

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement") is made effective as of the ____ day of _____ 2023, by and among: **SA GROUP, INC.**, a Minnesota corporation, whose address is 7150 143rd Avenue NW, Ramsey, MN 55303 ("Borrower"); **City of Ramsey**, a Minnesota municipal corporation, whose address is 7550 Sunwood Drive NW, Ramsey, MN 55303 ("Lender"); **Soderholm & Associates Inc.**, a Minnesota corporation, whose address is 7150 143rd Avenue NW, Ramsey, MN 55303, **Water Control Corp. of Minnesota, Inc.**, a Minnesota corporation, whose address is 7150 143rd Avenue NW, Ramsey, MN 55303, and **Equip Mechanical Support, Inc.**, a Minnesota corporation, whose address is 7150 143rd Avenue NW, Ramsey, MN 55303 (each a "Corporate Guarantor", and together, the "Guarantors", or, individually, a "Guarantor").

PART 1. TERM AND PURPOSE

- 1.1 Term of this Agreement.** The term of this Agreement shall be from the date of this Agreement set forth above and continue thereafter until all indebtedness has been indefeasibly paid in full.
- 1.2.1 Purpose of this Agreement.** Lender has granted to Borrower a term loan of One Hundred Forty Nine Thousand Nine Hundred Ninety Nine and no/100 Dollars (\$149,999.00) (hereinafter referred to as the "Loan") to be used for real estate acquisition, improvements financing and the construction of a not less than 40,000 square foot addition to the Borrower's existing manufacturing/warehouse facility (the "Project") located at 7150 143rd Avenue NW, Ramsey, MN 55303 (the "Property").

PART 2. TERM LOAN; TERMS AND REPAYMENT

- 2.1 Loan evidenced by Promissory Note.** Subject to the conditions set forth herein, Lender herein grants to Borrower a term loan in the amount of \$149,999.00. The Loan will be represented by a promissory note (the "Note").
- 2.2 Interest rate on Note.** The Note will bear interest at the fixed rate of 3.50% percent per annum.
- 2.3 Repayment of the Note.** The Note shall require repayment in monthly installments of principal and interest in the amount of \$2,312.74 per month. Such monthly installment payments are based on a six (6) year amortization from the date of the Note. The monthly principal and interest payments shall begin on December 1, 2023, and continue on the first day of each month thereafter until November 1, 2029, when the remaining balance of all principal and accrued but unpaid interest shall be due in full. Payments will be credited first to actual interest accrued on actual outstanding principal, then to principal outstanding.

In addition to regularly scheduled payments of principal and interest, all interest accrued at the Interest Rate on the Note principal commencing as of the effective date of the Note

through _____, 2023, shall be paid in advance to Lender in full on the effective date of the Note in the amount of \$_____.

PART 3. LOAN FEES AND CHARGES

- 3.1 **Attorney fees, out-of-pocket costs, and documentation fees.** Borrower shall, at the time of the execution of this Agreement, pay all out-of-pocket expenses incurred by Lender in connection with this Agreement and the credit accommodations contemplated herein, including but not limited to documentation fees, appraisal fees, filing fees, recording fees, lien search fees, flood insurance premiums, costs and fees associated with flood certificates, and fees and expenses of Lender's counsel.

PART 4. LOAN SECURITY AND GUARANTY

- 4.1 **Mortgage.** The obligations of Borrower hereunder and under the Note shall be secured by a mortgage on the Property pursuant to the terms of a Mortgage, Security Agreement, and Fixture Financing Statement (the "Mortgage").
- 4.2 **Ownership and care of collateral.** Other than as specifically provided in Section 4.1, Borrower covenants that this Agreement and any mortgage, security agreement, and/or control agreement taken in connection with this Agreement will vest in Lender a first priority mortgage lien or security interest upon the collateral named, subject to no prior liens. Borrower warrants it has good and marketable title to the collateral subject to no mortgage, security interest or lien except as reflected in the financial statements furnished to Lender in connection with this Agreement. Borrower further warrants it will keep all of the collateral in good working order and insured for at least the amount of indebtedness owed to Lender hereunder.
- 4.3 **Documentation required to maintain valid first lien.** Borrower covenants that upon request of Lender it will execute such mortgages, financing statements, control agreements, security agreements, lien documents, and other perfection and security instrumentation as will ensure that Lender creates and maintains a valid and perfected security interest and priority lien on all collateral.
- 4.4 **Guaranties.** Each Guarantor herein covenants that they guaranty payment of the loan accommodations referred to in this Agreement and any amendments hereto, and repayment of all advances made hereunder or in the future, together with interest and costs of collection, if any. Said guaranty is of payment and is a continuing, unconditional, and absolute guaranty.

