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Directors of Great Western United Corp. meeting in Denver Thursday may be under increased pressure to pay $7,140,000 in dividend arrearages on the company's $1.88 preferred stock as a result of a class action lawsuit filed in Delaware earlier this week by two brokerage firms.

The suit was brought by Bache & Co. and L.F. Rothschild & Co., both of New York, and alleges that GWU has sufficient cash in a special purpose reserve to pay all of the dividend arrearages on the $1.88 stock and fund a sinking fund delinquency of $3,442,000.

The complaint in the case shows that Bache owns 73,100 shares of the 1,519,088 outstanding $1.88 preferred shares, of which 51,900 are in its own account and 21,200 held for customers. Rothschild owns 43,800 shares.

As of Oct. 2, GWU owed Rothschild dividends of $226,446 and Bache and its customers dividends totaling $377,027, the complaint declares.

Representatives of the two investment firms raised the issue of a $61 million "special purpose reserve" and the dividend arrearages at GWU's recent annual meeting in New York at which shareholders rejected a proposed plan of recapitalization based on the sale of GWU's main subsidiary, Great Western Sugar Co.

At a board meeting Sept. 15, before the annual meeting, GWU directors voted to pay 47 cents per share of the $1.88 stock arrearages on Oct. 11, and said the company "may be able to catch up on all dividend arrearages" on the $1.88 stock by next May 31.

Subsequent statements from the company said the board would tackle the arrearages question at its meeting Thursday. GWU officials have declined comment on the brokers' lawsuit.

In their complaint Bache and Rothschild allege that since March 1, 1973, GWU has been obliged to set aside a sinking fund for the purpose of redeeming 60,760 shares each year of the $1.88 stock at prices ranging from $29.80 to $24 per share.

"This obligation is mandatory, but GWU has failed to make any such payments, and at Oct. 2, 1974, its sinking fund delinquency was $3,442,000," the complaint says.

The brokers' suit also alleges that in February 1972 the GWU board "determined to eliminate the $1.88 stock at the lowest possible cost to GWU and to induce the $1.88 stockholders to redeem at below its fair value — so that a mandatory dividend and sinking fund requirements would 'no longer inhibit the company's future financial stability.'"

The board then failed to pay the dividend due in April, and the market price of the $1.88 fell from $20 a share to around $14 a share, the suit says. Subsequent dividend omissions and failure to fund the sinking fund tended "to further diminish the $1.88 stock's investment value," it adds.

The board was obliged to pay the preferred dividends and maintain the sinking fund if there was a corporate capital surplus, the suit goes on, but the directors "circumvented the surplus by transferring it into a 'special purpose reserve.'"

The complaint says that by December 1973 the board "succeeded in depressing the value of the $1.88 stock, the market price of which fell to $8.50.

"By March 1974, GWU's surplus and profits had increased substantially, thus making acceleration of a plan to eliminate the $1.88 issue imperative. "The sooner the $1.88 stock could be squeezed out for as little as possible, the quicker the defendant directors could appropriate those huge profits to the $3 stock and common stock which they owned in such substantial amounts," the suit adds.

Since the 1973 annual meeting GWU's directors have owned 36 per cent of the company's $3 preferred, 32 per cent of its common and 3 per cent of the $1.88 issue. The $1.88 stock dividends would have to be paid before dividend arrearages on the $3 stock, which total $1,881,000.

The suit goes on that the board proposed in March this year to "eliminate the $1.88 stock" by offering holders redemption of their stock for $3 a share cash plus in debentures and inducing them to accept cancellation of the dividend arrearages.

This proposal was part of the recapitalization plan defeated by shareholders.

The GWU board increased the cash redemption price on the $1.88 stock to $10 and later to $12 a share between March and September as more revenue became available from higher sugar company profits.

But the suit charges that "the determination by a majority of the defendant directors to maintain the special purpose reserve in order to avoid payments due plaintiffs and the class of $1.88 stockholders has been made and maintained and designed to further said directors own interests at the expense of the plaintiffs and the class."

It asks that a new election of directors be ordered on the ground that proxy materials failed to state which directors had voted for the payment of the 47 cent per share dividend at the board meeting on Sept. 15, and alleges that proxy deficiencies caused shareholders to vote without adequate information about some board members.

And the suit seeks a judgment that the special purpose reserve has been "improperly maintained and cannot be used to deny payment of dividends, arrearages or sinking fund requirements."