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PROFESSIONAL LIABILITY UNDERWRITING SOCIETY

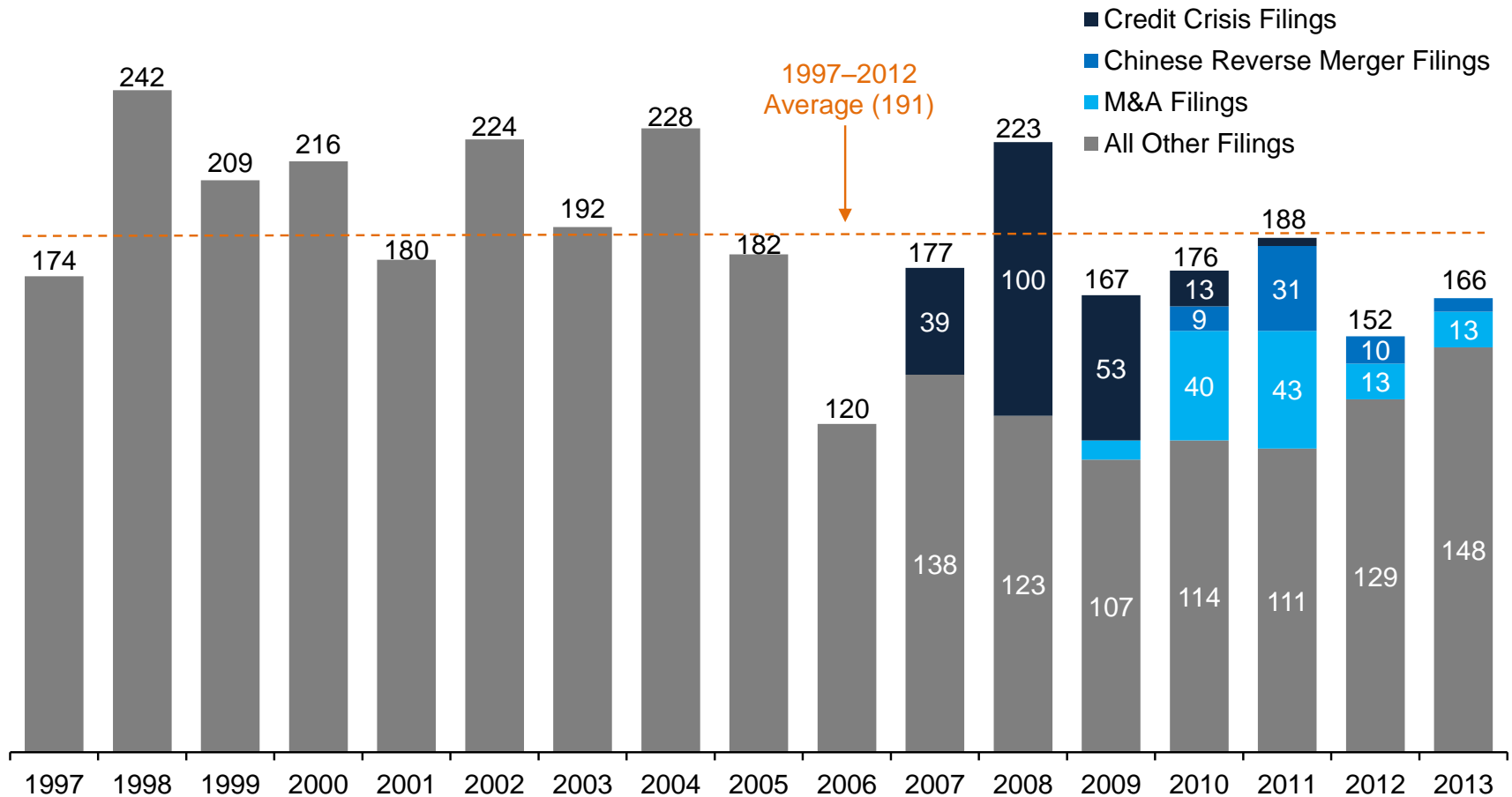
# Securities Class Action Trends

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Cornerstone Research  
May 2014



# Class Action Filings (CAF) Index™

## Annual Number of Class Action Filings 1997–2013



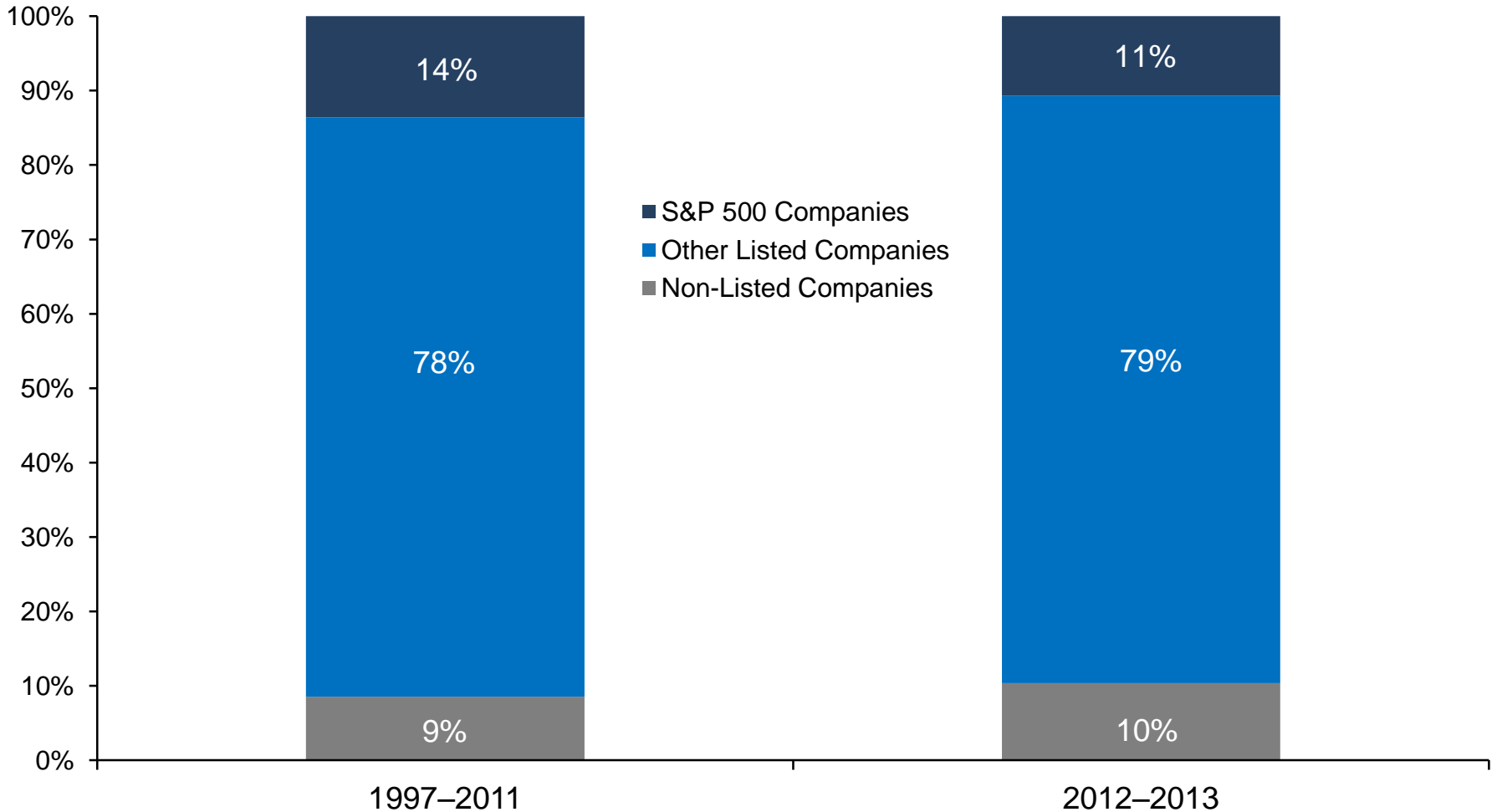
Source: Securities Class Action Clearinghouse

Note: 1. There were two cases in 2011 that were both an M&A filing and a Chinese Reverse Merger company. These filings were classified as M&A filings in order to avoid double counting.

