

CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

Accounting Class Action Filings and Settlements

2020 Review and Analysis

Table of Contents

Executive Summary	1
Filings	2
Accounting Case Filings	2
Semiannual Accounting Case Filings	3
Accounting Case Filing Lag	4
Accounting Case Filings and Market Capitalization Losses	5
Status of Accounting Case Filings	6
Timing of Dismissals of Accounting Case Filings	7
Settlements	8
Number of Accounting Case Settlements	8
Accounting Case Settlement Value	9
Firm Size	10
Accounting Case Filings by Firm Size	10
Accounting Case Settlements by Firm Size	11
Industry	12
Accounting Case Filings by Industry	12
Accounting Case Settlements by Industry	13
Restatements	14
Accounting Case Filings Involving Restatements	14
Accounting Case Settlements Involving Restatements	15
Internal Control Weaknesses	16
Accounting Case Filings Involving Allegations of Internal Control Weaknesses	16
Accounting Case Settlements Involving Allegations of Internal Control Weaknesses	17
Factors Affecting Settlements of Cases Involving GAAP Allegations	18
Median “Simplified Tiered Damages”	18
Median Settlement Amounts	19
Median Settlements as a Percentage of “Simplified Tiered Damages”	20
Appendices	21
Research Sample	25
Endnotes	25
About the Authors	26

Table of Figures

Figure 1: Filings and Settlements Summary Statistics	1
Figure 2: Accounting Case Filings as a Percentage of Total Filings	2
Figure 3: Semiannual Accounting Case Filings	3
Figure 4: Accounting Case Filings and Annual Median Lag between Class Period End Date and Filing Date	4
Figure 5: Accounting Case Filings and Disclosure Dollar Loss Index® (DDL Index®)	5
Figure 6: Status of Accounting Case Filings by Year	6
Figure 7: Percentage of Accounting Case Filings Dismissed within Three Years of Filing Date	7
Figure 8: Accounting Case Settlements as a Percentage of Total Settlements	8
Figure 9: Accounting Case Settlement Dollars as a Percentage of Total Settlement Dollars	9
Figure 10: Accounting Case Filings and Median Market Capitalization of Issuer Defendants	10
Figure 11: Accounting Case Settlements and Median Market Capitalization of Issuer Defendants	11
Figure 12: Percentage of Accounting Case Filings by Industry	12
Figure 13: Percentage of Accounting Case Settlements by Industry	13
Figure 14: Accounting Case Filings Involving Restatements	14
Figure 15: Accounting Case Settlements Involving Restatements	15
Figure 16: Accounting Case Filings Involving Allegations of Internal Control Weaknesses	16
Figure 17: Accounting Case Settlements Involving Allegations of Internal Control Weaknesses	17
Figure 18: Median “Simplified Tiered Damages” by Case Type	18
Figure 19: Median Settlement Amounts by Case Type	19
Figure 20: Median Settlements as a Percentage of “Simplified Tiered Damages” by Case Type	20
Appendix 1: Total Accounting Case Filings (Core and M&A) as a Percentage of Total Filings	21
Appendix 2: Accounting Case Filings and Exchange	21
Appendix 3: Accounting Case Filings by Industry	22
Appendix 4: Accounting Case Filings by Circuit	22
Appendix 5: Accounting Case Settlements and Exchange	23
Appendix 6: Accounting Case Settlements by Industry	23
Appendix 7: Accounting Case Settlements by Circuit	24

Executive Summary

Against the backdrop of a worldwide pandemic and a decline in overall securities class action filing activity, the number of securities class action filings involving accounting allegations increased for the third consecutive year.

The value of all accounting case settlements was more than \$3.5 billion and represented 84% of the total value of all settlements in 2020.

- There were 70 securities class action filings involving accounting allegations (“accounting case filings” or “accounting cases”) during 2020, the second-highest level in the last 10 years.¹ (page 2)
- Market capitalization losses for accounting case filings reached its highest level in the last 10 years as the trend of filings against larger defendant firms continued. (page 5)
- In 2020, 37% of accounting case filings involved allegations of improper revenue recognition compared to 19% in 2019. (page 2)
- The number and proportion of securities class action settlements involving accounting allegations (“accounting case settlements”) increased moderately over 2019. (page 8)
- The total value of accounting case settlements in 2020 more than tripled the amount for the prior year and exceeded the 2011–2019 annual average. (page 9)
- The median settlement amount for accounting cases increased only slightly compared to 2019, while the average settlement increased 240%. (Figure 1)

Figure 1: Filings and Settlements Summary Statistics

(Dollars in millions)

	Accounting Cases		Non-Accounting Cases	
	2019	2020	2019	2020
Filings Summary				
Total Number of Filings	67	70	177	154
Total Disclosure Dollar Loss (DDL)	\$54,841	\$67,762	\$232,217	\$176,548
Settlements Summary				
Number of Settlements	34	38	40	39
Total Settlement Value	\$932	\$3,546	\$1,120	\$654
Median Settlement	\$10.6	\$10.8	\$12.7	\$10.1
Average Settlement	\$27.4	\$93.3	\$28.1	\$16.8

Note: Dollar values are adjusted for inflation; 2020 dollar equivalent figures are used.

Filings

Accounting Case Filings

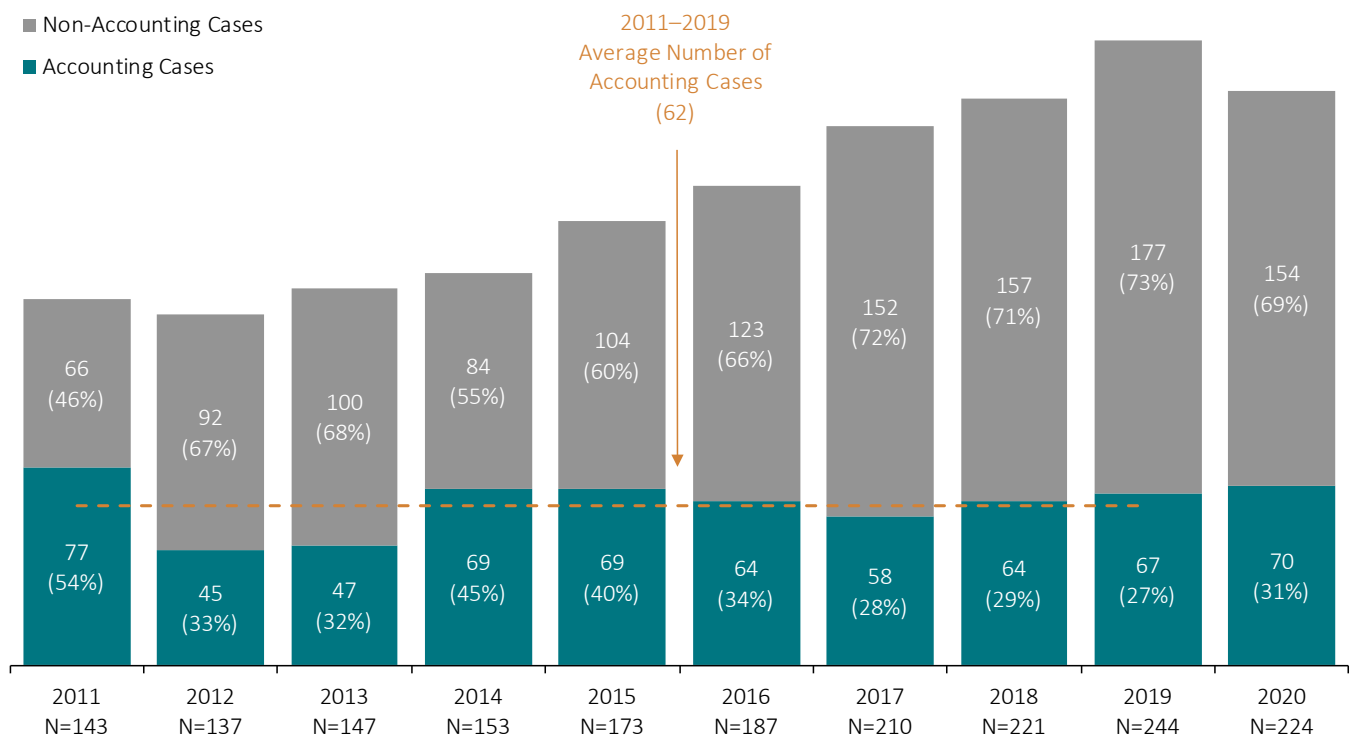
This year’s report focuses on federal securities class action filings containing Rule 10b-5, Section 11, or Section 12(a) claims, previously referred to as “core” filings.²

- Despite the drop in total securities class action filings in 2020, accounting case filings increased. The number of accounting case filings in 2020 was 13% higher than the 2011–2019 average.

The total number of accounting case filings reached its second-highest level in the last 10 years.

- As a percentage of total filings, accounting case filings increased to 31%, the highest level in four years.
- Improper revenue recognition was alleged in 26 accounting case filings in 2020, nearly twice as often as in 2019.

Figure 2: Accounting Case Filings as a Percentage of Total Filings 2011–2020

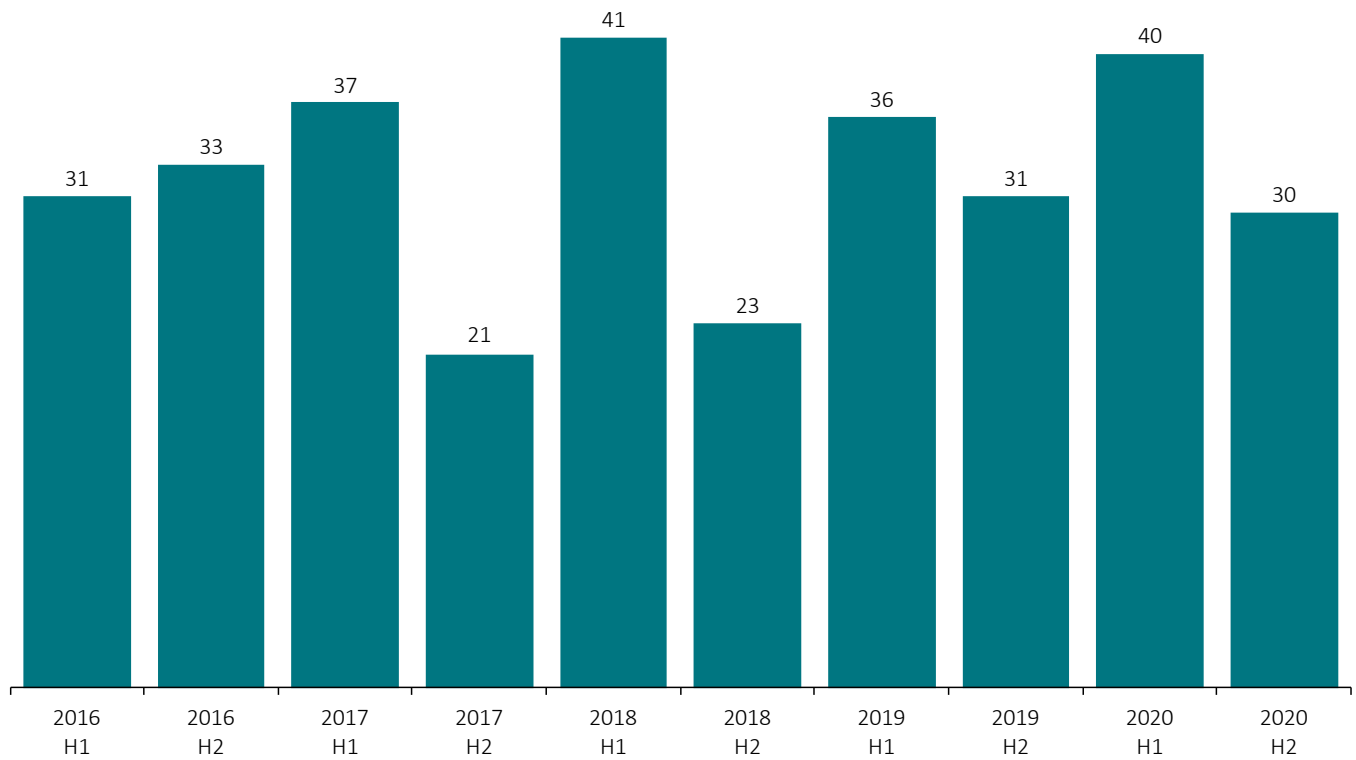


Semiannual Accounting Case Filings

- Accounting case filing activity for the first half of 2020 was the second highest in any semiannual period in the last nine years.
- For the fourth consecutive year, the pace of accounting case filings was lower in the second half of the year.
- Although there were fewer accounting case filings in the second half of 2020, the DDL for those cases represented more than half of the total DDL for the entire year.

