

Securities Class Action Filings

2015 Year in Review



| Measures of Litigation Intensity | Key Trends | New Developments |

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EXECUTIVE SUMMARY

NUMBER AND SIZE OF FILINGS

- Plaintiffs filed **189 new federal class action securities cases** (filings) in 2015—the most since 2008, and an 11 percent increase compared with 2014. The number of filings in 2015 was in line with the average number of filings observed annually between 1997 and 2014. (pages 4–5)
- The total **Disclosure Dollar Loss (DDL)** of cases filed in 2015 jumped to \$106 billion from \$57 billion in 2014—an 86 percent increase. DDL remained below its historical average of \$121 billion. (page 6)
- The total **Maximum Dollar Loss (MDL)** increased by 73 percent—from \$215 billion in 2014 to \$371 billion in 2015. MDL was approximately 61 percent of the historical average of \$607 billion. (page 7)
- The number of **mega filings** in 2015 increased substantially from 2014. There were five mega DDL cases (those with a DDL of at least \$5 billion) and eight mega MDL cases (those with an MDL of at least \$10 billion)—compared to zero and two in 2014, respectively. (page 20)

The number of mega DDL and MDL cases rebounded from historic lows in 2014.

OTHER MEASURES OF LITIGATION INTENSITY

- Looking at the full universe of **U.S. exchange-listed companies**, 4.0 percent were subject to filings in 2015, up from 3.6 percent in 2014 and the third consecutive yearly increase. This is the highest annual rate in the dataset (since 1997). (page 9)
- Filings against companies in the **S&P 500** remained at levels well below historical averages based on either the number of filings or the market capitalization of companies subject to class actions. (pages 18–19)

FIGURE 1: CLASS ACTION FILINGS SUMMARY

	Average 1997–2014	2014	2015
Class Action Filings	188	170	189
Disclosure Dollar Loss (\$ Billions)	\$121	\$57	\$106
Maximum Dollar Loss (\$ Billions)	\$607	\$215	\$371

EXECUTIVE SUMMARY *continued*

KEY TRENDS

- The general characteristics of **claims asserted and allegations made** in 2015 filings were fundamentally similar to 2014 filings. (page 8)
- Filings against **foreign issuers** were up slightly from 2014 (from 34 to 35), but fell as a percentage of total filings. (pages 16–17)
- Filings against companies in the **Financial sector** were well below historical averages, declining from 26 in 2014 to 17 in 2015. For the first time since 2006, there were no filings against Banks. (pages 23–24)
- The **Consumer Non-Cyclical sector** again had the most filings in 2015. This sector is predominantly composed of Biotechnology, Pharmaceutical, and Healthcare companies, which collectively totaled 43 filings—one more filing than in 2014. (pages 23 and 25)
- There were more filings in the **Ninth Circuit** than in any time in the data period. The four largest industry subsectors by number of filings in the Ninth Circuit were Internet, Biotechnology, Pharmaceutical, and Semiconductor. Filings in the Second and Ninth Circuits made up 62 percent of all filings in 2015. (page 27)

2015 saw the largest number of Ninth Circuit filings since this research began tracking class actions.

NEW AND UPDATED ANALYSES

TRENDS IN IPOs AND THEIR LITIGATION EXPOSURE

This analysis tracks the number of IPOs and examines the likelihood they were the subject of a class action filing. (pages 10–11)

- IPOs fell from 207 in 2014 to 117 in 2015, but remained above post dot-com bubble levels.
- At 117 IPOs, 2015 represents the lowest annual number of IPOs since 2012.
- Filings have been more likely to target IPOs initiated after the financial crisis in 2008 than IPOs in prior periods.

IPO litigation exposure has increased since the financial crisis in 2008.

DISMISSAL AND SETTLEMENT TRENDS

This analysis presents trends in the outcomes of class action filings. In light of evidence of increases in the likelihood of dismissals, this analysis tracks dismissal and settlement rates for recent annual filing cohorts. It examines these rates in the first three years after the filing of a class action to gain insight on the early resolution trend for filings in the most recent years. (pages 12–14)

- Dismissal rates appear to be trending down since the 2010 and 2011 filing cohorts.
- Beginning with the 2012 filing cohort and continuing through the 2014 filing cohort, evidence from the timing of dismissals in the first three years after filing indicates that dismissal rates have subsided.
- The percentage of cases settled within three years of their filing dates has generally decreased since 2006, with the exception of a few annual filing cohorts.