2. The sample used in this data exclude IPO allocation, analyst, and mutual fund filings.

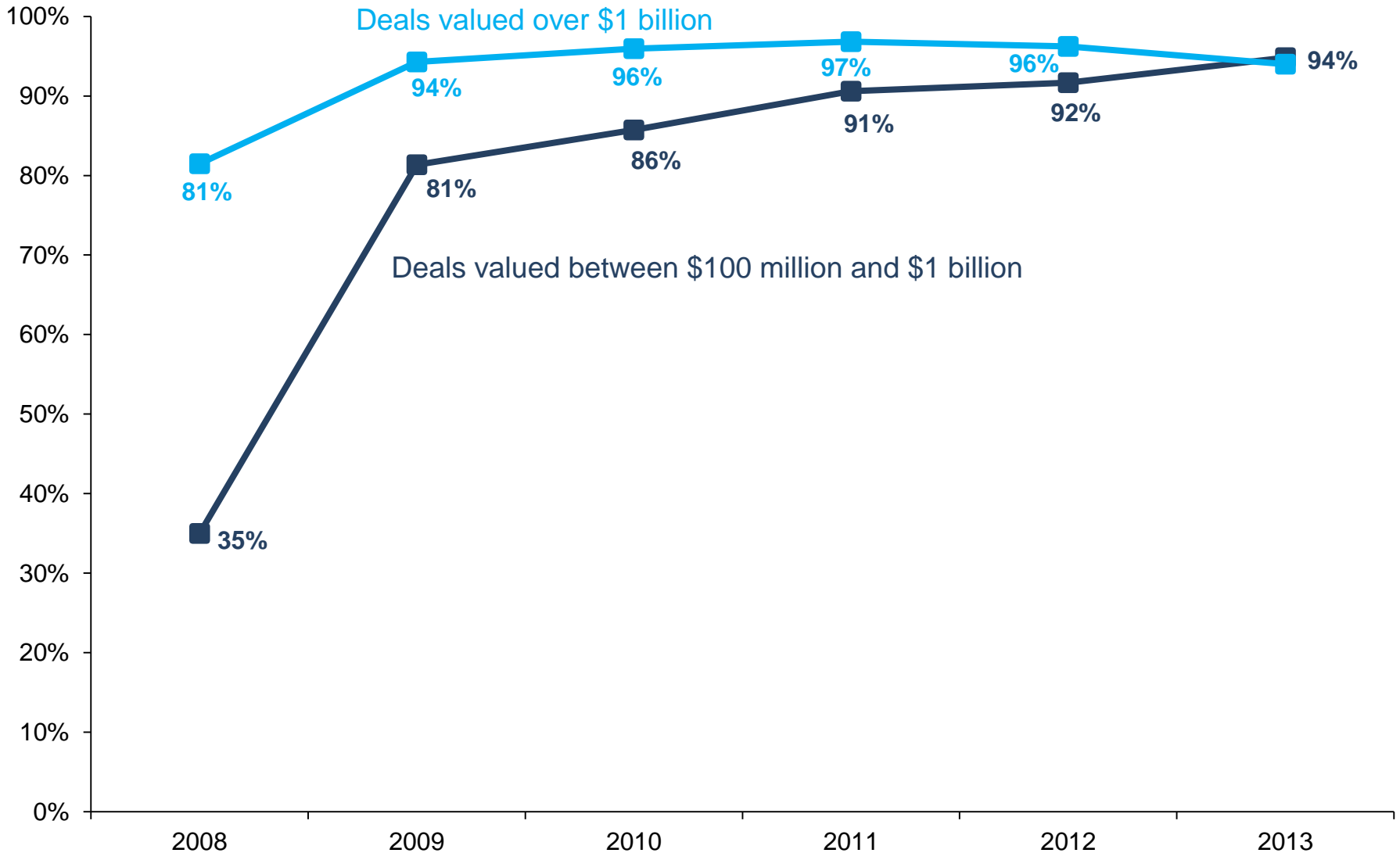
# Composition of Filings

## Historical Period vs. Last Two Years



Source: Securities Class Action Clearinghouse; Capital IQ

# Percent of 2013 Deals Litigated



Source: Thomson Reuters SDC; Dockets

# XYZ Company

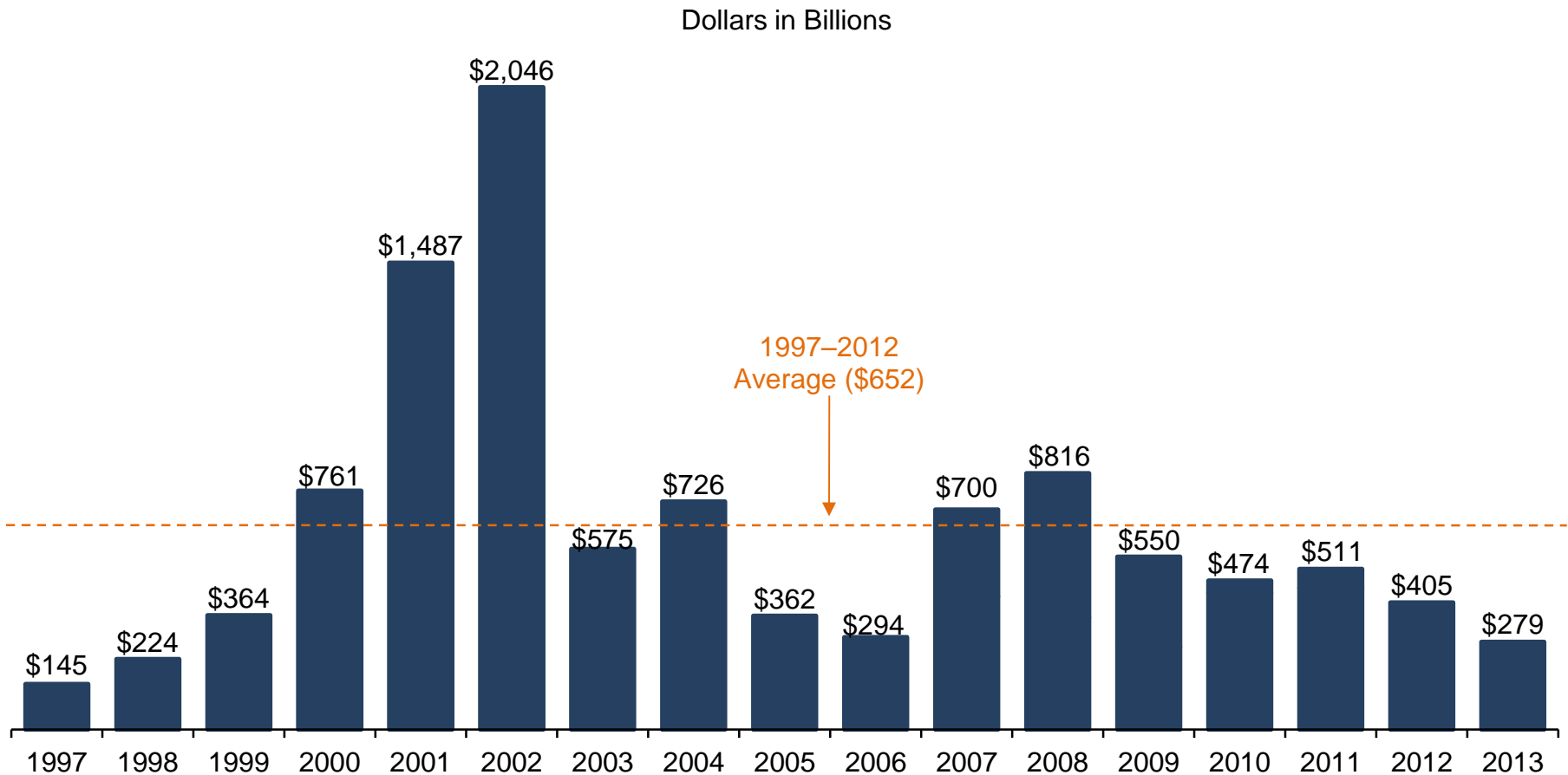
## Market Capitalization, Disclosure Dollar Loss, and Maximum Dollar Loss: 1/3/07–7/1/11



