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Baby-sitter

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In the 1950's New York City experienced a housing building boom to accommodate a demand by the new families of returned WWII veterans. Helen and I, with our son Fred (born in 1948), were one such family, living in an apartment in the West Bronx. In 1953, Helen was pregnant with Amy, and we would soon need more space. In nearby Flushing, in Queens, there was a vast potato field. A developer bought it up and created 3800 co-operative housing units in a series of two-story buildings. Each group had an outdoor green space for children to play.

In January 1953, Helen's sister Selma Rotstein's family of four and we decided to buy into twin up and down apartments. The Rotsteins were downstairs and we were above them. We sat for each other on nights out. We also installed a sound connection between the two units. Soon, in April 1953, Amy came into the world, and we were four in each flat.

Three years later, on a Saturday night in December 1956, while I was sitting for the Rotstein boys, the phone rang. The caller was Edgar Villchur, who wanted to talk with his friend Maurice about some difficulties he was having in his new business venture. I had known Edgar and wife Romy, and had visited with them in their Greenwich Village apartment some years before. Also, he had created a one piece sound reproduction system for me. It consisted of a Jensen speaker, Meissner tuner, a Garrard turntable and cartridge, and a Villchur-built amplifier. It was housed in a solid walnut cabinet and cost six hundred and twelve dollars including 2% sales tax. It served me well for that time. I played a lot of Peter and the Wolf for my young son Fred as well as other fine music.

Since then, Edgar had developed a revolutionary solution to what was then a major problem in music reproduction, harmonic distortion in the lower end of the bass range of the loudspeaker system. His design required a cabinet one fourth the size of the best conventional systems. This benefit became doubly important when stereo appeared only a few years after AR was started. An extensive article entitled "Edgar Villchur and the Acoustic Suspension Loudspeaker" can be found at: <http://history.acusd.edu/gen/recording/villchur.html>. Further information can also be found starting on page 375, in a book entitled "Business Policy" (revised edition-1969, Richard D. Irwin, Inc.) which includes four chapters on Acoustic Research, Inc. The chapters were developed from work projects of several Harvard Business School students during the early 1960's under supervision of Professor C. Roland Christensen, one of the authors of the book.

Edgar was not interested in starting a business. Rather, he wished to sell this revolutionary concept to an existing speaker manufacturer. He approached several well known speaker firms, including Altec Lansing and Bozak, and was told that the performance in the bass range that he was describing was impossible. At that time he was also teaching a weekly three hour evening course on the reproduction of sound at New York University. One of his students was Henry Kloss, who was then serving out his draft time at Fort Monmouth, New Jersey, and traveled in for Edgar's class. Henry also had a small plant in East Cambridge where he made speakers for mail order sale, and offered to become the manufacturer of Edgar's new speaker. They eventually agreed on a deal and a new corporation, Acoustic Research, Inc. was organized in the fall of 1954. Edgar received 50% of the shares and assigned his patent to the corporation. Among all the investors,

which included Edgar, Henry and his associates Tony Hofmann and Malcolm Low, they managed to raise \$6250 in 1954 for operations.

Henry did the production engineering of the first woofer. Edgar selected the mid-range/tweeter (a Western Electric 8 inch unit that had full-range applications), designed the crossover, designed the enclosure, and determined the system's resonance frequency. The first AR model was shipped in March 1955. It was well received in reviews. Sales in 1955 and 1956 were \$56,773 and \$383,258 respectively, promising figures for a new company.

By this time, differences had developed between president Edgar and vice president Henry. It appeared there were two chefs in the same kitchen. This situation was the reason for Edgar's call. I had encountered similar problems in my auditing experience as a Certified Public Accountant. Our talk developed into a serious discussion of possible solutions to the problem.

I was then forty two years old, with a wife and two kids. I was earning a fair income, but also keeping my eye out for a "Main Chance". I had good business experience, knew about organization, taxes and had a special facility in negotiating, particularly when numbers were involved. Also, without the technical ability to properly assess the validity of Edgar's invention, I knew I was dealing with a "straight shooter" on whose word I could reasonably rely. So I was ready to risk a serious change in my work.

After a few meetings and discussions in Woodstock, where Edgar lived, and Manhattan, I found myself in January, 1957 staying at the Eliot Hotel on Commonwealth Avenue, going over the operations and preparing to negotiate a buy-out of Henry Kloss and his friends with funds raised from Edgar, myself, friends and relatives. In February of 1957, we signed an agreement with Henry Kloss and his colleagues. Edgar wound up with

fifty percent of the shares plus one, to give him absolute control of the company. He remained as president and I became the only other corporate officer as vice president and treasurer, replacing Kloss and Hofmann. Also, as part of the separation, we negotiated a license with KLH (Kloss, Low and Hofmann) to use Edgar's patent at a reasonable royalty. We later bought out a smaller minority investor. By the end of 1957, the ownership of shares and investment was:

Villchur	651 sh.	\$5,000 and patent
Hoffman & others	649 sh.	\$70,000

When I first visited the plant and offices in January of 1957, I found there were no conventional set of books and records, no bookkeeper, no financial officer, (the treasurer, Tony Hofmann, was a fine physicist) and a generally disorderly facility. All these negatives were upside items to me, because they could be easily fixed.

One could look forward to a rational exploitation of assets NOT on the books. The experts' acceptance of Edgar's breakthrough was evident. The concept of quoting reviews in our ads, instead of blowing our own horn, together with Edgar's rigorous writing of text, was an exceptional advantage. Also, the general attitude toward truth-telling in our dealings with consumers, employees, dealers, and each other created a harmonious atmosphere of trust.

Later in February, 1957, Helen and I moved our family from Queens, N.Y. into a rented house on Rutland Street in Watertown, where we stayed until June 1958, when we bought our permanent home in Bedford, where we lived for the next forty four years until 2002.