



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 15, 2008

TO: Michigan Economic Growth Authority

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SUBJECT: Briefing Memo – FKA Distributing, Inc. d/b/a HoMedics, Inc.
High-Technology MEGA Credit

COMPANY NAME:

FKA Distributing, Inc. d/b/a HoMedics, Inc.
3000 Pontiac Trail
Commerce Township, MI 48390

HISTORY OF COMPANY:

HoMedics was founded in 1987, and has experienced two decades of product growth in global markets, which places them at the forefront of the industry. The company states that their brand is synonymous with health and wellness, and the design and delivery of innovative, high quality home healthcare products, is the worlds #1 wellness brand. The company sells more than 500 items in 15 personal health and wellness categories to 50,000 retail outlets in 60 countries. Their line of products includes massagers, footbaths, diagnostic healthcare and weight management products and more.

FKA Distributing, Inc. d/b/a HoMedics, Inc. currently has 253 employees in Michigan.

PROJECT DESCRIPTION:

HoMedics, Inc. has continued its dominance by internal growth and external acquisitions of companies and brands. In 2008, HoMedics entered into a joint venture agreement with PowerMat, Inc. PowerMat developed a new technology that provides a wireless charging device for the use with portable devices such as mobile phones and computers.

As a result of this joint venture and additional growth, HoMedics needs to add to their existing team as well as add new professional and technical staff in product development with specialties in research and assessment, electrical engineering, industrial design and quality assurance. HoMedics has an opportunity to build a new building adjacent to their world headquarters to house their growing technical staffing needs.

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Total investment for FKA Distributing, Inc. d/b/a HoMedics, Inc. over five years will be approximately \$11 million. This project will create 62 new jobs with an average weekly wage of \$1,416. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 127 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$2.7 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

The largest challenge that HoMedics faces being located in Michigan relates to the Consumer Product Industry – which has the largest concentration of companies located in the Chicago area. HoMedics has offices currently located in Chicago, where they have a substantial pool of resources in their industry to recruit from. They also have warehouse and office space in California. The PowerMat Joint Venture wants HoMedics to locate in the Silicon Valley. HoMedics also has offices in Las Cruces, New Mexico, where they can draw on a low-cost and skilled workforce in El Paso.

OTHER STATE AND LOCAL ASSISTANCE:

Commerce Township supports this project and the company is requesting a Property Tax Abatement (PA 198) for this project. We anticipate approval of this support within 90 days.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is Electronic Device Technology.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent, 7-year high-tech tax credit for up to 62 net new employees.