PART 5. DOCUMENTS FURNISHED PERIODICALLY BY BORROWER AND GUARANTORS AND INSPECTIONS ALLOWED BY BORROWER

- 5.1 **Documents to be furnished periodically.** At Borrower's cost and expense, Borrower and Guarantors will furnish to Lender the following documents at the times indicated throughout the term of this Agreement:

- a. **As a condition precedent to closing of this Agreement and upon request of Lender thereafter, evidence satisfactory to Lender that each Borrower and Guarantor is able and authorized to enter into and consummate the credit transactions referred to in this Agreement shall be provided.** Such evidence shall include, but is not necessarily limited to, the following: Borrower's and each Corporate Guarantor's articles of incorporation and its other organizational and governance documents; certificate of good standing from the State of Minnesota; corporate authorization resolutions.
- b. **As a condition precedent to closing of this Agreement and upon request of the Lender thereafter, appropriate loan documents to support the credit accommodations in this Agreement,** including, as appropriate, promissory notes, mortgages, security agreements, UCC-1 financing statements, subordination agreements, control agreements, other perfection documents, insurance and other collateral assignments, insurance certificates identifying Lender as loss payee, setoff disclosures, guaranty documents and any and all other documents and instruments which in the opinion of Lender are necessary to validate and consummate the credit transactions referred to in this Agreement will be received by Lender.
- c. **Annual accountant prepared state and federal income tax returns of Borrower and each Corporate Guarantor** to be received by Lender within 120 days after each year-end.
- d. **Annual debt schedule of Borrower and each Corporate Guarantor** to be received by Lender within 30 days of the end of each calendar year.
- e. **Evidence of property and casualty insurance** on the Property with coverage sufficient to cover outstanding indebtedness owed to Lender with Lender named as loss payee.

5.2 Independent assessment of Collateral, if Lender elects. At Borrower's cost and expense, Borrower will permit an assessment of the Collateral, and valuation thereof by Lender at any reasonable time with advance reasonable notice and will permit Lender or its authorized agents access to Borrower's business premises and property for purposes of making the assessment.

5.3 Borrower's record keeping and Lender inspection of Collateral and records. Borrower will keep true and accurate books and records of its business operations, including all accounts and investments and Borrower will permit Lender at any reasonable time and during regular business hours to inspect any of Borrower's property, any of Lender's secured collateral, and to examine Borrower's books, records, and files, and make copies thereof, and to discuss the affairs of Borrower with its shareholders, officers, directors, and employees.

PART 6. FINANCIAL COVENANTS, LIMITATION ON CERTAIN ACTIVITIES OF BORROWER, AND JOB CREATION

- 6.1 Indebtedness, liens, and disposition of assets.** Other than as specifically provided herein, Borrower shall not, without the prior written consent of Lender, do any of the following: except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement; incur indebtedness for borrowed money; sell, transfer, assign, pledge, lease, grant a security interest in, or otherwise encumber any of Borrower's assets, except to Lender; or sell with recourse any of any Borrower's accounts, except to Lender.
- 6.2 Ownership stability of Borrower.** Borrower herein covenants that unless prior written approval has been provided by Lender, the shareholders of Borrower at the time of this Agreement shall not sell or otherwise relinquish ownership control of Borrower.
- 6.3 Change of business form or identity.** Borrower will not, without the prior written approval of Lender, change its business form, business name or trade name, change location, or acquire or merge or consolidate with any other entity.
- 6.4 Business taxes and liability insurance.** Borrower covenants to pay all taxes associated with its business, including but not limited to income taxes, sales taxes, employee taxes, and all other business-related taxes, whether federal, state, county, municipal, or imposed by any other governmental unit. Borrower further covenants to maintain liability insurance in coverages and with such endorsements as are satisfactory to Lender, and to pay all workman's compensation and unemployment premiums or charges, when due, to maintain all insurance policies and employment-related coverages in full force and effect throughout the term of this Agreement.
- 6.5 Job Creation and Reporting Requirements.** The Borrower covenants that in connection with the construction of the Project it will create at least fifteen (15) full time jobs at an hourly wage of \$19.50 (the "Job Goals") per hour, excluding benefits, within two years of the completion of the Project. The Borrower shall provide the Lender with information about the Project as requested by the Lender so that the Lender can satisfy the reporting requirements of Minnesota Statutes, Section 116J.994, Subd. 8.

PART 7. DEFAULT

- 7.1 Default defined.** A default under this Agreement shall consist of any one or more of the following events:
- a.** Failure to pay when due any amount required of Borrower or any Guarantor under this Agreement or under any promissory note, security agreement, mortgage or other loan instrument or document executed in connection with this Agreement.