Source: CRSP

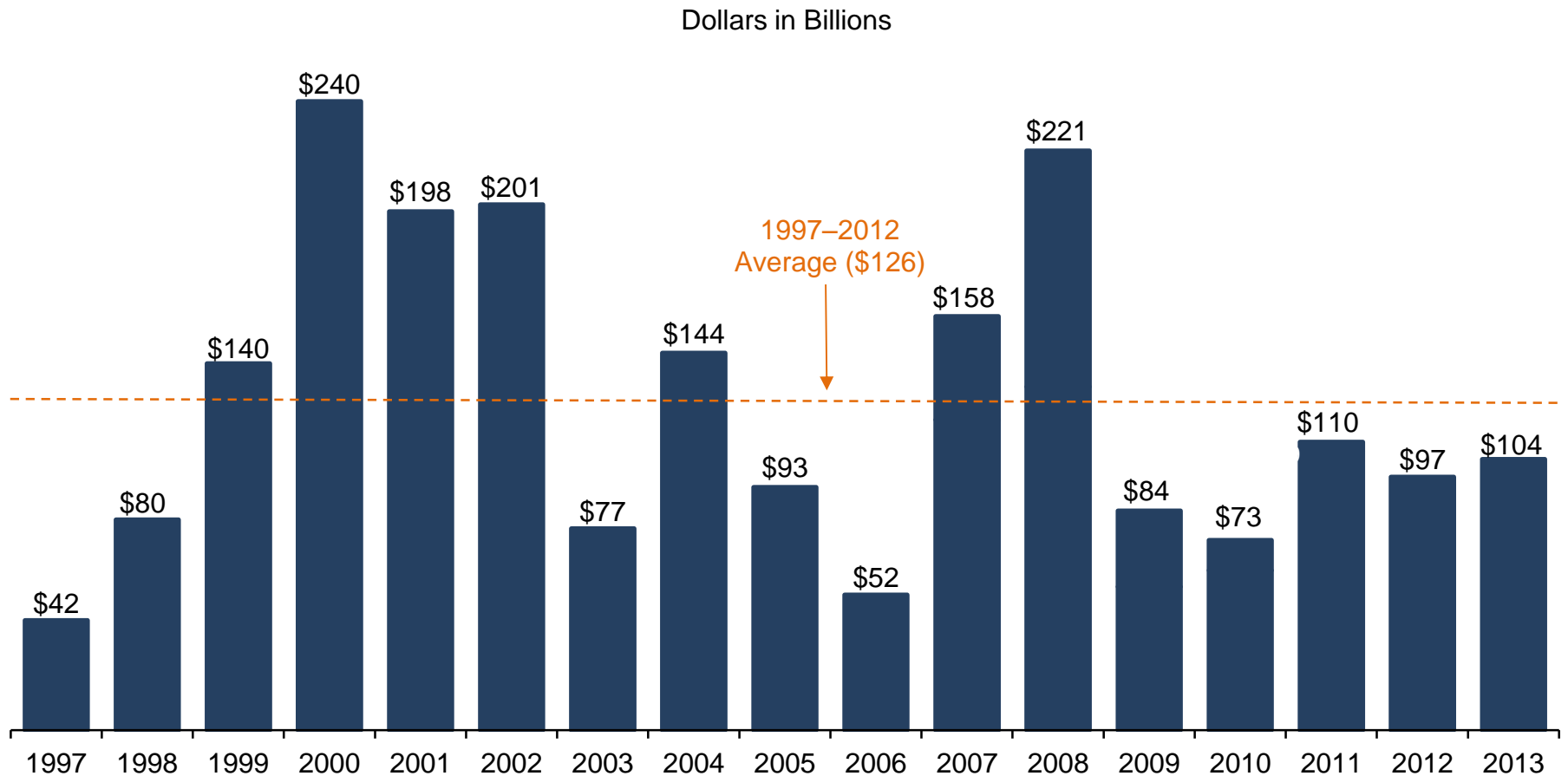
- Note: 1. Disclosure Dollar Loss is the dollar value change in the defendant firm's market capitalization between the trading day immediately preceding the end of the class period and the trading day immediately following the end of the class period.
2. Maximum Dollar Loss is the dollar value change in the defendant firm's market capitalization from the trading day with the highest market capitalization during the class period and the trading day immediately following the end of the class period.

# Maximum Dollar Loss (MDL) Index 1997–2013



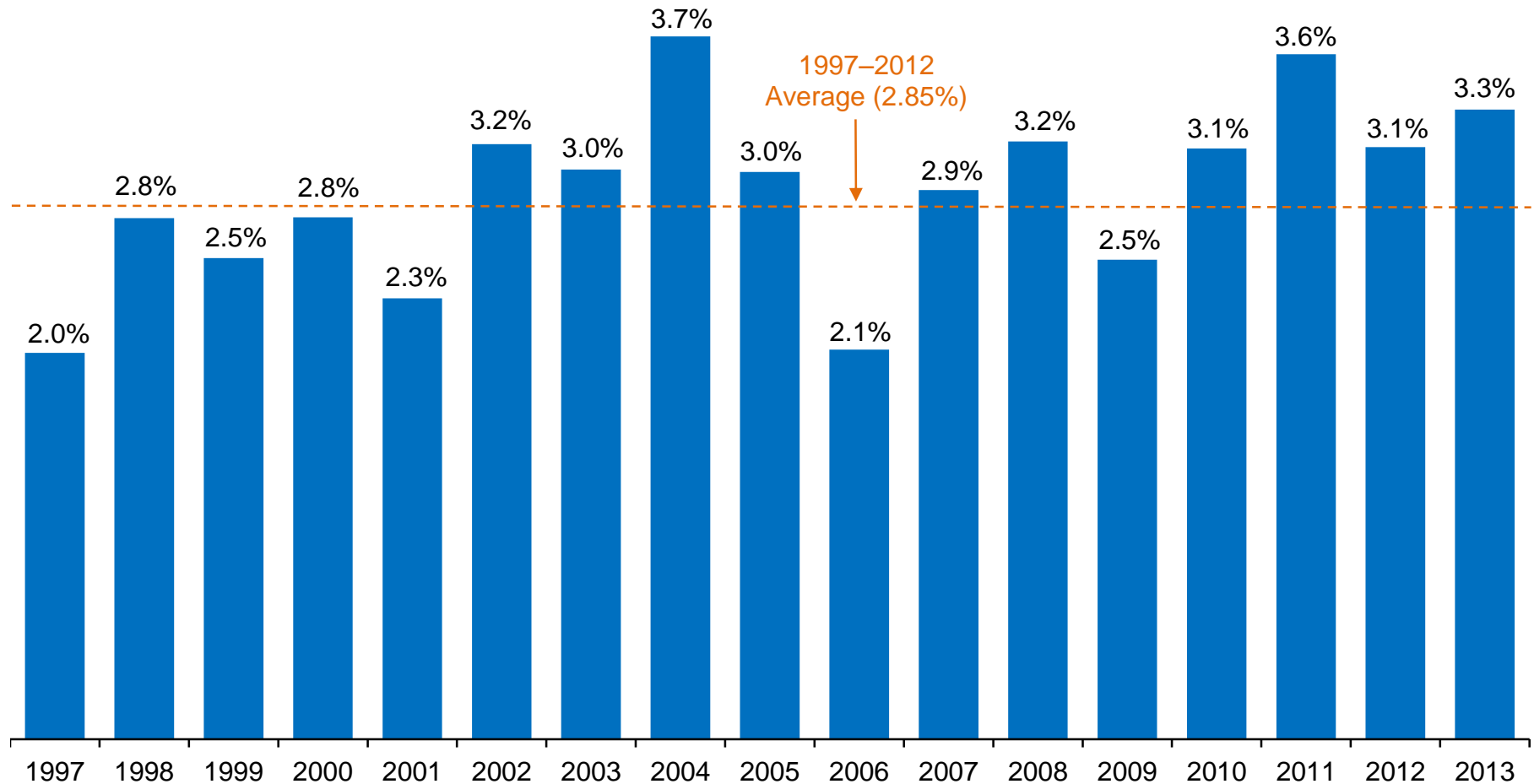
Source: Securities Class Action Clearinghouse; CRSP

