory Note and Deed to Secure Debt taken on the 5.6 acre tract. The property will be surveyed so a specific legal description of the site can be rendered. The USDA lien will be the first and only lien on the real estate.

The loan will be further secured by a UCC-1 and Security Agreement filed for any furniture, fixtures, and equipment purchased with loan funds. The UCC-1 and Security Agreement will also create a lien on revenue.

Loan closing will be subject to documented collateral in an amount sufficient to adequately secure the proposed loan in the opinion of Rural Development.

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In accordance with Section 1942.17(g) of RD Instruction 1942-A, all Rural Development loans must be secured by the best security position to adequately protect the interest of Rural Development during the repayment period. An "as improved" real estate appraisal will be required and the value of all property must be at least \$40 million.

A corporate loan guarantee will be provided by the "parent" corporation, Presbyterian Homes of Georgia, Inc.

F. Mitigation Measures: None

G. General Requirements:

1. Prior to the start of construction or loan closing, whichever occurs first, it will be necessary for our Area Office to conduct a Compliance Review. Your office's full cooperation will be necessary in accomplishing this certification and review. During the review, the representative of the Area Office will complete and execute Form RD 400-8, "Compliance Review." The nondiscrimination posters, "And Justice for All" and "Equal Employment Opportunity", are to be displayed at your office and facilities.
2. Prior to the issuance of this letter of conditions, you will have certified on at least two different occasions as to your inability to finance this project from your own resources or from other credit at reasonable rates and terms. This was based on prevailing private and cooperative rates and terms in or near your community for loans for similar purposes and periods of time.
3. By accepting this loan, you are also agreeing to refinance the unpaid balance if at any time in the future it should appear to Rural Development that you are able to obtain loans for such purposes from responsible private or cooperative sources at reasonable rates and terms.
4. Your funding needs will be reassessed before loan closing or the start of construction, whichever occurs first. The reassessment will include the necessary revisions of the loan docket and the Letter of Conditions. The reassessment and revisions will be based on revised project costs and Rural Development regulations in effect at the time the loan was approved. Any loan funds not needed to complete the proposed project will be deobligated.

Professional services of the following may be necessary: engineer, architect, attorney, bond counsel, accountant, auditor, appraiser, and financial advisory or fiscal agent (if desired by the Corporation). Contracts and other forms of agreement between the applicant and its professional and technical representatives are required and are subject to Agency concurrence. Details of the costs of these professional services must be provided prior to loan closing.

5. The funds contributed by the Corporation shall be the first funds expended.

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6. This financial assistance is subject to your compliance with Title VI of the Civil Rights Act of 1964, and the Age Discrimination Act of 1975, section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act (ADA) of 1990.
7. The facility must be developed in compliance with the Architectural Barriers Act of 1968 (P.L. 90-480) as implemented by the General Services Administration regulation 41 CFR 101-19.6 and Section 504 of the Rehabilitation Act of 1973 (P.L. 93-112) as implemented by 7 CFR, parts 15 and 15b.
8. The facility must also meet all accessibility standards, life/safety aspects of the most recent edition of the National Fire Protection Association (NFPA) 101 Life Safety Code, Georgia Mandatory Minimum Standard Codes, and any other required Federal, State or local codes.
9. Awards made under this program are subject to the provisions contained in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2013, P.L. No. 112-55, Division A, Sections 738 and 739, regarding corporate felony convictions and corporate federal tax delinquencies. To comply with these provisions, ALL applicants must complete attachment Representation Regarding Felony Conviction or Tax Delinquent Status For Corporate Applicant s paragraph (1) of this representation, and all corporate applicants also must complete paragraphs (2) and (3) of this representation.
10. Westminster Presbyterian Homes, Inc. will assure that the project is consistent with State and Area Development Plans and that all required permits have been obtained.
11. Adequate insurance coverage must be maintained for the life of the Rural Development financing. You are encouraged to consult with your attorney, and insurance agent to determine the amount of coverage you should maintain to protect the financial interest of the Westminster Presbyterian Homes, Inc. and USDA, Rural Development.
12. All development will be completed by the Contract Method. Contracts are to be approved by the Community Programs Director, after approval by the Corporation's officials, the contractor, and your attorney. Rural Development General Conditions and Supplemental General Conditions are to be included as an integral part of the contract documents. Following execution of the contract, any change in plans and specifications must be accomplished by use of contract change orders. Rural Development approval of the change orders is required but cannot be given until any additional funds needed for the change order items are available. Rural Development or AIA forms must be used for all items related to construction.

