

The Disadvantages of Dual-Class Structures to Public Shareholders

EXECUTIVE SUMMARY

Capital structures in which holders of one class of common stock have greater voting rights than holders of another class are relatively common among Canadian corporations with securities traded on the Toronto Stock Exchange. This report, which was prepared by the National Union of Public and General Employees (NUPGE) and the Service Employees' International Union ("SEIU"), identifies those companies and describes the dilution of public shareholder voting power created by these capital structures.

In addition to simply being unfair, dual-class structures disadvantage public shareholders in several ways. They entrench the incumbent board of directors and management, by preventing shareholders from electing a new board or otherwise causing a change of control of the company. This insulation from shareholders and market forces may also allow controlling shareholders or groups to consume more private benefits, in the form of compensation, perks or self-dealing. These risks are reflected in poorer firm performance and may in turn disadvantage companies with dual-class structures in the global competition for capital. Access to capital is of particular concern to Canadian companies due to the passage of the 2005 Canadian Federal budget in May, which eliminated the foreign investment restrictions on Canadian tax-exempt savings vehicles.

Canadian corporations may well face more competition for capital in the near future and may feel pressure to abandon dual-class structures in order to attract investors. The budget adopted in May 2005 repealed a 30% cap on foreign investment by tax-exempt investment vehicles such as pensions and registered retirement savings plans. As a result, Canadian corporations may have to compete more vigorously for capital, as domestic savers can cast their nets wider.

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About NUPGE

The National Union of Public and General Employees (NUPGE) is a family of 14 component unions. Taken together we are the second largest union in Canada. Most of our 340,000 members work to deliver public services of every kind to the citizens of their home provinces, including health care, post-secondary education and community social services. We also have a large and growing number of members who work in the private sector, including the hospitality and brewing industries. Our members participate in pension funds with over \$70 billion in assets, some of which are members of the Canadian Coalition for Good Governance. NUPGE strongly supports sound corporate governance practices and socially responsible investment policies and strategies. *Web site:* www.nupge.ca

About SEIU

SEIU represents 1.8 million healthcare, building service, and public sector workers, including nearly 100,000 Canadian workers, who participate in pension funds with over \$1 trillion (US) in assets. SEIU is a longtime advocate of responsible corporate governance practices and an active member of the Council of Institutional Investors, an organization of over 130 pension funds whose assets exceed \$3 trillion (US). *Web site:* www.seiu.org

INTRODUCTION

Since the 1930s, academics, regulators and business commentators have agreed that large corporations with publicly traded securities face special problems in designing optimal corporate governance structures. The challenge they face stems from the fact that companies needing large amounts of equity capital must raise money from numerous, dispersed shareholders, who for a variety of reasons—such as lack of industry expertise, geographic dispersion and a large number of other investments—can’t take an active role in managing the business.

Accordingly, shareholders in these large corporations delegate the management of the corporation to the board of directors, which in turn empowers corporate officers to run the business from day to day. To protect the value of their investments, shareholders retain the right to elect the board, as well as the right to vote on fundamental changes to the corporation such as mergers and charter amendments. However, they entrust most power over corporate strategy and management to their agents, the board and management. It is thus critical for shareholders to ensure that those agents are accountable and acting in shareholders’ interests.

Customarily, holders of a corporation’s common stock have equal rights to capture the economic benefits of ownership—in the form of dividends and price appreciation—and to exercise control over the corporation. In some cases, though, corporations issue more than one class of common stock with different voting rights attached to each class. Although such arrangements can involve more than two classes, they are often referred to as “dual-class” structures. This report will use that nomenclature because it is in wide use. Dual-class structures vary, and section I of this report surveys the range of structures used by Canadian corporations whose securities are traded on the Toronto Stock Exchange.

The effect of dual-class structures is to give holders of one class of stock voting rights that are disproportionate to their economic ownership. This misalignment between shareholders’ economic and voting rights, in addition to simply being fundamentally unfair, increases the costs associated with the delegation of management authority (referred to by economists as “agency costs”) in several ways. It also distorts shareholders’ incentives and may lead to suboptimal decisions. These problems are discussed in detail in section II.

