

April 2, 2007

Mr. Mike Matthews
New Sensor
32-33 47th Avenue
New York, NY 11101

Dear Mike

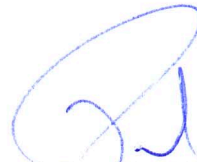
It gives us great pleasure to enclose the April issue of Music Trades naming you our 2007 "Person of the Year." In past years, making the call has been a challenge. This year however, you made it easy for us.

Courage isn't a word that applies to much of gets done in the m.i. industry, but you certainly displayed it by standing tall against the oligarchs in Russia. Guitar amp makers and players worldwide owe you a debt of gratitude for your remarkable display of tenacity. From our standpoint, we've just been grateful for the opportunity to tell such a riveting story.

All the best for continued success, and here's wishing that the coming years are not quite as eventful as the last few.



Brian T. Majeski



Paul A. Majeski

PERSON OF THE YEAR

Mike Matthews

How the industry has benefitted from his unique combination of engineering brilliance and toughness.

In a career spanning nearly four decades, Mike Matthews has emerged as one of the primary architects of contemporary electric guitar tone. With a string of ground breaking products starting with the LPB-1 power booster (1969), the “Small Stone” Phase Shifter (1975), and the “Electric Mistress” Flanger (1975), his Electro-Harmonix Company introduced distortion effects to the masses and literally invented the “stomp box” product category. These creative skills in product development are matched with a level of tenacity that borders on the heroic. In the mid-’80s, after Electro-Harmonix was crushed by the intimidation tactics of a thuggish local of the International Ladies Garment Workers Union, he shrugged off the setback and forged ahead. The same resolve was on display late last year when he fought off an equally thuggish Russian real-estate firm that was set on confiscating his Saratov, Russia-based vacuum tube plant. Absent Mike’s superlative engineering talents, musicians would never have enjoyed such a broad tonal palette. Absent his guts and tenacity, however, the Electro-Harmonix product line would have been relegated to obscurity. The world of music should offer thanks that these complementary talents reside in a single individual, the 2007 *Music Trades* Person of the Year.

As a student at Cornell University in the early ’60s, Mike felt the pull of opposing interests. By day he studied engineering in pursuit of a Masters Degree in electrical engineering. At night the musician in him came out as he performed and actively promoted concerts on campus. He did so well on the piano, sitting in with the Isley Brothers one night, they urged him to quit school and come out on tour with them. But he declined and took the sensible path, graduating with his degree and taking a job with IBM.

For three years, Mike went through the motions, donning a dark blue suit everyday to sell IBM mainframes. But he couldn’t escape the pull of music. In his spare time, he designed a fuzz tone pedal that captured the raunchy guitar tones made popular by the Rolling Stones. It was later dubbed “Foxy Lady,” capitalizing on the hit of the same name by Jimi Hendrix. Guild Guitars founder Al Dronge was sufficiently impressed that he placed an order for several thousand units and in October 1968, Electro-Harmonix was launched.



Mike Matthews: Do not mess with this man!

Churning out a string of effective guitar effects that combined killer tone and funky styling, Electro-Harmonix was a genuine “overnight success.” By 1977, with sales of \$5.0 million and more than 150 employees, the company was named “Business of the Year” by the Small Business Administration, and Mike was a guest of honor at a White House, where he discussed the fine points of distortion with Jimmy Carter. Unfortunately, the resulting publicity attracted the attention of a local of the ILGW which initiated an organizing drive at the Electro-Harmonix plant in lower Manhattan. After being rebuffed in several elections, the union stepped up its activities, ultimately hiring thugs to beat and threaten workers who wouldn’t sign a union

card. Mike fought back as best he could, focusing unfavorable publicity on the Union’s tactics and even persuading the National Labor Relations Board to issue a “cease and desist order.” However, his efforts weren’t enough. When his workforce was driven away, lenders withdrew their support, and he was forced to file for bankruptcy. He was down, but certainly not out.

Almost hardwired to pursue the unconventional, in the late ’70s, Mike had been one of the few Westerners who made an effort to

“Rock & Roll Routs Racketeers.”



Mike Matthews, Electro-Harmonix, 2006

sell into Eastern Europe and the Soviet Union. Electro-Harmonix had developed a sufficiently high profile behind the Iron Curtain that in 1979 the company was one of only two foreign firms invited to participate in a the first consumer product Expo in Moscow. Rather than just show up with a few samples and catalogs, Mike brought over the six-piece “Electro-Harmonix Work Band,” and blew the Russians away with daily concerts. To enable Russian musicians to buy Electro-Harmonix gear, Mike set up a side business bartering pedals for simple electronic components that he would either use or resell. These contacts provided the foundation for the second act of his career.

In the '80s, as General Electric, Phillips, and Siemens began phasing out the production of vacuum tubes, guitar amp makers faced a supply crises. Given his experience in Russia, Mike sensed an opportunity. The collapse of the Soviet Union had left scores of military factories desperate to convert to civilian production. He looked around and found several high-quality Russian tube manufacturers who were thrilled at the prospect of earning hard currency supplying amp manufacturers in the West. In 1988 he formed New Sensor Corp. and began selling “Sovtek” brand tubes. Today, the tubes can be found in virtually every high-end tube amp. In 1999 Mike purchased the ExpoPul factory in Russia outright, where he was hailed by the 830 member workforce as the savior of the enterprise.

Mike would have been happy enough working in obscurity developing tubes to answer the needs of his customers around the globe. He had also revived the Electro-Harmonix line with a

host of well-received new products. However, in 2005 his relatively tranquil commercial existence was broken when a Russian real-estate developer set its sights on taking over the ExpoPul plant because of its proximity to a proposed shopping center and industrial project. When Mike rejected their initial purchase offer of \$400,000—a fraction of what he had paid for the plant in 1999—they resorted to intimidation. First they threatened to cut off his power, then they made personal threats, then they tried to drive off his workforce. Mike remained defiant from the start, writing in a letter to his staff, “You may know the biblical story of David and Goliath. Our slingshots are lethal.” Backed by a coalition of high-level U.S. politicians and trade officials, he launched a furious campaign in the Kremlin, arguing that if he lost his factory, it would send the wrong signal to foreign investors and devastate a local economy. Experienced Russia watchers who followed the case in the national media gave him a 50/50 chance of prevailing. They probably underestimated his underlying toughness. Last year he beat the odds and scored a complete victory when the office of Russian President Putin ruled in his favor and in effect told the real estate firm to get lost. Hopefully, freed from these distractions, he can focus more fully on building his business.

No less an authority on successful business-building, Hartley Peavey paid Mike the ultimate compliment” “Some people think Mike’s crazy, but I think he’s crazy like a fox. He’s had his ass kicked two or three times but each time, he’s dusted himself off and kept on going. He’s one of the industry’s true pioneers.” We couldn’t agree more.