Alternate construction methods must be approved for the project by the National Office and GMP must be determined prior to closing.

13. Positive efforts shall be made by the Corporation to utilize small, minority-owned, and woman-owned business sources.

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Such efforts should allow these sources the maximum feasible opportunity to compete for contracts to be performed utilizing loan funds.

14. Any contract in excess of \$10,000 shall include provisions for compliance with Executive Order No. 11246, as amended, entitled "Equal Employment Opportunity" as amended by Executive Order 11375 and as supplemented by the Department of Labor Regulations 41 CFR Part 60. In addition and without reference to the number of employees, each contractor shall be required not to discriminate on the basis of race, color, religion, national origin, and sex.
15. All contracts for construction shall include a provision for compliance with the Copeland "Anti-Kick Back" Act as supplemented in Department of Labor Regulations.
16. When a contract exceeds \$100,000, the contractor shall comply with all applicable standards, orders, or requirements issued under Section 306 of the Clean Air Act, Section 508 of the Clean Water Act, Executive Order 11738, and Environmental Protection Agency regulations.
17. The Contractor will be required to install a project sign at the job site(s) identifying and indicating that USDA, Rural Development is participating in the development of this project. This sign will be prepared in accordance with the attached format for Rural Development projects. The project sign(s) should be placed in a prominent place and must be installed simultaneously with the start of construction.
18. Pre-closing of the loan will take place after the interim financing, in accordance with the Interim Financing Agreement between the Corporation and your interim lender, is completed. Loan funds will not be requested and disbursed until after all loan closing documents have been executed. Any questions concerning the pre-closing process should be addressed to the Area Specialist in the Monroe Rural Development Office.
19. Prior to the beginning of construction, a Preconstruction Conference will be held with the following in attendance: The Rural Development Area Office designee, the interim lender, the Corporation's architect and attorney, you or your designee, and the contractor(s). If applicable, subcontractors should also be in attendance. The Area Office designee will deliver to each contractor Form RD 400-3, "Notice to Contractors and Applicants", with the "Equal Employment Opportunity" and "And Justice for All" posters attached. The first inspection report prepared by the Rural Development Area Office will document whether the posters have been properly displayed on the job site.
20. Audits – An annual audit under the Single Audit Act is required if you expend more than \$750,000 in Federal financial assistance per fiscal year or you expend more than the adjusted OMB federal financial assistance threshold effective at time of audit preparation. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

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All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency.

It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit or financial statements to be completed, the time frame in which the audit or financial statements will be completed, what type of reports will be generated from the services provided, and how irregularities will be reported.

**Financial Statements** – If you expend less than \$750,000 in Federal financial assistance per fiscal year and all other requirements as identified in 2 CFR Part 200 have been met, you may submit financial statements in lieu of an audit which include at a minimum IRS form 990 provided it includes a balance sheet and an income and expense statement. You may use Form RD 442-2, "Statement of Budget, Income and Equity," and 442-3, "Balance Sheet," or similar format to provide the financial information. The financial statements must be signed by the appropriate borrower official and submitted within 60 days of your fiscal year end.

The Corporation will maintain a debt service coverage ratio of at least 1.10. If the debt service coverage ratio (EBITDA/Annual Principle and Interest Payments) based on a review of the annual audit is below 1.10, the Applicant will be required to provide the Monroe Area Office with quarterly financial reports and a fiscal strategy report which documents how the debt service requirement will be achieved.

