

THE SUPER VEL STORY

The story of Super Vel is quite comparable to "David vs. Goliath" - except David may be fighting a loosing battle.

The ammunition business in the U. S. is dominated by Remington Arms, 100 years old and controlled by Dupont; Winchester, 150 years old and controlled by Olin Corp; and Federal Cartridge, 50 years old and controlled by Cornell University.

Prices have been and are controlled by and to the benefit of Remington and Winchester who have sales of \$735,000,000 each.

When Super Vel began their operation in 1965, these were the only manufacturers of new center-fire ammunition in the U. S. We had a paid-in-capital of \$1,000.00, a personal loan of \$10,000.00 and one employee, Lee Jurras. The balance of our funds were made up of what our suppliers would furnish through open accounts. During the first year of our existence, the principals borrowed \$40,000.00 and loaned it to the company. These funds were very quickly invested in laboratory and manufacturing equipment.

Super Vel began as a Reloading Operation supplying target rounds to police departments. However, in 1966, Lee Jurras finalized development on what turned out to be the most revolutionary development in handgun ammunition in the last fifty years. This design increased the stopping power of the .38 special, the standard police weapon, by almost 50%; yet, it eliminated dangerous ricochets and excessive penetration, thus, making it a safer round to use.

Samples were sent to leading Shooting/Sports writers and Law Officers who, immediately acclaimed that Super Vel was the best ammunition that had ever been made for law enforcement.

In the fall of 1967, L. A. County and Phoenix, Arizona adopted Super Vel, and orders from police agencies all over the U. S. began to pour in.

Our first problem was to find a supplier of .38 caliber cartridge cases in which to load our revolutionary bullets. WE couldn't manufacture them because the capital outlay made it unfeasible. Remington, Winchester, and Federal wouldn't sell us because they didn't want any new competitors.

We were able to obtain 200,000 cases that fall from the Norma distributor. Our supply of cases was so small that we limited our sales to law enforcement agencies exclusively.

Late in 1967, we obtained a commitment from Norma of Sweden to sell us 1,000,000 cases. We began to advertise and take orders. Their delivery was late and erractic and we lost money. As poor as our delivery was, orders continued to come in.

Also, in 1967, we needed additional money for equipment, a larger building, and raw material. The company borrowed \$25,000 privately. The principals each borrowed \$10,000.00 and put it in the company. We also borrowed money, collateralized by our current and fixed assets, from the Shelby National Bank. However, the financial demand on Super Vel, which had sales of only \$85,000.00 in 1966, was still overwhelming; but we were sure we could succeed if we could obtain cartridge cases.

We, again, asked the domestic companies to supply us and they refused.

The only recognition we received, was from Remington, who sent in one of their salesmen to obtain samples of Super Vel for them to analyze and perhaps, copy. Since

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we were selling them to law enforcement only, he represented himself as a Boone County Deputy Sheriff and ended up facing a charge of impersonating an officer. We later saw a Remington office memo stating that he used standard procedure in obtaining some Super Vel samples.

This was our first conflict with the munitions monopoly, but not the last. Reports started coming in that the salesmen of both Remington and Winchester were doing their best to undermine us. They told people all typed of erroneous stories; such as "Super Vel ammunition was made in Jurras' basement - Super Vel had no testing facilities, Super Vel was erratic, undependable and inaccurate; Super Vel blows-up guns, etc." In fact, the slander program against us was so strong, a former Winchester salesman told us, in October of this past year, that he was amazed that we were still in business.

In order to counter-act the aforesaid, we hired the Smith & Wesson salesman to represent us in 1968. They, in turn, told the president of Smith & Wesson, a division of a conglomerate named Bangor Punta, how fast orders were coming in. Bangor Punta, then, made an attempt to purchase us. When we refused, their salesmen were forced to quit working for us. Later, the president told me that he thought this action would force us into the fold. This was our first experience with a conglomerate, but not the last.

In the winter of 1967, Norma of Sweden agreed to sell us cases with the Super Vel head-stamp in 1,000,000 lots for the year of 1968. Each million cases cost about \$25,000.00 laid in. Since it took 60 days for the cases to arrive, we need one million in inventory, one million in transit and one million in process. This meant that we had to tie up \$75,000.00 in .38 cases alone, and we only had \$21,000.00 in capital and \$75,000.00 in long-term notes. However, being young and inexperienced, we thought we could make it.

