

February 27, 2020

Dear City of Faribault,

We're at the end of a considerable analysis on where we will establish our operations for years to come. I am a champion of our current base of operations and our employees. But as CEO of Trystar, I also need to consider the economics around this decision. We have plans to invest extensively in our new operations facility – wherever it may be located - and have continued to vigorously pursue efforts to continue in Faribault. But the available option in Faribault has financial gaps that we have not been able to overcome. The financial gaps are not extensive but are significant to the decision-making process. Thus our request for your consideration to help fill this gap and bring the Faribault scenario onto equal footing with the others we have been presented so we can move forward with a plan that is good for Trystar, our employees, and our community.

Our Background

Trystar is an electrical distribution solution provider serving the needs of portable power, critical facilities, and utilities segments with our specialized cable and electrical distribution equipment. Through customer-focused innovation and dedication to quality product that exceeds industry requirements, Trystar has become a market leader with many of its products currently produced in Faribault, MN. Trystar now serves more than 1,000 customers globally with extremely strong loyalty – over 80% of our business coming from repeat-customers.

Our business started in 1991 as a wholesale cable distributor based in part of the warehouse at 2917 Industrial Drive in Faribault. In 1998 we began to design, engineer and manufacture our own products and have grown to occupy all of that facility, as well as the entire facility at 3305 Industrial Drive and two nearby storage facilities. Today Trystar operations takes place across the entirety of these buildings. Unfortunately, that method of growth and expansion across sites is incredibly inefficient. Today it's not uncommon for a product to have to transition 3-4 times between buildings to be completed and for some they require transit back and forth many more times than this. A change has to be made to consolidate and reconfigure operations if we are to continue serving our customers rapidly and effectively – as they expect us to – and continue to grow our business as we expect to do.

Our Profile

- Trystar employs up to 200 full-time employees: 150 permanent employees and 50 full-time temporary employees during the peak production times (hurricane season) of the year.
- We are planning to continue the growth of this business in perpetuity. We would expect that while we gain efficiencies, we will continue to grow employment over time.
- As we grow in size we are also growing in sophistication – and creating the need for more highly-skilled jobs than ever before and expect to bring those into our operations in the very near-term.
- We are also investing in the existing employee base – spending huge amounts on training and development in the areas of advanced manufacturing, R&D, and operational excellence.

Our Situation

To relieve the strains the rapid growth had placed on our office workers in Faribault and to resolve challenges we had experienced recruiting and retaining our Cities-based workforce, we recently moved part of our office workforce to a very modern office building in Burnsville. Our next and current focus is on consolidating, modernizing, and streamlining our operations, including office space for our production support team. Originally we assumed that we could simply expand one of our existing facilities in Faribault, but soon learned that due to different codes and restrictions, we could not adequately expand at either of our existing sites. So we began searching for other options. While we desire to stay in Faribault, there were no other options presented to us at that time that met our needs so we began looking elsewhere. This wasn't a decision we took lightly. Much of our employee base has been with us for more than a decade and the community has been here since the beginning – for decades. But without a viable option being presented to us, we had to look elsewhere.

We found new factory location proposals closer to the Cities to be very compelling with sites that are “pad ready” where we could start construction immediately and be ready to move into in a short period of time. In addition, we could tailor these buildings to completely to fit our exact needs.

While we didn't have any viable options on the table for Faribault, we never gave up trying to find a suitable solution here. We wanted to look for every opportunity to keep our team intact. Thankfully this perseverance allowed us to find a potential solution which we quickly proposed to Met Con. We proposed to move in and fully occupy their new warehouse facility on Acorn Trail. The building almost matched our size requirements and has plenty of land around it for expansion. With an addition of 20,000 square feet of new, contemporary, office, it would be perfect to bring our current operations together, with room to expand the factory in the future as we continue to grow. The warehouse facility is currently occupied, but in working with Met Con, we understand the tenants are amenable to a "musical chairs" transition whereby Met Con would relocate those tenants into the facilities we will be vacating through our consolidation. We felt this would create a win-win for everyone.

While we have worked with Met Con through many of the challenges and currently feel like we now have a viable option that will allow us to continue to grow in Faribault, we're still currently at an impasse. The current proposal for the facility lease including the new 20,000 square feet of additional office (total 120,000 square feet) is currently 21% more than what we're paying today across our current 4 buildings and over 140,000 total square feet. More importantly, the proposal represents a \$550,000 increase over the quotes and proposals we have received for other locations closer to the metro. This amount represents a minimum of \$150,000 that our company will need to invest in the facility prior to occupancy to implement systems that will maintain proper air flow and quality for our operations and the safety of our employees. It also represents a rent differential of \$400,000 over a set period of time. In addition, we expect to put a significant amount of our own investment into the Acorn building for it to meet our standards for our employees, match the amenities we have in our new Burnsville office, and be at the level of quality we were presented in the options closer to the Twin Cities.

As already mentioned, this is more than a simple financial decision to us, but it must make financial sense. While it's not ideal to move into a smaller space and pay more, we are willing to do that as we know this option will allow us to bring our operations together and have a more effective operational setup that will position us to continue to grow. But without assistance to overcome the financial gap (paying more for less space as offered closer to the metro), the Faribault option does not make financial sense. My goal is to get the same top-end quality that we have seen in Lakeville/Burnsville for our employees at the same price, so we can make the decision based on the other factors which to us all point to Faribault as our future.

Thank you again for your consideration in this matter so we can make the best decision on behalf of our employees, our community and our company.

Respectfully,

AJ Smith | CEO

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