**Annual Budget and Projected Cash Flow:** Thirty days prior to the beginning of each fiscal year, you will be required to submit an annual budget and projected cash flow to this office. You should submit two copies of Form RD 442-2, Statement of Budget, Income and Equity, (Attachment No. \_\_\_\_), Schedule 1, page 1; and Schedule 2, Projected Cash Flow. The only data required at this time on Schedule 1, page 1, is Columns 2 & 3. All of Schedule 1, page 2 and Schedule 2, Projected Cash Flow will be required. You may submit annual budgets on other financial statements for cash flow projections rather than Form RD 442-2. With the submission of the annual budget, you will be required to provide a current rate schedule, a current listing of the Board or Council members and terms.

**Quarterly Reports** – Borrowers receiving their first loan from RD, will be required to submit two copies of Form RD 442-2, Schedule 1, page 1, columns 2-6, as appropriate, and page 2.

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You may submit historical quarterly financial statements on a format other than Form RD 442-2. This information should be received in the servicing office thirty days after the end of each of the first three quarters of the fiscal year. The audited financial statements will be used for the fourth quarter reports.

Quarterly Reports will be required for the first three fiscal years of operation.

The Area Office will notify you in writing when Quarterly Reports are no longer required.

The applicant's reserve account balance for the Community Facilities Direct Loan should be reported annually to the Area/State Office. If in any fiscal year, the reserve account balance is less than the required account total, the borrower will provide the Agency with a twelve month budget and plan to correct the shortfall.

21. Any future capital expenditures above \$500,000 will need to be reviewed by Rural Development.
22. The new local board of directors must be finalized prior to closing and the information provided to RD so it can be reviewed by Office of General Counsel

H. Owner and Attorney Responsibilities: Attachments A and B are the requirements (action items) to be met by each respective party prior to closing of the loan. All parties should work together, along with the Area Specialist, in meeting these requirements in a timely manner.

If the conditions set forth in this letter are not met within 24 months from the date hereof, Rural Development reserves the right to discontinue the processing of the application. Rural Development will meet with Westminster Presbyterian Homes, Inc. officials, attorney, and any other parties that may be involved in the project the second month after the date of Form RD 1942-46, "Letter of Intent to Meet Conditions." The purpose of this meeting will be to determine the progress that has been made in complying with the "Letter of Conditions" and to review goals and establish a timetable for completing work on the conditions that have not yet been satisfied. Additional meetings for the same purpose will be held at 30-day intervals.

If you desire that further consideration be given to your application the following forms need to be executed: Forms RD 1942-9, "Loan Resolution Security Agreement;" 1942-46, "Letter of Intent to Meet Conditions;" 400-1, "Equal Opportunity Agreement;" 400-4, "Assurance Agreement;" 442-7, "Operating Budget;" 1940-1, "Request for Obligation of Funds;" 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts;" Form AD-1047, "Certification Regarding Debarment, Suspension and Other Responsibility Matters - Primary Covered Transactions;" and Certification for Contracts, Grants, and Loans.

You have the full cooperation of this Agency. If we can be of any further assistance to you, please let us know.

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All inquiries and responses to this Letter of Conditions should be made to Kathleen L. Henderson, Area Specialist in the Monroe Area USDA Office, at (770) 267-1413 ext. 107 or by e-mail at [kathleen.henderson@ga.usda.gov](mailto:kathleen.henderson@ga.usda.gov).

Sincerely,

**KATHERINE L. ROSS**  
Acting Community Programs Director

**Attachments: A – Owner's Responsibilities**  
**B – Architect Responsibilities**  
**C – Attorney Responsibilities**

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## **ATTACHMENT A – Owner’s Responsibilities**

This attachment does not replace the Letter of Conditions, but is an integral part of it.

All items listed in Attachment B and C are also your responsibilities, as owner, in addition to the following items:

- 1. A quorum of the members of the Board of Directors must convene at a meeting called by the Chairman of the Westminster Presbyterian Homes, Inc. and adopt Form RD 1942-9, "Loan Resolution Security Agreement."
  