Upon sending Norma a letter of credit for our first million cases for 1968, we were notified that they had raised our price 25%, wiping out most of our small profit. We, then, contacted all four of the world's independent ammunition manufacturers. The rest are government owned and controlled by Remington, Winchester and Norma. The only fair price we received was from Sako of Finland.

We found out, later, that Norma had contacted the other manufacturers; with the exception of Sako, all had agreed to quote us the same high price. That was our first dealing with the international munitions cartel. Norma was also the first company to attempt to copy Super Vel's line of ammunition.

Because of demands of law enforcement, we began making .357 Magnum ammunition. This required more machinery and doubled our working capital investment. Our sales increased to \$650,000.00 from \$250,000.00 in 1967, but profits disappeared, due to erratic delivery of cases. Often, we had to fly in cases from Finland, at the cost of \$5.00 per thousand in order to supply law enforcement orders.

Since our working capital requirements were increasing so tremendously, the Shelby National Bank asked the Indiana National Bank to participate in our line of credit, so our limits could be raised to \$100,000.00. When money became tight in 1969, the Indiana National Bank withdrew because of our short history, small capitalization and fleeting profit.

We attempted a private placement, and it failed because of the Excise Tax Liability shown on our statement. No one wants to invest in a venture when part of the venture capital goes to pay taxes.

In 1969, we began borrowing from a Chicago company, Talcott, Inc. at an interest rate of 6% over prime, 12½%; plus we were re-paying long-term loans of \$110,000.00 to the Shelby National Bank. We knew our profit percentage would be reduced, however Talcott was going to loan us enough money to begin producing 9MM, 380, and 44 Mag. ammunition. With this

increased volume, we would make up for our small profit margin. Why: for 12½% interest and loans collateralized by our receivables, inventory and personal guarantee; Talcott didn't even ask about our Excise Tax Liability that we did not have the money to pay. We even thought it was our duty to continue to make this fine ammunition for law enforcement. Even the Secret Service and White House Police were using it by now!

In 1969, the demand for Super Vel continued to soar. Our sales hit over 750,000.00 but our profits were slim because of erratic delivery from overseas and high interest costs at home. Of course, with the three new calibers we introduced and a new building, our investment in equipment became staggering.

Then, in the winter of 1969, we had a strike by those advocated of free enterprise, the long shoremens. Cartridge cases that had been paid for, were tied up aboard ships that could not unload. We, again, had to fly in cases from Finland to meet our commitments to law enforcement. We were morally obligated.

In 1969, we lost money and were unable to generate any cash to pay our Excise Tax. We continued to hang in. Our saviour had arrived in the guise of another conglomerate. In the fall of 1969, we contracted with Amron, a division of Gulf and Western Industries, to supply us with cartridge cases. Now, we knew that it was hard to manufacture cartridge cases for there were only three companies in this great free enterprise system of ours, that were doing it or are doing it. However, Amron said that they were going to supply us with cases and Browning Arms with a full line of ammo. Who could doubt a conglomerate that was doing 2.5 billion dollars a year in sales? Why! they even owned a company that made brass drawing equipment for government arsenals - Bliss.

We signed a contract for up to forty million cases per year for five years with a five year option at new, low prices. It was a beautiful thirteen page contract, in blue cover that cost me at least \$1,000.00. G&W was going to deliver cases on a monthly basis which would alleviate our working capital problems since I could finance our receivables with Talcott for 12½%. The price was lower, which would increase my profit percentage. G&W was going to supply us with three new calibers which would almost double our line. Now, we could free-up some big money and pay our Excise Taxes and, later, go back to borrowing money at 8%.

To prepare for the big bonanza bestowed on us by one of the U. S.'s first "Chinese Money" wizards, we more than doubled our advertising budget to \$40,000.00 per year and hired 16 salesmen at a 5% commission.

Then 1970 arrived, but the cases didn't. A month later .38 cases arrived, but they were defective. In fact everything come late and defective or not at all. We only received a little over three million cases from G&W out of the 12 million we contracted for. We never received the new calibers we had advertised.

Since our deliveries were late and incomplete, we lost many distributors and irritated the rest. The many additional distributors that wanted Super Vel couldn't be supplied. Also, we were paying a 5% commission to our salesmen who had nothing to sell. Instead of our sales doubling to \$1.5 million in 1970 they fell to \$600,000.00. Instead of making enough money to pay our excise tax, we lost \$100,000.00. Our line of credit, which was about \$200,000.00 was called in August by Talcott. We started paying back Talcott; but we couldn't even go to a local bank to borrow money because we were behind on the payment of our taxes. Of course, we always showed this liability on our statement because we are dedicated and moral individuals.