# Disclosure Dollar Loss (DDL) Index 1997–2013



Source: Securities Class Action Clearinghouse; CRSP

# Percentage of Unique Listed Issuers Subject to Filings 1997–2013



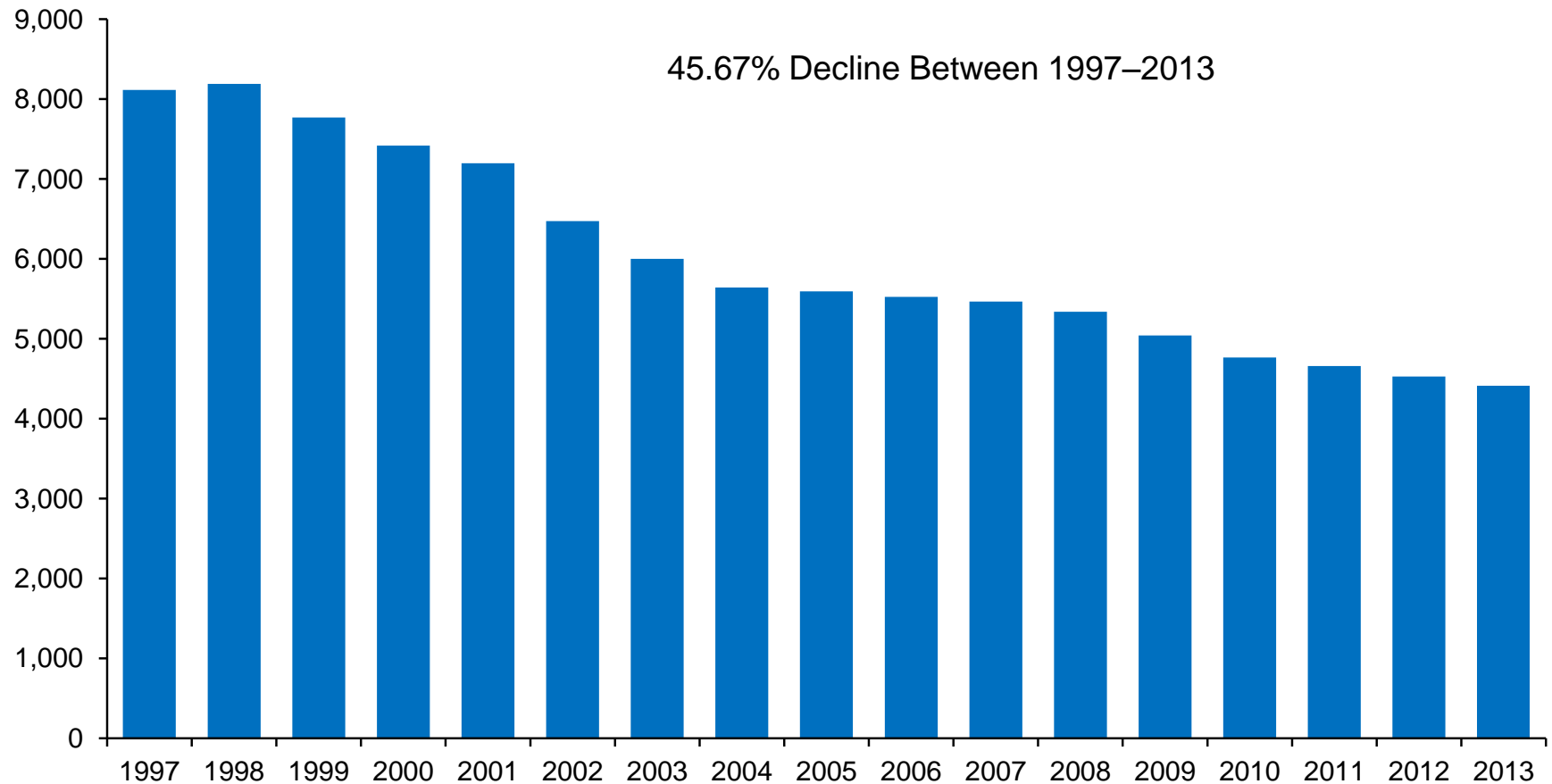
Source: Securities Clearinghouse; CRSP

Note: Percentages are calculated by dividing the count of issuers who were subject to filings by the number of companies listed on the NASDAQ or NYSE as of the beginning of the year.