Despite the onset of the worldwide pandemic, the number of accounting case filings in the second half of 2020 was in line with the second half of 2019.

Figure 3: Semiannual Accounting Case Filings 2016–2020



Accounting Case Filing Lag

This analysis identifies the number of days between the end of the class period and the filing date of an accounting case.

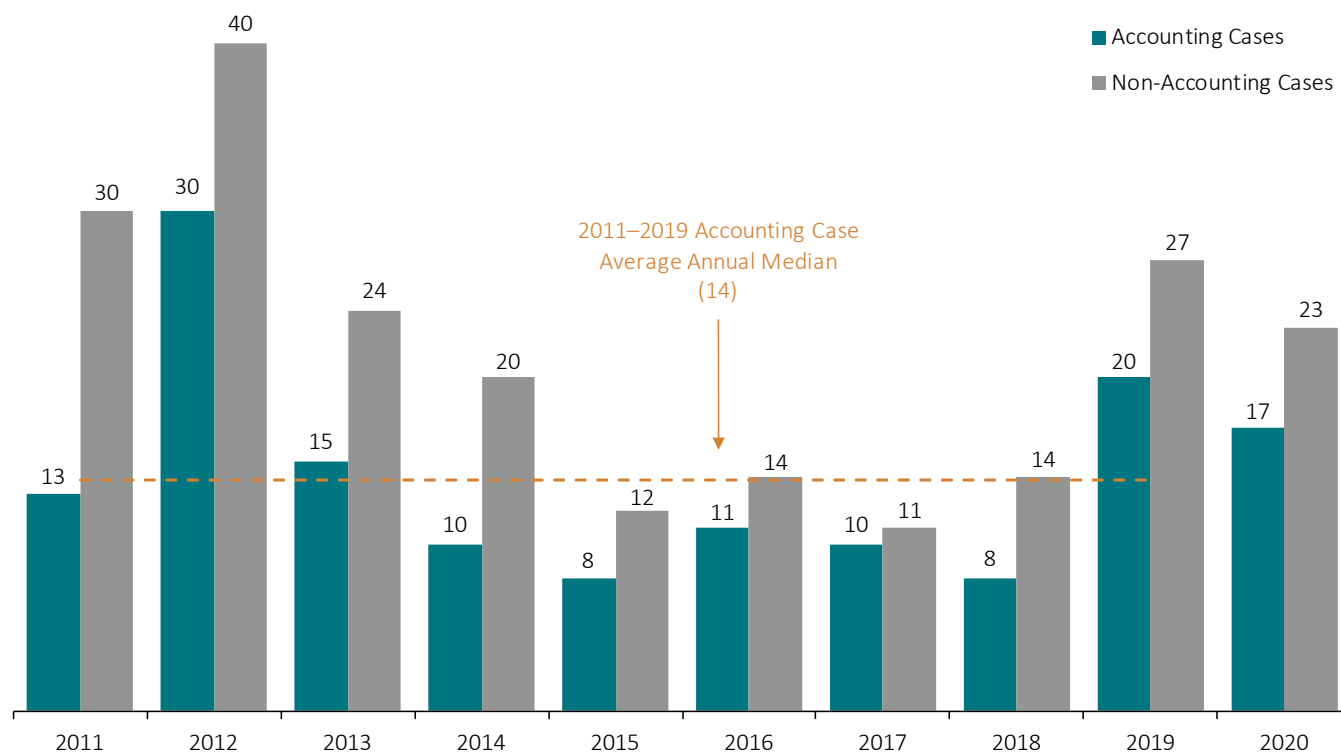
- As in prior years, the median filing lag for accounting cases in 2020 was shorter than the filing lag for non-accounting cases.
- At 17 days, the median filing lag for accounting case filings in 2020 was the third longest since 2011.
- The median filing lag for accounting case filings in 2020 was more than 20% longer than the average annual median lag.

The median filing lag for accounting cases declined in 2020.

- The median filing lag for accounting cases remained constant from the second half of 2019 through the first half of 2020, then increased by four days in the second half of 2020.

Figure 4: Accounting Case Filings and Annual Median Lag between Class Period End Date and Filing Date 2011–2020

(Number of Days)



Accounting Case Filings and Market Capitalization Losses

Disclosure Dollar Loss Index® (DDL Index®)

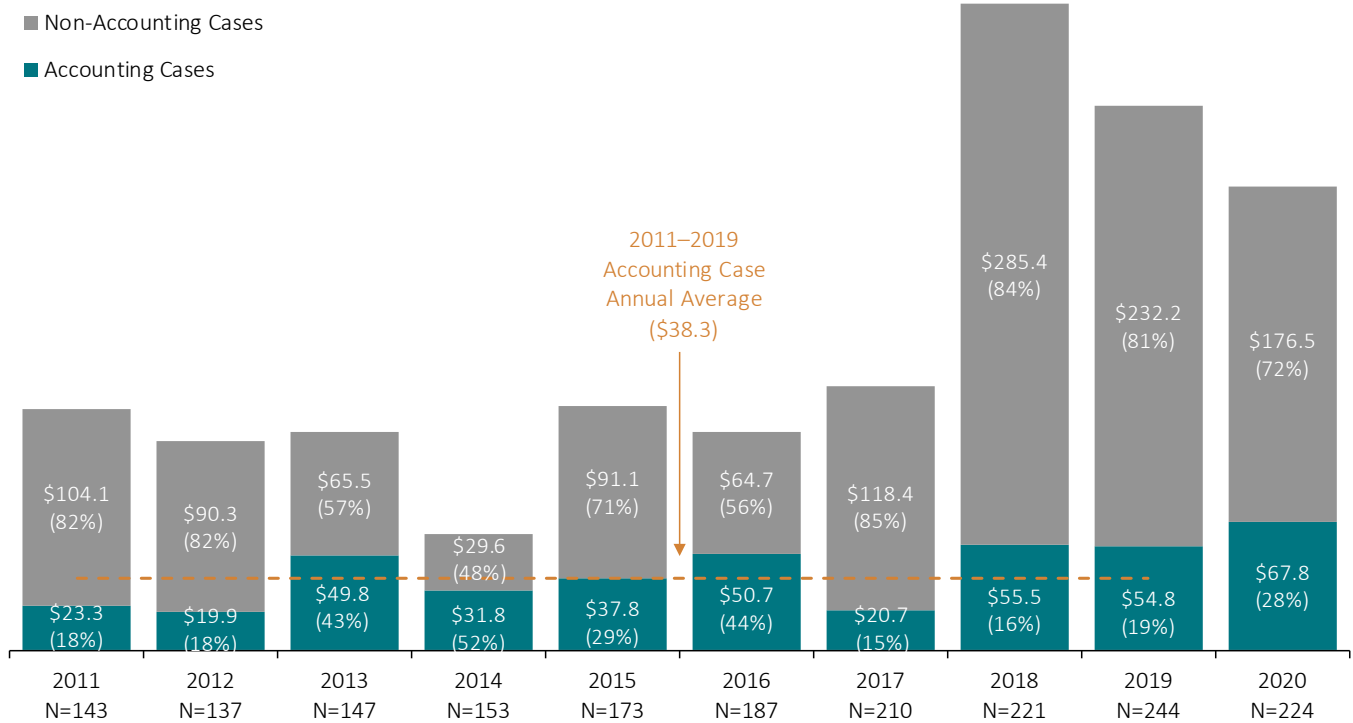
This index measures the aggregate annual DDL for all filings. DDL is the dollar value change in the defendant firm’s market capitalization between the trading day immediately preceding the end of the class period and the trading day immediately following the end of the class period. DDL should not be considered an indicator of liability or measure of potential damages.

The DDL Index for accounting cases reached its highest level in the last 10 years.

- The DDL Index for accounting cases in 2020 was 77% greater than the 2011–2019 annual average DDL for accounting cases.
- In 2020, there were four accounting cases with a DDL of at least \$5 billion (mega DDL cases). The four mega DDL cases accounted for approximately half of the total accounting case DDL in 2020.
- Excluding mega DDL cases, the DDL Index for accounting cases reached its second-highest level in the last 10 years. This is consistent with a continued trend of filings against larger issuer defendants as measured by market capitalization.

Figure 5: Accounting Case Filings and Disclosure Dollar Loss Index® (DDL Index®) 2011–2020

(Dollars in billions)



Note: DDL dollars are adjusted for inflation; 2020 dollar equivalent figures are used.

Status of Accounting Case Filings

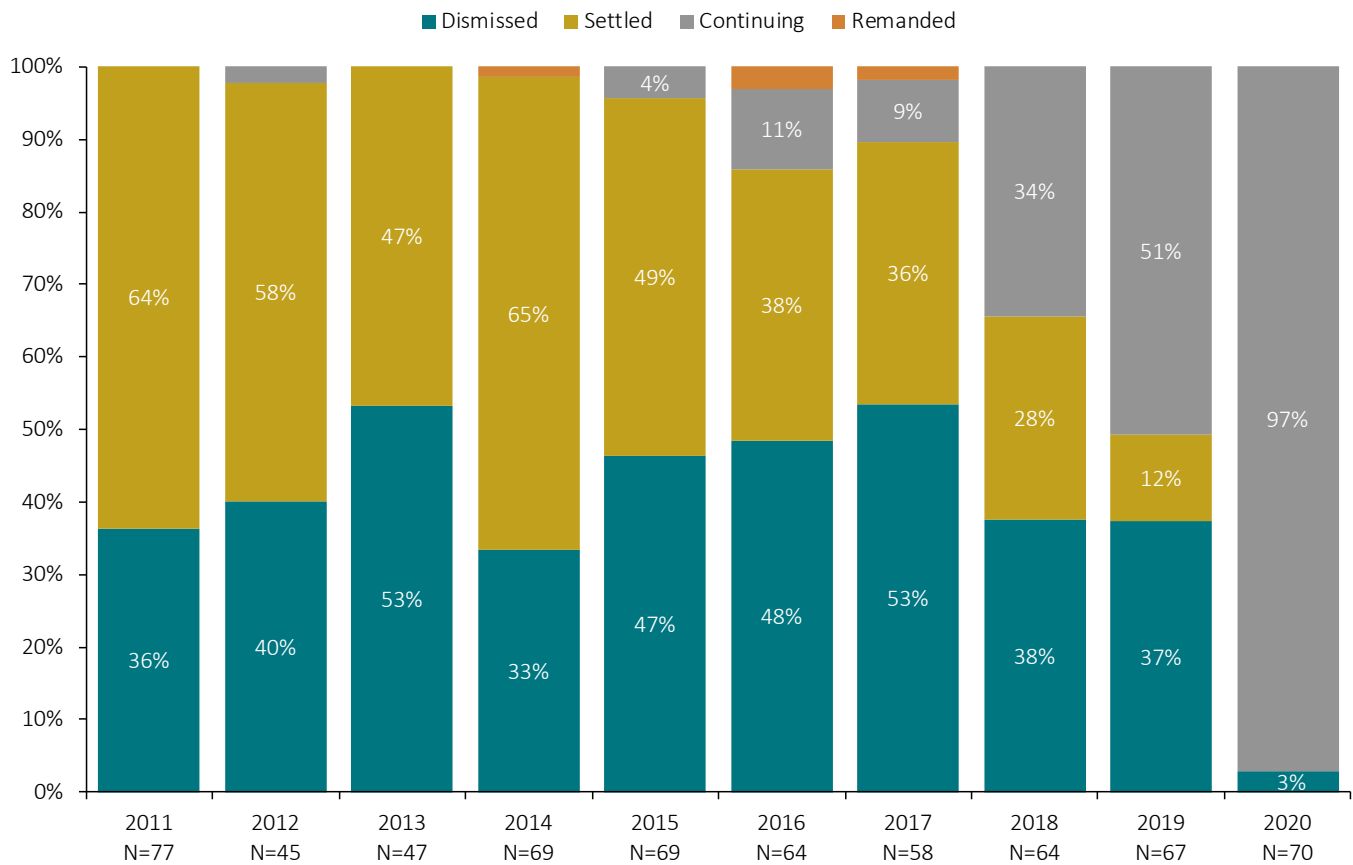
This analysis compares filing groups to determine whether filing outcomes have changed over time. As each cohort ages, a larger percentage of filings are resolved—whether through dismissal, settlement, remand, or trial verdict.