NUMBER OF FILINGS

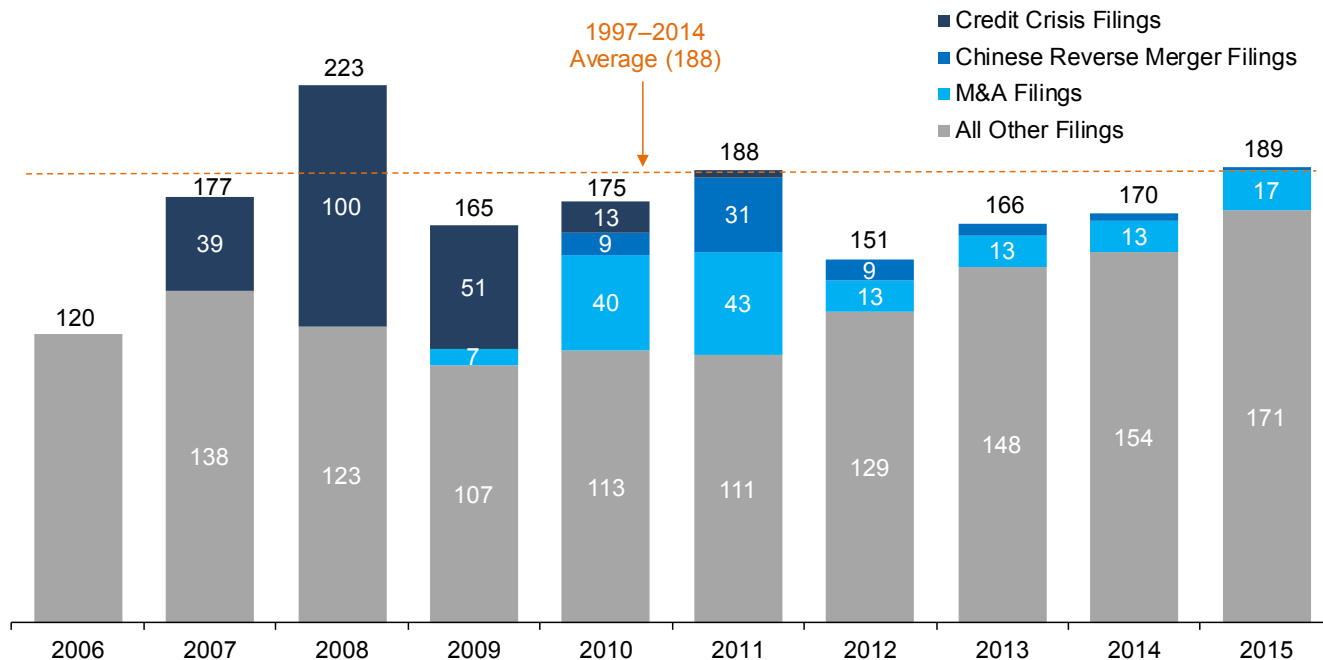
For presentation purposes, only the last 10 years are reflected in this figure and others that follow. Appendix 1 tracks these data over a longer time frame, with a summary of basic metrics starting in 1997.

KEY FINDINGS

- The 189 filings in 2015 represent an 11 percent increase from 2014, and are in line with the 1997–2014 annual average of 188 filings. The year 2015 was the first time since 2008 in which the number of filings was above the historical average.
- The increase in filings since 2011 is not the result of a wave of “nontraditional” filings as observed in 2010 and 2011, when merger and acquisition (M&A) and Chinese reverse merger (CRM) filings increased rapidly.
- The number of CRM filings continued to decline, with only one filing in 2015. Filings related to M&A transactions have remained fairly constant over the past four years.

The number of filings in 2015 was the largest since 2008.

FIGURE 2: CLASS ACTION FILINGS (CAF) INDEX™
ANNUAL NUMBER OF CLASS ACTION FILINGS
2006–2015



Note: 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.