# Number of Companies Listed on US Exchanges 1997–2013

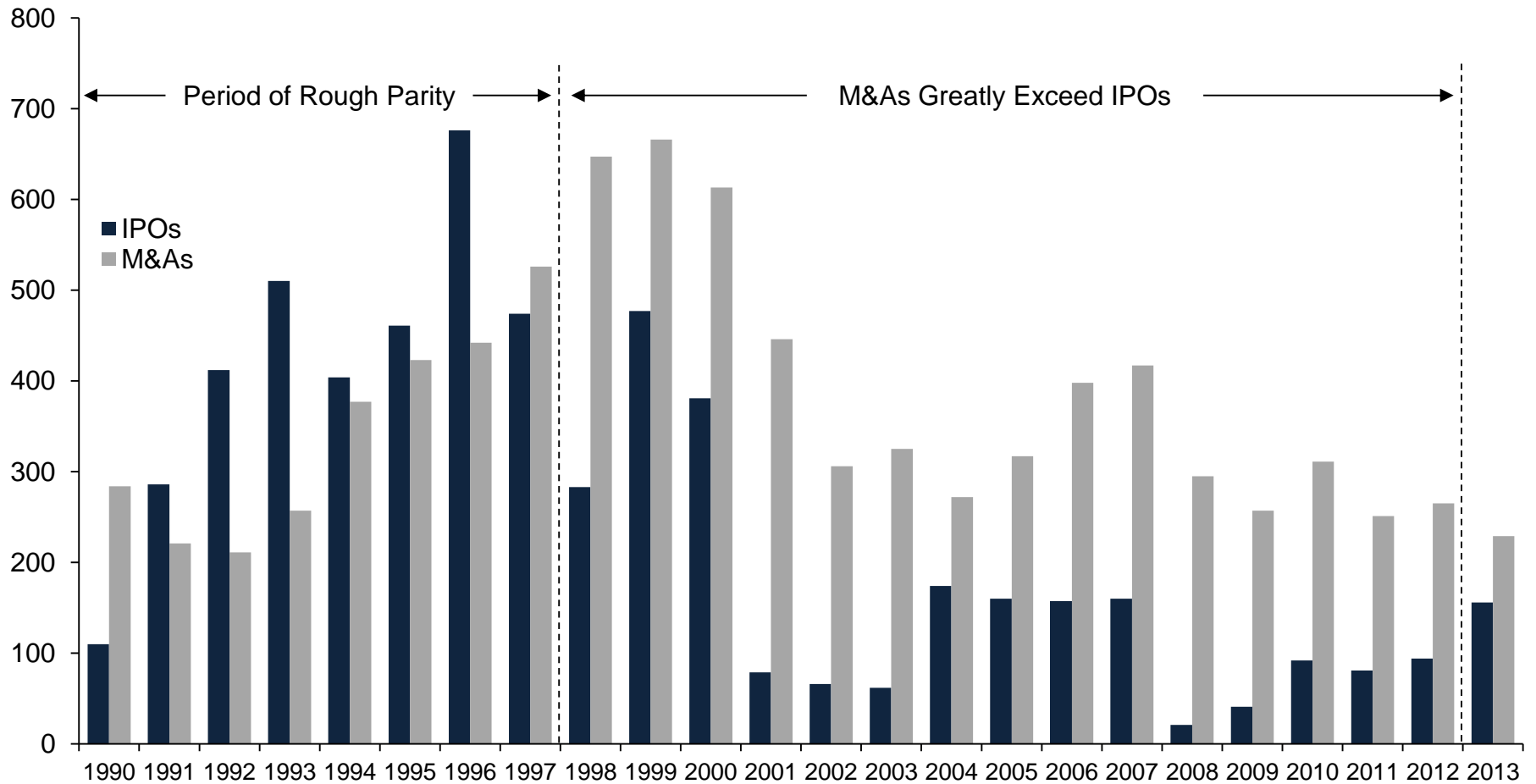
Number  
of Companies



Source: CRSP

Note The number of companies for each year was identified by taking the count of listed securities at the beginning of each year and accounting for cross-listed companies or companies with more than one security traded on a given exchange. Securities were counted if they were classified as common stock or ADRs and listed on the NYSE or Nasdaq.

# Annual Number of US IPOs and M&As 1990–2013



Source: Securities Class Action Clearinghouse; Renaissance Capital; Ritter, Jay R. (2013), *Initial Public Offerings: Updated Statistics*.

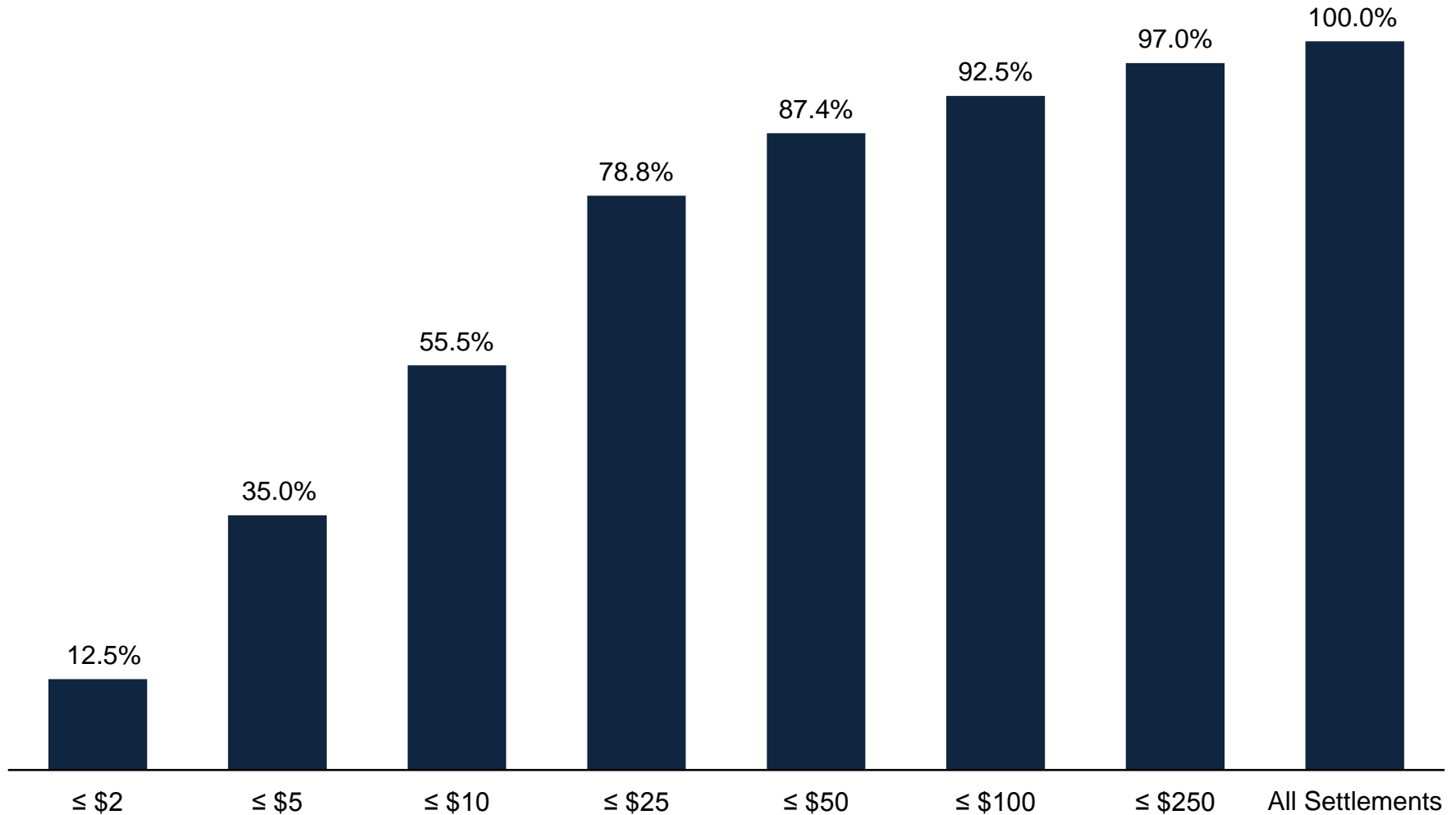
Note: Only M&A deals involving companies that are listed on US exchanges and IPOs with an offer price of at least \$5, excluding ADRs, unit offers, closed-end funds, REITs, partnerships, small best efforts offers, banks and S&Ls, and stocks not listed on CRSP are included in this analysis.

# Trivia Facts about Securities Class Actions

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- Companies in the S&P 500 Index as of year-end 1999 had a 50% chance of being subject to at least one securities class action in the next 11 years.
  - Chances were higher for telecom (62%), healthcare (77%) and financial (82%) companies.
- IPOs: likelihood of being subject to at least one securities class action in the first 3 years: 10%; in 11 years: 29%.
- Typical decline at the end of the class period for a large company (top quarter in our sample): 14.4%
- Typical decline at the end of the class period for the rest of the companies: 26.7%.

