Great Western United Indicates Part of Funds Transfer Set for Payout

By a WALL STREET JOURNAL Staff Reporter

DENVER—Great Western United Corp., elaborating on an announcement last week of its intention to declare a $2.025-a-share common stock dividend, indicated that some $7 million to be transferred from its Great Western Sugar Co. unit to the parent would be used, at least in part, to help pay the dividend.

The company, which is fighting a tender offer by two Texas businessmen, had taken note of the funds transfer in the dividend announcement. It didn't state at the time that the transfer was connected with the dividend.

The dividend announcement, made last Thursday, has drawn criticism from a Dallas federal judge, who said the Great Western press release left him "in considerable doubt as to the true state of restrictions" on any company dividend policy.

In explaining the relationship between the funds transfer and the planned dividend, Great Western said yesterday that if seven of the sugar subsidiary's 10 principal lending banks object to the transfer within a five-day period, then notes totaling about $50 million could be called. Such an occurrence, the company said, "would effectively prevent payment" of the common stock dividend.

However, Great Western, which said the notice of the funds transfer was given to banks last Thursday, emphasized that it hadn't been notified of any such action by the lending banks and that it doesn't expect any such action. Great Western also said that after Jan. 1, any other transfer of funds to it from the highly profitable sugar unit for dividends or other purposes would also need approval by seven of the 10 principal bank lenders.

Federal District Judge William M. Taylor Jr., who criticized the company's earlier announcement, has scheduled a hearing this Wednesday on a request by Nelson Bunker Hunt and William Herbert Hunt for a preliminary injunction against Great Western. A temporary restraining order issued by Judge Taylor, which prohibits Great Western from declaring a common stock dividend, expires on the day of the hearing.

The Hunts are making a tender offer for 919,000 shares of Great Western at $27.50 each. If successful, the offer, which is set to end today, would give the brothers 81% control of Great Western.

A spokesman for the Hunts declined comment on yesterday's Great Western statement but said that today the men "are going to study the situation and see if they need to extend" their offer. The spokesman said shares already owned or under option by the Hunts along with those tendered to date give the men almost 45% of Great Western's outstanding common stock.