- From 2011 through 2019, 44% of accounting case filings settled, 42% were dismissed, 13% are continuing, and 1% were remanded.
- Accounting cases filed from 2011 through 2019 were 58% more likely to settle than non-accounting cases.

Accounting case filings dismissed in 2020 increased 48% compared to 2019.

- More recent cohorts have too many ongoing cases to determine their ultimate dismissal rates. However, the 2017 cohort will end up having a dismissal rate of at least 53% based on the percentage dismissed by the end of 2020.

Figure 6: Status of Accounting Case Filings by Year 2011–2020



Timing of Dismissals of Accounting Case Filings

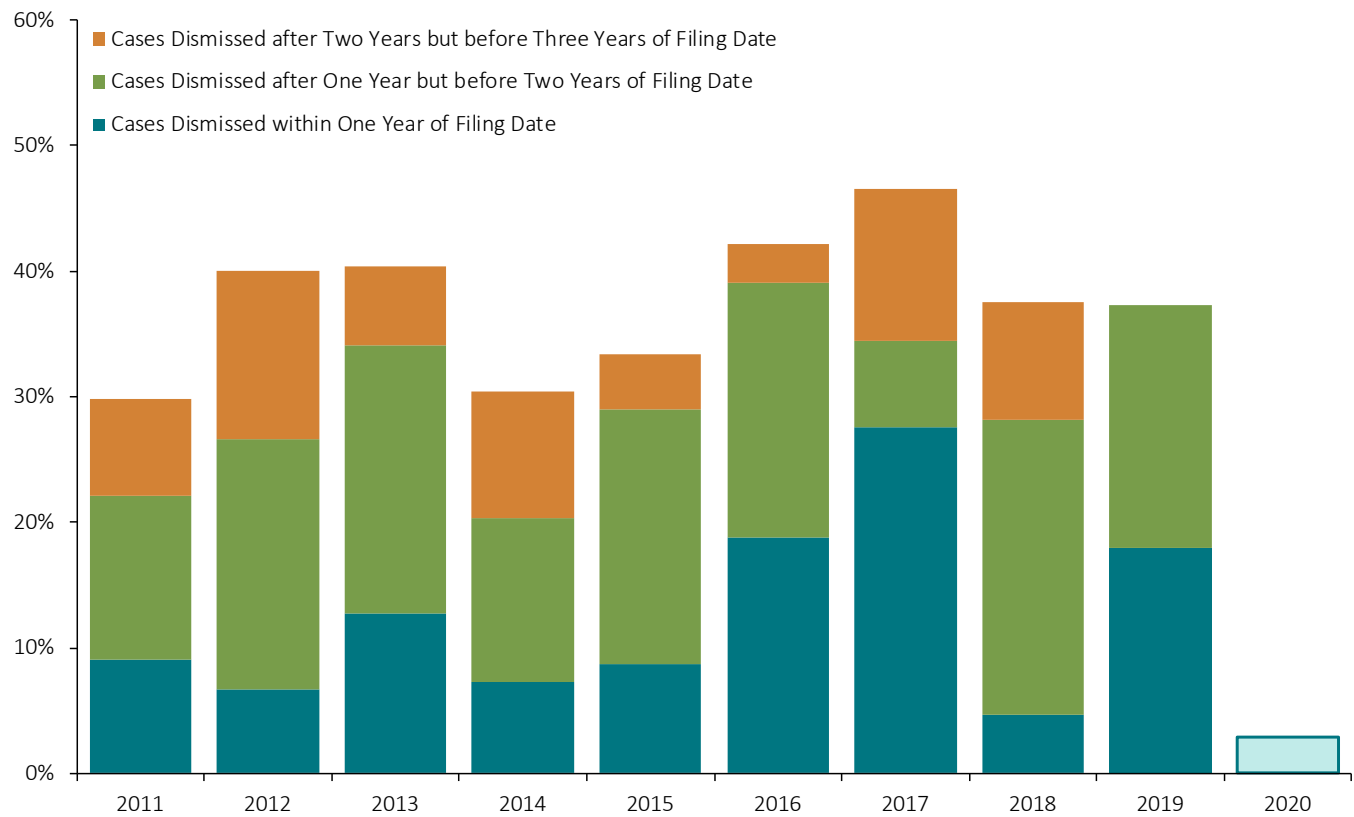
Given the length of time that may exist between the filing of a class action and its outcome, it may not be possible immediately to determine whether trends in dismissal rates observed in earlier annual cohort years will persist in later annual cohorts. This analysis looks at dismissal trends within the first several years of the filing of a class action to gain insight on recent accounting case dismissal rates.

- On average, the dismissal rate for accounting cases from 2011 through 2019 was 13% in the first year following the filing of a complaint.
- Accounting cases were more often dismissed in the second year after filing for every cohort except 2017.

The first-year dismissal rate of accounting cases filed in 2020 was 3%, the lowest percentage of current-year dismissals over the last 10 years.

- The percentage of accounting cases dismissed within the first three years for the 2017 cohort was the highest in the last 10 years.

Figure 7: Percentage of Accounting Case Filings Dismissed within Three Years of Filing Date 2011–2020



Note:

1. Percentage of cases in each category is calculated as the number of accounting case filings that were dismissed within one, two, or three years of the filing date divided by the total number of accounting cases filed each year.
2. The outlined bar for year 2020 indicates the percentage of accounting cases dismissed through the end of 2020. The outlined bar therefore presents only partial-year observed resolution activity, whereas its counterparts in earlier years show an entire year.

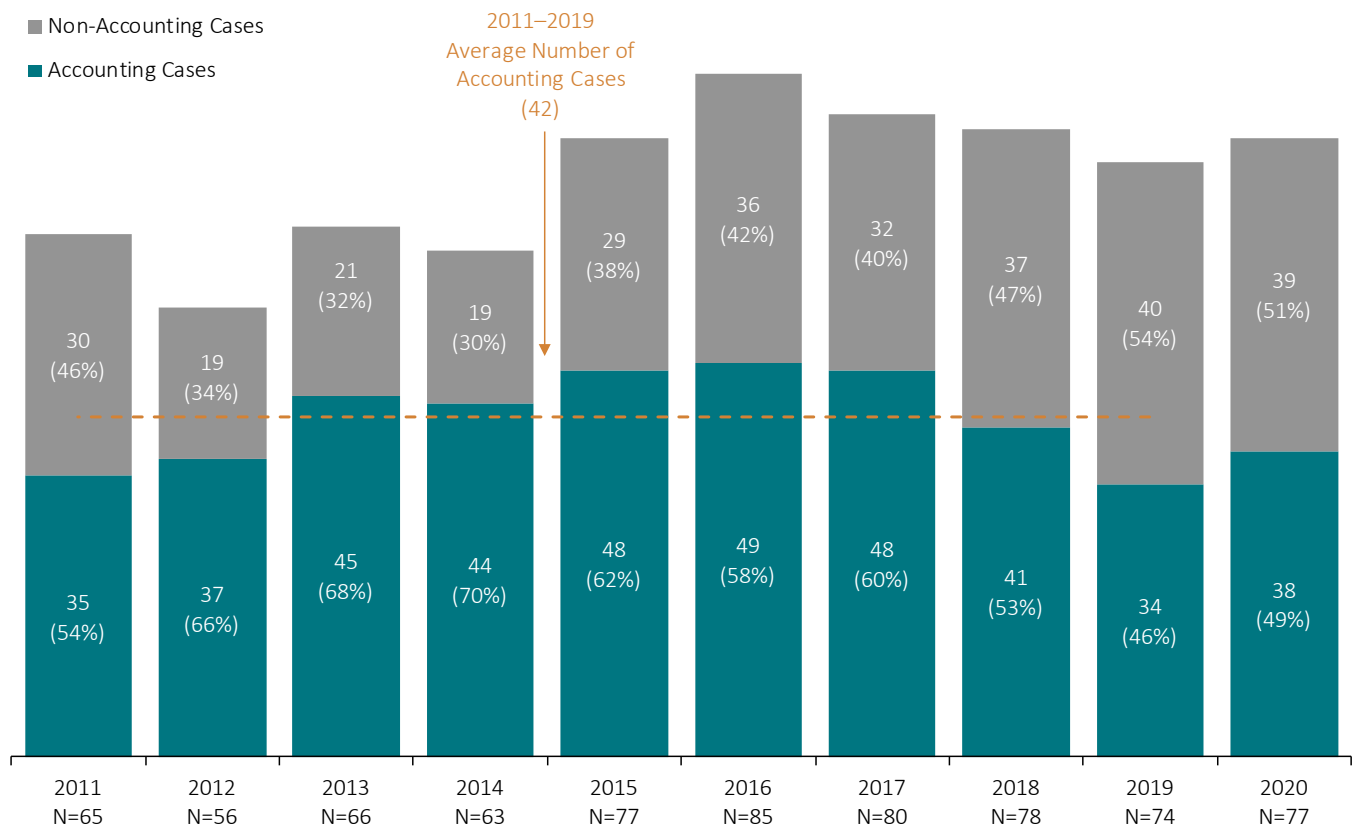
Settlements

Number of Accounting Case Settlements

- After two years of declines, the percentage of accounting case settlements increased in 2020 to 49% of all settlements.
- Although higher than the prior year, the number of accounting case settlements remained lower than the peak years of 2015–2017.
- In 2020, accounting cases took 3.1 years to reach a settlement hearing on average. Over the last three years, the number of accounting case filings has been relatively high (i.e., higher than the average for 2011–2019). Taken together, this suggests that, absent a change in dismissal rates, the number of accounting case settlements is unlikely to decline substantially in the next few years.
- Of the accounting cases settled in 2020, 29% involved Section 11 claims, either in combination with Rule 10b-5 allegations, or as standalone claims.
- Across all accounting case settlements in 2020, auditor defendants were named in only three cases, while underwriters were named in nine cases.

The number of accounting case settlements in 2020 increased moderately compared to 2019.