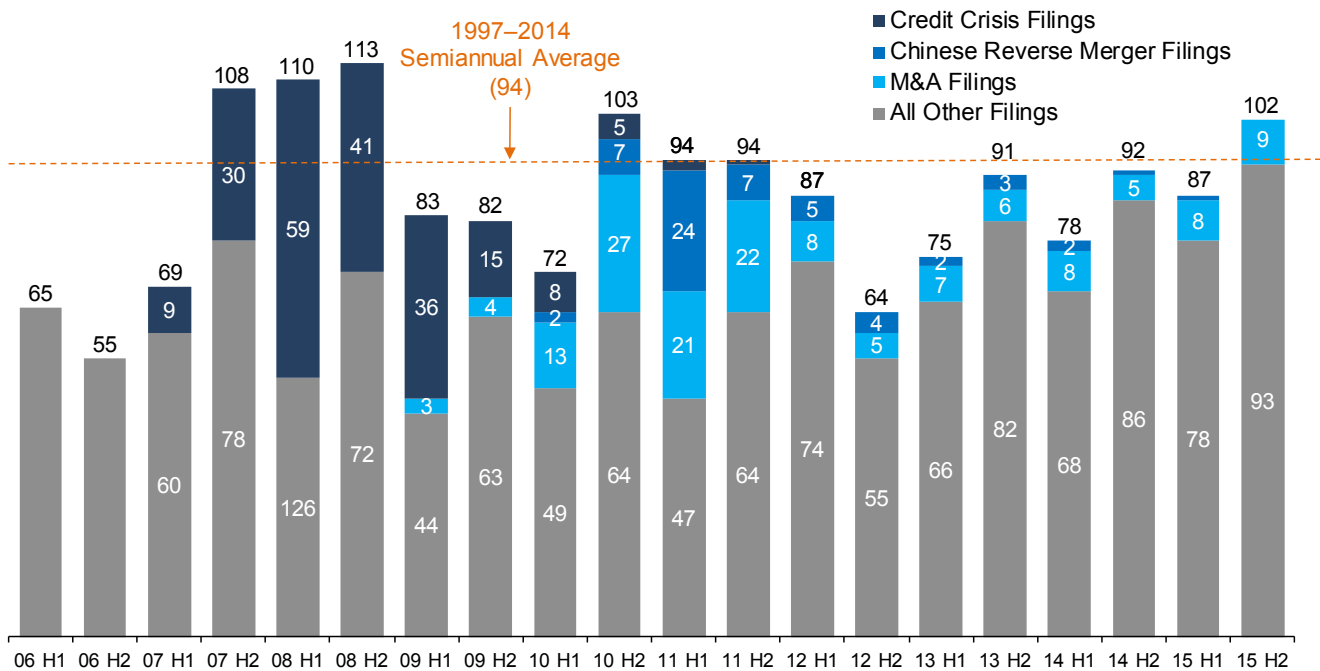
NUMBER OF FILINGS *continued*

KEY FINDINGS

- Total filing activity increased 17 percent in the second half of 2015 compared to the first half of the year.
- Since 2013, filings in the second half of the year have distinctly outpaced the first half, although the difference was greatest in 2013.
- M&A filings have continued at a low but steady rate since the first half of 2012.
- There was one CRM filing in the first half of 2015, but none in the second half.

Filing activity in the second half of 2015 exceeded the historical average for the first time since the second half of 2010.

FIGURE 3: CLASS ACTION FILINGS (CAF) INDEX™
SEMIANNUAL NUMBER OF CLASS ACTION FILINGS
2006 H1–2015 H2



Note: 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.

MARKET CAPITALIZATION LOSSES

Disclosure Dollar Loss (DDL) Index™

This index measures the aggregate DDL for all filings over a period of time. 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. See the glossary for additional discussion on market capitalization losses and DDL.