- 2. Form AD-1047, "Certification Regarding Debarment, Suspension and Other Responsibility Matters – Primary Covered Transaction," must be executed by the Chairman. If the Chairman is unable to certify to any of the statements in this certification, the Chairman must attach an explanation to the proposal. The Corporation agrees by executing this form, it will not knowingly enter into any transactions with persons debarred, suspended, declared ineligible or voluntarily excluded from participation in this project unless authorized by Rural Development. The Corporation further agrees by executing this form that it will include Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion – Lower Tier Covered Transactions," a copy of which is attached, without modification, in all transactions in this project. The Corporation will obtain and maintain in its files an executed copy of Form AD-1048 for each participant providing services for this project in excess of \$25,000.
  
- 3. The Chairman must execute Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts," indicating his/her understanding of actions the Federal government maytake in the event that the Corporation fails to meet its scheduled loan payments.
  
- 4. Section 504 of the Rehabilitation Act of 1973, as amended, applies to all Federally Financed Programs and Activities. In order to comply with the law, it is your responsibility as recipients of Federal financial assistance to make your "programs and activities" accessible to and useable by persons with disabilities. You should conduct a self-evaluation immediately, and if necessary, develop a transition plan for the removal of any structural barriers. The self-evaluations must be conducted with the assistance of persons or organizations that are knowledgeable about accessibility issues such as an architect, etc. In addition to structural barriers, policies and procedures must be reviewed. These self-evaluations are to be submitted to the Area Office within 30 days of the date of this letter. If structural barriers are found, these will need to be removed prior to loan closing or the start of construction whichever occurs first.
  
- 5. Prior to loan closing or the start of construction, whichever occurs first, the Corporation must provide and obtain approval from the Rural Development Area Office for its accounting and financial reporting system, including the required Agreement for Services with its auditor. Management reports will furnish the management with a means of evaluating prior decisions and serve as a basis for planning future operations and financial conditions.

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- 6. Form RD 442-2, "Statement of Budget, Income and Equity" (Schedule 1, "Statement of Budget, Income and Equity" and Schedule 2, "Projected Cash Flow") and Form RD 442-3, "Balance Sheet" will be utilized in submitting management data to Rural Development. (The Area Office will discuss this in more detail later).
- 7. Evidence of adequate insurance and fidelity bond coverage must be provided to Rural Development prior to loan closing or the beginning of construction, whichever occurs first. The use of deductibles may be allowed by Rural Development, provided you have adequate financial resources to cover potential claims requiring payment of the deductible.

The following guideline should be observed in obtaining/maintaining fidelity bond coverage:

All persons who have access to your funds are to have fidelity bond coverage. This coverage may be provided either for all individual positions or persons or through blanket coverage that will adequately protect the interest of you and Rural Development. Rural Development will normally expect the amount of coverage to approximate the total amount of the annual principal and interest payment for the Rural Development loans. Form RD 440-24, "Position Fidelity Schedule Bond," or similar forms may be used in writing the coverage.

Rural Development may require changes in insurance and fidelity bond coverage as it may determine is necessary to adequately protect the government's financial interest.

- 8. The Corporation is to appoint one member of its governing body to serve as liaison with Rural Development. This person should be knowledgeable of the project and available to work with Rural Development and the Corporation's attorney and architect.
- 9. The attached "Certification for Contracts, Grants, and Loans", RD Instructions 1940-Q, Exhibit A-1, must be executed by the Chairman and returned to Rural Development. The Corporation must also require that the language of this certification be included in the award documents for all contracts and subcontracts exceeding \$100,000. The recipient of such contracts and subcontracts, must complete and submit to the Corporation a certification. The Corporation must retain these certifications in its files and make them available for Rural Development examination upon request.
- 10. Interim financing at reasonable rates from commercial sources is required during the construction period for the Rural Development loan portion of this project. All bills paid from interim financing must be approved by Rural Development before payment is made. A record of all bills approved by Rural Development for payment through interim financing will be maintained by the Rural Development Office. Approved interim financing will be repaid from Rural Development loan funds. The Corporation must obtain a letter from the bank, which will provide the interim financing stating the conditions of such financing.

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Upon complying with the conditions of the bank's letter and the "Letter of Conditions" issued to the Corporation by Rural Development, Rural Development will be able to issue to the bank on behalf of the Corporation a letter of commitment for the repayment of principal and interest incurred through interim financing.

