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FOR IMMEDIATE RELEASE

Securities Class Action Settlements Skyrocket in 2006 Finds Cornerstone Research

Average settlement size increased five-fold compared to prior PSLRA years

Washington, March 21, 2007 – Securities class action settlements in 2006 have exceeded, by a landslide, all totals from previous years according to a report released today by Cornerstone Research. The \$6.6 billion partial settlement in the Enron matter approved in 2006 brought the total Enron settlement fund to \$7.1 billion, making it the largest securities case settlement fund to date, surpassing the previous record-holder, the 2005 WorldCom settlement fund of \$6.2 billion. Excluding these two cases, the total value of settled cases in 2006 grew to \$10.6 billion, topping the 2005 \$3.5 billion total by more than 300 percent.

“Although average settlement sizes have been increasing in the last few years, 2006 stands out from prior years by the sheer magnitude of the increase that occurred,” said Dr. Laura Simmons, a principal in Cornerstone Research’s Washington, DC office and an author of the study.

“The 2006 record settlement data are a peak, and 2007 is virtually certain to generate a far smaller aggregate settlement amount,” noted Stanford Law School Professor Joseph Grundfest, Director of the Securities Class Action Clearinghouse (sponsored by Cornerstone), co-Director of the Rock Center on Corporate Governance, and former Commissioner of the Securities and Exchange Commission. “With the largest part of the WorldCom and Enron settlements now wrapped up, and with fewer huge pieces of litigation in the pipeline waiting to be resolved, aggregate settlement amounts have only one way to move, and that’s down.”

“In fact, because a smaller number of cases are now being filed and because those cases involve smaller market losses, I wouldn’t be surprised if the aggregate annual settlement statistics fall dramatically over a period of several years,” Grundfest added.

The 300 percent increase from 2005 in the total value of cases settled in 2006 was due to an increase in the average settlement size, rather than an increase in the number of cases settled. The five-fold increase in the average settlement size is driven in part by the number of 2006 “mega-settlements” – fourteen cases that settled for amounts of \$100 million or more (five of which were in excess of \$1 billion) – which far exceeded the 2004 and 2005 records for mega-settlements – seven and nine, respectively. The average market capitalization decline associated with these settlements was in excess of \$40 billion. In contrast, the median settlement increased only slightly from \$6.7 million for previous post-Reform Act years (1996-2005) to \$7.0 million in 2006. The median represents the point at which half the data points are greater and half are smaller (i.e., the midpoint).

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“In addition to the lower market losses observed for new cases filed in 2006 (see Cornerstone Research, *Securities Class Action Case Filings, 2006: A Year in Review*), the April 2005 *Dura Pharmaceuticals* Supreme Court case, which constrains the amount of recoverable damages, may also contribute to lower average settlement values going forward, observed Simmons.

The study also finds that institutions served as a lead plaintiff in over 50% of all cases settled in 2006, up from 35 percent and 20 percent in 2005 and 2004, respectively.

In addition, the study shows that the law firms of Lerach Coughlin Stoia Geller Rudman & Robbins and Milberg Weiss Bershad & Schulman continue to hold the lead in securing the largest percentage of settlements; however, their involvement as lead plaintiff counsel is no longer associated with a significant increase in settlement amounts, an obvious change from prior years.

The number of cases involving accounting allegations continued to be high, and those cases generated 55% of all settlements. The data also indicate that settlements in these lawsuits represent a significantly higher percentage of “estimated damages” than settlements in lawsuits that contain no accounting allegations.

Other findings in the study include that, derivative actions, mainly lawsuits brought by shareholders of the corporation against officers and/or directors, accompanied over 45 percent of the cases settled in 2006, an increase over 2005. Additionally, class action settlements that are accompanied by monetary settlements with the SEC for related actions – a trend that began in earnest in 2004 – continued to increase in 2006.

Finally, the Ninth Circuit (comprising California and other western states) was again the most active federal circuit in terms of number of settlements, with 26 settlements approved in 2006. The Second Circuit (which includes New York) followed close behind with 20 settlements.

A full copy of Cornerstone Research’s “Securities Class Action Settlements: 2006 Review and Analysis” is available at <http://securities.cornerstone.com>. Additionally, Dr. Simmons and Professor Grundfest are available for interviews.

Cornerstone Research provides financial and economic analysis in civil litigation and regulatory proceedings, and concentrates in securities, antitrust, intellectual property, energy, accounting, and financial institutions litigation. Cornerstone Research cosponsors the Stanford Law School 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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