

## Debt Service Report

**Local Unit Name:** Keweenaw County  
**Local Unit Code:** 42  
**Current Fiscal Year End Date:** 12/31/2017

**Debt Name:**  
**Issuance Date:** 2007-2008  
**Issuance Amount:** \$1,803,000  
**Debt Instrument (or Type):** Revenue Bonds  
**Repayment Source(s):** Revenue from Enterprise Fund

| Years Ending  | Principal           | Interest          | Total               |
|---------------|---------------------|-------------------|---------------------|
| Year 1        | \$ -                | \$ -              | \$ -                |
| Year 2        | \$ -                | \$ -              | \$ -                |
| Year 3        | \$ -                | \$ -              | \$ -                |
| Year 4        | \$ -                | \$ -              | \$ -                |
| Year 5        | \$ -                | \$ -              | \$ -                |
| Year 6        | \$ -                | \$ -              | \$ -                |
| Year 7        | \$ 1,766,000        | \$ 543,393        | \$ 2,309,393        |
| <b>Totals</b> | <b>\$ 1,766,000</b> | <b>\$ 543,393</b> | <b>\$ 2,309,393</b> |

Keweenaw County borrowed \$1,803,000 from Rural Development in 2007-2008 to finance repairs to Keweenaw Mountain Lodge (KML) and to add a conference center/banquet hall to the facility. Three revenue bonds were issued to Rural Development in the amounts of \$1,273,000, \$120,000, and \$410,000 pursuant to the Revenue Bond Act of 1933 (MCL 141.101, et. seq). The bonds were issued on 1/17/2007 , 6/15/2007 , and 6/18/2008 , respectively. The expansion of KML has been financially unsuccessful. The KML fund has reported losses in each year since the loans were made and KML has never generated enough cash to service the debt. No revenue bond payments have been made since 2013. The revenue bonds are in default and interest continues to accrue. In March 2017, Keweenaw County received a proposal from Rural Development for resolving the revenue bond debt. The proposal provided for KML to be sold, the net proceeds of sale to be given to Rural Development, and the remaining amounts due on the revenue bond debt to be cancelled. Keweenaw County accepted Rural Development's proposal subject to conditions, one of which was that the County receive assurance that a \$1,754,000 grant issued by the U.S. Economic Development Administration ("EDA") in 2007 for improvement of KML would not need to be repaid after KML was sold. In July 2017, the County, Rural Development and EDA signed a letter agreement modifying the County's agreement with Rural Development as follows: KML will be sold; the net proceeds of sale will be shared by Rural Development and EDA; the remaining amounts due on the revenue bond debt will be cancelled by Rural Development after it receives its share of the net proceeds; and the County's obligation to repay the 2007 grant will be deemed satisfied after EDA receives its share of the net proceeds. The July 2017 letter agreement anticipated that KML would be listed for sale by a realtor and KML was unsuccessfully listed for sale by a realtor between July 2017 and January 2018. In April 2018, the County, Rural Development, and EDA signed an amendment to the July 2017 letter agreement whereby KML will be sold at public auction by Maas Companies, Inc. of Rochester, Minnesota. The auction is scheduled to be held

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at KML on July 26, 2018 with a closing of the sale to the high bidder expected to take place on or before September 10, 2018. No other material terms of the July 2017 letter agreement were changed by the April 2018 amendment. It is still anticipated that KML will be sold; the net proceeds of sale will be shared by Rural Development and EDA; the remaining amounts due on the revenue bond debt will be cancelled by Rural Development after it receives its share of the net proceeds; and the County's obligation to repay the 2007 grant will be deemed satisfied after EDA receives its share of the net proceeds