

**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

**DATE:** June 13, 2006  
**TO:** Michigan Economic Growth Authority  
**FROM:** Jim Donaldson, Vice President  
Business Development  
**SUBJECT:** Briefing Memo – Xoran Technologies, Inc.  
High-Technology MEGA Credit

**COMPANY NAME AND ADDRESS:**

Xoran Technologies, Inc.  
309 North First Street  
Ann Arbor, MI 48103

**HISTORY OF COMPANY:**

Founded in 2001, Xoran has progressed from product concept to an extremely successful business enterprise, developing and manufacturing revolutionary compact CT scanners. Unlike the massive and expensive, full-body CT scanners designed for myriad applications, Xoran's CT scanners are specifically designed to meet the particular needs of medical specialists. Xoran's groundbreaking, small footprint CT scanners are ideally suited for in-office or on-site use—giving physicians complete control over the timing and quality of their scans. Xoran's CT scanners generate immediate, digitally versatile CT images, allowing physicians to accelerate patient diagnosis and treatment, and keep scanning revenue in their practice. Through innovative research, development, and marketing, Xoran is currently the only company to provide the medical community with small, upright CAT scanners.

**PROJECT DESCRIPTION:**

Xoran's current product is the Mini-CAT, used by ear, nose and throat ("ENT") physicians. The mini-CAT is now being marketed throughout the country with incredible success, putting Xoran in the position of needing to expand. Assuming Xoran receives the proposed assistance from the State of Michigan, the proposed expansion will occur in Ann Arbor.

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The investment that is proposed at this time is for the expansion and renovation of leased facilities, as well as computers and other equipment that would primarily be used in the research and development of future CT applications. The total number of new jobs to be added by Xoran through 2010 as a result of this project is 171. The average weekly wage is estimated, conservatively, to be approximately \$1,400.

Total capital investment for the project would be approximately \$3.7 million, including \$2.5 million for in lease payments over the next eight years and \$300,000 in leasehold improvements. The remaining \$925,000 will be used investing in new computers and other related equipment.

#### **BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 386 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjusted for inflation, would be increased by \$15.2 million (2006 dollars) due to the presence of this facility.

#### **BUSINESS CASE:**

Xoran Technologies also considered locating their expansion in Augusta, Georgia. Because of the wide range of medical facilities in Augusta, Georgia, it would make sense for the product to be developed in an area where it could be more widely used. In addition, one of the companies partners, as well as the President and CEO of Xoran, are from Serbia. A great deal of consideration was given to locating at least a portion of the project in Serbia if Michigan was not able to assist with the project.

#### **OTHER STATE AND LOCAL ASSISTANCE:**

The City of Ann Arbor has offered a 50 percent PA 198 tax abatement for the personal property tax on leasehold improvements and other personal property related to this project for five years. The estimated value of this abatement is \$31,990. Final tax abatement approval was given by the Ann Arbor City Council in April.

#### **RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 171 net new employees.