Figure 8: Accounting Case Settlements as a Percentage of Total Settlements 2011–2020



Accounting Case Settlement Value

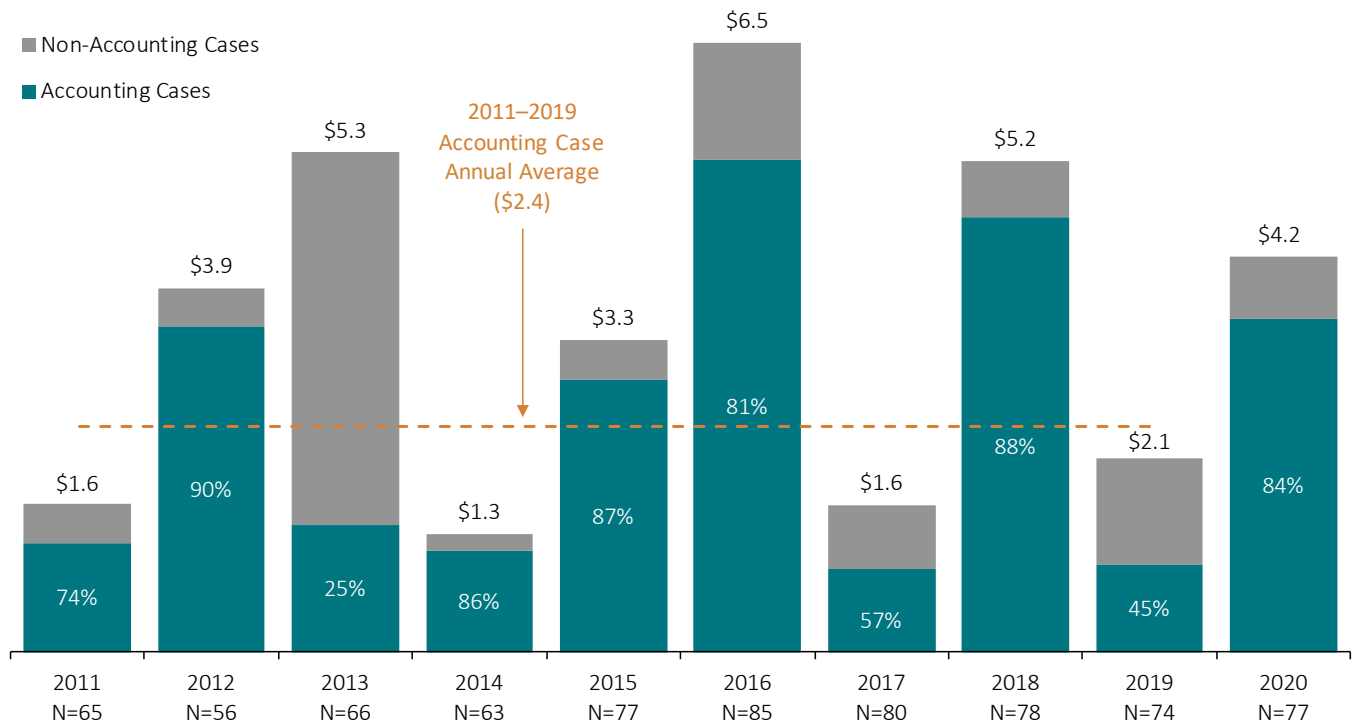
- Primarily due to a small number of very large settlements, the total value of all accounting case settlements reached over \$3.5 billion in 2020, exceeding the annual average for 2011–2019.
- All six mega settlements (settlements greater than or equal to \$100 million) in 2020 involved accounting allegations.
- Two settlements exceeding \$500 million also contributed to the increase in the total value of settled accounting cases.

The total value of accounting case settlements more than tripled in 2020 compared to 2019.

- For 2020 accounting case settlements in which the D&O liability insurance contribution was publicly available, 89% of the total settlement fund, on average, was contributed by one or more D&O liability insurance carrier.³

Figure 9: Accounting Case Settlement Dollars as a Percentage of Total Settlement Dollars 2011–2020

(Dollars in billions)



Note: Settlement dollars are adjusted for inflation; 2020 dollar equivalent figures are used.

Firm Size

Accounting Case Filings by Firm Size

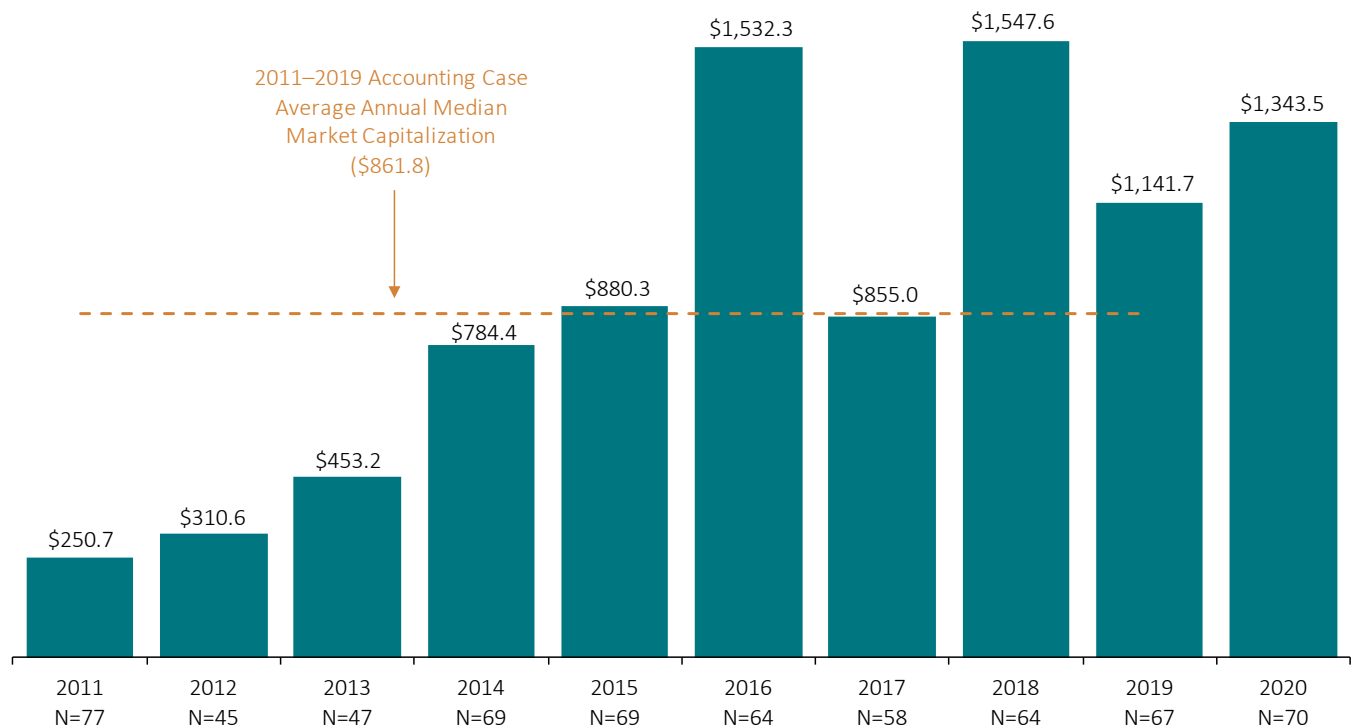
This analysis examines whether the size of defendant firms has changed over time based on their pre-disclosure market capitalization.

- In four of the last five years, accounting cases have been filed against issuer defendants with median market capitalization above \$1 billion.
- The size of issuer defendants in 2020 accounting case filings was the third largest in the last 10 years.
- Four of the five accounting case filings involving the largest issuer defendants, as measured by pre-disclosure market capitalization, were in the Financial sector.

At \$1.3 billion, the median market capitalization of issuer defendants in 2020 was 56% greater than the 2011–2019 average.

Figure 10: Accounting Case Filings and Median Market Capitalization of Issuer Defendants 2011–2020

(Dollars in millions)



Note: Market capitalization dollars are adjusted for inflation; 2020 dollar equivalent figures are used.

Accounting Case Settlements by Firm Size

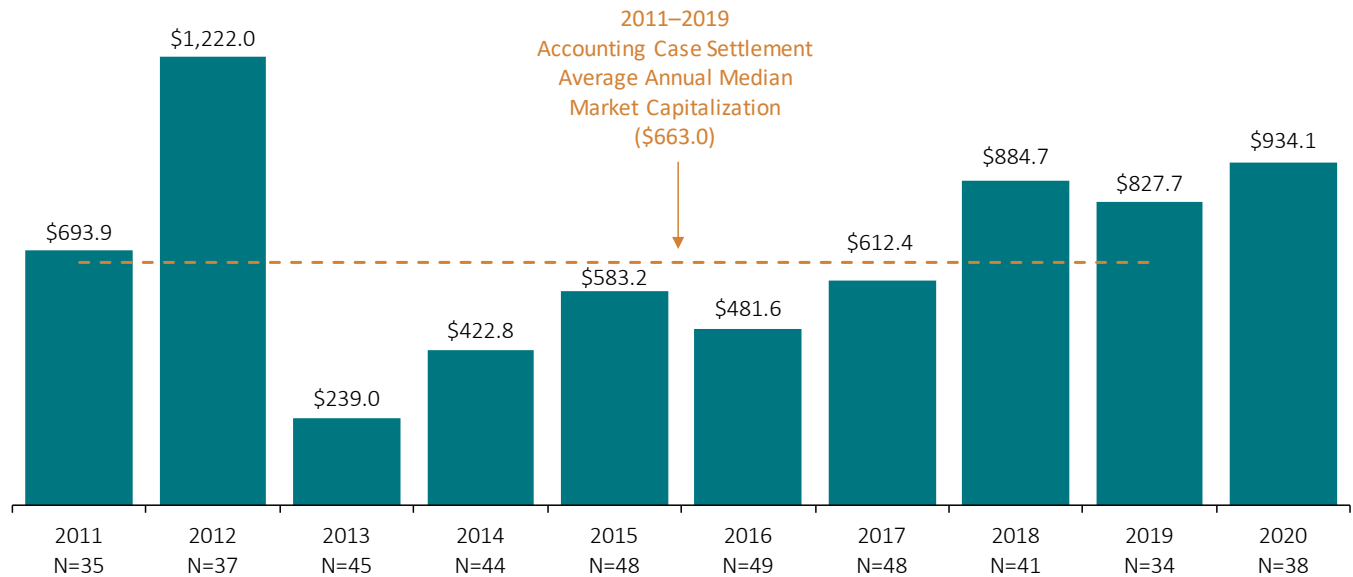
- The size of issuer defendants involved in accounting case settlements, as measured by median market capitalization, increased moderately in 2020 and was the second-highest annual median over the last decade.

The median market capitalization of issuer defendants in accounting case settlements was 41% higher than the average annual median for 2011–2019.

- The average market capitalization of issuer defendants in accounting case settlements in 2020 was \$4.7 billion, considerably higher than the median market capitalization. The difference between these two measures is primarily driven by a small number of very large firms (e.g., firms with a market capitalization exceeding \$15 billion).
- Median total assets of issuer defendants in accounting case settlements in 2020 increased substantially, by 69%.

Figure 11: Accounting Case Settlements and Median Market Capitalization of Issuer Defendants 2011–2020

(Dollars in millions)



Note: Settlement dollars are adjusted for inflation; 2020 dollar equivalent figures are used.