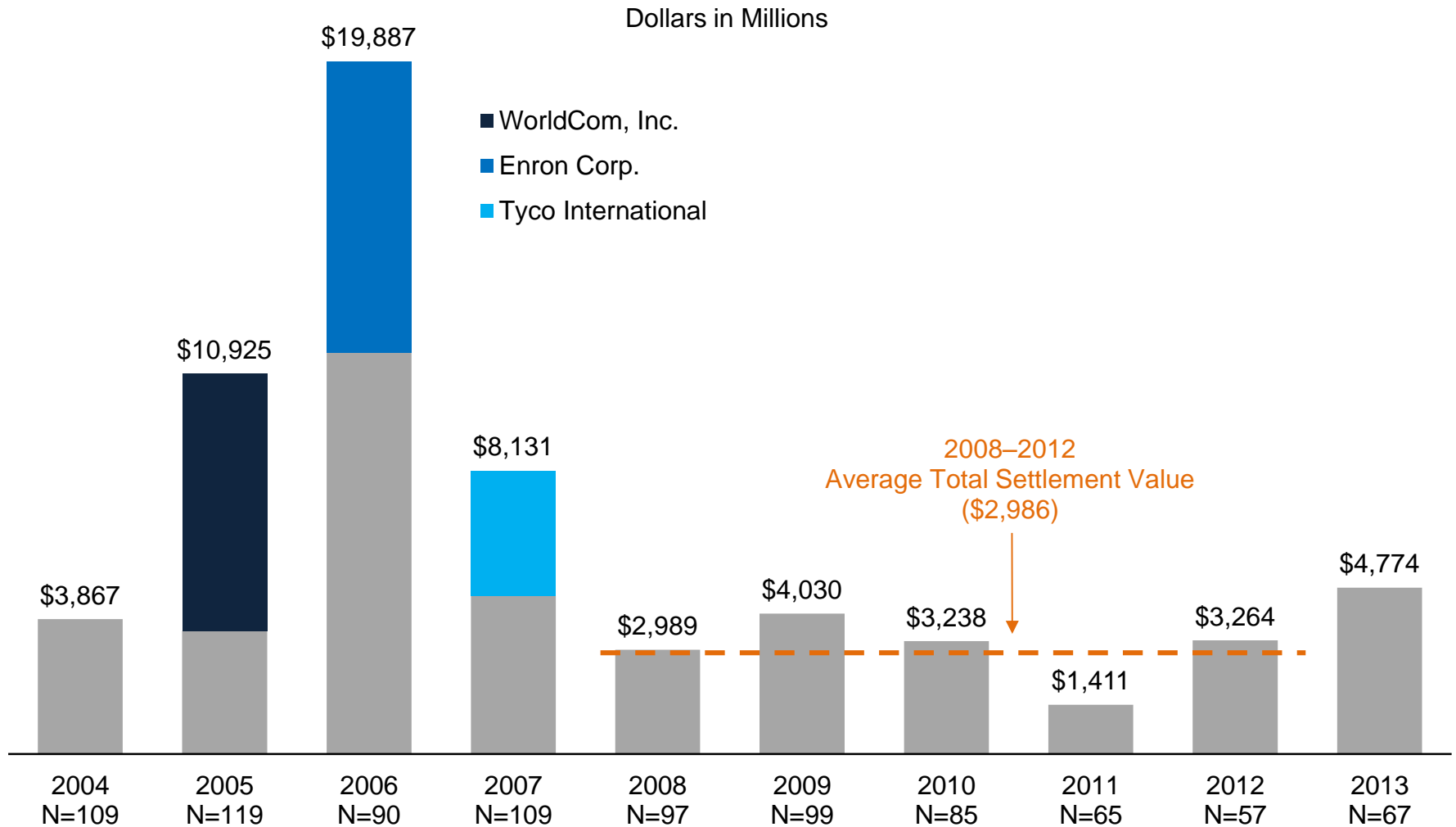
# Cumulative Ten-Year Settlement Distribution 2004–2013



Source: Cornerstone Research

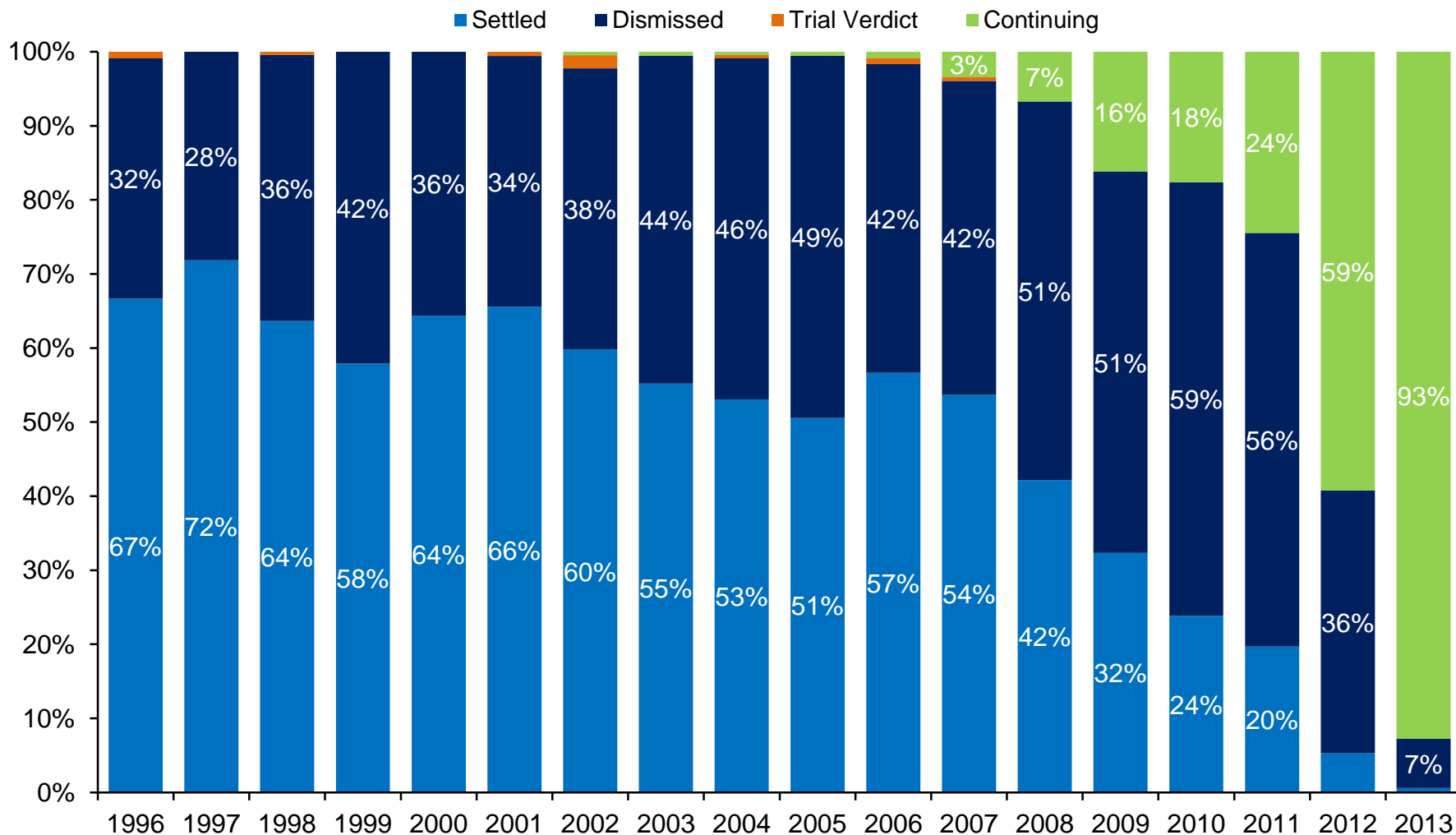
Note: Settlement dollars adjusted for inflation; 2013 dollar equivalent figures used.

