



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 14, 2004  
TO: Michigan Economic Growth Authority  
FROM: James Donaldson, Vice President  
Michigan Business Development  
SUBJECT: Briefing Memo – Patriot Antenna Systems, Inc.  
High Technology Credit

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COMPANY NAME AND ADDRESS:

Patriot Antenna Systems, Inc.  
704 North Clark Street  
Albion, Michigan 49224

HISTORY OF COMPANY:

Patriot Antenna Systems, Inc. (PAS) was formed in 1992 as Satellite Export & Engineering. In December of 2001 the company changed its name to Patriot Antenna Systems. The Company manufactures, markets, and sells over 30 different sizes/designs of satellite antenna systems and accessories. PAS has traditionally marketed its products to the cable industry as "head-ends" (a head-end is a receive only antenna system used by local cable systems to receive programming that is then transmitted over cable to the subscriber base). In 2001 the company launched a new VSAT (very small aperture terminals) product line. VSAT systems are typically used by commercial businesses and governments for receiving and transmitting data point to point. The VSAT product line has now surpassed the cable head-ends and the primary revenue source of PAS. The company currently has 90 employees in Michigan.

PROJECT DESCRIPTION:

The company is considering an expansion of their existing manufacturing facility in Sheridan Township. This expansion is intended to facilitate the designing, engineering, and fabricating of new antenna products. These new products will service emergency response, military, and homeland security markets. The company anticipates capital investment of \$3.5 million to equip and renovate their existing manufacturing facility, and expects to create a total of 25 jobs over five years paying an average weekly wage of \$1,086.

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**BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 56 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$1.3 million (2004 dollars) due to the location of this facility.

**BUSINESS CASE:**

Patriot Antenna Systems, Inc., is considering locations in Sheridan Township and Lake Havasu City, Arizona for this expansion. When comparing the two locations, the company estimates that wage rates and utilities in Arizona are significantly lower than in Michigan. When this project is fully staffed, differentials in operating costs will add up to \$100,000 per year.

**OTHER STATE AND LOCAL ASSISTANCE:**

On October 19, Sheridan Township approved a 50 percent abatement of the company's taxes on new real and personal property for 6 years. The estimated value of the local property tax abatement is \$133,000.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 90 percent high technology employment tax credit for 10 years, for up to 25 net new employees.