Industry

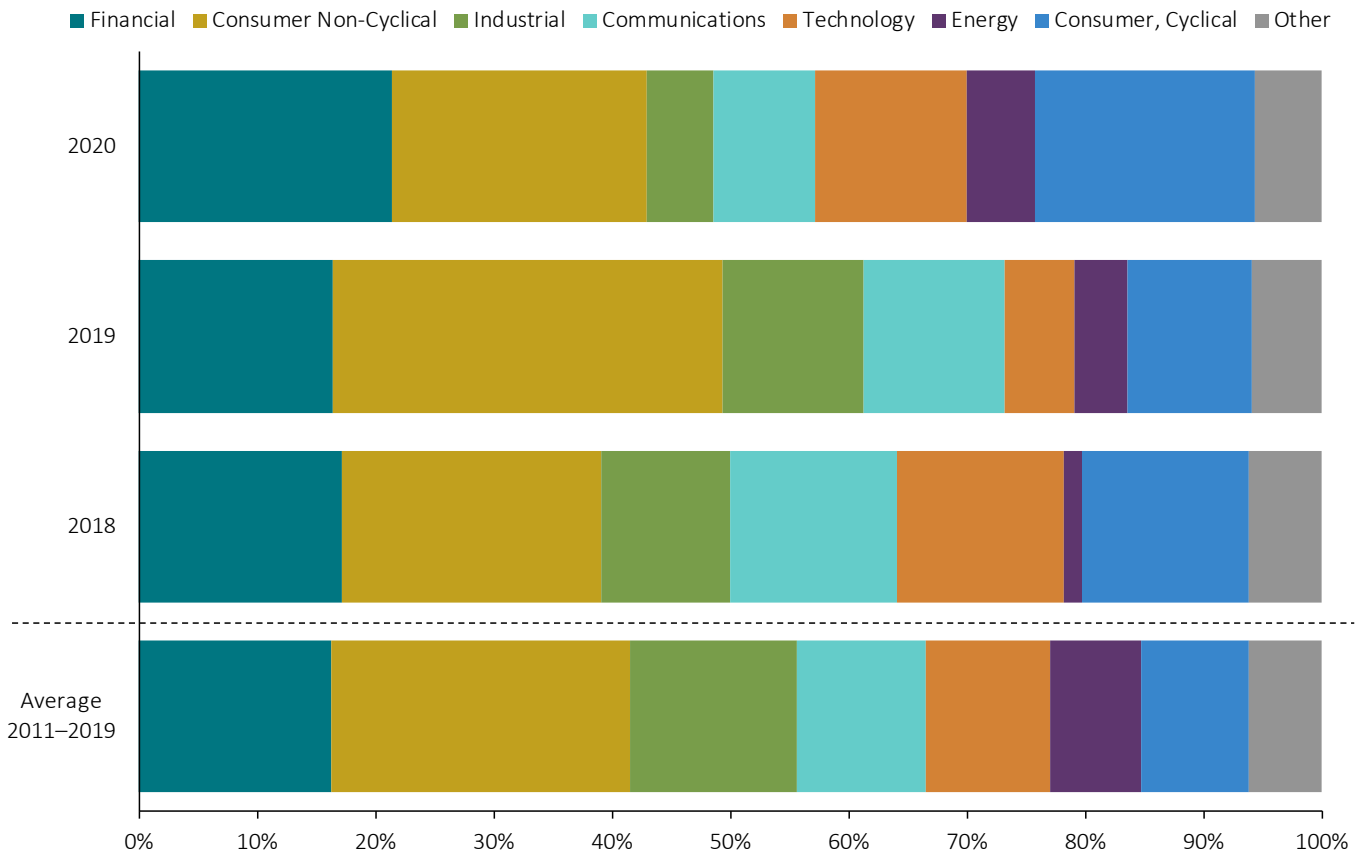
Accounting Case Filings by Industry

- For the third consecutive year, there were as many or more accounting case filings in the Consumer Non-Cyclical sector (which includes biotechnology, healthcare, and pharmaceutical companies) than any other sector.
- The number of accounting case filings in the Technology sector increased 125% in 2020.
- Accounting cases in the Financial sector increased more than 35% to their highest level in the last 10 years.

The DDL for accounting case filings in the Financial sector in 2020 was more than four times higher than the historical average.

- The DDL for accounting cases in the Financial and Industrial sectors accounted for more than 50% of total accounting case filing DDL in 2020.

Figure 12: Percentage of Accounting Case Filings by Industry



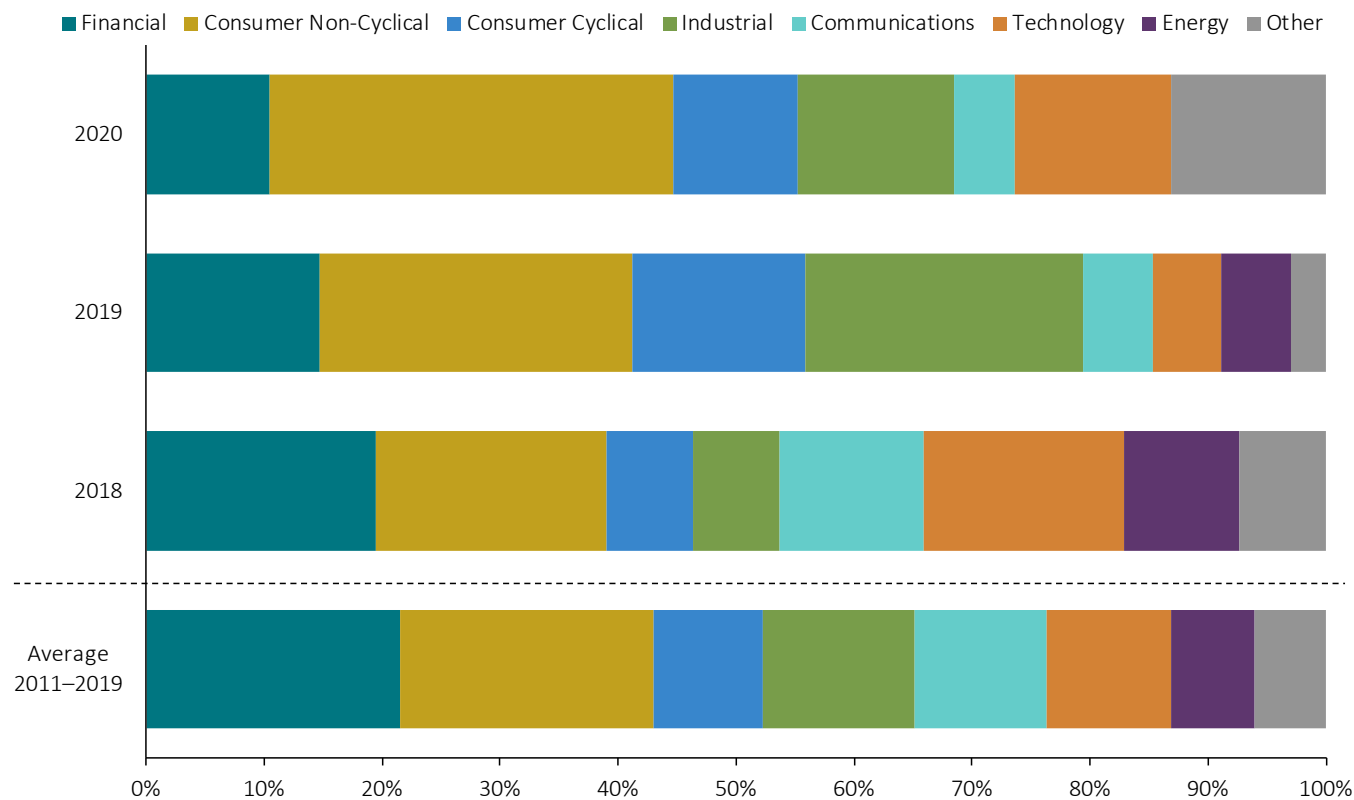
Note: Industries that comprise "Other" are Basic Materials and Utilities.

Accounting Case Settlements by Industry

- The large proportion of accounting case settlements involving the Consumer Non-Cyclical sector is consistent with the high frequency of case filings in this sector over the last few years.
- The median settlement amount in 2020 for accounting cases in the Consumer Non-Cyclical sector was \$7.5 million, lower than the median settlement for all accounting cases. However, the average of \$116 million was higher, reflecting a couple of large settlements in this sector.
- Although there were only four Financial sector accounting cases settled in 2020, the value of these settlements represented 30% of the total value of accounting case settlements.
- In 2020, there were no Energy sector accounting case settlements, in sharp contrast to the prior year, in which such cases represented 43% of the total value of accounting case settlements.

Consumer Non-Cyclical cases represented 42% of the total value of accounting case settlements in 2020.

Figure 13: Percentage of Accounting Case Settlements by Industry



Note: Industries that comprise “Other” are Basic Materials, Diversified, and Utilities.

Restatements

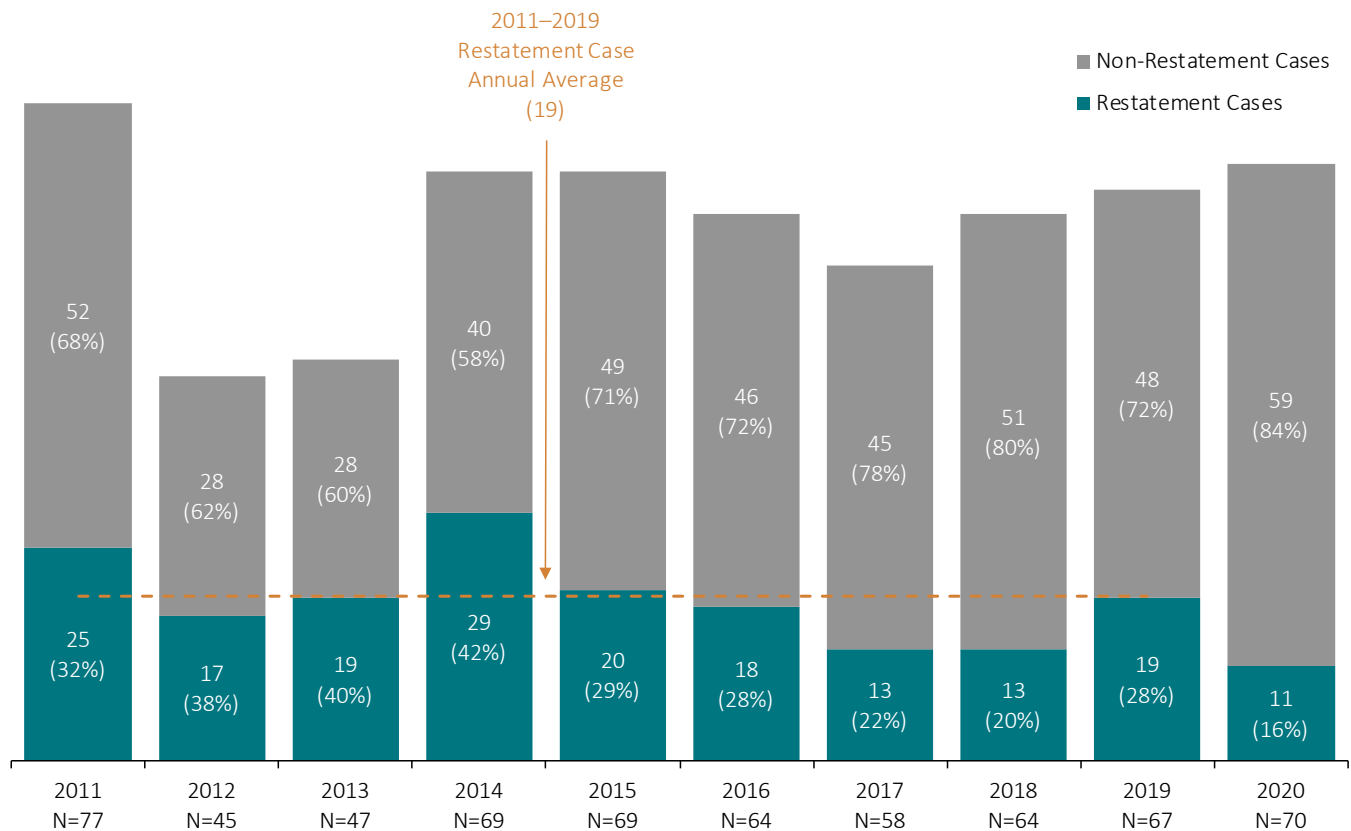
Accounting Case Filings Involving Restatements

- Accounting case filings involving financial statement restatements decreased 42% in 2020 and were 42% lower than the 2011–2019 average.
- Although DDL for accounting cases involving financial statement restatements in 2020 declined, it was still at its second-highest level in the last 10 years.
- Two of the four mega DDL filings in 2020 involved restatements. These filings accounted for 17% of accounting case filing DDL.

The number of accounting case filings involving restatements fell to its lowest level in 10 years.

- All of the accounting case filings involving a restatement in 2020 included allegations of internal control weaknesses.

