Business and finance

By ROBERT LENZNER
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NEW YORK — The sale of Great Western Sugar Co., the nation's largest growers cooperative by its parent company, Great Western United Corp., was rejected by stockholders at the company's meeting Monday in New York.

An exasperating, sometimes bitter and sometimes circus-like shareholders meeting went on all day at the Chase Manhattan Bank auditorium, but the question of the sale of the sugar company was settled by a mid-day vote of the company's 6.7 cent debenture holders.

The vote was a blow to two-thirds of the company's $4,000,000 principal amount 6.7 cent sinking fund debentures necessary for the sale of the sugar company.

When the votes were tallied they showed that $2,734,000 worth of the debentures had been voted against the sale and only $662,400 worth of the debentures had been voted in favor.

The sale of the sugar company to the Great Western Producers Cooperative for about $13.5 million in cash and securities was the major component in a Great Western United reorganization and recapitalization plan that also encompassed the spinoff of another subsidiary, Shakesy's Inc., a pizza restaurant chain, and the stock of the remaining subsidiary, Great Western Cities Inc., a land development outfit, as the surviving company.

Apparent, most of the company to the growers was reached in March with unanimous support of the 12-member GWU board.

But at that time, however, sugar prices on international markets have risen sharply and the company has achieved profitable operations in the interim. As this occurred, support for the sale among directors eroded steadily until late September, when the board voted seven to three against the sale with three directors abstaining.

It would have taken the favorable vote of the debentureholders as well as the common and preferred stockholders to approve the sale.

Representatives of the sugar beet growers cooperative who attended the meeting looked disconsolate and said they were upset by what they termed the inability of GWU's management to consummate the transaction.

Henry Schaffer, one of the original incorporators of the cooperative, said producers who sell their beet crops to GWU have "lost confidence" in the company's management.

"The directors have any credibility at all with us," he said. "We just plain don't trust them."

Other cooperative officials indicate the producers are considering a lawsuit against GWU.

In response to the growers' remarks about a lack of confidence in the board, James Krenzler, chairman of the GWU board and president of the sugar company, said, "This credibility business is baloney; we always pay our bills and we've used our best efforts to secure shareholder approval of the transaction."

During the rest of the stockholders meeting — which lasted most of the day — stockholders, lawyers for stockholders using the company, and attorneys for three investment companies carried on a verbal battle that sometimes boiled over with contempt.

Nat K. Mendelsohn, a director who owns about 33 per cent of the company's $3 preferred stock and who has consistently favored sale of the sugar company, publicly attacked the capability of the GWU board and management.

"I have fought against this management," Mendelsohn said. "I don't have a terribly high opinion of the ability of the rest of my board. I am worried about this company getting a lot of money, and I'm not sure these dollars will be used to the best interest of the shareholders," he said.

He apparently was referring to record profits of $14 million in the company's first fiscal quarter ended Aug. 31, an extraordinary advance over net income of $15,000 a year earlier.

Denver stockholder Gerald Armstrong was a fly in the ointment to GWU management all day, questioning the directors on several occasions.

During the morning he suggested to GWU president Robert Everett that the company was like a golf course, "full of holes." Later, quizzing management about the activities of the audit committee, Armstrong said that giving GWU directors audit supervisory responsibility was like "Dracula in charge of the blood bank."

Shareholder representatives John Gilbert and Wilma Suss also attended the meeting dressed in Sherlock Holmes costumes and carrying large magnifying glasses. They attempted to harass GWU's management throughout the day, with some success.

Armstrong asked the board about a letter allegedly written by George K. Sarkissian, a director, to the board within the past few days asking whether it was necessary to notify the Securities and Exchange Commission and shareholders that a meeting had been held in Houston in August to discuss the sale of large blocks of GWU stock.

Sarkissian said the letter had been written but refused to acknowledge its contents.

Two directors, Krenzler and Linden Blue, were asked whether they had sold or optioned any of their shares to a Houston investor, Charles Hurwitz, and both insisted they hadn't seriously discussed either the sale or the option of their stock with the Houston businessman.

Hurwitz is alleged to be an official of SMR Holding Corp. and there have been rumors that SMR was interested in acquiring GWU stock in an attempted takeover.

Attorneys for three brokerage houses appeared at the meeting to urge that the company pay arrearages on its $1.88 preferred stock and $3 preferred stock as soon as possible.

They were Bache & Co. and L.S. Rothchild, representing 110,000 $1.88 preferred shares, and Sheriff Securities, representing 79,000 shares of $3.88 stock.

The company only recently began paying arrearages on the $1.88 issue, which must be brought completely up to date before arrearages on the $3 stock are paid. The GWU board has indicated they hope to pay all arrearages on the $1.88 issue this fiscal year.

During the meeting Everett was asked whether he plans to resign from the board of the presidency of GWU and replied by saying he had no intention of leaving the company.

Results of the voting by common stockholders wasn't available late Monday, but a directors meeting at which the board will decide what to do next was postponed from Monday afternoon to Tuesday morning.