- b. Failure to perform any act or deed required of Borrower or any Guarantor or failure to refrain from any act prohibited, under this Agreement or under any related instrument or document executed in connection with this Agreement.
- c. Failure of the shareholders of Borrower to maintain their status as owners of Borrower.
- d. Any warranty, representation, or statement made or furnished to Lender by or on behalf of Borrower or any Guarantor that is false or misleading in any material respect, either now or at the time made or furnished.
- e. The dissolution or termination of Borrower's or a Corporate Guarantor's existence as a going business, insolvency, appointment of a receiver for any part of Borrower, or any Guarantors' property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any Lender or insolvency laws by or against Borrower, or by or against any Guarantor.
- f. Failure to discharge taxes or other liens, other mortgages or charges levied or assessed against the Borrower or Corporate Guarantor, the business of the Borrower or Corporate Guarantor, or against the Collateral (other than the liens created under this Agreement by the parties).
- g. Lender, in good faith, deems itself insecure.
- h. Any other event defined as an event of default in any separate promissory note, mortgage, security agreement, or other instrument or document executed in connection with this Agreement that is not cured within any applicable notice or cure period.
- i. Death of any individual Guarantor.
- j. Any attempt by any Guarantor to revoke the guaranty or impair its enforceability.

7.2 Remedies. In the event default occurs, and Borrower fails to cure such default within 10 days after written notice from Lender to Borrower, Lender may exercise any one or more of the following rights and remedies:

- a. Declare the entire balance of any or all loans referred to in this Agreement as immediately due and payable.
- b. Take possession of the Collateral by self-help or judicial action, including collection of rents, foreclosure, and dispose of the collateral

pursuant to the Uniform Commercial Code and/or other applicable laws of the State or Federal Government.

- c. Commence and prosecute an action to collect the debt from Borrower or any Guarantor, either or both of them.
- d. Exercise such additional or alternative remedies as are available to Lender under the terms of this Agreement, under any instrument or document executed in connection with this Agreement, or under applicable law.

PART 8. MISCELLANEOUS PROVISIONS

- 8.1 Organizational status and authority of Borrower.** Borrower herein covenants that it is a corporation duly incorporated and existing and in good standing under the laws of the State of Minnesota and has the appropriate power and authority to own its property and carry on its business as it is being conducted at the time of this Agreement; Borrower has full power, authority, and proper authorization to enter into this Agreement and the loan and security and guaranty transactions attendant thereto
- 8.2 Organizational status and authority of Corporate Guarantors.** Each Corporate Guarantor herein covenants that it is a corporation duly incorporated and existing and in good standing under the laws of the State of Minnesota and has the appropriate power and authority to own its property and carry on its business as it is being conducted at the time of this Agreement; each Corporate Guarantor has full power, authority, and proper authorization to enter into this Agreement and the loan and security and guaranty transactions attendant thereto.
- 8.2 No waiver.** No delay or failure by Lender in the exercise of any right or remedy under this Agreement or under law shall constitute a waiver thereof, and no single or partial exercise by Lender of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.
- 8.3 Agreements upheld despite invalidity of any clause.** If a court of competent jurisdiction determines any clause or provision of this Agreement to be invalid or void for any reason, such findings will not affect the validity and enforceability of the balance of this Agreement.
- 8.4 Collection costs and expenses.** Borrower and each Guarantor agree to pay upon demand all of Lender's court costs and disbursements, including attorney's fees unless prohibited by law, and other expenses allowed by law or the court, incurred in connection with this Agreement and the enforcement thereof or in connection with the loan or the collection thereof.
- 8.5 Modifications in writing only.** Any modification of this Agreement must be in writing and signed by Lender and Borrower.

- 8.6 Applicable law.** The loan documents discussed herein shall be governed by and construed in accordance with the laws of the State of Minnesota.
- 8.7 Notice of litigation.** Borrower and each Guarantor shall promptly inform Lender in writing of all material adverse changes in Borrower's and/or any Guarantor's financial condition, and all litigation and claims and all threatened litigation and claims affecting Borrower or any Guarantor that could materially affect the financial condition of Borrower and/or that Guarantor.
- 8.8 Notices.** All notices required to be given under this Agreement shall be given in writing and shall be effective when actually delivered or when deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address on the cover page of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying the purpose of the notice is to change the party's address.

{ Signature Page Follows }

IN WITNESS WHEREOF, the parties have set their hands the day and year first above written.

BORROWER:

SA GROUP, INC.

By: _____

Name: _____

Title: _____

GUARANTORS:

SODERHOLM & ASSOCIATES INC.

By: _____

Name: _____

Title: _____

WATER CONTROL CORP. OF MINNESOTA, INC.

By: _____

Name: _____

Title: _____

EQUIP MECHANICAL SUPPORT, INC.

By: _____

Name: _____

Title: _____

{ Additional Signature Page Follows }

LENDER:

CITY OF RAMSEY, A MINNESOTA MUNICIPAL CORPORATION

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____