GWU airs plan to abolish itself as holding company

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Great Western United Corp. of Denver Monday disclosed plans to abolish itself as a holding company and recapitalize its three subsidiaries as separate companies.

James A. Krentler, president, said GWU attorneys have been instructed to proceed with the legal work necessary to bring about a reorganization under which GWU shareholders would receive all the stock of revenue-rich Great Western Sugar; Shakey's Inc., a pizza restaurant chain, and Great Western Cities Inc., a community development concern.

Krentler said the stock distribution, which will require the approval of the Securities and Exchange Commission and the Internal Revenue Service as well as shareholders, could be implemented early in 1975.

GWU said the purpose of the reorganization is to "enable the marketplace to evaluate the stock of Great Western Sugar Co. (which currently is realizing record profits on high sugar prices) without consideration of the other businesses in which GWU is engaged."

The company pointed out that if two sons of the late H.L. Hunt of Dallas succeed in their attempt to take control of GWU through a tender offer, the Hunt "would have the power to terminate the proposed plan of recapitalization."

In a related development, the Hunts announced they have extended until 5 p.m. Dallas time Monday, Dec. 16, their offer to purchase $10,000 GWU common shares. The offer had been scheduled to expire Monday after having been extended from an original expiration date of Nov. 26 because of litigation between the Hunts and the company.

The Hunts said Monday they had garnered 234,000 shares as of last Friday. On Nov. 28, when the first extension was announced, 192,600 shares had been tendered. The Texans said they intend to buy the 234,000 shares tendered so far.

Great Western United also announced Monday that it will pay $4,881,000 in dividend arrearages on its $3 preferred stock and is considering the resumption of dividends on its common shares, which haven't been paid since October 1971.

GWU said a dividend of $0.25 a share on the 592,000 outstanding $3 preferred shares will be paid Dec. 20 to shareholders of record Dec. 19.

It also declared a regular quarterly dividend of 75 cents a share on the $3 issue, payable Jan. 2, 1975, to shareholders of record Dec. 19.

Because the $3 preferred dividends will have been paid up, two directors representing that class of stock, Fred C. Jennings and Nathan K. Mendelson, will leave the board, reducing its size to eight directors.

The company paid $7,139,000 in dividend arrearages on its $1.88 preferred issue on Nov. 7.

With respect to the proposed reorganization plan, Krentler recalled an announcement made on Nov. 7 indicating "the board's intention to adopt a fresh approach to the recapitalization of the corporation which might entail elimination of a holding company structure."

Under the proposal, GWU indicated, shareholders would receive a given number of shares in the subsidiaries on a tax-free basis for each share of GWU stock they hold.

Krentler said after the distribution the parent company would "probably be absorbed by the sugar company" and disappear as an entity.

He called it "deglomeration."

GWU had announced earlier it is negotiating to sell Great Western Cities, which operates community developments in Pueblo, in the Mohave Desert in California, and in New Mexico, for $8 million in cash to an unidentified buyer.

Krentler said that if the sale goes through GWU stockholders could be offered cash from the proceeds instead of stock in Cities.

He said Bruce Ducker, president of Cities, is pursuing the negotiations "with all due diligence," and declared that the prospective purchaser is not affiliated with GWU.

"I can confirm to you that the purchaser is not an officer, a director or an employee, present or future, of GWU or any of its subsidiaries," Krentler said.

There have been rumors that the prospective purchaser was Mendelson, whose company contributed some of the real estate assets used to form Great Western Cities.

Krentler declined to comment on additional lawsuits that came to light Monday, one by the Hunts against GWU in Delaware and the other by the Securities and Exchange Commission against the Hunts and their brother-in-law Randall Kreiling of Dallas.

He did say, however, that, "We knew the SEC was making a rather extensive investigation into the Hunts and GWU because we were called (by the SEC) to testify."

The suit against GWU was brought in the Court of Chancery of Delaware on Nov. 27, and the Hunts said the court directed the company to provide the Texans with stockholders list.

The suit by the SEC against the Hunts and Kreiling was filed Monday in federal court in Washington, D.C., and a stipulation was filed by the Hunts at the same time.

The SEC apparently alleged that the Hunts had violated the disclosure and reporting requirements of the securities laws on documents relating to the tender offer.

The Hunts said in a statement issued by their attorney that the SEC had alleged the Hunts had failed "to adequately disclose (their) intentions to eliminate the divisive factions from the current board of directors" of GWU.

On Nov. 28 the Hunts issued a statement pledging to "obtain the removal or resignation of all present officers and directors" of the company if their tender offer succeeds.

Without admitting any wrongdoing, the Hunts' stipulation said they would comply with disclosure and reporting laws and would not sell any of the holding they've accumulated in GWU without giving the SEC at least 10 days notice.

With respect to a suit filed by GWU against the Hunts to stop the tender, the Texans noted that the company had appealed a federal court decision in favor of the Hunts and that a federal appeals court in Dallas last Thursday declined GWU's request for an injunction pending the outcome of the appeal.

The Hunts' statement Monday indicated the Texans would buy the 234,000 common shares tendered so far and that shares tendered during the remaining time of the offer "will be purchased on a first-come, first-served basis" at the original price of $27.50 per share net.

The company has urged shareholders to reject the offer on the grounds that the price is too low in light of estimated earnings of $32 a common share during the current fiscal year.

Friday GWU reported net income of about $35.7 million, or $17.44 a share, for the fiscal six months ended Nov. 30, up from net income of about $1 million, or 51 cents a share, in the comparable period last year.

The Hunts said that as of last Friday they owned 88,634 GWU shares and had options to acquire an additional 97,847 shares.

Their attorney, G. Michael Boswell, and Kreiling, "who are acting with the Hunts in connection with their investment in the company," own an additional 93,966 shares, the Hunt statement said.

In all, that adds up to about 36.8 per cent of GWU's 2.1 million common shares.

If the Hunts and their associates were to succeed in getting the 910,000 common shares sought through the tender offer they would own or control 1,448,247 of GWU's common, or 69 per cent.

GWU common closed at 27% in trading on the New York Stock Exchange Monday, unchanged from Friday. Volume was 9,600 shares.