# Total Settlement Dollars 2004–2013



Source: Cornerstone Research

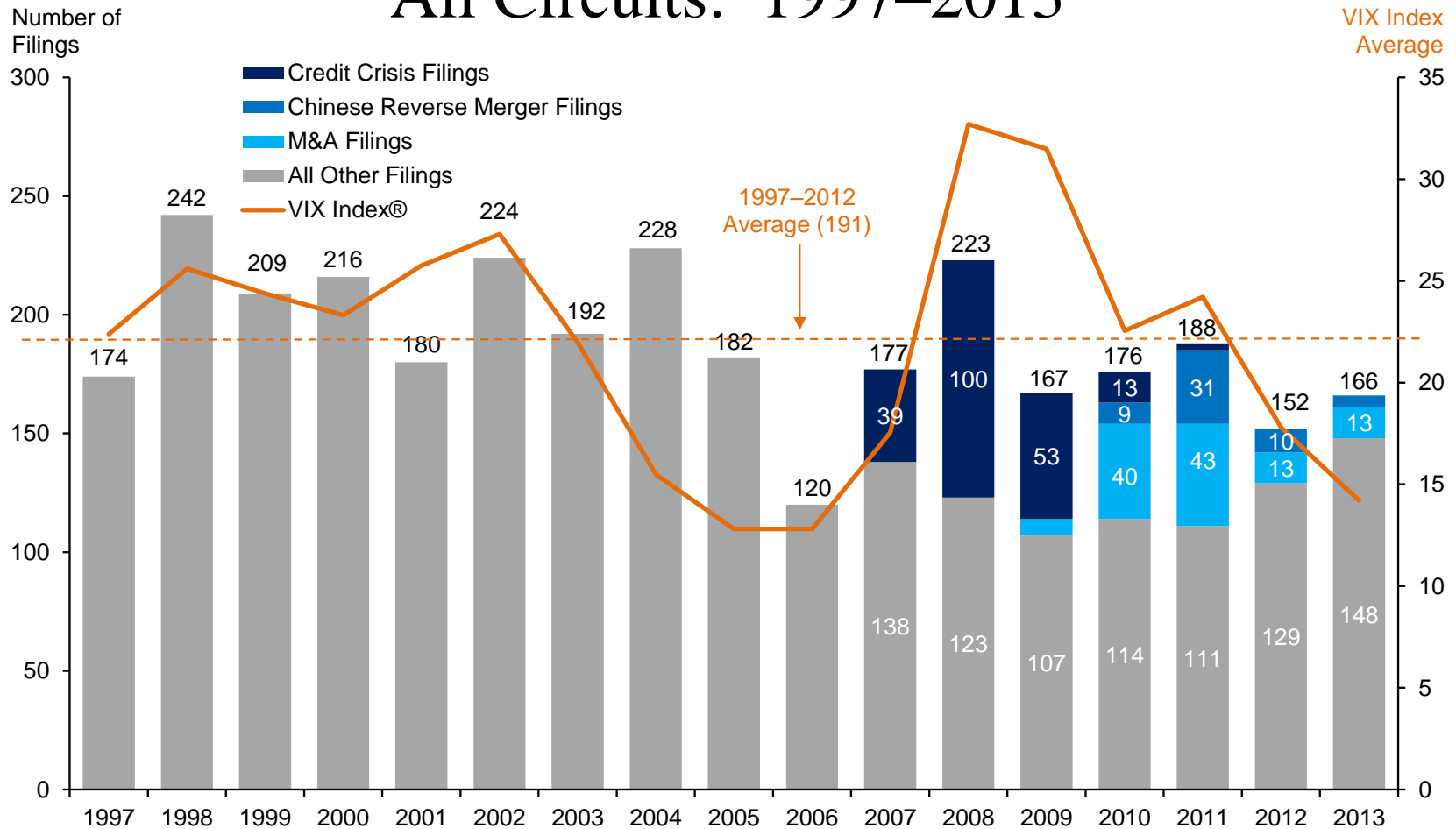
# Status of Securities Class Action Filings by Year Filed 1996–2013



Source: Securities Class Action Clearinghouse

# Appendix

# Annual Number of Class Action Filings and CBOE Volatility Index® (VIX): All Circuits: 1997–2013



Source: Securities Class Action Clearinghouse; *Bloomberg*

Note: 1. There were two cases in 2011 that were both an M&A filing and a Chinese Reverse Merger company. These filings were classified as M&A filings in order to avoid double counting.

2. The sample used in this data exclude IPO allocation, analyst, and mutual fund filings.



# Heat Maps of S&P 500 Securities Litigation™

## Percent of Companies Subject to New Filings<sup>1</sup>

### 2000–2013

	Average 2000–2012	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Consumer Discretionary	5.1%	3.3%	2.4%	10.2%	4.6%	3.4%	10.3%	4.4%	5.7%	4.5%	3.8%	5.1%	3.8%	4.9%	8.4%
Consumer Staples	3.6%	7.3%	8.3%	2.9%	2.9%	2.7%	8.6%	2.8%	0.0%	2.6%	4.9%	0.0%	2.4%	2.4%	0.0%
Energy	2.2%	0.0%	0.0%	8.0%	0.0%	4.2%	0.0%	0.0%	0.0%	0.0%	2.6%	7.7%	0.0%	4.5%	0.0%
Financials	10.3%	4.2%	1.4%	16.7%	8.6%	19.3%	7.3%	2.4%	10.3%	31.2%	13.1%	10.3%	1.2%	3.7%	0.0%
Health Care	8.9%	2.6%	7.1%	15.2%	10.4%	10.6%	10.7%	6.9%	12.7%	13.7%	3.7%	15.4%	2.0%	3.8%	5.7%
Industrials	3.2%	2.8%	0.0%	6.0%	3.0%	8.5%	1.8%	0.0%	5.8%	3.6%	6.9%	0.0%	1.7%	1.6%	0.0%
Information Technology	6.4%	9.7%	18.2%	10.3%	5.2%	3.6%	7.5%	9.0%	2.6%	2.9%	0.0%	3.9%	6.6%	4.3%	8.6%
Materials	1.1%	4.1%	0.0%	0.0%	2.9%	0.0%	3.1%	0.0%	0.0%	0.0%	0.0%	3.2%	0.0%	0.0%	0.0%
Telecommunication Services	7.5%	23.1%	16.7%	15.4%	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	11.1%	0.0%	11.1%	0.0%	14.3%
Utilities	6.7%	5.0%	7.9%	40.5%	2.8%	5.7%	3.0%	0.0%	3.1%	3.2%	0.0%	0.0%	8.8%	3.1%	0.0%
<b>All S&amp;P 500 Companies</b>	<b>5.9%</b>	<b>5.0%</b>	<b>5.6%</b>	<b>12.0%</b>	<b>5.2%</b>	<b>7.2%</b>	<b>6.6%</b>	<b>3.6%</b>	<b>5.4%</b>	<b>9.2%</b>	<b>4.8%</b>	<b>5.4%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>3.4%</b>

