



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.THEMEDC.ORG

Date: May 19, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Packaging Team Manager
Portfolio Management & Packaging

Ken Murdoch, Project Specialist
Portfolio Management & Packaging

Subject: Briefing Memo – Kilwin’s Quality Confections, Inc.
Rural MEGA Credit

EXECUTIVE COMMITTEE
MATTHEW P. CULLEN
Chair
Rock Ventures

PHILIP H. POWER
Vice-Chair
The Center for Michigan

D. GREGORY MAIN
President and CEO

RICHARD E. BLOUSE JR., CCE
Detroit Regional Chamber

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

JOANN CRARY
Saginaw Future Inc.

DR. HAIFA FAKHOURI
Arab American and
Chaldean Council

STEVEN K. HAMP
Hamp Advisors, LLC

PAUL HILLEGONDS
DTE Energy Company

GEORGE W. JACKSON JR.
Detroit Economic
Growth Corporation

BIRGIT M. KLOHS
The Right Place, Inc.

F. THOMAS LEWAND
Bodman LLP

STANLEY "SKIP" PRUSS
Michigan Department of Energy,
Labor & Economic Growth

DR. IRVIN D. REID
Wayne State University

SANFORD "SANDY" RING
Hino Motors
Manufacturing U.S.A., Inc.

MICHAEL B. STAEBLER
Pepper Hamilton LLP

PETER S. WALTERS
Guardian Industries Corp.

TODD A. WYETT
Versa Development, LLC

COMPANY NAME
Kilwin’s Quality Confections, Inc.
355 N. Division Road
Petoskey, Michigan 49770

HISTORY OF COMPANY
Kilwin’s Quality Confections, Inc. has been based in Petoskey Michigan for the last 61 years. The company makes confections of chocolates, brittles, fudge, and caramel corns. These products are warehoused in Petoskey and distributed to franchised Kilwin’s retail stores throughout the United States. Since 1994, the company’s sales have increased an average of 15% each year.

Kilwin’s Quality Confections, Inc., currently has 35 employees in Michigan.

PROJECT DESCRIPTION
This project involves the expansion and consolidation of the existing Kilwin’s Michigan manufacturing, administrative and distribution operations. The company plans to purchase a vacant grocery store in Petoskey and move their administrative, manufacturing and distribution operations to this site. The new location will give the company room to grow as it will be more than twice the size of the company’s existing sites.

Total investment for Kilwin’s Quality Confections, Inc., over five years will be approximately \$7.5 million. This project will create 40 new jobs with an average weekly wage of \$587. 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 84 jobs in the state by the year 2017. We also estimate that the project would create total state government revenues through the year 2017, net of MEGA, of \$1.5 million (current dollars) due to the creation of these new jobs.



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.THEMEDC.ORG

BUSINESS CASE

Alternatively, the project could be located in Delray Beach Florida where Kilwin's currently owns and operates a warehouse and cold storage distribution center. This location has space available for manufacturing equipment. Economically it makes the most sense for the company to manufacture and distribute from the Florida location as approximately 35 of their 70 retail stores are located in Florida and 11 more stores are located in the Carolina's and Georgia. For geographical reasons it would be easier and less expensive for the company to manufacture and distribute its products from the Florida location.

OTHER STATE AND LOCAL ASSISTANCE

The City of Petoskey is supportive of this project and has approved of PA 328 and PA 198 personal property tax abatement for seven years. The estimated value of this incentive is not known at this time.

QUALIFYING RURAL MEGA

This project qualifies as a rural MEGA as the project is located in Emmet County with a population of 90,000 or less, as defined in the Act.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 40 net new employees over the established employment base of 34.

EXECUTIVE COMMITTEE

MATTHEW P. CULLEN
Chair
Rock Ventures

PHILIP H. POWER
Vice-Chair
The Center for Michigan

D. GREGORY MAIN
President and CEO

RICHARD E. BLOUSE JR., CCE
Detroit Regional Chamber

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

JOANN CRARY
Saginaw Future Inc.

DR. HAIFA FAKHOURI
Arab American and
Chaldean Council

STEVEN K. HAMP
Hamp Advisors, LLC

PAUL HILLEGONDS
DTE Energy Company

GEORGE W. JACKSON JR.
Detroit Economic
Growth Corporation

BIRGIT M. KLOHS
The Right Place, Inc.

F. THOMAS LEWAND
Bodman LLP

STANLEY "SKIP" PRUSS
Michigan Department of Energy,
Labor & Economic Growth

DR. IRVIN D. REID
Wayne State University

SANFORD "SANDY" RING
Hino Motors
Manufacturing U.S.A., Inc.

MICHAEL B. STAEBLER
Pepper Hamilton LLP

PETER S. WALTERS
Guardian Industries Corp.

TODD A. WYETT
Versa Development, LLC