While we were not delivering to our customers, our friends at Remington and Winchester were telling everyone we were bankrupt and out of business. It was probably a good idea, but it was a bad idea to tell everyone we were bankrupt and out of business.

While we were not delivering, the big two started simulating our type of ammo: and five new companies started selling pistol ammo. They were Browning, Smith & Wesson, Speer, Hornaday and Amron. Three of them imitated Super Vel.

Then, in the fall of 1970, G&W who couldn't make cases for us, found out they couldn't make ammo for Browning. Their solution was an offer to buy Super Vel for our net worth which they had caused to be a negative \$100,000.00. How's that for one of the nation's largest conglomerates?

To top it off - I read in the Wallstreet Journal that the president of Maremont had been indicted with criminal charges for the failure to file Excise Tax returns. Gee! Arthur Andersen, who was knocking us off for five or six thousand a year, hadn't said anything about criminal charges.

Well, since we had no money to buy cases overseas and Amron had taken up all Sako's production, we thought that we should attempt settlement with G&W's attorney. Their attorney was willing to work out a deal, but the manager of Amron division told us to go to Hell. He said that he couldn't deliver to Browning and didn't have people to put on for a second shift for us. He would rather that we sue them than Browning.

Well, now both Browning and Super Vel are suing G&W. Amron was spun-off for paper after blowing \$10,000,000.00 in the metallic ammunition business without getting off the ground. Our suit was filed for \$1,610,000.00. We don't know when we will get into court, however, they own their own law firm and we have a hard time getting a lawyer to stay on the case for \$5.00 per hour.

There we were - no case supplier and no money. We did have an order from the Secret Service for they had decided that they were not only going to use Super Vel as their standard round but practice with it also.

As a last ditch attempt, we called in S&W AND OFFERED to sell them Super Vel for what we owed the government, our bank and our strung our creditors. The president of S&W said that he thought the name of Super Vel was worth the price, but Bangor Punta had a "case of the shorts" and wouldn't come up with the money. Coincidentally, about 90 days after we discussed our Excise Tax liability with S&W, their salesman began circulating a story in the industry, the government had locked our doors for non-payment of Excise Taxes. I don't remember the exact date, but it was about the time we met Mr. Bushman, et al.

Low and behold! All good things come to those who serve the need of their country. In March 1970, Federal Cartridge agreed to sell us .38, .357 and 45 cases. Of course, Super Vel had no cash. We had just finished paying back almost \$200,000.00 to Talcott who had been pressing like "Shylock": but, here was another chance to make enough money to pay our Excise Taxes; so we personally borrowed \$15,000.00 at an unsuspecting bank and tried it one more time.

The trick was to get in enough cases to fill a big order, and then offer a big discount or beg to get paid right away; so we could in turn, pay our suppliers.

In the beginning, as before, we had only .38's but that was what the Secret Service wanted. Eventually came their .357's and 45's. We had .38's left from Amron. We got 9MM's by Air from Sako for cash. It was tough, but we turned it around. Sales rebounded to \$790,000.00 in 1971 and we even made a little money. The cash flow was even better since we have an annual depreciation of \$40,000.00 on our \$350,000.00 worth of buildings and equipment.

When 1972 came, we had a big Secret Service order and things started fine. Federal is

for a company that buys as much as \$12,000.00 worth of cases a week. We still had no bank lines: so we still are stringing out our creditors and borrow personally to loan to the company. Of course, personal borrowed money may be impossible, now that we have been indicted.

We even generated enough money to start paying some of our back taxes and have been paying currently since June. It's pretty tough having to pay a tax ten days after you ship merchandise that you don't get paid for in sixty. It's probably not too tough on Dupon and Olin, however. WHY! they have so much money, they give customers up to eleven months to pay for their ammunition.

Our saving grace is that we made the best ammunition in the world, and that it is used by almost all law enforcement agency in the Federal Government. As long as this lasts, our sales will continue to grow. However, we have lost our share of the market; and now have six companies competing against us instead of three.

Of course, we have a continual battle for survival. Last month, Winchester submitted a new .38 round to bid against us. Fortunately, it was inferior. We got a call from a distributor who heard we were out of business. Another called to say he heard the Secret Service had quit using Super Vel. In our competitive enterprise system, I guess this is the way business is meant to be done. However, we will continue to make for the policemen of our country the best ammunition there is. Pardon me - I mean we will continue until one morning our competitors decide over a cup of coffe to stop selling us cartridge cases.

THEN WE WILL HAVE TO HANG IT UP!