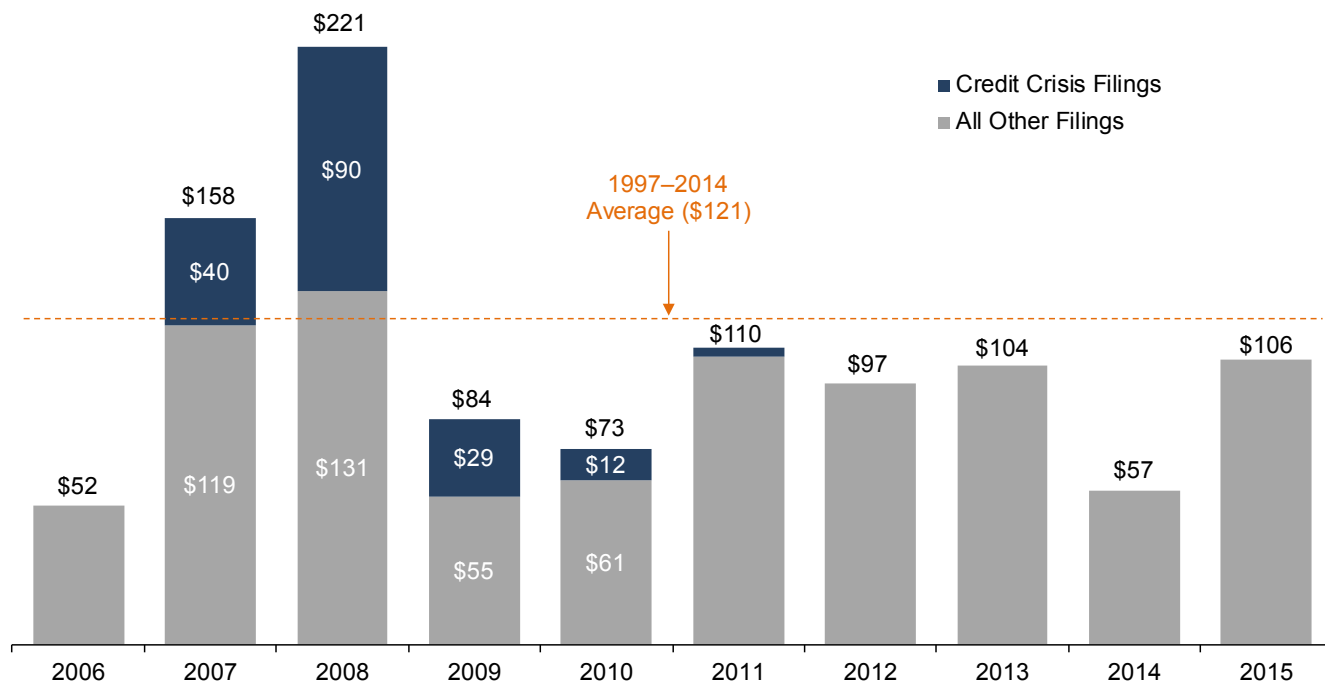
DDL increased by the largest amount year over year since 2008.

KEY FINDINGS

- The DDL Index increased 86 percent from 2014 to 2015. This was the steepest annual percentage increase since 2006 to 2007.
- The increase in 2015 is largely explained by the increase in mega DDL filings, from zero in 2014 to five in 2015. Filings with large DDLs typically account for a majority of the DDL Index.
- The DDL Index was 88 percent of the 1997–2014 average.

FIGURE 4: DISCLOSURE DOLLAR LOSS (DDL) INDEX™ 2006–2015

(Dollars in Billions)



Note:

1. See Appendix 1 for the mean and median values of DDL.
2. Numbers may not add due to rounding.

MARKET CAPITALIZATION LOSSES *continued*

Maximum Dollar Loss (MDL) Index™

This index measures the aggregate MDL for all filings over a period of time. MDL 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 to the trading day immediately following the end of the class period. MDL should not be considered an indicator of liability or measure of potential damages. See the glossary for additional discussion on market capitalization losses and MDL.

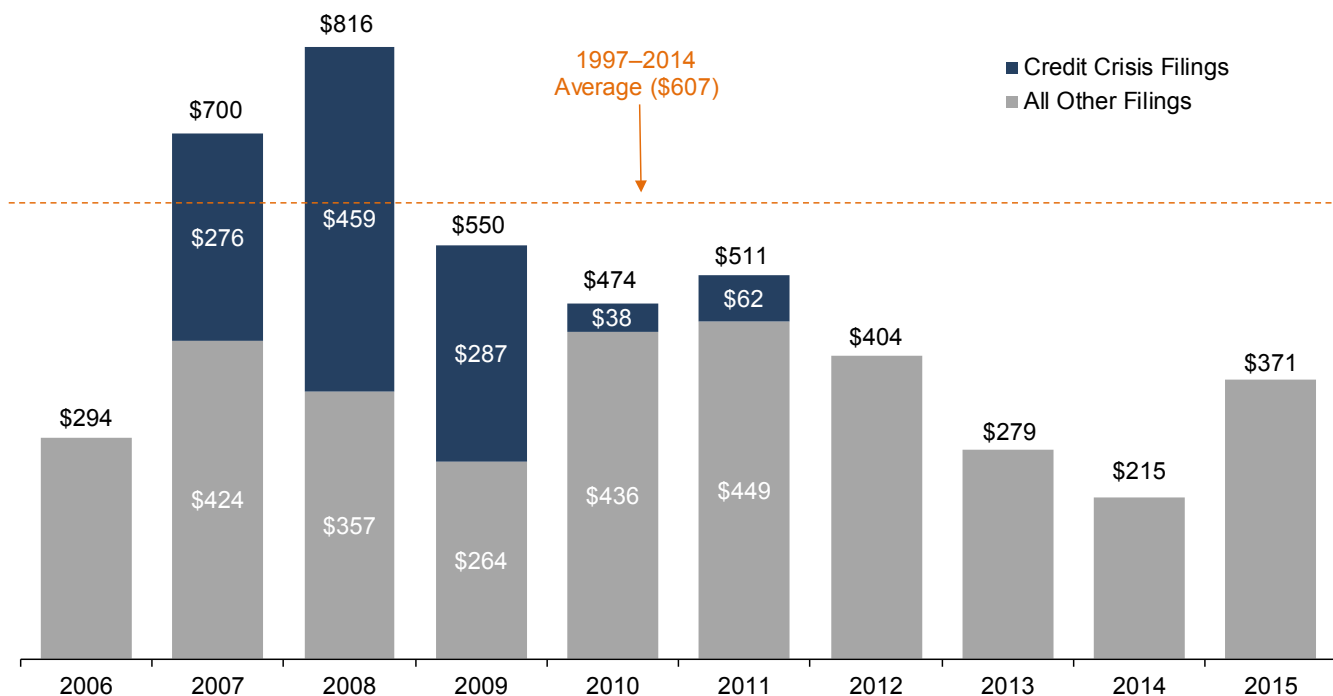
**MDL increased
for the first time
since 2011.**