Legend    0%    0%–5%    5%–15%    15%–25%    25%+

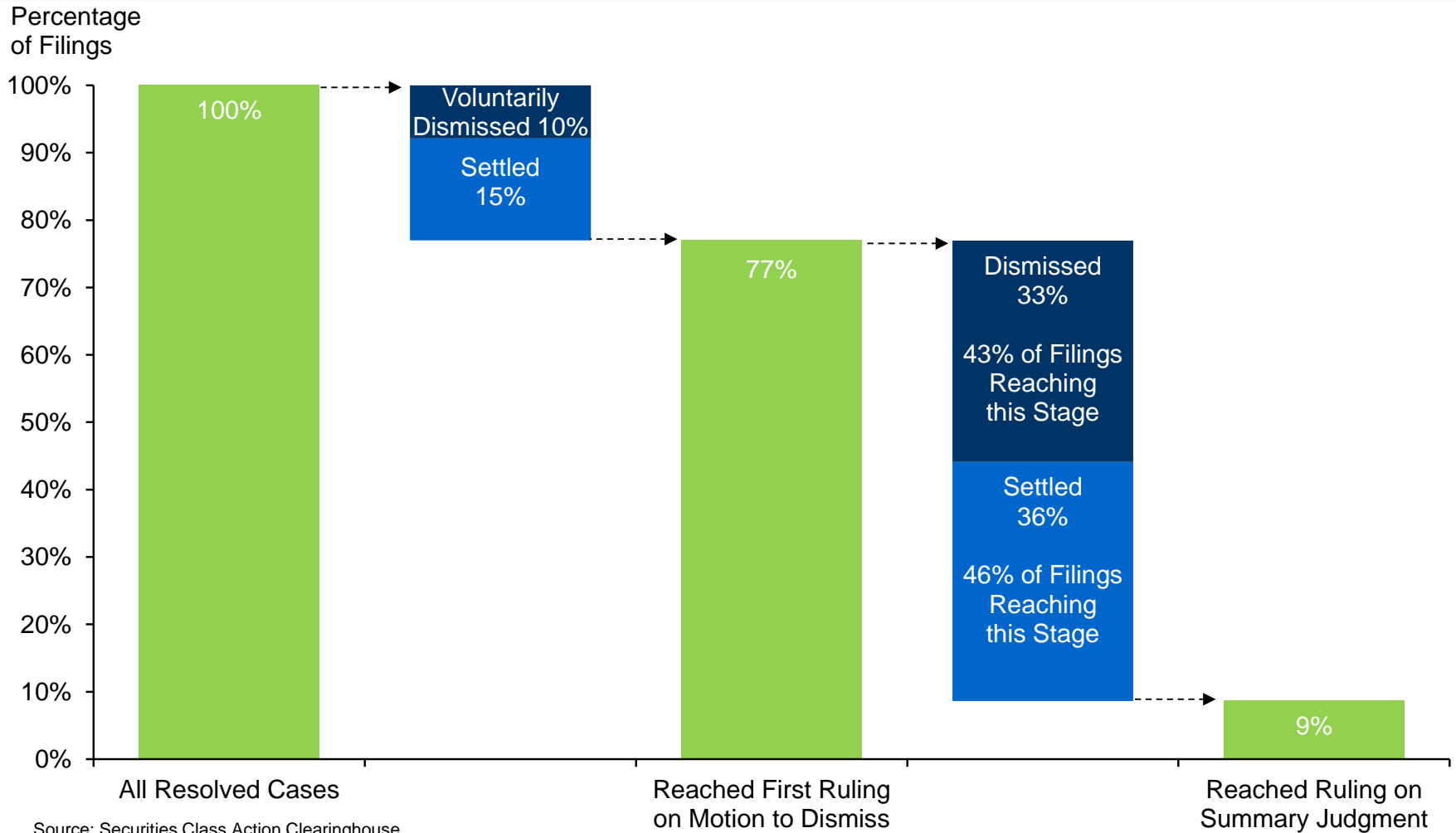
Source: Securities Class Action Clearinghouse; Capital IQ

Note: 1. The chart is based on the composition of the S&P 500 as of the last trading day of the previous year.

2. Sectors are based on the Global Industry Classification Standard.

3. Percentage of Companies Subject to New Filings equals the number of companies subject to new securities class action filings in federal courts in each sector divided by the total number of companies in that sector.

# Progression and Resolution of Filings 1996–2012

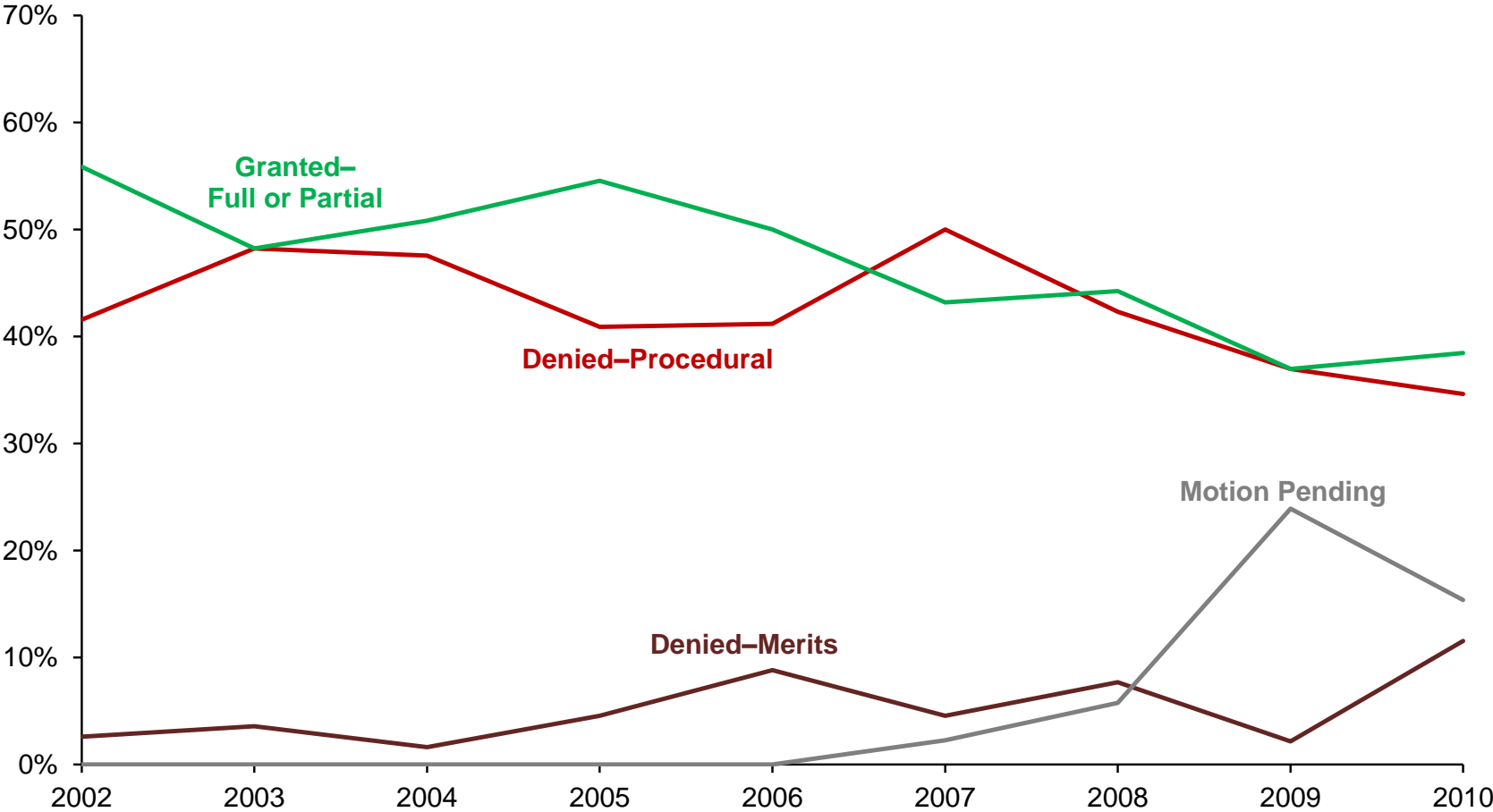


Source: Securities Class Action Clearinghouse

Note: 1. These figures are calculated using non-M&A Classic Filings from 1996 to 2011 that have been resolved. Out of the 2,726 non-M&A Classic Filings that were resolved, 2,581 have sufficient information to track case progression and resolution.

2. Figures may not add due to rounding.

# Outcomes of Motions of Class Certification As a Percentage of Filings with Class Certification Motions By Year of Filing 2002 – 2010



Note: 1. Of the 198 cases in which class certification was denied on merit-based or procedural reasons, ten are ongoing.  
2. No ruling was found for six cases in which class certification was denied. They are included in the category "Denied - Procedural."