

OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA

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ITEM ~~54~~

CITY COUNCIL COMMUNICATION 97-061  
FEBRUARY 3, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
FLYNN ENTERPRISES, INC., FORMERLY KNOWN AS EMCO INDUSTRIES, INC.	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT A. STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

**SYNOPSIS —**

On the February 3, 1997, Council agenda is a roll call to approve documents relating to a State of Iowa Community Economic Betterment Account (CEBA) Loan in the amount of \$200,000 and a Des Moines Action Loan in the amount of \$200,000 to Flynn Enterprises, Inc. to assist in the management buyout of EMCO Industries.

Flynn Enterprises, Inc. is a company owned by Mr. Donald C. Flynn. Mr. Flynn is currently the Comptroller of EMCO Industries, a division of EMCO Enterprises, Inc. EMCO Enterprises, Inc. has made the decision to sell this subsidiary and has been negotiating with a Ft. Wayne, Indiana company that would result in the breakup and relocation of this division outside the state. Flynn Enterprises, Inc., has entered into an agreement to buy EMCO Industries, with the intent of keeping the company located in the City of Des Moines.

EMCO Industries operates out of leased buildings at 220 New York, Des Moines. EMCO Industries is a manufacturer of hardware in the fastener industry. Its principal product groups are automotive exhaust parts manufacturing and distribution, and industrial fasteners, primarily u-bolts with annual sales of about \$13.9 million. The company employs 94 people with an annual payroll of about \$2.6 million. Seventy of its employees are engaged in production and are members of the United Auto Workers Union. The production jobs average \$10.47 per hour plus medical and pension benefits. The City loan and the State of Iowa CEBA loan are part of a financial package totaling \$7.075 million for the purchase of EMCO Industries.

**FISCAL IMPACT —**

No General Fund dollars will be used. The proposed \$200,000 City Loan is from the Des Moines Action Loan Fund (DMALF) and is to be repaid over a term of 10 years at an interest rate of three percent.

**RECOMMENDATION —**

Approval.

**BACKGROUND —**

Staff from the City's Economic Development Division, the State of Iowa, Department of Economic Development, MidAmerican Energy Company, and the Greater Des Moines Chamber of Commerce Federation have been working with Mr. Donald Flynn since the first of November 1996.

The financing package has been approved as follows: Boatmen's National Bank of St. Louis will be the Senior Creditor and has approved a credit facility consisting of a \$3.0 million revolving asset-based

loan and a term loan in the amount of \$2.7 million; public assistance totaling \$675,000 as follows: City of Des Moines loan in the amount of \$200,000 at three percent interest with interest only paid in years one through three and principal and interest paid in years four through ten; Mid-Iowa Development Loan Fund, Inc. loan in the amount of \$200,000 at four percent interest with interest only paid in years one through three and principal and interest paid in years four through ten; State of Iowa CEBA loan in the amount of \$200,000 at three percent interest with interest only paid in years one through three and principal and interest paid in years four through eight; and a loan from MidAmerican Energy Company in the amount of \$75,000 at four percent interest repaid over a term of five years. EMCO Enterprises, Inc. is carrying a loan in the amount of \$500,000 at nine percent interest for two years, and Mr. Don Flynn is contributing \$200,000 in equity. As part of the financing structure, all public loan participations will hold a junior lien in the company's assets and agree to restrictions on the receipt of repayments. As a junior creditor, the City will be entitled to receive payments on its loan only when the company is in compliance with the terms and conditions of the Senior Creditor's loan agreement.