KEY FINDINGS

- The MDL Index increased 73 percent from 2014 to 2015. This increase is due in part to the higher total of mega MDL filings in 2015 (eight) compared to 2014 (two).
- The year 2015 was the first time since 2011 that the MDL Index increased year over year. It also marked the largest annual dollar increase since 2007.

**FIGURE 5: MAXIMUM DOLLAR LOSS (MDL) INDEX™
2006–2015**

(Dollars in Billions)



Note:

1. See Appendix 1 for the mean and median values of MDL.
2. Numbers may not add due to rounding.

CLASSIFICATION OF COMPLAINTS

KEY FINDINGS

- The general characteristics of claims asserted in 2015 filings were fundamentally similar to 2014 filings. An extensive majority of filings continued to include Rule 10b-5 claims (84 percent).
- Section 11 claims were made in 15 percent of filings, an increase of 1 percent from 2014. The increase in Section 11 claims in 2014 and 2015, both in terms of number and percentage of filings with Section 11 claims, parallels the increase in IPO activity in 2013 and 2014.
- Underwriters and auditors were named as defendants infrequently and at rates identical to 2014.
- Allegations of misrepresentations in financial documents were nearly universal (99 percent of filings). Allegations of false forward-looking statements were made in slightly less than half of filings (49 percent).

The frequency of Section 11 claims in 2015 filings edged up from 2014.

FIGURE 6: 2015 ALLEGATIONS BOX SCORE 2011–2015

	Percentage of Total Filings ¹				
	2011	2012	2013	2014	2015
General Characteristics					
Rule 10b-5 Claims	71%	85%	84%	85%	84%
Section 11 Claims	11%	10%	9%	14%	15%
Section 12(2) Claims	9%	9%	7%	6%	8%
No Rule 10b-5, Section 11, or Section 12(2) Claims	23%	9%	11%	9%	9%
Underwriter Defendant	11%	8%	9%	11%	11%
Auditor Defendant	3%	2%	2%	1%	1%
Allegations					
Misrepresentations in Financial Documents	94%	95%	97%	94%	99%
False Forward-Looking Statements	56%	62%	54%	47%	49%
Trading by Company Insiders	12%	17%	17%	16%	19%
GAAP Violations ²	37%	23%	24%	36%	35%
Announced Restatement ³	11%	11%	11%	17%	11%
Internal Control Weaknesses ⁴	24%	20%	20%	24%	23%
Announced Internal Control Weaknesses ⁵	6%	8%	8%	10%	10%

Note:

1. The percentages do not add to 100 percent because complaints may include multiple allegations.
2. First identified complaint includes allegations of GAAP Violations. In some cases, plaintiff(s) may not have expressly referenced GAAP; however, the allegations, if true, would represent GAAP Violations.
3. First identified complaint includes allegations of GAAP Violations and refers to an announcement during or subsequent to the class period that the company will restate, may restate, or has financial statements that should not be relied upon.
4. First identified complaint includes allegations of Internal Control Weaknesses over Financial Reporting.
5. First identified complaint includes allegations of Internal Control Weaknesses and refers to an announcement during or subsequent to the class period that the company has Internal Control Weaknesses over Financial Reporting.
6. Additional allegations added in complaints subsequent to the first identified complaint are not captured in this analysis.