Dual-class structures are increasingly disfavored by institutional investors, who have taken a more active role in recent years in demanding corporate governance changes and incorporating corporate governance criteria into the investment process. The risk of dual-class structures has been highlighted for investors by the high-profile scandals at Hollinger and Adelphia, which employed dual-class structures. Section III describes these evolving investor attitudes and explores their implications for Canadian corporations with publicly traded securities as well as private Canadian corporations planning to offer securities to the public.

I. Survey of Dual Class Structures at Canadian Companies

As of April 2005, 6.57% of the 1,459 companies listed on the TSX have dual-class share structures (A list of these ninety-six companies is attached as Appendix A.) A wide variety of dual-class structures are used at Canadian corporations. Thirty-one companies whose securities trade on the TSX have a class of common stock with no voting rights at all. At other companies, holders of both classes vote, but the number of votes per share varies among classes. For example, at FirstService Corp., holders of the public class of stock, Subordinate Voting Shares, have one vote per share, while holders of the supervoting class, Multiple Voting Shares, have 20 votes per share. The voting power ratios (the difference between the votes per share exercised by holders of different classes of stock) range from 1:3 at St. Lawrence Cement Group Inc. to 1:2058.2 at Onex Corp. At seven companies with TSX-traded shares, there are three classes of common stock with different voting rights.

These ratios do not tell the whole story, however, regarding the voting power distortion caused by dual-class structures because the extent of such distortion also depends on the number of shares outstanding in each class. In this report, we calculate a new metric, “voting power distortion,” that quantifies how much more voting power holders of shares with superior voting rights (referred to in this report as the “supervoting stock”) have under the current structure than they would under a one-share/one-vote structure. For example, at Astral Media the supervoting class of stock exercises 144.12 times the voting power to which it would be entitled to under a one-share/one-vote structure.¹

Voting power distortion for all dual-class companies whose securities trade on the TSX is set forth in Appendix B. On average among companies with dual-class arrangements, supervoting stock represents 24.1% of outstanding shares but has 79.3% of total voting power.

The twenty companies with the highest voting power distortion are:

Company	VPD	Company	VPD
GLP NT Corporation	212505.13	Canadian Tire Corp. Ltd.	23.80
Central Fund of Canada Ltd.	2358.41	Shaw Communications Inc.	20.30
AGF Management Ltd.	1576.34	MDC Partners Inc.	19.96
Onex Corporation	834.69	Dundee Corporation Bancorp Inc.	19.58
Astral Media Inc.	144.12	Alliance Atlantis Communications Inc.	14.47
Oppenheimer Holdings Inc.	134.40	Metro Inc.	13.89
Magna International Inc.	81.71	CCL Industries Inc.	13.31
MI Developments Inc.	74.98	Akita Drilling Ltd.	11.26
Teck Cominco Ltd.	30.38	FirstService Corporation	10.85
Corus Entertainment Inc.	24.78	M8 Entertainment Inc.	9.58

Some examples illustrate the operation of the voting power distortion metric. At Dundee Corporation, supervoting stock constitutes only about 4% of outstanding shares but its holders control 81% of the voting power of the corporation. As a result, Dundee’s voting power

distortion is 19.58. At ADF Group, supervoting shares are about 54% of shares outstanding but control 92% of the voting power, yielding voting power distortion of only 1.7.

Unsurprisingly, some of the highest voting power distortion is seen at companies with nonvoting stock, because at these companies holders of even one share of voting stock would still exercise voting control. For example, at GLP NT Corporation, with voting power distortion of 212,505, holders of just 80 shares of voting stock control all of the company's voting power, while holders of 17,000,330 shares of nonvoting stock have no voting power. At Corby Distilleries Ltd., where voting power distortion is 1.16, there are 1,013,984 shares of nonvoting stock and 6,068,580 shares of stock with one vote per share.

