

CASE STUDY

From Good Idea to Contract with Menards

How Platinum helped an entrepreneur raise funds to manufacture newly patented products



SITUATION

e² Electrical Systems Solutions is a Minnesota start-up with patents on electrical component products geared to electrical contractors of wood-framed buildings. In mid-2018, the inventor and company founder had sought and received nearly \$500,000 from the Entrepreneurial Fund and Minnesota Initiative Foundation to develop the molds and product samples, but it was not enough to start production. The company planned to capture a small percentage of a market valued at more than \$2 billion a year. Benefits of the first two products included faster construction and fire prevention in wood-framed buildings.

The founder was introduced to the Platinum Venture Forum,* a weekly get-together of entrepreneurs and Platinum Group advisors who enjoy helping business owners with their entrepreneurial ventures. Based on a perceived high potential for success in selling products for house and apartment construction across the country, the firm accepted the challenge.

CHALLENGES

- The company lacked the funding to move forward.
- Biggest hurdle was to gain Underwriters Laboratories (UL) approval, a lengthy certification process.
- Electrical industry pushback may occur because change is always resisted.
- The company's story was enticing but, given the above hurdles, finding investors willing to take a risk could be a challenge.

RESPONSE

Working with the founder, Platinum's Robert Lehmann developed a plan and created investor materials to raise funds by capitalizing on the start-up's strong product innovation and brand strategy. With the goal of raising \$1 million via a Convertible Debenture, he shared the company's story to a small group of individual investors with whom he and the firm had long-term relationships. Some members of Platinum Group also invested.

While seeking investors, the founder was marketing his product samples through meetings with electrical retailers and at a major industry trade show. Menards indicated interest in a letter (no purchase order) and the head of the National Electric Code was positive that the products would be added to the code. Both opportunities were contingent on UL approval, which would address any industry pushback.

RESULTS – With Platinum's help, more than \$1 million was raised, allowing the company to start production. To date, one product received UL approval, and a two-year contract with Menards was procured. By contract, the first product is to be inventoried in all 336 Menards stores, kicking off August 1, 2020. Menard's has ordered 1,000 units per store for the first week, with subsequent weeks of 500 units per store and a 25-week rolling forecast.

With the new funding, it took one year to elevate the business from pre-revenue prototype stage to production readiness. The company is now expanding its supply chain and production capacity, paving the way for additional growth and the fulfillment of one entrepreneur's dream.

* The Platinum Venture Forum is held weekly on Tuesday afternoons. If you have a new venture or early-stage business and could use some help, call Platinum Group at 952-829-5700 for more information.