



**100% Employee Owned**

You might think the story of SJE-Rhombus started over 40 years ago, in 1975 when a young entrepreneur name Steve Johnston developed a way to warn Minnesota residents when their septic system holding tank needed pumping and he created the company S.J. Electro Systems. However, I would say that the story of SJE-Rhombus is just beginning. Our little “sleeper” company located in northwestern rural Minnesota is on **FIRE!** This is a fire that our employee-owners have started and do not have any interest in extinguishing. In fact, we are poised to make the flames even larger. I am going to share with you how this fire started, why it has kept burning all these years and how we are taking the energy contained in this fire to “light up” our shareholders’ retirement accounts.

### **The Spark:**

SJE-Rhombus started as a small manufacturing company headquartered in Detroit Lakes, MN, that has grown over the years to a total of seven US locations, \$90 million in sales and approximately 400 employees. SJE-Rhombus has been an ESOP company since 1987 and 100% employee owned since 1998 (S-Corp). The pioneering efforts of our founder, Steve, brought forth the first **Tank Alert®** alarm and **Sensor Float®** control switch. Today, SJE-Rhombus has grown into a leading manufacturer of reliable, trouble-free liquid level controls for the water, wastewater and sewage industries throughout the United States and Canada, as well as into over 30 countries around the world. It is because of the hard-working, dedicated employees that prompted Steve to set up the ESOP when he moved towards retirement. In his words, *“I realized employees were my company’s greatest asset and I learned to attract and surround myself with the best people. I delegated and assigned the right people to the right job along with the appropriate authority. I placed trust in them. As I considered the future of SJE-Rhombus, I realized the employees were making this company successful and I felt the employees should share in the company’s success and ownership.”*

### **The Kindling:**

There are many elements we have in our company to make it successful and that help the fire burn. First and foremost, our company remains committed to our values (*Quality, Wellness, Integrity, Character, Creativity, Appreciation, Service, Teamwork and Education*). We share these values at the time of hiring new employee-owners and during every quarterly shareholder meeting. We understand that we can’t lose sight of the values that have made the company what it is today. From the time the ESOP was established in 1987, SJE-Rhombus has worked hard to educate employees, the community and other local organizations on what a positive impact the ESOP has been for the shareholders and the growth of the company. An Employee Ownership Activity Committee (EOAC) was formed in the very beginning to share the employee-ownership message. This committee is stronger than ever and takes responsibility for planning events, educating employees and keeping the “Employee-Owned” message always in our minds. Throughout the year events are planned by the EOAC. These events are fun, educational, motivating and create engagement from all employees. All seven US locations have employees on the committee from a cross-section of roles and responsibilities so that each functional area of our organization has representation.

Although we are proud of many of our events, a few stand out in our mind as the best. This past summer during our Founder’s Day celebration the employees created a miniature golf course on the company lawn out of items found in our company and that had an ESOP theme. The company was divided into nine groups to create a 9-hole mini-golf course. Once the nine golf stations were created,

they were set up on the lawn for all employees to play a round of golf. Employees spent time mingling with each other and enjoying a relaxing and fun day. It was so successful the local newspaper captured a story that ended up on the front page. (<http://www.dl-online.com/business/4064439-sje-rhombuss-iron-employees-build-mini-golf-course>)

In June of 2015, SJE-Rhombus held a 40<sup>th</sup> Anniversary celebration and bused employees from our two Minneapolis based locations to Detroit lakes to enjoy fellowship, dinner, games and hear a message from our founder and current CEO. This was the first time in our history that we had employees from three geographic offices all together enjoying the same event. (<http://www.dl-online.com/business/3777578-pumped-about-future-sje-turns-40>)

Each February, SJE-Rhombus hosts “ESOP Week” which is the revealing of our stock price. This is probably the most exciting week of the year for our shareholders. A commemorative button is created that represents the theme for all employees to proudly wear. The variety of themes has been fun to see over the years. Some examples:

*The Bridge to Success – Bridge theme, The ESOP Express – Train theme, Team ESOP – Olympics theme, ESOP Strikes Back – Star Wars theme, Succeed as One – School of Fish theme, Soaring to New Heights – Airplane theme, Employee Owners Stick Together – Duct Tape theme, and A Recipe for Success - Employee-Owner Cookbook theme*

Activities are planned for the week. Shareholder meetings are held at each location with the CEO and CFO traveling to those locations to announce the new share price and present stock certificates. After each presentation, “What If” sessions are held. A “What If” session is an opportunity for employees to meet with the CFO or CEO to review their stock certificate and ask any questions and gain understanding of what the value of their ESOP could be in 5, 10, or 15 years. Even though we have multiple locations, it is during ESOP week that all employees come together and participate in one “every location/every employee-owner” activity. Some recent examples:

- Employee-owners showed their appreciation to one another and mailed their co-owners thank-you cards even though they may have never met or directly worked with them.
- During the “duct tape” themed year we made duct tape numbers to represent our share price. Each location made their own numbers and employees signed them so that each office had a set of numbers created and signed by all the other locations.
- This year with the cooking theme, employees contributed to a shareholder cookbook and 200 recipes were submitted. Every employee received a copy of the cookbook.