- 11. Furnish a current list of the Chairman, Corporation Board, their terms of office, and samples of their signatures.
- 12. Awards made under this program are subject to the provisions contained in the Agriculture, Rural Development, Food and Drug Administration, and related Agencies Appropriations Act, 2013, PL No. 112-55, Division A, Sections 738 and 739, regarding felony convictions and corporate federal tax delinquencies. To comply with these provisions, ALL applicants must complete the attachment **Representation Regarding Felony Conviction or Tax Delinquent Status For Corporate Applicants** paragraph (1) of this representation, AND all corporate applicants also must complete paragraphs (2) and (3) of this representation.

**Rural Development • Georgia State Office • Community Programs Division**  
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## **Attachment B – Architect’s Responsibilities**

This attachment does not replace the Letter of Conditions, but is an integral part of it:

- 1. The Architect should prepare AIA Document B141-2007, “Standard Form of Agreement between Owner and Architect” with Attachment 1 to Guide 27 of RD Instruction 1942-A attached for approval and execution by the Owner and Rural Development. This document constitutes the agreement between the parties for providing architectural services for the proposed project. The architect must be licensed in the State of Georgia. **(Provide an original and 3 copies within 15 days)**.
- 2. Prior to the formal advertisement for bids, two copies of the final plans and specifications, along with all required State Agency approvals, will be submitted to Rural Development for review/approval. The dates for advertising and opening of bids will be approved by Rural Development.
- 3. Four sets, minimum, of the final plans, specifications, contract documents will be provided to Rural Development for review and approval prior to the Preconstruction Conference. The final plans are to bear the written approval of the owner, architect and the Rural Development State Architect.
- 4. The Architect must assure that the award documents for all contracts and subcontracts exceeding \$100,000 include the language contained in RD Instructions 1940-Q, Exhibit A-1, “Certification for Contracts, Grants, and Loans”. The recipients of such contracts and subcontracts must complete and submit to the owner a completed Exhibit A-1.
- 5. Execute Form AD-1048, “Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion – Lower Tier Covered Transactions”, and provide copy to owner, if services for the project are in excess of \$25,000. This also applies to all contractors and subcontractors whose contracts exceed \$25,000.
- 6. Furnish to the owner, as a part of the final inspection, a set of as-built plans.
- 7. Provide copies of the Certificate of Occupancy permit and any other required occupancy permits at the final inspection.

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### **Attachment C — Attorney's Responsibilities**

This attachment does not replace the Letter of Conditions, but is an integral part of it:

1. Execute a Legal Services Agreement with the applicant for providing the necessary legal services for the proposed project (**4 copies**). Rural Development guidelines should be used in preparing this Agreement. (**Provide within 15 days**)
2. Issue a certification as to any judgments and/or litigation pending or outstanding against the applicant. This should include an opinion on the effect that such litigation might have on the security liens that will secure the loan. (**2 copies**) A similar certification must be furnished to Rural Development at the pre-loan closing.
3. Assist applicant with the acquisition of necessary properties, rights-of-way, and easements for the proposed project.
4. Issue Preliminary Title opinions on the properties owned or to be acquired by the applicant utilizing Form RD 1927-9, "Preliminary Title Opinion". This is to include all properties that will be a part of the facilities securing the loan(s). (**2 copies**)
5. Cooperate with Rural Development in assisting applicant with the closing of the loan.
6. Issue Final Title Opinions on the properties described in #4 above utilizing Form RD 1927-10, "Final Title Opinion". (**2 copies**)
7. Prepare required real estate mortgage(s) on Form RD 1927-1 GA, "Deed to Secure Debt for Georgia", and file of record with Clerk of Court(s) on loan closing day.
8. Complete Security Agreement and Financing Statement on forms prepared by the Regional Attorney and file Financing Statement with Clerk of Court(s) immediately after the loan is closed. Other forms, such as those from the Secretary of State's office, are not acceptable for perfecting the USDA, Rural Development lien.
9. Review and approve construction contracts.
10. Provide necessary assistance to applicant in obtaining other necessary agreements, third party contracts, etc. (**2 copies of each**).

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