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MICHIGAN
Economic Development
Corporation

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Joe Quick, Project Specialist
Packaging Team

Subject: Briefing Memo – Mountain Valley Recycling, LLC
Standard MEGA Credit

COMPANY NAME

Mountain Valley Recycling, LLC
6800 Broken Sound Parkway, Suite 300
Boca Raton, Florida 33487

HISTORY OF COMPANY

Mountain Valley Recycling, LLC ("MVR") is headquartered in Boca Raton, Florida. Since 2007, Laser Partners, a private equity firm based out of Boca Raton, has been majority owner of the company. MVR works with retailers to recycle their plastic waste and process this waste into sustainable, post-consumer recycled resins to be used in the manufacture of plastic products. MVR opened a cutting-edge production facility in Frankfort, Kentucky on August 18, 2010. Beyond manufacturing resins and recycling plastic waste, MVR provides solutions to companies interested in becoming focused on sustainability.

Formerly a sole proprietorship, MVR operations have been in business for over a decade in the recycling and materials brokering industry. Current management, under the direction of former Solo Cup Company President and CEO Ronald Whaley, began MVR's reorganization plan in 2009. Since then, the company operates in its current capacity as a green tech company striving to reduce the carbon footprint by producing sustainable resins used in consumer products. Its main customers include Energizer, Schick, Dell, Cascade and Bemis.

In March of 2010, MVR received FDA approval to use its recycled plastic for 100% food contact packaging; an approval that was the first of its kind in North America.

The company currently has 0 employees in Michigan.

PROJECT DESCRIPTION

Mountain Valley Recycling, LLC's proposed Michigan facility will produce sustainable post-consumer resins, processing a projected 100 million pounds of plastic waste into resins. It will use new, state-of-the-art green technology that will convert waste plastic into virgin-like plastics. MVR will lease a facility in Sterling

Heights, Michigan and invest in building improvements, computers and various machinery and equipment for this facility.

The company plans to invest approximately $29.5 million and create 396 jobs over the next five years, with 312 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be $590. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

In addition, Mountain Valley Recycling foresees a positive impact on local communities and business with a possible location in Michigan. MVR has worked with cities, municipalities and counties, providing opportunities for them to sell their plastic waste to MVR, building a new revenue stream and reducing the amount of recyclable waste in landfills.

BENEFIT 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 generate a total of 1,303 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by $31,107,616 (current dollars) due to the presence of this facility.

BUSINESS CASE

Michigan is in competition with the states of Oregon, Arizona and Nevada. The Company points to ~~higher wage rates~~, higher building renovation costs, and significantly higher state, local and municipal tax rates in Michigan than in these competing locations.

OTHER STATE AND LOCAL ASSISTANCE

The City of Sterling Heights is proposing a PA 198 tax abatement for a period of up to 12 years in support of the project. The value of this incentive is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 7 years for up to 396 net new employees in excess of the company's established base of 0, provided the following:

- The company must create and maintain 300 jobs by the end of year three of the credit. Failure to do so will result in the tax credit being forfeited for future years that the threshold is not met.