

Tiny Firm With Big Ideas Sets Out to Raise Operating Capital

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THE PECULIAR CASE OF USAMCO

Tiny Firm With Big Ideas Sets Out to Raise Operating Capital

BY ROBERT E. NICHOLS into business with an idea
Financial Editor of and \$10,000 cash.

The Times

From the day it was incorporated on July 12, 1960, their idea, which was, in the paramount concern of words of a USAMCO promotional report, "to become the U.S. Automatic Merchandising Co., alias USAMCO, was Sears, Roebuck of the (vending) industry."

Richard S. Stevens, the then-30-year-old former marketing director U.S. Chemical Milling Co. who was USAMCO president and treasurer, and Thomas P. Foye, the Manhattan Beach attorney who was vice president and secretary, had gone

The cash, clearly, did not

measure up to the size of the idea, which was, in the words of a USAMCO promotional report, "to become the U.S. Automatic Merchandising Co., alias USAMCO, was Sears, Roebuck of the (vending) industry."

Sometime in July — the exact date is unclear — Stevens, along with his former boss, Charles H. Lundquist, president of Chemical Milling, and Merrill L. Johnson, a Chemical Milling vice president, called on John B. Dunbar. Shearson, Hammill &

Co.'s senior vice president on the West Coast.

The purpose of their visit, at his apartment, was to find some means of raising more capital.

The result of this meeting was the designation of Dunbar as a director of USAMCO and a proposal by Dunbar to provide \$700,000 by means of 4% subordinated convertible debentures.

There was also some discussion, either during this meeting or later in July, that the company might issue

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USAMCO

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290,000 shares of common stock.

Dunbar indicated he thought he could raise perhaps as much as \$300,000 from clients. Lundquist said he could raise that much or more himself.

By Sept. 27, 1960, the money was indeed raised, and the notes spread among 10 persons. One block of \$250,000 was held by Charles Lundquist's wife, a brother, an uncle and an aunt. Another \$75,000 was provided by C. C. Wilmot, a vice president and director of U.S. Chemical Milling. Another \$50,000 came from Glenn Roland, secretary-treasurer and a director of Chemical Milling. And the remainder came from four "old friend" customers of John Dunbar.

At this point, USAMCO was a company with \$710,000 capital — and a "national headquarters" that occupied one office at 1840 S Elena Ave., Redondo Beach.

According to Stevens, "There were only three employees in the entire company at that time: myself, my secretary and one man. This was not hidden from anyone. We had hundreds of visitors to our office who were given every answer regarding the company. We readily admitted that the plan was untried and untested and that we were a new entity in the vending field."

But even with \$710,000, it was clear that the future "Sears, Roebuck of the vending industry" was going to need more money.

USAMCO formally began operations on Oct. 1, 1960.

On Oct. 13, Merrill L. Johnson, the Chemical Milling vice president, announced through a Los Angeles public relations firm that USAMCO had placed an order with his firm for \$2 million worth of vending machines.

A USAMCO corporate report issued some months later indicated that the company had planned sales during its first month of operations of about \$5,800, based on the placement of 68 vending machines. The actual sales totaled \$4,000, and the machines placed actually totaled 12.

Again as Stevens recalls it, the company was formed around "a new theory of financing for vending machines." Yet this finance company which was about on finance disclosed "in the first two months of operation that we were going to require a huge amount of money, large amounts of

staffs and regional warehouses to make it successful."