Our employee-owners and Executive team take an active role in the Minnesota/Dakotas Chapter of the ESOP Association. Our CEO, CFO, Director of HR and members of the EOAC committee participate in chapter meetings, presenting programs, participating and facilitating roundtable discussions, hosting Eggs and ESOP and attending the annual conference. Currently the Director of HR is on the programming committee for the Minnesota/Dakotas chapter. SJE-Rhombus is a member of the ESOP Association, the National Center for Employee Ownership, we contribute to the Employee Ownership foundation and we have had employees participate in the Employee Owners retreat and ESOP association events such as the EOF golf tournament. Although we have not won, we have submitted a nomination for employee-owner of the year and to the ESOP Associations Poster Contest.

In addition, we have been active in advocacy and promoting employee-ownership with our Congressman and State Senator. In 2011, U.S. Senator Amy Klobuchar visited SJE-Rhombus during a multi-site “Innovation Tour” and stopped at our company to learn more about our success with employee ownership (<http://www.mndak-esop.org/userfiles/Klobuchar%20at%20SJE%20Rhombus.pdf>). In 2013, U.S. Congressman Colin Peterson toured SJE-Rhombus and he stated, “I toured two

manufacturing companies in the 7th District including Watkins Aircraft Support Products (WASP) in Glenwood and SJE-Rhombus in Detroit Lakes. Both companies operate under an Employee Stock Ownership Plan (ESOP) and I was very impressed by the employees, the technology, and the products they produce. (<https://collinpeterson.house.gov/rep-petersons-newsletter-830>)

It is not all about what our company is doing to add “wood” to our fire, our employees contribute as well! Our employees donate roughly \$30,000 a year to the United Way, and use company paid volunteer time to volunteer in their local communities. Our CEO, Dave Thomas, is the Chairman of the 2017 Lakes Heart Walk and SJE-Rhombus has won numerous wellness awards. Wellness is one of our core values as we want employees to be healthy and active to enjoy their ESOP accounts in their retirement years! Our employees were very proud to be recognized as one of the Best Small and Medium Companies to work for in America by the Society for Human Resources Management (<http://www.dl-online.com/content/sje-rhombus-one-best-work-environments>). The company pride is so strong that due to employee suggestions, we launched an on-line company clothing store where employees can purchase apparel with the company logo. All the apparel says “100% Employee Owned.” During the grand-opening of the employee store all employees received a voucher to select an item of their choice. It is also important to note that SJE-Rhombus has a scholarship program for our employee’s children, grandchildren and spouses, along with a SJE-Rhombus Foundation and Charitable Fund program that donates over \$100,000 a year to various non-profits and other philanthropic causes. Each of these components and contributions is what has kept the SJE-Rhombus fire burning.

#### **The Fuel:**

With every fire, occasionally, it needs to be stoked. In 2012, Dave Thomas, was appointed CEO of SJE-Rhombus and he communicated the vision he had for our company. That message was marketed to our team as “**Vision 2020.**” Vision 2020 is a roadmap to increasing our share price to \$XX dollars per share by the year 2020. When this was announced, many felt that it was a stretch goal and there were some doubters. The goal was almost 3 times higher than the all-time high stock price set in 2005. However, today—there are none. In fact, all employees can recite our vision and believe in it. Over the past 5 years, since launching Vision 2020 the share price has grown **an average of 21% per year**. We are on track to land at our Vision 2020 share price goal **one year** ahead of plan (in 2019). For one vision to create this amount momentum has been incredible! It has had the effect of throwing gas on the SJE-Rhombus fire.

#### **The Eternal Flame**

The fire will not burn out after we reach our Vision 2020 goal. There will be more goals and milestones to reach and we are committed to continually creating a great place to work and a culture that recognizes and rewards our shareholders. This year, SJE-Rhombus will celebrate **30 years of being employee-owned!** We are tremendously proud of this achievement and are looking forward to the next 30 years as our flames may become bigger than we could ever dream!

*“You get the best effort from others by not lighting a fire beneath them, but by building a fire within.”*

*– Bob Nelson*

We believe employee-ownership creates the fire within. On behalf of our 260+ Minnesota based employee-owners, we want to thank you for considering SJE-Rhombus as the Minnesota/Dakotas Chapter ESOP Company of the Year.

Respectfully submitted,



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