LITIGATION LIKELIHOOD FOR U.S. EXCHANGE-LISTED COMPANIES

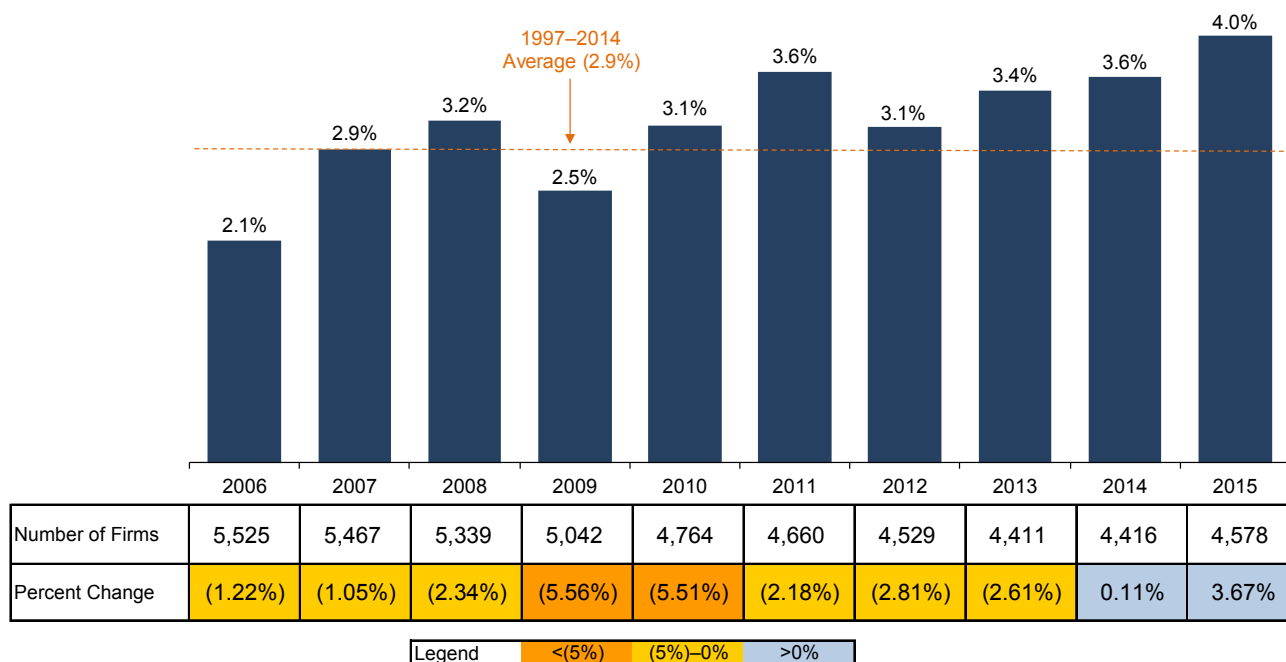
The percentage in the figure below is calculated as the unique number of companies listed on the NYSE or NASDAQ that were the subject of filings in a given year divided by the unique number of companies listed on the NYSE or NASDAQ.

KEY FINDINGS

- In 2015, companies listed on U.S. exchanges were more likely to be the target of a class action than at any time in the data.
- Approximately one in 25 companies listed on U.S. exchanges (4.0 percent) was the subject of a class action in 2015.
- The number of exchange-listed companies has increased in recent years, after more than a decade of decline. Also, see Appendix 1 which shows litigation exposure over a longer time frame.

The litigation exposure of U.S. exchange-listed companies continued its upward trend in 2015.

FIGURE 7: PERCENTAGE OF U.S. EXCHANGE-LISTED COMPANIES SUBJECT TO FILINGS AND CHANGE IN THE NUMBER OF COMPANIES LISTED ON U.S. EXCHANGES 2006–2015



Source: Securities Class Action Clearinghouse; Center for Research in Security Prices (CRSP)

Note:

1. Percentages are calculated by dividing the count of issuers listed on the NYSE or NASDAQ subject to filings by the number of companies listed on the NYSE or NASDAQ as of the beginning of the year.
2. Listed companies were 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 American Depositary Receipts (ADRs) and listed on the NYSE or NASDAQ.