In sum, a variety of dual-class structures are seen among Canadian companies whose securities trade on the TSX, but it is not possible to tell how disproportionate the voting power of a supervoting class of stock is simply from the ratio of voting rights. Our measure of voting power distortion expresses in a single number the misalignment between economic and voting power and gives investors an additional tool with which to evaluate risks presented by dual-class structures. Those risks are discussed in the following section.

II. Risks Posed by Dual-Class Structures

At the most basic level, dual-class structures are unfair to public shareholders as a matter of principle. The Canadian Coalition on Good Governance, a coalition of 32 Canadian institutional investors with approximately \$550 billion in assets under management, explained in a recent comment letter, “As a matter of principle the Coalition believes that no corporation should have dual class share structures that allow one class of share different voting rights than other classes of shares. . . .Any corporate governance regime is suspect if all the structures, protections and processes can be negated by a voting interest well beyond the economic interest...”²

Similarly, the proxy voting guidelines of the Ontario Teachers’ Pension Plan opine that “[d]ual-class share provisions create a ‘second class’ of common shares in every sense of the term.”³ The Shareholder Association for Research and Education (SHARE) admonished in a recent report on dual-class stock structures that “[f]ounding shareholders have freely made a decision to take their companies public. No one has forced them. In return for raising capital on the public markets, the public receives an equivalent amount of control.”⁴

This unfairness is particularly acute in light of the crucial role played by the board of directors and the effect dual-class structures have on public shareholders’ ability to select directors. The Ontario Teachers’ Pension Plan’s proxy voting guidelines stress the importance of the board: “The board of directors represents the shareholders and, as such, ought to play the most significant role in corporate governance at any company.”⁵ At nearly all of the companies listed in Appendix A, the dual-class structure results in the holders of the supervoting stock controlling more than 50% of the total voting power, giving them the power to elect the board. A few dual-class companies give public shareholders the right to elect a minority of the board.

Dual-class structures present real risks for public shareholders. These arrangements can serve to entrench poorly performing management and insulate them from accountability for their actions. To counter this risk, the Canadian Coalition for Good Governance has proposed that all companies with a dominant shareholder (through a dual-class structure or control of a single share class) should be required to have an independent Conduct Review Committee whose mandate is to monitor conflicts of interest, including related party transactions. In the worst-case scenario, a shareholder that controlled a company as the result of a dual-class structure could extract significant private benefits in the form of self-dealing transactions, compensation and perks, and public shareholders would have no ability to vote in a new board or otherwise take action to end the harmful behavior.

Indeed, this is exactly what the Special Committee of the Board of Directors of Hollinger International Inc. found had happened at that company, whose controlling shareholders, including former CEO Conrad Black, systematically looted the company through abusive self-dealing transactions. The Special Committee concluded that the dual-class structure that gave Black and his affiliates voting control over Hollinger regardless of their economic exposure “left them free to violate ethical norms or fiduciary duty standards without serious risk of challenge.”⁷ “The public company format,” according to the Special Committee’s

report, “left Black and [former COO] Radler free to prey on relatively uninformed and completely powerless equity investors to the extent Black’s hand-picked Board would allow.”⁸

Concerns over self-dealing at Royal Group Technologies Limited have spurred the proposed elimination of that company’s dual-class structure at the 2005 annual and special shareholders’ meeting.⁹ There, forensic accountants retained by a special board committee identified numerous related party transactions during the period from 1996 through 2004, some of which were conducted on non-arms-length terms and had not been properly disclosed to shareholders. The accountants also found improprieties in the calculation of certain items of executive compensation. Following delivery of the report, the controlling shareholder agreed to disgorge certain profits, repay bonus amounts and convert the company’s supervoting stock to single-voting stock.¹⁰

Some investors dismiss concerns over dual-class structures, asserting that they believe in the insiders who exercise voting control at a particular company and trust their ability to run the company. Presumably, if these investors lost confidence in the management team, they would simply sell the stock. That approach is not feasible, however, for passive investors, those that invest in all stocks in a particular index, or for investors whose horizons are more long-term. Such investors would want to be able to effect change at an underperforming company, and dual-class structures preclude shareholders from mounting challenges to incumbent management. Moreover, because certain industries—such as media, communications and entertainment¹¹—have a large concentration of dual-class companies, investors seeking to avoid this structure would find their investment choices to be limited.

