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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF
THE CHIEF
ECONOMIST

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OFFICE OF THE DIRECTOR
CORPORATION FINANCE

MEMORANDUM

January 14, 1986

TO : Chairman John S.R. Shad

FROM : Gregg A. Jarrell *GA Jarrell*
 Tony Tri *Tony Tri*
 Office of the Chief Economist

RE : Updating Evidence on Relative Market Prices of
 Dual-Class Common Stock, U.S. and Canadian
 Firms.

The data summarized below is developed in accordance with your direction for its inclusion in our on-going study "Corporate Governance, NYSE Delistings and The Issuance of New Stock classes as An Anti-Takeover Device."

The attached table compares the 12 month-end average price of superior voting stock with that of inferior voting stock of 44 Amex and OTC firms with unequal voting rights for the October 1984 - September 1985 period. For 27 of these firms, the average price of superior voting stock traded at a premium, ranging from a low of one percent to a high of 27 percent, relative to the price of the inferior voting stock. The two classes traded at identical prices (or very close) for eleven cases. The remaining seven cases show the inferior voting stock trading at a premium, the highest (Brown Forman) being eight percent! We expect our further investigation to reveal that these seemingly perverse cases are explained by superior dividends or other compensations going to the inferior voting classes.

The overall average price premium of the superior voting stock relative to the inferior voting stock for both groups of Amex and OTC firms, taken together or separately, is about three percent. This average premium for hi-vote stock is lower than the five percent premium found in a study (1983) by Lease, McConnell and Mikkelson, but this difference is not "statistically significant."

A very recent working paper on dual-voting stock for Canadian firms shows an even larger premium of seven percent for superior voting to inferior voting shares. This average premium covers 33 publicly-traded Canadian firms that issued dual classes (usually via a stock split) between January 1976 and December 1984.

I think this advance information may be of interest to you.

cc: Commissioner Cox
Commissioner Peters
Commissioner Grundfest
Commissioner Fleischmann
Linda Quinn
Rick Ketchum
John Huber
Jeffry Davis
Joe Connolly
Gary Lynch

Comparisons of Market Prices of Publicly Traded Firms'
Dual Classes of Common Stock with Unequal Voting Rights
October 1984 - September 1985

Amex Firms	12 month-end Average Price		Part I	% of months where superior voting stock relative to inferior voting stock is		
	(A)	(B)	Ratio of Average Price A/B	Higher	Lower	Equal
	Stock with Superior Voting Rights	Stock with Inferior Voting Rights				
American Fructose	\$ 6.36	\$ 6.68	.95	8	75	17
American Maize Products	14.23	14.96	.95	0	92	8
Bio-Rad Lab.	17.80	18.00	.99	8	92	0
Blount, Inc.	15.81	15.98	.99	17	58	25
*Brown Forman	31.68	34.40	.92	0	100	0
Care Corp.	11.99	11.53	1.04	66	17	17
Charter Medical	28.97	28.39	1.02	66	17	17
Crown Central Petroleum	13.77	11.04	1.25	100	0	0
Diagnostic/Retrieval Sys.	7.23	6.77	1.07	83	0	17
Everest & Jenning Int'l	8.18	8.11	1.01	42	33	25
Forest City Enterprises	21.83	21.74	1.00	75	8	17
Harvey Hubbell	36.06	36.17	1.00	33	50	17
McRae Industries	2.83	2.91	.97	25	42	33
Moog, Inc.	14.79	14.77	1.00	33	33	34
Odetics, Inc.	8.20	6.46	1.27	83	8	9
*Plymouth Rubber	2.85	2.88	.99	25	43	32
Presidential Realty	11.75	9.92	1.18	100	0	0
Resorts Int'l	45.44	41.97	1.08	100	0	0
Saunders Leasing System	5.72	5.74	1.00	42	58	0
Three D. Depts.	4.57	4.41	1.04	33	25	42
United Foods	1.69	1.73	.98	16	42	42
Watsco	10.06	8.80	1.14	100	0	0
A.O. Smith	16.78	15.69	1.07	100	0	0
Wang Lab	21.29	21.34	1.00	42	50	8
Mean of Amex Firms	\$ 15.00	\$ 14.60	1.03			

Comparisons of Market Prices of Publicly Traded Firms'
Dual Classes of Common Stock with Unequal Voting Rights
October 1984 - September 1985

<u>OTC Firms</u>	<u>12 month-end Average Price</u>		<u>Part II</u>	% of months where superior voting stock relative to inferior voting stock is		
	<u>(A)</u> Stock with Superior Voting Rights	<u>(B)</u> Stock with Inferior Voting Rights	<u>Ratio of Average Price A/B</u>	<u>Higher</u>	<u>Lower</u>	<u>Equal</u>
Associated Communications	\$ 22.36	\$ 22.18	1.01	75	8	17
Base Ten System	11.05	9.63	1.15	100	0	0
Cerberonics	7.81	7.82	1.00	33	58	9
Colonial Banc Group	14.67	14.00	1.05	83	17	0
Dickenson Mines Ltd.	4.41	4.40	1.00	50	50	0
*Equitable of Iowa	22.75	21.95	1.04	100	0	0
*First American Bank Trust	10.51	9.02	1.17	100	0	0
*Food Lion, Inc.	16.47	15.39	1.07	75	8	17
Hechinger	22.04	21.25	1.04	58	17	25
Int'l Bank of Washington	11.55	10.40	1.11	58	33	9
Jones Inter-cable	5.61	5.32	1.05	75	0	25
*Kelly Services, Inc.	35.79	35.31	1.01	42	50	8
Methode Electronics	11.93	11.51	1.04	83	9	8
Mobile Communications	9.43	9.02	1.05	100	0	0
*Multnomah Kennel Club	6.50	5.96	1.09	66	17	17
Pasquale Food	13.46	13.30	1.01	50	33	17
*Petroleum Helicopters	7.17	7.07	1.01	66	25	9
*Rose Stores	21.52	22.84	.94	17	83	0
Tele Communications	27.44	27.57	1.00	33	50	17
Wiley (John) & Sons	<u>30.86</u>	<u>30.25</u>	<u>1.02</u>	66	17	17
Mean of OTC Firms	\$ 15.67	\$ 15.21	1.03			

*With these firms, stock with inferior voting rights denotes non-voting.