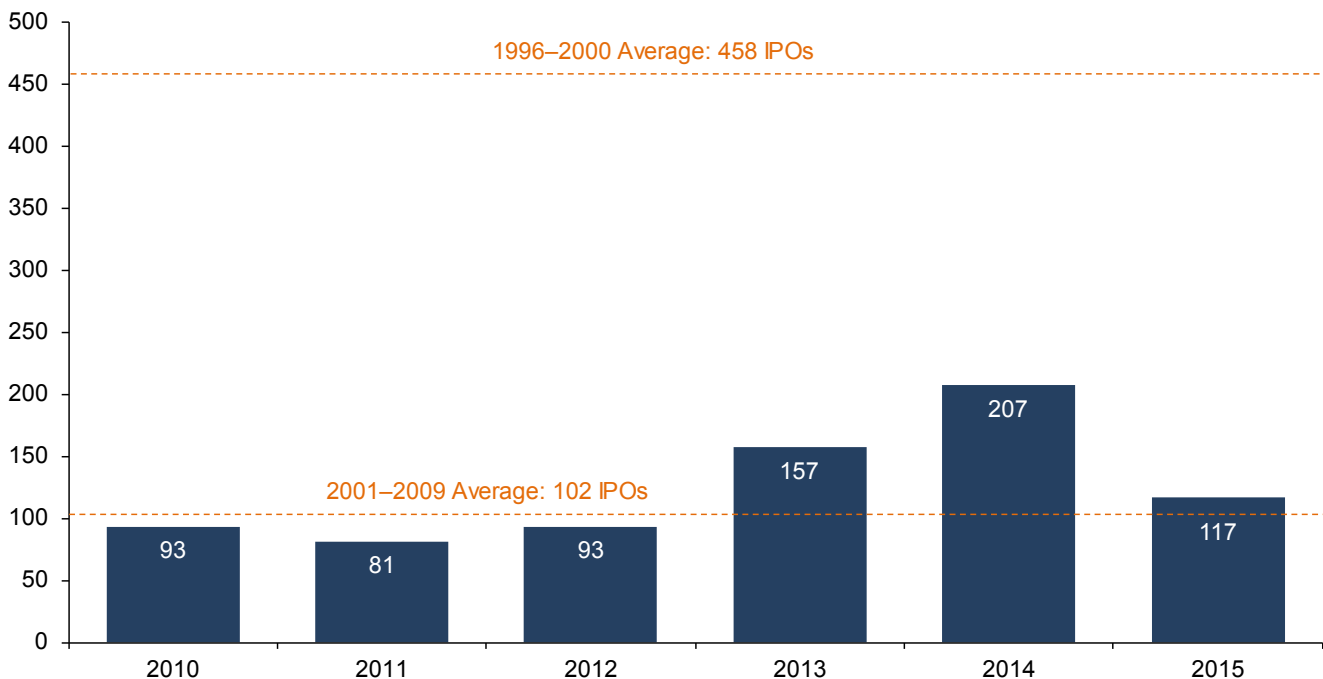
UPDATED ANALYSIS: IPO ACTIVITY

KEY FINDINGS

- IPO activity decreased 43 percent from 2014.
- With 117 IPOs, 2015 represents the lowest annual number since 2012.
- While 2015 IPO activity was higher than the 2001–2009 average of 102 IPOs per year, it represents only approximately a quarter of the 1996–2000 average of 458 IPOs per year.

IPO activity fell toward the historical average of the early and mid-2000s.

FIGURE 8: NUMBER OF IPOs ON MAJOR U.S. EXCHANGES 2010–2015



Source: Jay R. Ritter, "Initial Public Offerings: Updated Statistics" (University of Florida, January 6, 2016)

Note: These data exclude the following IPOs: those with an offer price of less than \$5, American Depository Receipts (ADRs), unit offers, closed-end funds, real estate investment trusts (REITs), partnerships, small best efforts offers, banks and S&Ls, and stocks not listed in the Center for Research in Security Prices (CRSP) database.

