GWU Cultivating Disunity, Co-op Alleges

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Stung by a story in Sunday's Denver Post, Robert R. Owen, president of the Great Western Producers Cooperative, has accused the new management of Great Western United Corp. of cultivating disunity among sugar-beet growers.

The Sunday story dealt with a growers' class action against Great Western Sugar Co., a GWU subsidiary, and with the repercussions of that lawsuit. The story pointed out that 1974 crop payments and 1975 crop negotiations are mired in the legal proceedings.

Owen charged that GWU is witholding 1974 crop payments to induce growers to break away from the organizations that represent them in dealings with the company. He accused GWU of using "strong-arm" tactics aimed at fragmenting grower groups.

GWU has been prohibited by the court from telling growers that they would receive their 1974 crop payments sooner if they disassociated themselves from the class action. But the Sunday Denver Post story strongly hinted that they would, and Owen accused GWU of "using" the press as a means of maneuvering around the court ban.

GWU's new management consists of brothers Nelson and Bunker Hunt of Dallas, Tex., and G. Michael Boswell, an attorney who joined the Hunts about the time they began buying GWU stock in October 1974. The Hunts, sons of the late billionaire, H.L. Hunt, subsequently made a tender offer for GWU stock and gained control of the company in December.

The growers' class action against GWU was filed in November, before the Hunts took over the company and after the previous management, dazzled by soaring sugar prices and explosive profits at the sugar company, pulled the plug on a deal to sell that company to the growers.

The class action alleged that GWU management, marshaling money to fight the Hunts, held back $246 million that should have gone to the growers as part of the initial payment for their 1974 crop.

To dissuade shareholders from tendering their stock to the Hunts, GWU management declared a common-stock dividend of $2.92 a share, payable to holders of record after the expiration date of the Hunt offer. Ironically, the bulk of the payout was pocketed by the Hunts, who owned about two-thirds of GWU's outstanding common stock when their tender offer expired.

Owen contends that the Hunts, now that they control GWU, are less concerned about the growers' class action than they are about the prospect of a powerful growers' association with which they'd have to deal in the future. He says the Hunts are simply trying to dilute the growers' bargaining strength and thereby reduce their share of the pie in a lucrative sugar market.

All growers now involved in the class action against GWU have until Feb. 24 to remove themselves from the suit if they want out.

The Hunts, of course, would like to see everybody get out, Owen said, and that's why they've declared that any grower staying in the litigation won't receive further 1974 crop payments until the suit is settled.

Despite the bait that's being dangled, fewer than 200 of the 4,000 or more class-action growers have removed themselves from the suit, Owen said. He added that the growers' attorneys are confident that if the suit goes to trial, GWU will lose.

One of those attorneys is Paul R. Connolly of Williams, Connolly & Califano, Washington, D.C. In a letter mailed to the growers, Connolly explains the objectives of the class action:

"Each of you (growers) undoubtedly knows that the company will pay eventually in 1975 the precise number of dollars due you from the sale of sugar in the course of the year. The only question involved in the lawsuit is whether the payments are made in a timely fashion.

"We think the company has obligated in November to pay each of you approximately 83 per cent of an honest evaluation of the anticipated net return from the sale of sugar. To the extent the company may have shorted you on that payment...you are entitled to collect damages. The damages would amount to the interest that the company should pay you for the use of your money..."

Connolly said the interest could amount to less than $3.7 million if paid by Feb. 20.

"Since they (GWU) estimated in November profits of $113 million (for fiscal 1975) it is difficult to see how this lawsuit constitutes a real threat to the financial stability of the company," he stated.

ROBERT R. OWEN

Seays GWU is using "strong-arm" tactics.