The entrenching effect of dual-class structures also impairs the operation of the market for corporate control, which provides incentives for boards and managements to act in shareholders’ interests.¹² Proponents of dual-class arrangements defend the structures on the ground that they provide “stability and continuity” and, in the case of media companies, that they ensure editorial independence. From the perspective of a public shareholder, however, these are simply code for deterring takeovers that are not supported by the incumbent board and controlling shareholder but may be in the best interest of public shareholders.

Harvard Law School professor Lucian Bebchuk and two colleagues have identified ways in which the misalignment of economic and voting rights characteristic of dual-class structures distorts incentives and leads controlling shareholders to make decisions that may not be in the corporation’s, and public shareholders’, best interests. These incentives place strain on the corporate governance of dual-class companies and require shareholders to expend more effort monitoring the decisions made by controlling shareholders and the boards they elect. In the language of economics, dual-class structures increase agency costs.

First, Bebchuk and his co-authors show that the decision of a controlling shareholder to sell the firm will depend less on the value of the firm in the hands of a new owner, the criterion that is supposed to govern control decisions, but rather on the private benefits of control both to the controlling shareholder and the prospective acquirer. This distortion prevents efficient transfers of control and promotes inefficient transfers.¹³

Second, they assert that misalignment will cause a controlling shareholder to select projects that provide greater private benefits to it. Third, they show that companies with dual-class and other controlling-minority structures are more likely to evolve into conglomerates than firms without such structures, absent constraining governance mechanisms.¹⁴ On average, shares of stock in conglomerates trade at a 10-15% discount relative to the value imputed from single-segment companies in their industries.¹⁵

These risks and higher agency costs translate into poorer performance for dual-class companies as compared with their single-class peers:

- A 1996 study by Burgundy Asset Management of 413 Canadian corporations found that companies with dual-class structures underperformed companies with single-class structures.
- Similarly, Harvard's Paul Gompers and two colleagues concluded in a 2004 study that, among a large sample of U.S. firms, the disproportionate voting control for insiders afforded by dual-class structures correlated with poorer corporate performance.

In a 2003 study of Swedish firms with controlling minority structures (CMSs)—structures, including dual-class stock, that allow holders of a minority of shares to control the voting rights—Henrik Cronqvist and Matthias Nilsson found that agency costs were 6-25% higher than at firms without CMSs. The authors hypothesized that the discount resulted from the lower return on assets enjoyed by CMS companies.¹⁶

To conclude, dual-class structures violate the fundamental principle that public investors will have an ability to control the corporation that is consistent with their economic interest in the company. Such structures also give rise to a variety of risks that may impair the value of public shareholders' investments. The next section describes institutional investors' reactions to dual-class structures and explores how such structures may disadvantage Canadian companies in the global competition for capital.

III. Institutional Investors, Dual-Class Stock and the Competition for Capital

Since the corporate scandals at Enron, WorldCom, Tyco and Hollinger, institutional investors have put greater emphasis on the corporate governance of companies in which they invest. This heightened scrutiny has taken two forms. First, institutional investors are evaluating governance at their portfolio companies and taking steps to improve it. For example, an increasing number of institutional investors have adopted and implemented proxy voting guidelines, and the number of shareholder proposals has increased every year. According to data provided by SHARE, the number of proposals submitted at Canadian companies increased from 40 in 2001 to 134 in the 2005 proxy season.¹⁷

Second, investors are considering corporate governance as a risk factor in making investment decisions. As a result, companies with poor corporate governance may have a higher cost of capital. A survey by management consultancy McKinsey & Co. found that more than 80 percent of the investors surveyed would be willing to pay more for shares of a well-governed company than those of a poorly governed one with comparable financial performance, with the premium ranging from 18 percent for U.S. and U.K. firms to 27 percent for Indonesian firms. Further, credit rating agency Moody's Investor Service has begun incorporating corporate governance assessments into credit ratings.

