

Description of the business and growth plan

Chuck Soderholm Sr and a good business friend founded Soderholm & Associates in 1959. The company, a Manufacturers' Representative (Rep) agency specialized in the sales of leading brands of water heaters and water softeners. Over time, this line card grew to incorporate a larger number of plumbing and HVAC manufacturers from around USA and Canada. In 1971, Chuck Sr decided to invest in manufacturing his own brand of water softeners, and thus WCC (Water Control Corporation) was born.

In the late 1970's, Chuck purchased land across the street from the local airport in Ramsey, MN; and in 1980, construction began on the facility that the companies continue to call home. The project GC was Sharp Construction, with Chuck Senior and Denny Sharp becoming good friends in the process. But a great deal has changed over nearly 45 years. What started as a 2 person business expanded to a larger, family enterprise with 10+ employees. By the year 2000, more than 15 individuals depended on the business for their livelihoods. Soderholm & Associates had developed a solid reputation nationally as a model Rep agency. WCC had a nice book of water softening customers (residential and commercial plumbers) in the Upper Midwest.

Starting in 2003, the company began investing a great deal more in its WCC division. New products for water recycling, high-purity water, and the removal of difficult contaminants were added to the product mix. Fabricators were hired to build pre-packaged water treatment systems, with all plumbing and electrical connections completed prior to shipment/installation. Sales revenues increased from around \$1.5 million annually to nearly \$15 million annually. Opportunities around the USA, Canada, and Caribbean began to increase exponentially. The company brought on more fabricators, engineers, service technicians, salespeople, and customer service.

Today, the company employs nearly 60 individuals, most from Ramsey and nearby communities. Most of the jobs pay \$60,000 - \$160,000 annually. In 2015, the company owners, Chris and Brian Soderholm, sold their shares and formed a 100% Employee Owned (ESOP) company. They continue to offer a complete 401K and profit sharing plan. But these ESOP shares, which every employee qualifies for after 12 months of service, offer a true wealth building opportunity for EVERYONE in the company: a chance to retire with a large nest egg. This program has created a culture of true ownership, care, and growth. Most employees stay for many many years, if not for their entire careers.

Over the last 4 years, success and growth has led to serious space constraints in the current facility. Employees are now scattered over several buildings, with production split between 2 facilities and warehousing over 3. This has become quite inefficient and also does not make it easy to showcase the company to potential clients, many who make the trip from around USA and Canada, to Ramsey, to come for product training. For this reason, the company, now called The SA Group (the umbrella company for Soderholm & Associates, WCC, and our new/growing service company called Equip) has decided to embark on a 46,000 square foot building expansion. The project will once again be carried out by Sharp Construction and will include a complete fire sprinkling + remodel of the existing facility, hook up into city water and sewer, expanded parking lot with landscaping/ponding, and new road access via Limonite Street.

The 46,000 extra square feet will allow WCC to triple its production capacity. 33 additional employees are anticipated to be needed between now and 2027. This will be for positions in customer service, production, purchasing, engineering, sales, and field service. These will be good paying jobs, with lots of

upward mobility potential – and with true wealth building opportunities for everyone, via the ESOP program.

The entire project, which includes a buyout of the current facility by the investment firm that owns it, plus the addition and remodel will run about \$7million. Additionally there will be around \$5,000 - \$500,000 worth of capital equipment, furniture, etc. needed to fit out the new spaces. The original estimate for the project was about \$1.5 million lower, but materials price increases, as well as higher-than-anticipated sewer and water connection fees have driven up costs. While the company can survive this, it will require a significant amount of financing and good cash flow management. Current property taxes paid are around \$30,000 annually. This is anticipated to nearly quadruple with the new expansion.

The SA Group values our partnership with our colleagues at the City of Ramsey. We've been here for many years, are growing rapidly, and have every intention of doing that growing right here where it all started. We are interested in exploring any options for help in offsetting these very high growth/development costs that the city might have to offer: in particular any options for temporary tax abatement and/ or low interest loans. We are grateful to the city for your guidance and help. We believe that, in coming years, our little company is going to become a national leader in the water treatment world. That will mean many more job and development opportunities; and Ramsey is where we would like to be. Thank you from everyone at the SA Group.