

**News Release
For Immediate Release**

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**Extended Class Periods and Increased Market Capitalization Losses Contribute to
Record Class Action Securities Fraud Settlements of \$5.5 Billion in 2004
Finds Cornerstone Research**

Value Breaks 2000 Record by Nearly \$1 Billion

Washington, March 2, 2005 -- Settlement amounts reached record levels in 2004, according to a new study by Cornerstone Research titled, "Post-Reform Act Securities Settlements: Updated Through December 2004." The value of securities settlements reached \$5.5 billion in 2004 compared to \$2.1 billion in 2003 and \$4.5 billion in 2000 (the previous record setting year). Even excluding the \$2.6 billion partial WorldCom settlement (May 2004), the increase to \$2.9 billion in 2004 (from \$2.1 billion in 2003 and \$2.6 billion in 2002) remains substantial. The study compares settlements in 2004 against earlier settlements of cases filed since the passage of the Private Securities Litigation Reform Act in 1995 (the "Reform Act").

A larger number of settlements approved in 2004 as well as an increase in the average settlement size contributed to the increase in the total value of cases settled. In 2004, there were 118 cases settled, compared to 96 in 2003, a 23 percent increase. The average settlement size increased by more than 25 percent from \$19.2 million for settlements through 2003 to \$24.6 million in 2004.

A rise in the calculation of "estimated plaintiff-style damages" in 2004 was a likely contributor to the increase in the average settlement. Average "estimated plaintiff-style damages" increased by more than 45 percent to \$2.5 billion in 2004 from only \$1.7 billion in 2003, representing the seventh consecutive yearly increase. In 2004, the median (midpoint) "estimated plaintiff-style damages" was \$329 million while in 2003 the median was \$184 million. For purposes of the study, "estimated plaintiff-style damages" are calculated based on a simplified version of a model often used by plaintiffs to estimate the number of shares damaged and the amount of alleged stock price inflation.

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Underlying the rise in the calculation of average “estimated plaintiff-style damages” in 2004 was a 40 percent increase in the length of the average class period (from 1.2 years in 2003 to 1.7 years in 2004), as well as an increase in the dollar amount of market capitalization losses by defendant companies.

“On average, cases tend to settle approximately three years after they are filed,” explained Dr. Laura Simmons, a principal in Cornerstone Research’s Washington, DC office and an author of the study. “Therefore, many of the cases that settled in 2004 were filed during the bear market that began in 2000 and thus involved losses associated with a period of significant market decline.”

However, Cornerstone Research’s analysis reveals that the trend in larger damages is likely to continue. This in part reflects the overall expansion in the market capitalizations of publicly traded firms through 1999 and early 2000. With recent market fluctuations and the return of the U.S. securities markets to mid-1999 levels, Dr. Simmons believes that increases in the calculations of “estimated plaintiff-style damages” are likely to persist into the future.

“These trends warrant careful attention from executives and directors at all publicly traded firms,” observed Joseph A. Grundfest, a professor of law and business at Stanford Law School and a former Commissioner of the Securities and Exchange Commission. “Especially coming on the heels of news that outside directors at Enron and WorldCom have been asked to reach into their own pockets to fund settlements -- and not to rely on insurance and indemnification -- it makes sense for firms to redouble their efforts to avoid liability for securities fraud.”

Interestingly, even though “estimated damages” increased, settlement values expressed as a percentage of those damage estimates actually declined significantly from a median of 4.0 percent for settlements through 2003 to 2.1 percent for settlements reached in 2004. For example, for 2004 settlements with “estimated damages” in the range of \$50 million to \$125 million, the median class recovery was 4.1 percent of “estimated damages.” Settlements in the same range during 2003 were 5.7 percent of “estimated damages.” The largest lawsuits with “estimated damages” in excess of \$1 billion saw median settlements decline to only 0.8 percent of estimated damages in 2004, a settlement rate that is slightly less than half the rate of 1.7 percent observed through 2003. Although the largest cases receive the most media attention, more than 65 percent of all settlements in 2004 were for less than \$10 million and approximately 80 percent were for less than \$30 million.

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Analyzing the 620 cases that have settled since the passage of the Reform Act, the study found several leading factors that tend to influence settlement amounts. For instance, settlements were higher in cases where institutional investors were lead plaintiffs (\$10.1 million median settlement value with them vs. \$4.9 million without), where the SEC also took action against the defendants (\$10 million vs. \$5.3 million), and, most significantly, where corresponding derivative actions (i.e., suits filed against officers and directors on behalf of the defendant corporation) were filed, (\$17.7 million vs. \$5.1 million).

“Companion derivative actions tend to be associated with larger class action cases, as well as cases involving accounting allegations, SEC actions, and institutions serving as lead plaintiff. However, even considering these factors, they are still associated with higher class action settlements,” noted Simmons.

Also significant, accounting issues were included in the allegations of nearly 55 percent of all post-Reform Act cases settled to date, and these cases settle for a significantly higher percentage of “estimated damages” relative to cases not involving accounting allegations. Settlements in cases alleging violations of GAAP settled for 4.3 percent of estimated damages while cases not alleging such violations settled for 3.2 percent. Settlements in cases alleging financial restatements settled for 5.3 percent of estimated damages while case without such allegations settled for 3.4 percent. Settlements in cases that named an accountant as a defendant were 5.3 percent of estimated damages while cases without accountant defendants settled for 3.4 percent.

A full copy of Cornerstone Research’s “Post-Reform Act Securities Settlements: Updated Through December 2004” is available at <http://securities.cornerstone.com>. 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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