

BRIEFING PAPER
SNJ Enterprises LLC dba Zamp Solar
Request for Deschutes County Economic Development Loan Fund

Company Request: \$21,000

EDCO Recommendation: \$21,000

Application Date: December 7, 2015

Proposed Job Creation Within 24 Months of Application Date: 21

Average Pay for New Employees: \$23,870 + benefits

Industry: Solar Equipment Manufacturing

Website: <http://www.zampsolar.com/>

Company Background

Zamp Solar designs, assembles and sells power inverters and solar charging systems for 12 volt batteries for RVs, campers, gate openers, construction signs, etc.—solar panels range from 5 to 170 watts. Total sales in 2015 grew by 70% over 2014 and sales in 2016 are up 20 percent YTD over 2015. Products are currently sold through a network of hundreds of authorized dealers, to distributors and to OEMs, as well as online at www.solardealz.com. Zamp has been successful in landing an initial contract with a big box retailer (100 stores) and is working to land several others over the next 6-12 months. The company is also applying to be part of the GSA (Government schedule), which represents a large potential market.

Zamp's two major competitors are in Canada and there is significant demand for "Made in the USA" solar panels.

The company started in Bend in 2010 in a garage. After leasing a larger space, in 2015 it purchased the former Acrovision building and completed a significant remodel and equipment purchase, including a new solar panel assembly line that enabled the company to manufacture its own products. It plans another \$2m in capital investment over the next 2-3 years. Despite being only six months in its new space, Zamp is already looking for additional space—possibly adding on to its current location or purchasing another building.

Zamp currently employs 31, up from 10 in 2015. Future projections are for possibly 100 employees within the next three years, depending on a variety of market factors and sales penetration.

Zamp is a participant in the Bend Enterprise Zone program, with a three-year exemption: 2016-18.

Company owners/principals are Steve Nelson, an entrepreneur with extensive business ownership/management experience and John Yozamp, an engineer/designer and lead sales executive. The management team includes operations, manufacturing/engineering and sales.

Deschutes County Forgivable Loan funds, if approved, would be used to hire 21 unskilled production employees (\$10-\$15/hr. for average annual salary of \$23,870), needed to meet the increasing demand.

Due Diligence

A meeting was held February 25, 2016 at Zamp with President/Owner Steve Nelson; DCEDF Due Diligence Committee (Bruce Barrett, SCORE Central Oregon Chapter & Windermere Central Oregon Real Estate; Bill Kuhn, Bank of the Cascades and Eric Strobel, Barrett Business Services, Inc.); and EDCO's Roger Lee and Tom Rowley. The Committee heard from and asked questions of Nelson, toured the facilities and reviewed the company's current and historical financial statements documents. The Committee met again March 9th with EDCO to discuss findings and make its recommendation.

Findings Summary

The due diligence committee was impressed by the growth the company had achieved in recent years, the apparent quality and functionality of the products, significant inroads it had made into the RV industry and general atmosphere on the manufacturing and distribution floor. Not atypical for a small but fast-growing business, the committee agreed that Zamp Solar is capital constrained, particularly working capital, which could hinder its ability to maintain revenue projections. Company leadership is actively engaged in forging a new banking relationship that will better allow it to grow. Despite this issue, since making application to the Deschutes County Economic Development Fund in December, the company has already made significant progress toward expected job creation goals.

Diversity of sales for the company was also discussed at some length, with the conclusion that while its historical sales have been dependent on a few larger customers in the RV industry, it had made significant progress toward other industries and other distribution channels.

The committee discussed the criticality of the current leadership team as a component of present and future success of the business, but came short of recommending a succession/replacement strategy and/or life insurance policy for the principals – viewing this as outside the scope of the committee's charge.

Recommendation

EDCO and the Committee recommend an award of \$1,000 per job for a total of \$21,000 with the following conditions:

- Company hires 21 employees by August 31, 2016, for a total employment of 52, and maintains that employment through September 2017, or four consecutive quarters, per the standard Deschutes County contract for this fund.
- Company provides quarterly employment updates and the ability to inspect complete financial statements from award date through termination of the yet-to-be executed agreement with Deschutes County.

Failure to meet the above provisions would result in partial or full repayment of the loan, with interest.