Figure 14: Accounting Case Filings Involving Restatements 2011–2020

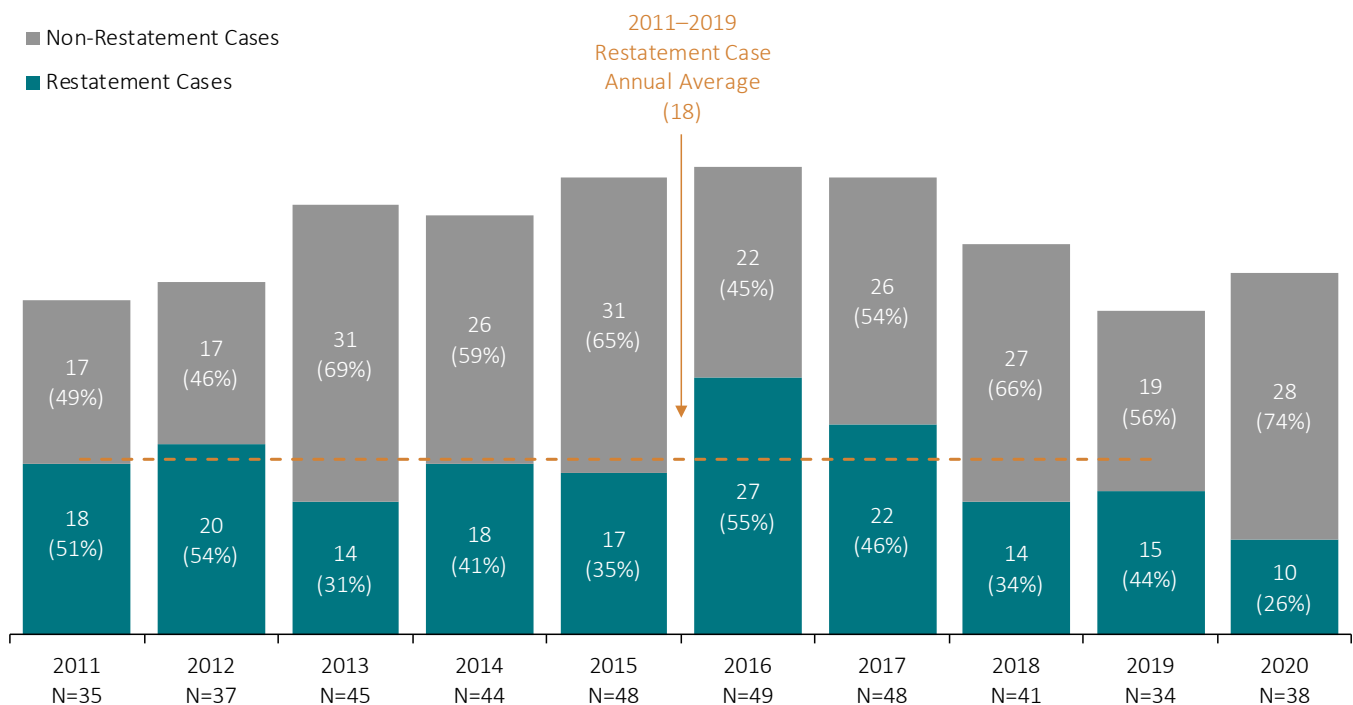


Accounting Case Settlements Involving Restatements

- The number of accounting case settlements involving financial statement restatements declined 33% in 2020 and was almost 45% lower than the annual average from 2011 through 2019.
- Overall, issuer firms in accounting case settlements involving restatements were smaller in 2020, relative to non-restatement cases. For example, median total assets of issuer firms in settlements of restatement cases was only \$1.1 billion, compared to \$2.1 billion for accounting cases overall.
- For restatement cases settled in 2020, 40% involved a distressed issuer defendant, compared to only 26% for all accounting case settlements in 2020.
- Of the accounting case settlements involving a restatement, 30% involved criminal allegations in 2020, the second-highest level over the last 10 years.⁴
- In 2020, cases involving restatements took longer to reach settlement. In particular, the median time to settlement for restatement cases was 3.4 years in 2020, compared to only 2.6 years in 2019, and 2.8 years for 2011–2019.

The proportion of settled accounting cases involving restatements was the lowest over the last 10 years.

Figure 15: Accounting Case Settlements Involving Restatements 2011–2020



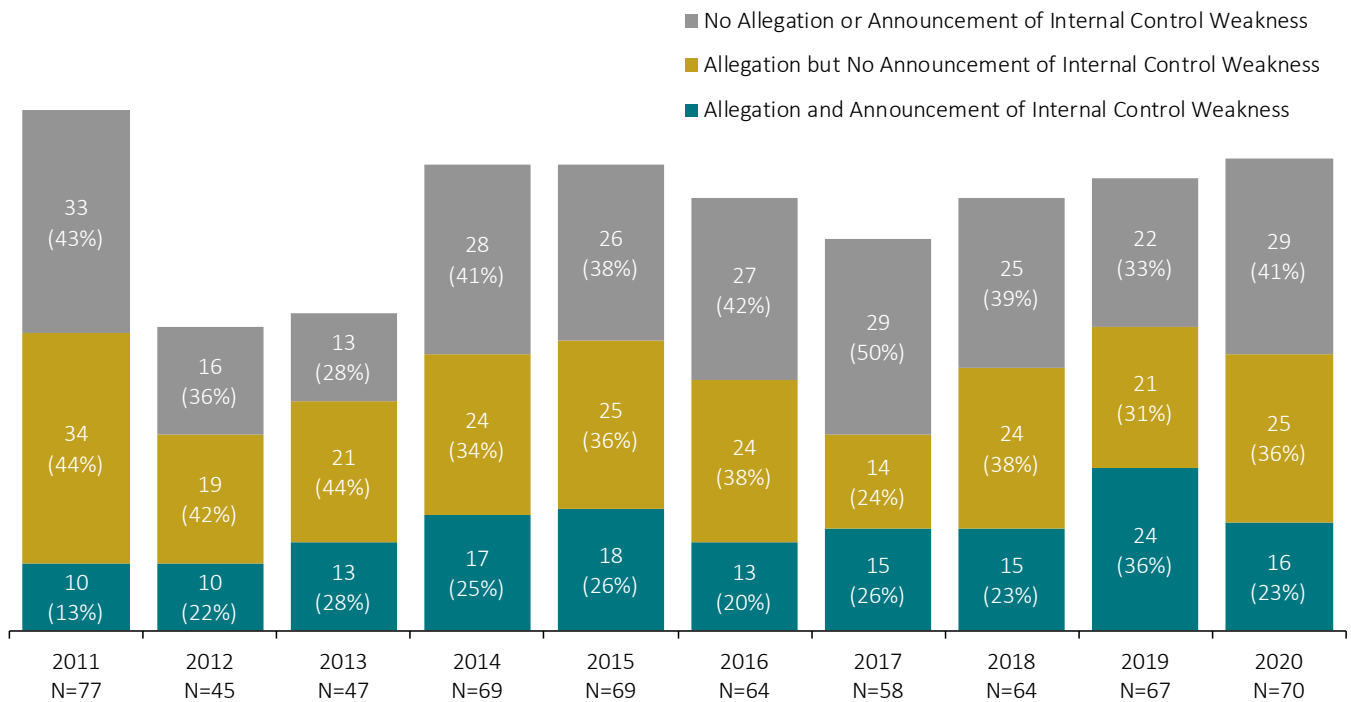
Internal Control Weaknesses

Accounting Case Filings Involving Allegations of Internal Control Weaknesses

- The market capitalization of defendant firms facing allegations of weaknesses in internal controls in 2020 was more than double the historical average.
- The number of accounting case filings containing an allegation *and* announcement of internal control weaknesses decreased 33% in 2020 but still exceeded the historical average.
- Three of the four mega DDL accounting case filings in 2020 contained allegations of internal control weaknesses.

The number of accounting case filings containing an allegation, but no announcement, of internal control weaknesses reached its highest level since 2015.

Figure 16: Accounting Case Filings Involving Allegations of Internal Control Weaknesses 2011–2020

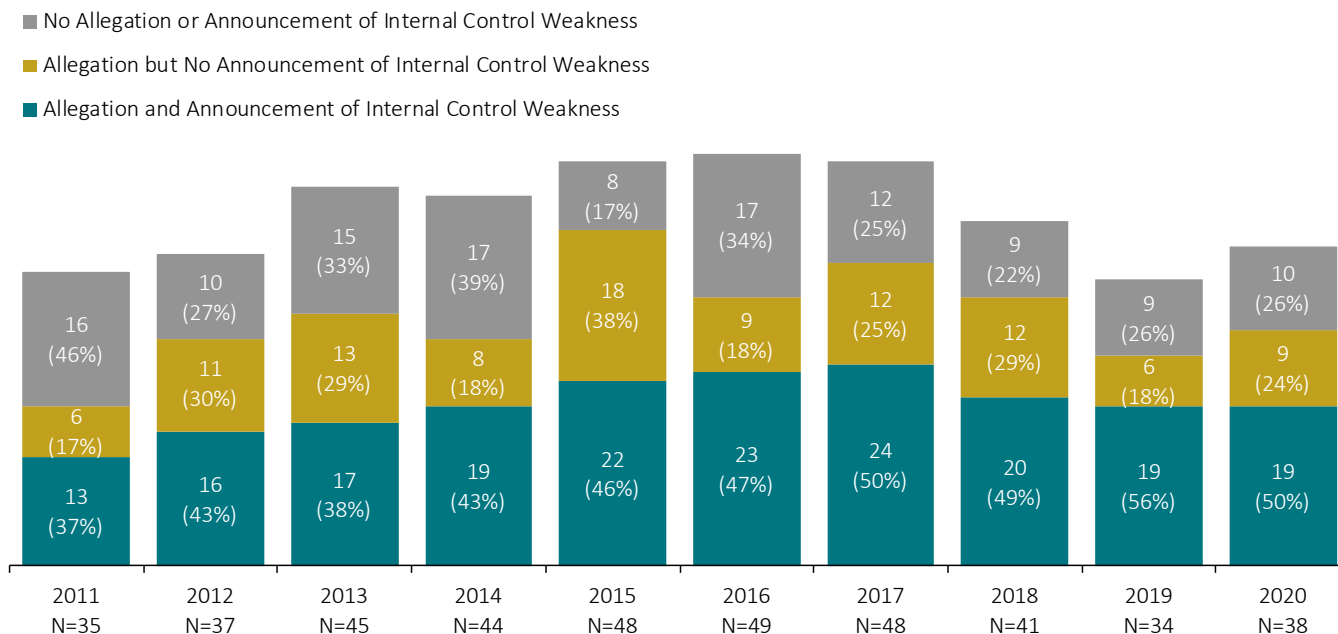


Accounting Case Settlements Involving Allegations of Internal Control Weaknesses

- The majority of accounting case settlements continued to involve allegations of internal control weaknesses, and half of all accounting case settlements involved an allegation accompanied by a company announcement of an internal control weakness.
- Of the 19 settlements in 2020 that involved a company announcement of an internal control weakness, 42% also involved a financial statement restatement.
- Of cases alleging internal control weaknesses without an accompanying company announcement of a weakness, 44% did not include allegations of GAAP violations.
- While allegations of internal control weaknesses are relatively common, they are not associated with higher settlement amounts, compared to other cases overall. This finding is based on a regression analysis that accounts for several factors affecting settlements.⁵

The number of accounting case settlements alleging internal control weaknesses increased.

