



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: May 16, 2006

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President
Business Development *[Signature]*

SUBJECT: Briefing Memo – Whirlpool Technologies, LLC
Standard MEGA Credit

COMPANY NAME AND ADDRESS:

Whirlpool Technologies, LLC
2000 M-63
Benton Harbor, Michigan 49022

HISTORY OF COMPANY:

On March 31, 2006, Whirlpool Corporation completed the acquisition of Maytag Corporation. Whirlpool Technologies, LLC, is a wholly-owned subsidiary of Whirlpool Corporation, which is a global manufacturer of major home appliances with 2005 revenues of \$14.3 billion and net earnings of \$422 million. Whirlpool Corporation was incorporated in 1955. The Company manufactures in 12 countries under nine principal brand names and markets products to distributors and retailers in more than 170 countries. As of December 31, 2005, the Company had approximately 66,000 employees of which 3,018 are employed in Michigan.

PROJECT DESCRIPTION:

Due to redundant corporate job functions, Whirlpool is in the process of analyzing operational cost efficiencies. The company is considering various strategies for eliminating duplicate functions, centralizing key divisions, and possible regional placement of engineering, design, and research and development. Logistics operations are also under consideration for consolidation and regional options. Whirlpool is also in the process of considering the transfer of Michigan technology and R&D positions to other locations.

Michigan is one of many states and countries competing for the location of managerial, professional, R&D, logistics, and technology functions. As a result of the Maytag acquisition, Whirlpool Technologies, LLC, is considering the relocation and creation of up to 400 positions including design, engineering, research and development, operations, customer assistance, service, and administrative staff to existing Whirlpool facilities in Berrien County, Michigan or other states. As Whirlpool continues to evaluate future consolidation options another phase of up to 150 positions could be considered for location in Michigan. Phase I and Phase II positions will pay an average weekly wage of \$856.

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Should the jobs relocate to Michigan, Whirlpool would invest a minimum of \$5 million--\$2 million in personal property and \$3 million in real property upgrades to existing facilities.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 833 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs and adjusted for inflation, would be increased by \$35.7 million (2006 dollars) due to the presence of this facility.

BUT FOR:

Other states and international locations under consideration include Iowa, Indiana, Arkansas, Ohio, Tennessee, Illinois, New Mexico, Arizona, Washington, Asia and Mexico. The State of Ohio is being considered for this project and has offered a \$29.2 million incentive package. Whirlpool currently employs over 8,600 in Ohio manufacturing facilities.

OTHER STATE AND LOCAL ASSISTANCE:

Cornerstone Alliance, a regional economic development organization for the cities of Benton Harbor and St. Joseph, the charter townships of Benton, St. Joseph, Lincoln and Royalton, has committed additional financial and staff resources to their First Choice Program dedicated to the Whirlpool/Maytag consolidation. The First Choice Program is a regional recruitment effort that provides tours and information about the area, including neighborhoods, schools, and areas of special interest for potential job candidates. The estimated value to the company is \$77,000. In addition, Cornerstone Alliance has paid Whirlpool Technologies, LLC's, application fee of \$5,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recognizes that Whirlpool Corporation will make multiple consolidation decisions as a result of this merger. We recommend that this Whirlpool Technologies, LLC, project be treated as a 2 phase project, and recommend credit awards as follows:

- A 100 percent standard employment tax credit for 13 years, for up to 400 net new employees.
- For phase 2, beginning no later than December 31, 2009, a 100 percent standard employment tax credit for 13 years for up to 150 new employees in addition to the initial 400.