There is a broad consensus among both Canadian and U.S. institutional investors that dual-class structures disadvantage public shareholders. This report has previously mentioned the stances taken by both the Canadian Coalition for Good Governance and SHARE against dual-class structures. The Alberta Teachers' Retirement Fund states in its proxy voting guidelines that issuance of multiple classes of stock with different voting rights "is not generally in the best interest of shareholders and should not be supported." Similar conclusions are drawn in the proxy voting guidelines of the British Columbia Investment Management Corp., Canada Pension Plan Investment Board, Ethical Funds Inc., Ontario Municipal Employees' Retirement System, and Ontario Teachers' Pension Plan, as well as in SHARE's model proxy voting guidelines.

In the U.S., leading governance ratings and proxy voting services disfavor the use of dual-class structures. Institutional Shareholder Services ("ISS"), Governance Metrics International and The Corporate Library all penalize companies for having such arrangements. When Google Inc. conducted an initial public offering in 2004, ISS stated that "Google's dual-class capital structure is one of the prime downward drivers of its governance scores," which were 4.2 on a scale from one to 100.¹⁸ Influential institutional investors and organizations, including the Council of Institutional Investors and the California Public Employees Retirement System, oppose dual-class structures.

Canadian corporations may well face more competition for capital in the near future and may feel pressure to abandon dual-class structures in order to attract investors. The budget adopted in May 2005 repealed a 30% cap on foreign investment by tax-exempt investment vehicles such as pensions and registered retirement savings plans. As a result, Canadian corporations may have to compete more vigorously for capital, as domestic savers can cast their nets wider. Press accounts have speculated that investors had already begun selling shares in dual-class companies even before the budget was passed.¹⁹

Appendix A

Dual-class companies traded on the TSX

ADF Group Inc.	Cossette Communication Group Inc.	MI Developments Inc.
AGF Management Ltd.	Danier Leather Inc.	Newfoundland Capital Corp.
Agricore United	Diaz Resources Ltd.	Onex Corporation
Akita Drilling Ltd.	Dorel Industries Inc.	Oppenheimer Holdings Inc.
Alimentation Couche Tard Inc.	Dundee Bancorp Inc.	Optimum General Inc.
Alliance Atlantis Communications Inc.	Electrohome Limited	Pan-Ocean Energy Corporation
Andres Wines Ltd.	Empire Company Ltd.	Power Corporation of Canada
Arbor Memorial Services Inc.	EXFO Electro-Optical Engineering Inc.	Premier Tech Ltee.
Astral Media Inc.	Extendicare Inc.	Prometic Life Sciences Inc.
Atco Ltd.	Fairfax Financial Holdings Ltd.	Quebecor Inc.
Becker Milk Co. Ltd. (The)	FirstService Corporation	Quebecor World Inc.
BMTC Group Inc.	Four Seasons Hotels Inc.	Reitmans (Canada) Ltd.
Bombardier Inc.	GLP NT Corporation	Rogers Communications Inc.
Brampton Brick Ltd.	Graystone Corporation	Royal Group Technologies Limited
Caldwell Partners International Inc.	GSW Inc.	Shaw Communications Inc.
Call-Net Enterprises Inc.	Guardian Capital Group Ltd.	Shawcor Ltd.
Canadian Tire Corp. Ltd.	Hammond Manufacturing Co. Ltd.	Spectra Group of Great Restaurants
Canadian Utilities Ltd.	Hammond Power Solutions Inc.	Spectra Premium Industries Inc.
Canam Manac Group Inc. (The)	Inscape Corporation	St. Lawrence Cement Group Inc.
Canwest Global Communications Corp.	International Forest Products Ltd.	Stonington Capital Corporation
CCL Industries Inc.	Jean Coutu Group (PJC) Inc.	Teck Cominco Ltd.
Celestica Inc.	La Senza Corporation	Teknion Corporation
Central Fund of Canada Ltd.	Laperriere & Verreault Inc. (Groupe)	Telus Corporation
CGI Group Inc.	Lassonde Industries Inc.	Torstar Corporation
Chateau Inc. (Le)	Lindsey Morden Group Inc.	Transcontinental Inc.
CHC Helicopter Corp.	Logistec Corp.	Trizec Canada Inc.
Chum Ltd.	M8 Entertainment Inc.	TVA Group Inc.
Cogeco Cable Inc.	Magna Entertainment Corp.	Uniforet Inc.
Cogeco Inc.	Magna International Inc.	Van Houtte inc.
Coolbrands International inc.	MDC Partners Inc.	Velan Inc.
Corby Distilleries Ltd.	Metro Inc.	Viceroy Homes Ltd.
Corus Entertainment Inc.		Wecast Industries Inc.
		Zenon Eironmental Inc.