Figure 17: Accounting Case Settlements Involving Allegations of Internal Control Weaknesses 2011–2020



Factors Affecting Settlements of Cases Involving GAAP Allegations

Median “Simplified Tiered Damages”

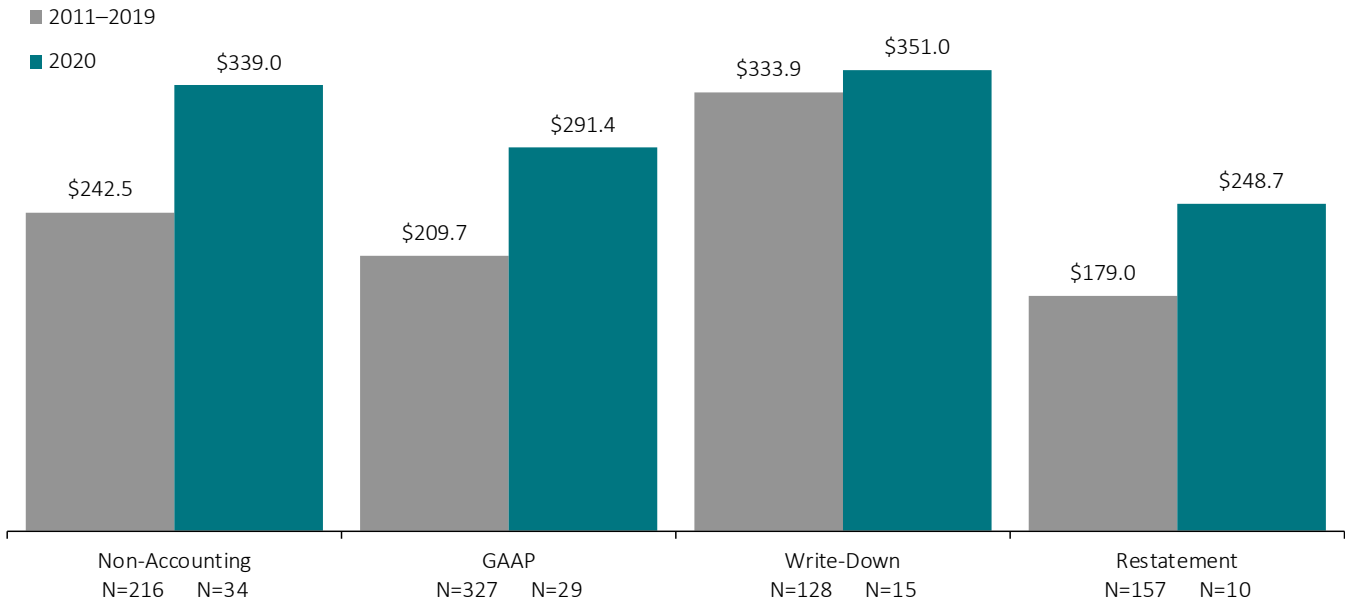
This section takes a closer look at settlement amounts across two major categories of GAAP allegations—write-downs and restatements⁶—and examines settlements across these categories in relation to a simplified proxy for plaintiff-style damages. This relationship is important to consider because a proxy for damages is the single most important determinant of settlement amounts.

The proxy used in this report is referred to as “simplified tiered damages” and bases per-share inflation estimates on the value of a defendant’s stock price movements for the dates detailed in the plan of allocation per the settlement notice.⁷ This measure is further described in *Securities Class Action Settlements—2020 Review and Analysis*.⁸

- Generally consistent with prior years, median simplified tiered damages were higher for settled cases in 2020 involving write-downs than for other types of accounting cases.
- Settled accounting cases involving write-downs were also larger as measured by issuer total assets. In particular, the median assets for defendant firms was \$2.1 billion for cases involving write-downs, compared to \$1.1 billion for cases involving restatements.
- The length of the class period affects the number of shares damaged. All else equal, longer class periods result in a higher number of shares damaged and higher damages. In 2020, the median class period for settled cases involving GAAP allegations was 2.2 years, compared to 1.7 years for cases settled in 2011–2019.

Median “simplified tiered damages” for settled cases with GAAP allegations were 39% higher than the median for 2011–2019.

Figure 18: Median “Simplified Tiered Damages” by Case Type
(Dollars in millions)



Note: “Simplified tiered damages” are adjusted for inflation based on class period end dates; 2020 dollar equivalent figures are used.

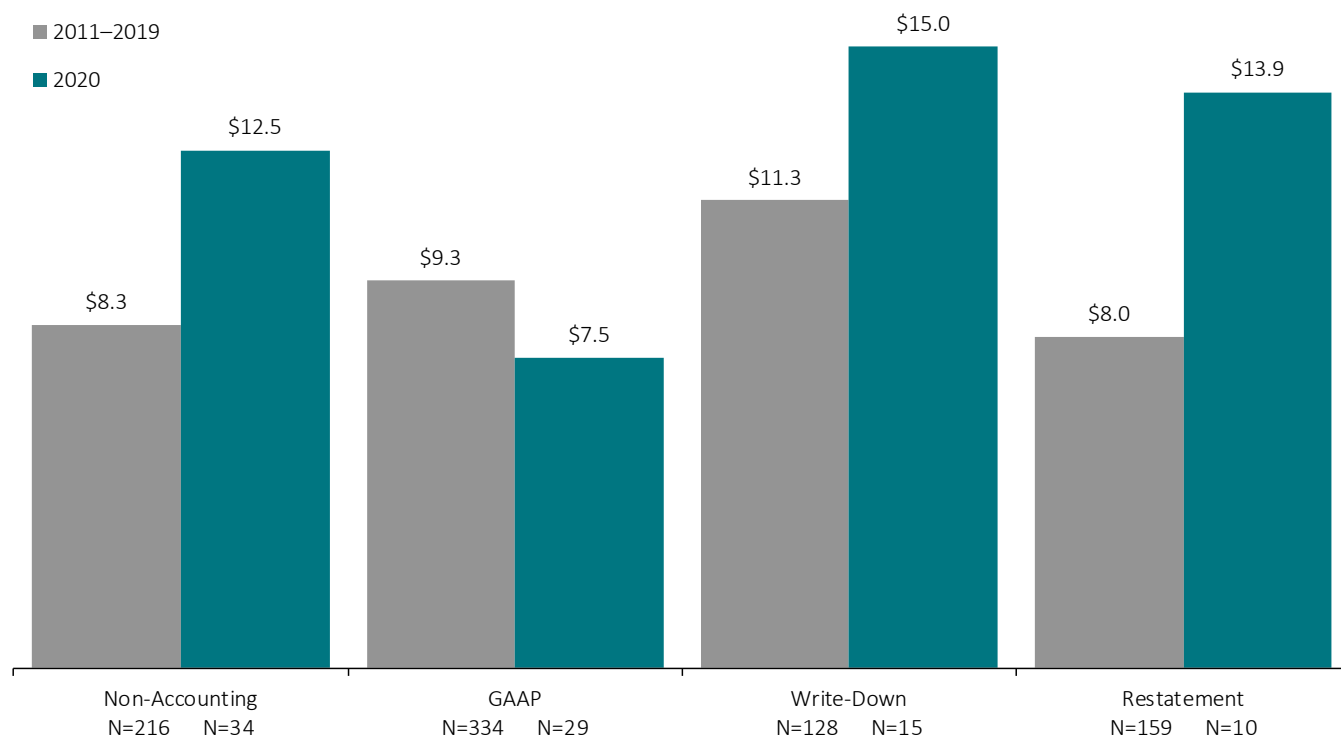
Median Settlement Amounts

- Relative to the prior nine years, median accounting case settlements in 2020 were higher for cases involving write-downs or restatements. These increases in median settlement amounts were due, at least in part, to the increases in investor losses associated with settled cases, as measured by “simplified tiered damages.”
- The number of accounting case settlements involving write-downs in 2020 increased 25% over the prior year, while the number of settlements that involved restatements declined 29% from the prior year.
- Of 2020 accounting case settlements involving write-downs, 33% also involved financial statement restatements.
- For settled accounting cases involving write-downs in 2020, the size of issuer defendants was 51% larger than in 2019, as measured by the median issuer defendants’ total assets.
- Four out of the six mega settlements in 2020 were for cases involving write-downs.

In 2020, the median settlement amount for cases involving restatements was 73% higher relative to the prior nine years.

Figure 19: Median Settlement Amounts by Case Type

(Dollars in millions)



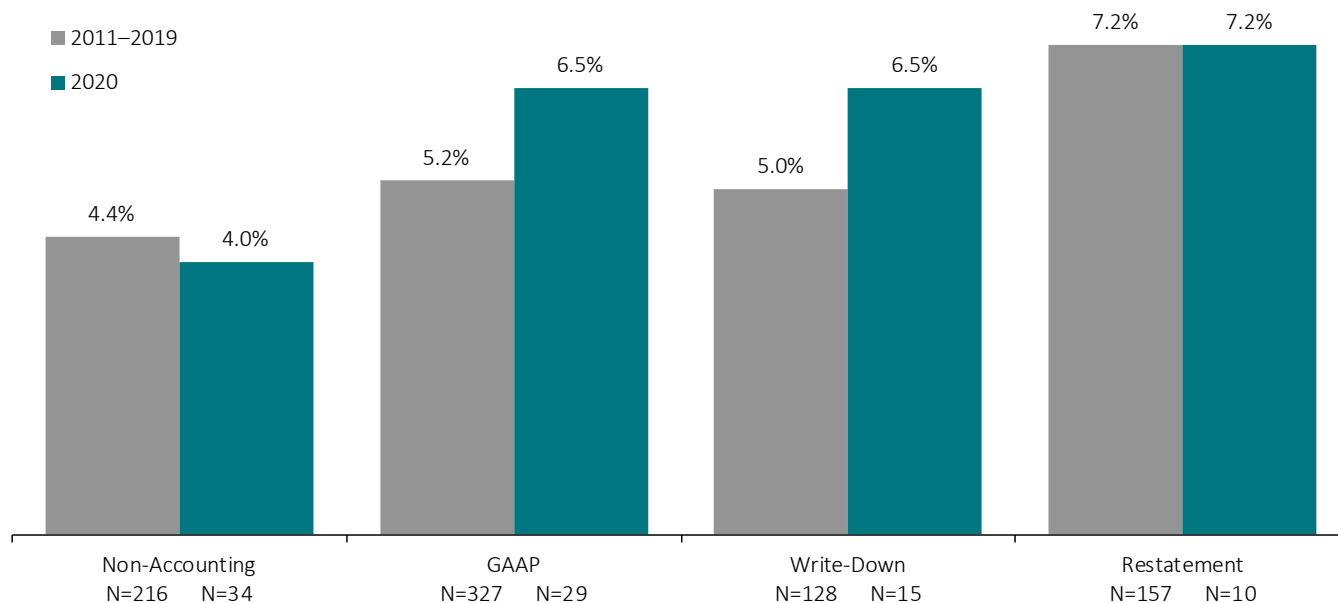
Note: Settlement dollars are adjusted for inflation; 2020 dollar equivalent figures are used.

