GWU shareholders urged
to reject tender offer

By ROBERT A. BURNS
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Great Western United Corp.’s board of directors Wednesday urged its shareholders to reject a tender offer for their stock by two sons of H.I. Hunt, the multimillionaire Texas oil baron, because the offering price is too low.

In a letter to shareholders mailed Tuesday GWU also disclosed that it intends to proceed with some sort of corporate reorganization and that it believes it will be indicted by a federal grand jury investigating the sugar industry.

The GWU letter came in response to an offer by William Herbert Hunt and Nelson Bunker Hunt to buy 10,000 GWU common shares through Bache & Co., an investment banking firm, at $27.50 a share net to the seller.

At that price the purchase would be worth $250,000.

The Hunts and their brother-in-law, Randall Kreiling of Dallas, have been purchasing shares of GWU in the open market and also shares and options on additional shares from former GWU president Robert G. Everett and George Sarkisian, a director, and his brother.

If the Hunts are able to buy 10,000 shares and those shares are added to the 527,000 they have purchased or optioned along with Kreiling, the Texans would hold or control about 1,437,000 shares, or 48.5 percent of the total of 2,097,496 average common shares the company reported outstanding on Aug. 31.

Everett resigned as president at a board meeting in New York on Nov. 7, a day after selling “a substantial majority” of his stock to the Hunts at $25 a share and granting the Hunts options to purchase his remaining shares at $30.

James A. Kreiding, GWU chairman, resigned at the same meeting. Everett, Kreiling and Sarkisian remain directors of GWU.

It isn’t known whether Kreiling or other GWU directors have sold any of their holdings in the company in the open market, and the GWU leadership was unavailable for comment Wednesday.

Kreiling was succeeded as chairman by R.J. Adelman, chairman of Arthur Rubloff & Co. in Chicago, real estate firm, who was named acting chief executive officer.

It was over Adelman’s signature that GWU sent its letter to stockholders pointing out that the company’s future earnings could go as high as $54 a share and stating that the board considers the Hunts’ offer “inadequate.”

The letter noted that for the five-months ended Oct. 31 GWU’s estimated earnings were $20 million, or $3.30 a share.

Through the end of the first four months of the current fiscal year GWU had reported net income of $19.411 million, or $9.23 a share, on total revenues of $180.1 million, up from net income of $61,000, or 3 cents a share, on total revenues of $91.5 million in the year-earlier period.

The great bulk of the company’s earnings have been generated by sales of its Great Western Sugar Co. subsidiary which has reported steadily escalating revenues and profits on higher world sugar prices.

The GWU letter said that the sugar company estimates “that the average price for the company’s refined sugar for the next 12 months would approximate $53 per hundredweight.”

“Estimated earnings, based on this average, after taxes and preferred dividend requirements, would be approximately $113 million, or $54 a share. . . . for the 12 months, well above the tender price,” the shareholder letter said.

The GWU board also cautioned the stockholders that a change of $1 a share in the average price per hundredweight of sugar during the next year will change the company’s net income after taxes by about $1.30 a share.

“At an average price for sugar of $40 a hundredweight, which the company is presently estimating for internal projections, estimated net earnings after taxes and preferred dividend requirements would be approximately $98 million, or $32 a share, for fiscal 1975 and $77 million, or $26 a share, for the 12 months ending Sept. 30, 1975, well above the tender price,” the GWU shareholder letter said.

At the same time, the letter noted that those projected earnings could be “dramatically” affected by a change in the price of sugar on world markets, the imposition of price controls, changes in consumer demand and other factors “beyond the company’s control.”

And, the letter continued, “during the recent period of high and rapidly rising sugar prices, management of Great Western Sugar Co. has been unsuccessful in predicting the rate and degree of price changes.”

And, After noting that a $91 million “special purchase reserve” had been eliminated and more than $7 million in back dividends paid to holders of GWU’s $1.38 preferred stock, the letter said management of the parent company “tends to recommend to the board for consideration in the near future” the payment of $4.8 million in dividend arrearages on the firm’s $1 preferred issue.

And the letter said the company is considering a reorganization and recapitalization “along the lines outlined in the proxy statement—prospectus dated Aug. 22 . . . except that Great Western Sugar Co. will be sold.”

The meaning of the statement wasn’t clear, since the reorganization plan outlined in the proxy statement for recapitalization wasn’t made public.

The company’s sugar company to a sugar beet growers cooperative for about $43 million in cash and stock was rejected by GWU stockholders at the annual meeting in late September.

In its letter the board also noted that a federal grand jury is investigating the sugar industry for possible violations of the antitrust laws and said:

“it appears that an indictment will be returned against Great Western Sugar Co. and additional private claims against it might be brought.”

“Management believes that the impact of any liability, if alleged and proven, could be substantial.”

GWU didn’t say why an indictment appears likely or whether individual officers of the company might be named.

And finally, the company said GWU will be faced with significant additional capital needs for plant modernization and compliance with environmental legislation to meet its tax bills.

Raw sugar prices take first plunge on world marts

United Press International

Raw sugar prices on major world exchanges fell Wednesday for the first time after several weeks of constantly spiraling prices.

But a spokesman for the Louisiana Sugar Exchange said the drop did not necessarily indicate a trend. “This could be a sign of future declines or it could be a brief decline,” he said.

“We’ll have to wait until tomorrow to find out.”

There was “no obvious reason” for the decline, the first in eight weeks on the Louisiana exchange, he added.

In New Orleans, the spot price Wednesday for sugar was $5.97 cents a pound, down from $5.97 Tuesday. The last price drop was on Sept. 18, when the level slipped one-fourth of a cent to 33.22 cents a pound.

Sugar prices on the New York futures market also fell for the first time in weeks. The January bid was $5.99 cents a pound, down from $5.99 Tuesday; March quotation was $5.97 cents a pound, down from $5.97 and May was $5.95, down from $5.95.

Closing sugar prices in London were irregular or slightly higher.

The price of sugar on world markets has been rising steadily since last January, and the retail price of a pound of sugar in supermarkets has risen 300 per cent to 60 cents a pound or more.