Appendix B

Voting Power Dilution of TSX listed dual-class companies

Company	VPD	Company	VPD
GLP NT Corporation.	212505.13	Laperriere & Verreault Inc. (Groupe).	4.27
Central Fund of Canada Ltd..	2358.41	Lindsey Morden Group Inc.	4.22
AGF Management Ltd..	1576.34	Arbor Memorial Services Inc.	4.20
Onex Corporation	834.69	Transcontinental Inc.	4.17
Astral Media Inc.	144.12	Chum Ltd..	4.07
Oppenheimer Holdings Inc.	134.40	Extendicare Inc.	3.91
Magna International Inc.	81.71	Danier Leather Inc..	3.87
MI Developments Inc.	74.98	Shawcor Ltd.	3.77
Teck Cominco Ltd..	30.38	Bombardier Inc..	3.62
Corus Entertainment Inc.	24.78	Stonington Capital Corporation	3.40
Canadian Tire Corp. Ltd.	23.80	Spectra Group of Great Restaurants	3.39
Shaw Communications Inc.	20.30	Becker Milk Co. Ltd. (The)	3.34
MDC Partners Inc.	19.96	Brampton Brick Ltd.	3.32
Dundee Corporation	19.58	Canam Manac Group Inc. (The).	3.28
Alliance Atlantis Communications Inc..	14.47	Canadian Utilities Ltd.	2.88
Metro Inc.	13.89	Alimentation Couche Tard Inc.	2.84
CCL Industries Inc.	13.31	Van Houtte inc.	2.52
Akita Drilling Ltd.	11.26	Quebecor Inc.	2.44
FirstService Corporation	10.85	BMTC Group Inc..	2.44
M8 Entertainment Inc.	9.58	Quebecor World Inc.	2.39
Atco Ltd.	8.58	Inscape Corporation.	2.39
Call-Net Enterprises Inc.	8.45	Hammond Manufacturing Co. Ltd..	2.30
International Forest Products Ltd.	8.42	Hammond Power Solutions Inc.	2.30
Pan-Ocean Energy Corporation	8.15	La Senza Corporation.	2.30
Torstar Corporation	7.87	Viceroy Homes Ltd.	2.22
TVA Group Inc.	7.07	Cossette Communication Group Inc.	2.22
Trizec Canada Inc.	6.99	Cogeco Cable Inc.	2.21
Guardian Capital Group Ltd.	6.87	Canwest Global Communications Corp.	2.04
Premier Tech Ltee.	6.79	Jean Coutu Group (PJC) Inc..	1.94
CHC Helicopter Corp.	6.62	Empire Company Ltd.	1.88
Cogeco Inc.	6.36	Telus Corporation.	1.88
Four Seasons Hotels Inc..	6.34	Magna Entertainment Corp..	1.76
Celestica Inc.	5.98	St. Lawrence Cement Group Inc.	1.74
CGI Group Inc.	5.94	ADF Group Inc.	1.72
Diaz Resources Ltd. *	5.65	Spectra Premium Industries Inc.	1.70
Fairfax Financial Holdings Ltd.	5.48	Lassonde Industries Inc.	1.68
Reitmans (Canada) Ltd.	5.18	EXFO Electro-Optical Engineering Inc.	1.67
Coolbrands International inc.	5.07	Logistec Corp.	1.66
Electrohome Limited	5.07	Chateau Inc. (Le)	1.63
Newfoundland Capital Corp.	5.06	Wescast Industries Inc.	1.54
Power Corporation of Canada	5.05	Teknion Corporation	1.51
Andres Wines Ltd.	4.95	Optimum General Inc.	1.34
Uniforet Inc..	4.93	Velan Inc..	1.32
Rogers Communications Inc.	4.89	Zenon Eironmental Inc.	1.23
Royal Group Technologies Limited *	4.72	Corby Distilleries Ltd.	1.17
Prometic Life Sciences Inc.	4.59	Agricore United	1.02
Caldwell Partners International Inc..	4.45		
GSW Inc.	4.40		
Dorel Industries Inc.	4.36		
Graystone Corporation.	4.30		

