

FROM ZERO TO HERO

HOW MAKING EAR PLUGS LANDED ME
IN A MEXICAN JAIL

DOUG PICK

To say that the 7 years spent investing in and building an ear plug manufacturing operation was filled with blood, sweat and tears would be an understatement. It was, by far, the most difficult thing I've ever done and a tormenting roller coaster ride for me and my family.

This is a story of what can happen when one's inability to conduct due diligence can lead to bad investments, failure, chaos and even freedom threatening peril. In the end, what I hope shines through is that the trait of persistence can be a blessing as well as a curse and that none of us have a crystal ball for how any one situation will play out when we're in the darkest of moments.

For context, by 2011, I had sold foam plugs under my brands HEAROS and Sleep Pretty In Pink, produced for my company first by Honeywell and then 3M, for 19 years. That said, all manufacturers kept their process secret so when I opted to explore starting my own manufacturing facility, I was clueless on what the process would entail and finding an available ear plug engineer was next to impossible.

I received a call one day from a trusted industry associate who had worked in the ear plug business for 25 years. He said "Doug, I have your guy." He went on to explain that this man, we'll call Bozo, was the VP of Engineering for Honeywell's ear plug company and knew exactly how to build an ear plug machine. I was ecstatic.

While I could verify Bozo worked at Honeywell, there was no one other than my associate to corroborate his qualifications. In hindsight, at that time, I was desperate to find an ear plug engineer and didn't know what I didn't know. I put my faith in my associate's referral and failed to evaluate Bozo's credentials and capabilities. I ultimately hired Bozo and invested \$1.5M in his vision for a "state of the art" ear plug manufacturing operation.

I was patient with Bozo and was constantly told it would take time to fine tune the production process. I didn't have time to wait. Aside from profit margins being shrunk due to market gyrations, my company was operating at a loss each month by funding the manufacturing and the requirement to continually buy outsourced ear plugs.

By August 2013, production was still not going well. Further, I had invested \$50,000 and waited 2 years for Bozo to deliver a custom built hole burning, gluing and cording station to output ear plugs with a cord. Sounds simple, right? Wrong! Ear plugs are flimsy pieces of foam and, as I was advised, to automate the process (we'll come back to this), was difficult. Since part of the motivation to build the manufacturing facility was to diversify my retail only company by being able to go after the large industrial market, making corded ear plugs was necessary to be considered by distributors and corporate users of hearing protection.

The good news. The machine finally arrived and, to my inexperienced eye, looked like a winner. It had an intricate process of burning holes in the back of the plugs and then, using glue guns, drop adhesive in the holes to then be prepared for the worker to insert the cord.

The bad news. As soon as the machine was put into production, it was damaged by workers. Bozo failed to train or supply a manual. It would take thousands of dollars to repair and, once again, an uncertain period of time to fix.

By chance, our industrial sales leader attended a trade show in Mexico City. He was approached by a mid-fifties Ralph Lauren Polo fashioned man named Carlos and offered that his team could turn foam ear plugs into corded models for just 4 cents per pair. If this was accurate, we'd have a means to complete our product assortment at a relatively low cost.

I contacted Carlos and initiated a test order. The test went perfect. The product looked good, the cords were strong, stayed in place, nicely assembled and sealed in single serve bags. Being eager to have inventory to sell, I instructed our team to produce and ship 1 million pairs to Monterrey, Mexico for processing.

Then after the product shipped, a little whisper came to my head and said "Wake up Doug! You just sent 1 million pairs to a relative stranger in a foreign country. Don't you think it might be smart to check out Carlos's operation?" I then proceeded to invite myself to visit Carlos at his factory.

A few days prior to departing, I was confirming details with Carlos when he mentioned in passing something about a "penitentiary." I did a double take and said "Carlos, what do you mean by penitentiary?" Nonchalantly, he said he had a 20 year relationship with a local jail and did all of his company's assembly there. I wasn't a stranger to those that utilized the services of inmates so I flew to Monterrey, Mexico.

On the 90 minute drive to the jail, Carlos, who presented as an honest professional, explained that corrupt drug lords ran the Mexican jails yet, for him, there had been no issues. This was

when the first twinge of yuck began to swish around in my belly and my palms began to sweat. I thought to myself, "Am I really going to do this?" The car ventured on.

We then approached the jail. It was a massive concrete fortress located in the middle of nowhere. We walked to the entrance, were met by several armed guards and two large German shepherds. Next, we were instructed to stand in a painted box on the concrete so that one of the dogs could sniff for drugs or explosives. Then another officer frisked us for weapons.

Next we were processed at the front desk. This entailed my handing over my California state driver's license to be photocopied. We were then given approval to make our way out to the prisoner facility. In order to get there, we walked down a long, weakly lit corridor.

