Business and finance

GWU stockholders reject sale of sugar company

BY ROBERT LENZNER
Special to The Rocky Mountain News

NEW YORK — The sale of Great Western Sugar Co. to a sugarcane growers cooperative by its parent company, Great Western United Corp., voted down by stockholders at the annual meeting Monday in New York.

The meeting, sometimes bitter and sometimes circus-like shareholders meeting went on all day at the Chase Manhattan Bank auditorium. At the question of the sale of the sugar company was settled by a mid-day vote of the company’s largest debenture holders.

The approval of holders of two-thirds of the company’s $4,630,000 principal amount 6 per cent outstanding debentures was necessary for the sale of the sugar company.

When the votes were tallied they showed that 2,511,158 votes, or 67.3 percent of debentures had been voted against the sale and only 1,462,400 worth of debentures had been voted in favor.

The sale of the sugar company to the Great Western Producers Cooperative for about $43.5 million, in which securities was the major component in a Great Western United reorganization and recapitalization plan that also appointed the chief of another subsidiary, Shakes’ Inc., a pizza restaurant chain; and the operation of the remaining subsidiary, Great Western Cities Inc., a land development outfit, as the surviving company.

Agreement to sell the company to the growers was reached in March with unanimous support of the 12 member GWU board.

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 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 sugarcane 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 sugar crop to GWU have "lost confidence in the company’s management."

"None of these directors has any credibility at all," 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 Krenzle, 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 suing the company, and attorneys for three investment companies carried on a verbal battle that sometimes boiled over with emotion.

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

"I have fought against this management," Mendola 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 away, 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 $4,000 a year earlier.

Denver stockholder Gerald Armstrong was a fly on 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, questioning 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 Sosey 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. Sarkisian, 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.

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

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

Hurwit 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 sale of all shares to stockholders which are arrears on its $1.88 preferred stock and $3 preferred stock as soon as possible.

They were Rache & Co. and L.S. Rothchild, representing 110,000 $1.88 preferred shares, and Sherriff Securities, representing 70,000 shares of $1.88 stock.

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

During the meeting Everett was asked whether he plans to resign from the board or 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.