



Request for City Council Committee Action from the Department of Finance and Property Services

Date: October 14, 2014

To: Honorable John Quincy, Chair Ways & Means Committee

Subject: Release of Third Party Pledge Agreement between City of Minneapolis and iDSS (subsidiary of Meet Minneapolis)

Recommendation:

Authorize appropriate staff to execute a Termination and Release Agreement related to the "Pledged Interest" in iDSS software system

Previous Directives:

On July 17, 2006, the City and iDSS/Meet Minneapolis executed a Third Party Pledge Agreement to provide a Pledged Interest as security for \$10 million in loans provided to the Greater Minneapolis Convention and Visitors Association (now Meet Minneapolis)

Department Information

Prepared by: Kevin Carpenter, Finance Officer, Phone 673-3554

Approved by: _____
Spencer Cronk, City Coordinator

Presenters in Committee: Kevin Carpenter, Finance Officer

Reviews

Permanent Review Committee Approval NA___ Date _____

(PRC):

Civil Rights Approval Approval NA__ Date _____

Policy Review Group (PRG): Approval NA__ Date _____

Financial Impact: No direct financial impact

Background/Supporting Information

In 2005 and 2006, the City made a series of loans, totaling \$10 million, to the Greater Minneapolis Convention and Visitors Association, now Meet Minneapolis.

The purpose of these loans was to finance the development and marketing of certain software (the "iDSS System") related to customer and event tracking for the meeting and event planning industry. This activity was, and is, carried on through a wholly-owned subsidiary of Meet Minneapolis, Internet Destination Sales System, Inc. ("iDSS").

Under the terms of the loan documents, Meet Minneapolis is obligated to repay the loans, with interest, on an amortizing basis, with final repayment scheduled for the end of 2017. As of year-end 2014, the outstanding principal balance of the loans is approximately \$3 million.

At the time the loans were made, Meet Minneapolis/iDSS, via a Third Party Pledge Agreement, provided the City with a security interest (the "Pledged Interest") in the iDSS System. The Pledge Agreement also placed certain obligations on iDSS in regards to its use of the asset. One of those obligations was a covenant not to modify, amend, subordinate or cancel the Pledged Interest without prior consent of the City.

Over the last few months, iDSS and Meet Minneapolis have pursued a transaction involving the potential sale of the iDSS System to a 3rd party. The transaction is now at a stage close to closing, and the City's consent is required to release our Pledged Interest so the iDSS System can be sold.

Staff from the City's Finance and Property Services Department, as well as the City Attorney's office, have had the opportunity to review certain documents related to the proposed transaction, as well as discuss aspects of the transaction with Meet Minneapolis and iDSS management.

Because the existing obligations of Meet Minneapolis to repay the remaining financial obligations under the loan documents survive the potential transaction, the City is assured that the City will be fully repaid as scheduled. Accordingly, staff requests authorization to execute a Termination and Release document, releasing our rights related to the Pledged Interest under the Third Party Pledge Agreement and allowing the proposed transaction to proceed.