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David Robinson: For Bak USA, time – and money – ran out on noble venture

By [David Robinson](#) | November 1, 2018



J.P. and Ulla Bak pose in better times with their son, Christian, at Bak USA headquarters in Buffalo. The company closed in November and filed for bankruptcy in late March. (Mark Mulville/News file photo)

After four years of trying to do good and trying to do what other technology companies can't – building laptops and computers in the United States – time ran out Thursday on Bak USA.

The Buffalo company was a valiant venture, but good intentions weren't enough to overcome the realities of the business world. In the end, Bak USA simply ran out of money and ran headfirst into the Trump administration's new tariffs on imported technology components from China.

"Regrettably, the economic pressures on our young company have become too great to withstand," company co-founder J.P. Bak said Thursday afternoon as he announced the immediate shutdown of one of Buffalo's most innovative business concepts.

"While we are beyond proud of Bak USA's many successes, the business did not reach the point of profitability necessary to sustain itself," Bak said. "The additional, unanticipated expenses associated with the tariffs imposed by the White House were a deciding factor in our ultimate decision to close."

It was a sad ending for a noble venture.

The idea was simple, but bold: Start a technology company that would make affordable products in America, using disadvantaged workers who could be trained and gain valuable workplace skills along the way.

Bak and his wife, Ulla, had done it in Haiti, after the devastating earthquake there, and they thought they could do it here, in a Rust Belt city that had long struggled with disappearing jobs and high unemployment.

For a while, it worked. The Baks succeeded in developing a line of tablet and laptop computers. They showed that they could adapt to the marketplace, scrapping an initial plan to rely on Android tablets in favor of a deal with Microsoft that allowed it to make products that ran on the more widely-used Windows operating system.

They showed that they could raise capital - the lifeblood of any start-up company whose products either aren't ready for the market or are just trying to break into a market dominated by big brands, like Apple and Dell.

They found a partner in B. Thomas Golisano, the billionaire founder of payroll processor Paychex and the former owner of the Buffalo Sabres. Starting in 2015, Golisano made three investments totaling \$30 million in Bak USA and took a seat on the company's board.

That gave the company the money it needed to grow. It took over the top floors of the Compass East Building on Michigan Avenue. Early this year, the company added its 100th employee and its work force ultimately would reach 130 people, many of them recent arrivals from other countries.

But the troubles started not long after that. Bak USA fired 15 workers in June. That same month, in another ominous development, the company was late paying its salaried employees for one week, a delay that Ulla Bak blamed on a delayed payment from a big order in Ethiopia.

It was a sign that the company was on the financial edge.

Bak USA cut 20 more jobs earlier this month, blaming the Trump administration's tariffs on Chinese imports. Those tariffs, Bak officials said, would add about \$62 in costs to the price of the Atlas laptop computers made by the company by early next year. About 84 percent of the components that Bak USA used in those computers were subject to tariffs, and those duties, which now add 10 percent to the cost of those parts, were scheduled to increase to 25 percent at the beginning of 2019.

Its much bigger competitors, who assembled their tablets and laptops overseas and imported completed products, weren't subject to the tariffs Bak faced as an American manufacturer employing American workers.

"The current tariff system is backward," said County Executive Mark Poloncarz. "Tariffs are supposed to protect American jobs, not promote Chinese jobs. Unfortunately the current tariffs promote Chinese jobs, not those in Buffalo."

Bak USA also was having trouble with some of its U.S.-based suppliers. Last month, it sued one of its suppliers, Elitegroup Computer Systems, alleging that the California-based components manufacturer had supplied it with defective parts, causing many of its Atlas laptops to be returned and hurting its reputation in the marketplace. Bak USA also alleged that Elitegroup shipped its components late, causing it to miss much of the spring buying cycle in 2017 for the schools it targeted as prime customers for the Atlas, costing it badly-needed sales, according to court documents.

At the same time, the Baks' relationship with Golisano was becoming strained. The Baks reached an agreement in principle in mid-September to buy him out in a deal they said would allow the company to continue to operate as a social enterprise in Buffalo.

But the Baks were never able to finalize their deal to buy out Golisano. Without a deal in place, the Baks couldn't move ahead with efforts to raise additional capital with the company's ownership in flux, they said.

For a start-up company whose sales weren't sufficient to cover its operating expenses, the inability to raise more capital was a death sentence.

On Thursday, the Baks' bold venture ran out of time and money, costing the jobs of the 77 workers who remained at the company to the bitter end.

"My family started this business nearly four years ago with a bold vision: to empower American students and workers by producing computers in the U.S.," Bak said. "Through the innovation and hard work of our talented team, we achieved more than we dreamed."

The sad thing is, the Baks had dreamed of so much more.

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