

MEMORANDUM

DATE: August 19, 2008

TO: Michigan Economic Growth Authority

FROM: Val Hoag, Director
Portfolio Management & Packaging

Stephen Haakenson, Project Manager
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Request Foods, Inc.
Standard Look-Back MEGA Credit

COMPANY NAME:

Request Foods, Inc.
3460 John F Donnelly Drive
Holland, MI 49422

HISTORY OF COMPANY:

Request Foods, Inc., incorporated in Michigan in 1989, is a leading co-packer of custom entrees, side dishes and specialty items. The company offers custom and proprietary food processing to food service companies along with wholesale and retail food chains in the United States and Canada. Request Foods also provides the 'store' brands for large food retailers and wholesale club chains. Although the majority of its business is private labeling for other companies, it also distributes its own line of products throughout the United States.

In 1990, Request Foods constructed a 90,000 square foot facility in Holland Charter Township. Over the last 18 years, the company has made several major expansions and has grown to 350,000 square feet resting on nearly 20 acres of land.

The company currently has 396 employees in Michigan.

PROJECT DESCRIPTION:

Request Foods has a 10-year contract with Campbell Soup Company to make frozen soup, macaroni and cheese, and pot pie filling under Campbell's brands. Request Foods would co-pack the products for Campbell at its facility in Holland. Current excess capacity would be used to begin transitioning items in the fall of 2008, with full production in the fall of 2009. Request Foods anticipates that the successful completion of this project will maximize production at the Holland facility.

To accommodate the growth, Request Foods would need to provide capital investment estimated at \$26.1 million, primarily in machinery & equipment. They also project adding 139-154 new jobs within the first year, and will increase to 202 new jobs over the next five years. These jobs will provide an average weekly wage of \$590, with all new jobs being subject to the company's semi-annual bonus program and benefit package that includes medical coverage and retirement plans.

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 437 jobs in the state by the year 2019. We also estimate that the project would create total state government revenues through the year 2019, net of MEGA cost and adjusted for inflation, of \$11.5 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

The products have historically been made in a Campbell-owned facility located in Listowel Canada. Campbell has announced that it would close its Listowel facility in 2009, and transition production to its network of North American contract manufacturers. The business case is mainly cost driven due to transportation and utility costs. Campbell's supply facility is located in Napoleon, Ohio and its finished goods distribution center is near Chicago. With Campbell being one of its largest customers, Request Foods has a significant financial incentive to move closer to its distribution facility. Request Foods is also paying significant waste water surcharges at its Holland facility and this expansion will require an investment in a pretreatment facility of at least \$4 million.

OTHER STATE AND LOCAL ASSISTANCE:

The MEDC is also supporting the project with \$1.8 million in proposed CDBG funds to help pay for the cost of the wastewater pretreatment facility.

Holland Charter Township supports this expansion and has indicated it will approve a personal property tax abatement under PA198 of 1974. The township is also providing at least \$200,000 towards the construction of the wastewater pretreatment facility, which is a requirement as part of the proposed CDBG funds.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 202 new jobs, with a look back on the net new employees to July 15, 2008.