

**News Release
 For Immediate Release**

Contact: John Hellerman
 202.966.5253
jhellerman@hellermanllc.com

Dr. Laura Simmons
 757.546-5117
lsimmons@cornerstone.com

**Class Action Securities Fraud Settlements Are Higher When
 Institutional Investors Are Lead Plaintiffs**

Estimated Damages Increase While Number of Settlements Declines

Washington, DC, May 10, 2004 – Settlement amounts are higher in class action securities fraud lawsuits where institutional investors serve as the lead plaintiff, according to a new study by Cornerstone Research titled, “Post-Reform Act Securities Lawsuits: Settlements Reported Through December 2003.” This finding holds after controlling for the fact that institutions tend to get involved in larger cases. The study examined settlements of cases filed since the passage of the Private Securities Litigation Reform Act in 1995 (the “Reform Act”).

The study also found that approximately 30% of all post Reform Act settlements have involved institutions serving as lead plaintiffs. This represents a substantial increase in participation compared to pre-Reform Act settlements, in which institutional participation as lead plaintiff was approximately 15%.

According to Dr. Laura Simmons, a Principal in Cornerstone Research’s Washington, DC office who directed the study, “The increased involvement by institutions as lead plaintiffs since passage of the Reform Act suggests that one of the intended objectives of the legislation – to increase the amount of institutional participation in securities class actions – is working.”

Cornerstone Research’s study found that the overall number of class action settlements declined from 112 in 2002 to 96 in 2003, as did the total value of those settlements, reversing a trend over the last several years. In fact, 2003 was the first year since the passage of the Reform Act in which the total value of settled cases declined from the prior year (excluding the extraordinarily large settlement by Cendant Corporation in 2000). The decline was from \$2.5 billion in 2002 to \$2.0 billion in 2003.

“The decline in the number of settlements occurring during 2003 may be due in part to a decline in the number of traditional securities class action filings that occurred in 2001, as well as an increase in the length of time that cases are taking to settle,” added Dr. Simmons. “Overall, securities class actions are becoming larger and more complex, which causes them to take longer to resolve.”

While more than 5% of settlements in 2003 were over \$100 million, two-thirds of the 2003 settlements were for less than \$10 million (indicating the substantial disparity between “large cases” and the typical case).

“Despite the decline in aggregate settlement values, private class action securities claims continue to represent a significant risk for issuers who are targeted by these lawsuits. Unless the litigation is terminated through a motion to dismiss or summary judgment, a settlement in the seven to nine figure range is highly likely,” observed Joseph A. Grundfest, the William A. Franke Professor of Law and Business at Stanford Law School, and a former Commissioner of the Securities and Exchange Commission.

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The study also found a dramatic 55% increase in average estimated plaintiff-style damages for cases that settled in 2003 versus 2002 (\$1.5 billion in 2003 versus \$954 million in 2002, adjusted for inflation). For purposes of the study, estimated damages are calculated based on a simplified plaintiff-style model.

“This dramatic increase in plaintiff-style damage calculations is almost certainly caused by the broad-based stock market decline that began in 2000,” according to Professor Grundfest. “Plaintiff-style damage calculations tend to attribute stock market losses to the alleged fraud and not to any other, non-fraudulent forces that might be at work in the market.”

Settlement amounts did not keep pace with the increase in estimated plaintiff-style damages. Settlements as a percent of estimated plaintiff-style damages were 3.3% for 2003 compared to 4.4% for prior post-Reform Act years. “The lower settlement amounts in relation to estimated damages for 2003 contrasts with the popular expectation that settlements might increase following the attention surrounding recent allegations of accounting irregularities,” observed Dr. Simmons.

Additionally, the study finds that settlements as a percent of estimated plaintiff-style damages generally decline as estimated damages increase. For instance, in cases where estimated plaintiff-style damages were less than \$125 million, companies paid out approximately 6.5% in settlements, yet in cases with estimated plaintiff-style damages in excess of \$1 billion, companies paid out less than 1%.

The study also found that the law firm of Milberg Weiss Bershad Hynes & Lerach, LLP, was involved as lead or co-lead plaintiff counsel in more than 50% of all post-Reform Act cases settled to date. The next nine most active firms were each involved as lead or co-lead plaintiff counsel in less than 10% of all settlements.

Cornerstone Research and Stanford Law School’s Securities Class Action Clearinghouse will jointly release a report on securities class action filings for 2003 in the upcoming week. Last year this annual study found that filings of federal securities class action lawsuits increased by 31% between 2001 and 2002. A similar trend is not expected this year.

A full copy of “Post-Reform Act Securities Lawsuits: Settlements Reported Through December 2003” is available at <http://securities.stanford.edu>. Additionally, Dr. Simmons is available for interviews.

Cornerstone Research provides financial and economic analysis in civil litigation and regulatory proceedings, and concentrates in securities, antitrust, intellectual property, energy and financial institutions litigation. Cornerstone Research helps to sponsor Stanford Law School's Securities Class Action Clearinghouse, the leading source of data and analytical information regarding the financial and economic characteristics of securities class action litigation.

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