



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** January 22, 2008  
**TO:** Michigan Economic Growth Authority  
**FROM:** Val Hoag, Director *USA*  
Portfolio Management & Packaging  
Amy Deprez, Project Manager  
Portfolio Management & Packaging  
**SUBJECT:** Briefing Memo – Arbor Networks, Inc.  
High-Technology MEGA Credit

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**COMPANY NAME AND ADDRESS:**

Arbor Networks, Inc.  
430 Bedford Street, Suite 160  
Lexington, MA 02420

**HISTORY OF COMPANY:**

Arbor Networks delivers network security and operational performance products for global business networks, providing real-time views of network activity which enable organizations to instantly protect against worms, denial-of-service attacks, insider misuse, and traffic and routing instability, as well as to segment and harden networks from future threats. Arbor Networks' global customer base is comprised of a broad range of service provider and enterprise customers, demonstrating the depth and breadth of the company's security expertise.

Since the company was founded in 2000, Arbor Networks has been committed to researching next-generation cyber threats and developing solutions that prevent network attacks. The company's patented technology is based on five years of pioneering network security research conducted by Arbor's founders at the University of Michigan under a Defense Advanced Research Projects Agency (DARPA) grant.

Arbor Networks, Inc. is headquartered in Lexington, MA, with a research and development office in Ann Arbor; Europe, Middle East & Africa headquarters in London; and Asia operations in Beijing. The Ann Arbor company facility currently employs 72 associates.

**PROJECT DESCRIPTION:**

Arbor Networks is planning to deliver new internet and network security products and services to address upcoming needs and challenges in the internet service provider market. The trend for bandwidth-intense and latency

sensitive applications represents a large opportunity for Arbor to expand its current operations and to help service providers meet these needs in a controlled, efficient, cost effective manner.

To accommodate this project's resulting growth, Arbor Networks needs more space than their current Michigan leased facility has. Therefore the company plans to relocate to two adjacent buildings in the city of Ann Arbor. One facility will house office space and current and future employees, while the other facility will be used to host Arbor Networks' IT and development systems.

The proposed project would create a total of 56 jobs over the next five years, paying an average weekly wage of \$1558. It would also include a total capital investment of over \$14 million during the next five years, including \$8.7 million in machinery and equipment; \$1.1 million in leasehold improvements and \$4.2 million in building lease costs.

**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 139 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs and adjusted for inflation, would be increased by \$3.3 million (2008 dollars) due to the presence of this facility.

**BUSINESS CASE:**

In order to accommodate this project, Arbor Networks, Inc. could expand their operations in Michigan, which would require relocating to larger facilities and purchasing \$8.7 million in machinery and equipment. Alternatively, the company is considering a expanding their operations in Massachusetts with a location in Metro West Boston.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Ann Arbor supports this expansion and anticipates approval of a 50% abatement for a minimum of eight years on personal property taxes under PA198 of 1974 in January of 2008. This abatement has an estimated value of \$193,200.

**QUALIFYING HIGH-TECHNOLOGY ACTIVITY:**

The company is a qualified high-technology business, whose primary business activity is advanced computing, as defined in the Act.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for ten years, for up to 56 net new employees.