* Pending Management proposal on proxy to eliminate dual class structure.

Endnotes

1. Our calculation of voting power distortion—the difference in voting power between the current dual-class structure and a one-share/one-vote regime—involves several steps.
 1. Calculate the total number of shares outstanding in all classes (“Total Outstanding Shares”).
 2. Calculate the percentage of Total Outstanding Shares represented by shares with greater voting power, or in the case of corporations with non-voting common stock, by shares with voting power (in each case, “Supervoting Shares”). This percentage represents the voting power the Supervoting Shares would have under a one-share/one-vote arrangement (“One-Share/One-Vote Voting Power”).
 3. Calculate the percentage of total voting power held by the Supervoting Shares under the current dual-class structure (“Current Voting Power”).
 4. Divide Current Voting Power by One-Share/One-Vote Voting Power. The resulting multiple expresses the voting power distortion.
2. Letter dated Dec. 10, 2004 to Gilles Gauthier, Director, Corporate and Insolvency Law Policy Directorate, Industry Canada, available on www.ccg.ca.
3. http://www.otpp.com/web/website.nsf/web/Guidelines_DualClassShareStructures.
4. SHARE, “Second Class Investors: The use and abuse of subordinated shares in Canada,” (available at <http://www.share.ca/files/pdfs/SHARE%20Dual%20Class%20-%20final1.pdf>), at 18.
5. http://www.otpp.com/web/website.nsf/web/Guidelines_BoardsofDir.
6. Mary Ann Gratton, “Board Games,” *News@UofT*, September 8, 2003. <http://www.news.utoronto.ca/bin5/030908i.asp>
7. Report of Investigation of the Special Committee of the Board of Directors of Hollinger International Inc., at 27-28 (Aug. 30, 2004).
8. *Id.* at 29.
9. See Notice and Management Proxy Circular filed on May 2, 2005.
10. See Material Change Report filed on April 1, 2005.
11. See SHARE Report, *supra* note 4, at 11.
12. See John Bizjak et al., “The Market for Corporate Control in Canada: The Case of Poison Pills,” at 2 (Jan. 1999).
13. Lucian A. Bebchuk et al., “Stock Pyramids, Cross-Ownership and Dual Class Equity: The Mechanisms and Agency Costs of Separating Control from Cash-Flow Rights,” in *Concentrated Corporate Ownership* (2000).
14. *Id.*
15. Timothy Burch et al., “Industry Structure and the Conglomerate ‘Discount’: Theory and Evidence,” at 1, 3 (Aug. 2000) (available at www.ssrn.com).
16. Henrik Cronqvist & Matthias Nilsson, “Agency Costs of Controlling Minority Shareholders,” 38 *J. Fin. & Quantitative Analysis* No. 4 (2003).
17. See <http://www.share.ca/index.cfm/fuseaction/page.inside/pageID/751215E5-B0D0-157F-F405B9A1ABA8AE7B/index.cfm>.
18. Institutional Shareholder Services, “Google’s Governance Practices Lead to Low CGQ,” *CGQ View* (April 2004) (available at <http://www.issproxy.com/institutional/analytics/May2004CGQView.htm>).
19. Eric Reguly, “Suddenly Free, Funds Vote With Their Feet Over Dual-Class Shares,” *Globeadvisor.com*, Mar. 31, 2005.