Median Settlements as a Percentage of “Simplified Tiered Damages”

- The median settlement as a percentage of “simplified tiered damages” for cases involving GAAP allegations was the third highest in the last 10 years.
- Of the 29 settled cases involving GAAP allegations, 17 involved corresponding derivative actions, nine involved accompanying SEC actions, and six involved related criminal allegations. All of these factors are generally associated with higher settlements.
- As noted in prior year reports, settlements as a percentage of “simplified tiered damages” generally decrease as case size increases. Thus, part of the reason that restatement cases continue to settle for higher percentages of “simplified tiered damages,” relative to GAAP cases overall, is due to the fact that they reflect smaller cases (i.e., lower median “simplified tiered damages”).
- For cases involving restatements, while the median settlement as a percentage of “simplified tiered damages” was the same as the percentage for 2011–2019, the average was slightly higher.
- Of the three case settlements involving auditors in 2020, two involved allegations related to both restatements and accounting irregularities.⁹

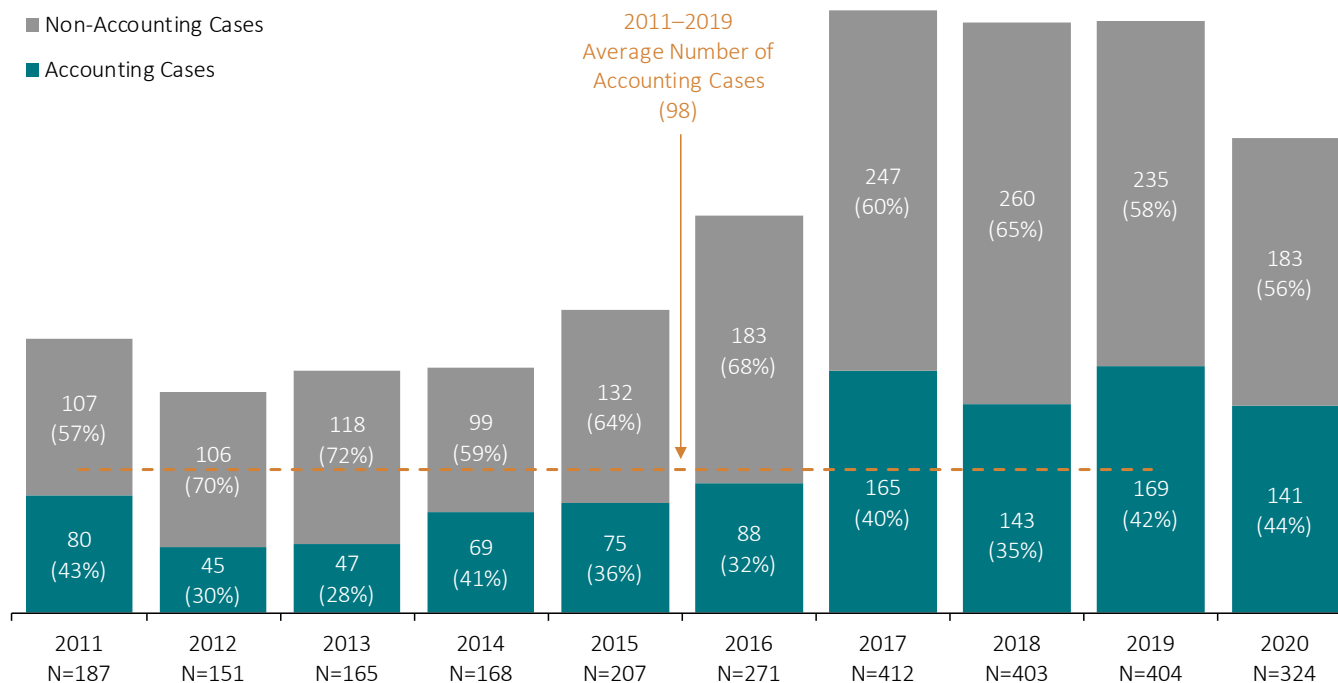
The median settlement as a percentage of “simplified tiered damages” was substantially higher for cases involving GAAP violations compared to non-accounting cases.

Figure 20: Median Settlements as a Percentage of “Simplified Tiered Damages” by Case Type



Appendices

Appendix 1: Total Accounting Case Filings (Core and M&A) as a Percentage of Total Filings 2011–2020



Appendix 2: Accounting Case Filings and Exchange

(Dollars in millions)

	2011–2019		2019		2020	
	NYSE/Amex	NASDAQ	NYSE	NASDAQ	NYSE	NASDAQ
Total Filings	250	256	36	25	28	37
Annual Average Filings	28	28	-	-	-	-
Disclosure Dollar Losses (DDL)						
Total	\$196,664	\$143,865	\$29,993	\$24,599	\$48,409	\$19,301
Annual Average	\$21,852	\$15,985	-	-	-	-
Average across Cases	\$803	\$556	\$833	\$984	\$1,729	\$522
Median across Cases	\$159	\$82	\$251	\$110	\$530	\$132

Note:

- DDL dollars are adjusted for inflation; 2020 dollar equivalent figures are used.
- Average and median numbers are calculated only for filings with DDL data.
- This figure shows only accounting case filings against issuers listed on indicated exchanges.

Appendix 3: Accounting Case Filings by Industry

(Dollars in millions)

Industry	Class Action Filings				Disclosure Dollar Loss Index			
	Average 2011–2019	2018	2019	2020	Annual Average 2011–2019	2018	2019	2020
Financial	10	11	11	15	\$5,523	\$9,822	\$4,271	\$23,586
Consumer Non-Cyclical	16	14	22	15	\$9,062	\$7,150	\$30,704	\$8,034
Consumer Cyclical	6	9	7	13	\$2,485	\$9,842	\$2,041	\$6,007
Technology	7	9	4	9	\$9,424	\$1,268	\$1,547	\$4,659
Communications	7	9	8	6	\$2,370	\$8,982	\$3,813	\$4,185
Industrial	9	7	8	4	\$5,362	\$16,264	\$10,832	\$13,753
Energy	5	1	3	4	\$2,295	\$98	\$502	\$4,259
Other	4	4	4	4	\$1,737	\$2,093	\$1,133	\$3,278

Note: Industries that comprise “Other” are Basic Materials and Utilities. Dollar values are adjusted for inflation; 2020 dollar equivalent figures are used.

Appendix 4: Accounting Case Filings by Circuit

(Dollars in millions)

Circuit	Class Action Filings				Disclosure Dollar Loss Index			
	Average 2011–2019	2018	2019	2020	Annual Average 2011–2019	2018	2019	2020
1 st Circuit	1	0	1	0	\$4,401	-	(\$2,265)	-
2 nd Circuit	22	22	24	22	\$12,738	\$23,679	\$16,572	\$14,783
3 rd Circuit	6	7	8	8	\$4,299	\$7,375	\$7,937	\$6,437
4 th Circuit	1	0	3	0	\$582	-	\$1,052	-
5 th Circuit	4	4	7	4	\$1,744	\$312	\$884	\$2,951
6 th Circuit	2	1	4	0	\$1,826	\$2,240	\$4,260	-
7 th Circuit	3	3	3	3	\$4,062	\$1,654	\$21,695	\$5,845
8 th Circuit	1	1	0	1	\$273	\$1,446	-	\$132
9 th Circuit	16	20	14	27	\$7,035	\$15,941	\$4,101	\$34,672
10 th Circuit	2	3	2	2	\$579	\$1,399	\$497	\$340
11 th Circuit	3	3	1	3	\$718	\$1,473	\$109	\$2,602

Note: Dollar values are adjusted for inflation; 2020 dollar equivalent figures are used.

Appendix 5: Accounting Case Settlements and Exchange

(Dollars in millions)

	2011–2019			2019			2020		
	NYSE/Amex	NASDAQ	Other	NYSE	NASDAQ	Other	NYSE	NASDAQ	Other
No. of settlements	171	188	22	17	14	3	22	15	1
Average No. of Settlements	19	21	2						
Settlement Amounts									
Total	\$18,332.8	\$3,039.5	217.2	\$736.6	\$140.0	\$55.3	\$2,069.6	\$1,462.0	\$14.0
Median	\$15.5	\$5.7	\$1.9	\$18.2	\$5.7	\$5.5	\$15.5	\$5.5	\$14.0
Average	\$107.2	\$16.2	\$9.9	\$43.3	\$10.0	\$18.4	\$94.1	\$97.5	\$14.0

Note: Dollar values are adjusted for inflation; 2020 dollar equivalent figures are used.

Appendix 6: Accounting Case Settlements by Industry

(Dollars in millions)

Industry	Number of Settlements				Median Settlement Amounts			
	Average 2011–2019	2018	2019	2020	2011–2019	2018	2019	2020
Consumer Non-Cyclical	9	8	9	13	\$7.9	\$5.6	\$11.1	\$7.5
Industrial	5	3	8	5	\$5.6	\$10.3	\$9.4	\$3.3
Technology	4	7	2	5	\$8.2	\$12.9	\$29.4	\$15.3
Other	2	3	1	5	\$3.9	\$10.3	\$25.3	\$14.0
Consumer Cyclical	4	3	5	4	\$5.8	\$5.7	\$14.9	\$14.0
Financial	9	8	5	4	\$22.4	\$50.0	\$18.2	\$17.6
Communications	5	5	2	2	\$6.7	\$9.3	\$1.2	\$8.1
Energy	3	4	2	0	\$5.7	\$37.0	\$198.5	-

Note: “Other” category includes Basic Materials, Diversified, and Utilities. Dollar values are adjusted for inflation; 2020 dollar equivalent figures are used.

Appendix 7: Accounting Case Settlements by Circuit

(Dollars in millions)

Circuit	Number of Settlements				Median Settlements Amounts			
	Average 2011–2019	2018	2019	2020	2011–2019	2018	2019	2020
1st Circuit	1	0	1	0	\$8.6	-	\$20.2	-
2nd Circuit	14	17	8	14	\$9.8	\$10.3	\$14.2	\$6.3
3rd Circuit	3	7	1	5	\$9.8	\$6.7	\$2.3	\$15.3
4th Circuit	2	2	2	1	\$19.2	\$27.4	\$19.2	\$192.5
5th Circuit	3	3	4	3	\$7.2	\$9.3	\$10.4	\$7.5
6th Circuit	2	1	2	2	\$11.0	\$1.1	\$14.6	\$10.1
7th Circuit	3	1	2	2	\$11.5	\$24.7	\$14.4	\$7.9
8th Circuit	1	0	0	1	\$7.4	-	-	\$7.5
9th Circuit	11	8	12	6	\$6.1	\$52.6	\$6.9	\$19.9
10th Circuit	1	1	1	0	\$3.8	\$6.4	\$5.8	-
11th Circuit	3	0	1	1	\$10.6	-	\$1.2	\$149.0
DC	0	0	0	1	\$170.0	-	-	\$7.5
State	1	1	0	2	\$8.2	\$4.3	-	\$8.5

Note: Dollar values are adjusted for inflation; 2020 dollar equivalent figures are used.

Research Sample

This report utilizes the federal securities class action filings database described in *Securities Class Action Filings—2020 Year in Review* and the securities class action settlements database described in *Securities Class Action Settlements—2020 Review and Analysis*.

Endnotes

- ¹ Filings are considered “accounting case filings” if they involve allegations related to U.S. Generally Accepted Accounting Principles (GAAP) violations or violations of other reporting standards (collectively, “GAAP allegations”), auditing violations, or weaknesses in internal controls over financial reporting.
- ² Merger and acquisition (M&A) filings, which were covered in prior reports, are securities class actions that have Section 14 claims, but no Rule 10b-5, Section 11, or Section 12(a) claims, and involve M&A transactions. M&A filings in 2020 are summarized in Appendix 1.
- ³ Based on data for cases where the amount contributed by the D&O insurer was verified in settlement materials and/or the issuer defendant’s Securities and Exchange Commission (SEC) filings—approximately 71% of all accounting cases. Data are supplemented with additional observations from the Stanford Securities Litigation Analytics (SSLA). The SSLA tracks and collects data on private, shareholder securities litigation since 2000. Available on a subscription basis at <https://sla.law.stanford.edu/>.
- ⁴ Cases with associated criminal charges are those in which there was a criminal indictment/charge against the issuer, other defendants, or related parties with allegations similar to those in the class action complaint.
- ⁵ See *Securities Class Action Settlements—2020 Review and Analysis*, Cornerstone Research (2021) for further discussion.
- ⁶ Within cases involving GAAP allegations, write-down cases are those with allegations involving an asset write-down or reserve increase, and restatement cases are those involving a restatement (or announcement of a restatement) of financial statements.
- ⁷ This proxy is specific to Rule 10b-5 claims; accordingly, the analysis in this section excludes any cases involving only Section 11 and 12(a) claims.
- ⁸ See *Securities Class Action Settlements—2020 Review and Analysis*, Cornerstone Research (2021), p. 5 (“‘Simplified tiered damages’ uses simplifying assumptions to estimate per-share damages and trading behavior. It provides a measure of potential shareholder losses that allows for consistency across a large volume of cases, thus enabling the identification and analysis of potential trends. . . . However, this measure is not intended to represent actual economic losses borne by shareholders.”).
- ⁹ Cases involving accounting irregularities are those in which the defendant has reported the occurrence of accounting irregularities (intentional misstatements or omissions) in its financial statements.

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