About halfway down the corridor, we passed through a steel gate and were met by an unassuming man sitting at a small table with a single yellow highlighter on top. I was asked to hold out my left arm so a swipe of the highlighter could be stroked across my wrist. I asked, "What's that for?" Carlos said "When you exit, your wrist will be put under a black light and if the yellow ink doesn't show up, you won't be able to leave."

At this point, scenes from the disturbing movie "Midnight Run" raced through my mind. I was panicked as a second little whisper had turned into an internal scream that yelled, "You idiot! Someone may Google you and recognize there could be a nice bounty for holding you hostage." This is all going on in my head meanwhile Carlos is calm as can be. I was already neck deep in the situation and prayed all would be fine.

Upon completing the corridor's walk, we entered the prisoner's courtyard. It was literally a large grass field playground where the men, wearing regular street clothes, joyfully played soccer. For reasons I can't explain, my fears started to fade. This didn't seem like a jail.

I was guided to walk toward a large airplane hangar-like building where the work on the ear plugs was being done. When I saw how they did it, I couldn't believe how ridiculously simple it was. Unlike the complicated \$50,000 cording station (that broke), the Mexican workers were using \$8 soldering irons to burn the holes, then dip the two ends of a cord into a Pepsi cap filled with industrial grade glue. They then inserted the cords in the plugs, let the glue briefly set and then wound the corded unit to be sealed in the single use bags. I thought "Really!? That's it?!" I was dumbstruck as there was no automation whatsoever. I should also add the speed and accuracy by which the prisoners were working was swift and impressive.

I then met a kind, professional shift manager named Bernardo. He asked if I wanted to see what some of the other inmates were doing. Feeling safer, the Curious George in me said "Sure".

We toured the hangar that was divided up into a couple dozen work areas. Again, I was blown away by the excellence and entrepreneurial spirit that oozed. These artisans were creating masterpieces in the form of beautiful paintings, sculptures, leather work (purses, saddles, belts) and metal work. Evidently, the prisoners use their time to make products that their families pick up and sell to help make ends meet. I literally got "lost" in the experience when a third little whisper came to me and said "Doug, you're in a Mexican jail! Get back to Carlos and get the hell out of here!" So I did. Before leaving, I asked Carlos if I could have a HEAROS sign made and a black leather belt. He shipped both and each has been kept as mementos.

Thankfully, upon returning through the long corridor, the yellow highlighter was still on my wrist and we exited the jail. As we drove back to my hotel, I asked Carlos where Bernardo lives and how far he had to travel each day to return to the jail and supervise the workers. Carlos said "Oh he's a prisoner." I couldn't believe it and asked, "What was his crime?" I learned Bernardo had an unblemished career serving in the Mexican military and that he had somehow gotten on the wrong side of a cartel so they had him imprisoned. According to Carlos, Bernardo had been in jail for 5 years and, to date, had no understanding of his crime nor a fair and speedy trial. I was sad to learn of his predicament.

While Carlos and I discussed visiting the jail the next day, upon arriving at my hotel, I had zero plans to return.

This chapter of my life had mostly lows and few highs. Sometimes life works like that. The key, for me, has been to be able to reflect upon as well as learn what worked and what could be improved the next time. The lessons learned were:

- Go slow and never make decisions when in a desperate mindset.
- Performing due diligence on opportunities and people is mission critical. Unless verification can be achieved, investing time or money in an unknown path is foolish. Being able to conduct sufficient due diligence is a non-negotiable.
 - Be persistent yet have clear boundaries for what you're willing to risk.
 - Hire slow and fire quickly when deliverables are not met.
 - The past doesn't equal the future. Just because I had succeeded at building retail brands as well as a marketing and distribution company didn't mean I'd be able to replicate success in manufacturing.
 - Recognizing that a foreign country operates according to completely different rules than the United States must be taken very seriously. I learned the hard way.
 - America is the safest country on the earth. As Bernardo's situation exemplified, the luck of the draw of one's birthplace can be the difference maker.

To conclude, my story, fortunately, has a happy ending. By the grace of God (and LinkedIn), I connected with a white knight in the form of an abundantly talented engineer named Tom Wagner. Unlike the fraudulent Bozo, Tom actually ran Honeywell's ear plug production line, built factories all over the world and was responsible for producing 10 million ear plugs per day in Tijuana. In May of 2015, Bozo was fired and Tom was brought on to rebuild the existing ear plug line and support my company's exodus from California to Tijuana where we'd execute a plan to build a phenomenal manufacturing, assembly and logistics operation.

On March 1, 2018, due diligence to acquire all of the HEAROS Companies was initiated by a large private equity group and consummated on October 31, 2018. It all worked out!

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