UPDATED ANALYSIS: IPO LITIGATION LIKELIHOOD

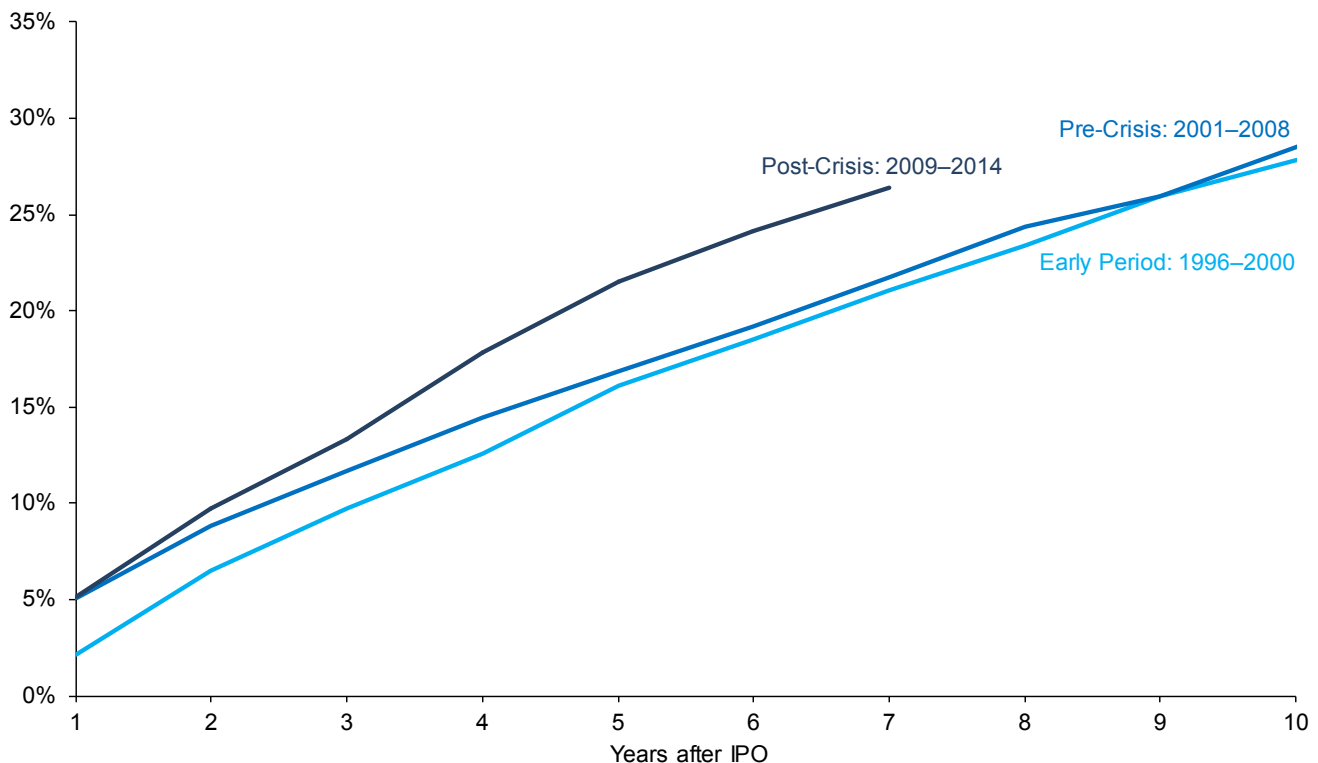
This analysis compares the litigation exposure of IPOs since the financial crisis in 2008 (post-crisis: 2009–2014) with two other groups of IPOs: those prior to the financial crisis (pre-crisis: 2001–2008) and those prior to the dot-com collapse (early period: 1996–2000).

KEY FINDINGS

- The post-crisis group’s cumulative litigation exposure curve steepened relative to that of pre-crisis and early period IPO groups.
- For each IPO grouping, the incremental litigation exposure generally decreased with each year after the IPO. See Appendix 2 for incremental litigation exposure values.
- For example, four years after offering, adjusted for differences in the survivorship rates of IPOs in the groups, 17.8 percent of post-crisis IPOs were the subject of a class action. In comparison, 14.5 percent of pre-crisis and 12.6 percent of early period IPOs were sued at the same point in time relative to their IPOs.

Post-crisis IPOs have experienced the highest cumulative litigation exposure rate.

FIGURE 9: LIKELIHOOD OF LITIGATION AGAINST RECENT IPOs
2009–2014 IPOs versus Prior-Period IPOs



Source: Jay R. Ritter, “Initial Public Offerings: Updated Statistics” (University of Florida, January 6, 2016); Center for Research in Security Prices (CRSP)

Note: Cumulative litigation exposure measures the probability that a surviving company will be a defendant in at least one securities class action during the analysis period. For a detailed explanation about the methodology, see Cornerstone Research, [Securities Class Action Filings—2014 Midyear Assessment](#) (page 10 and Appendix 3).

UPDATED ANALYSIS: STATUS OF SECURITIES CLASS ACTION FILINGS

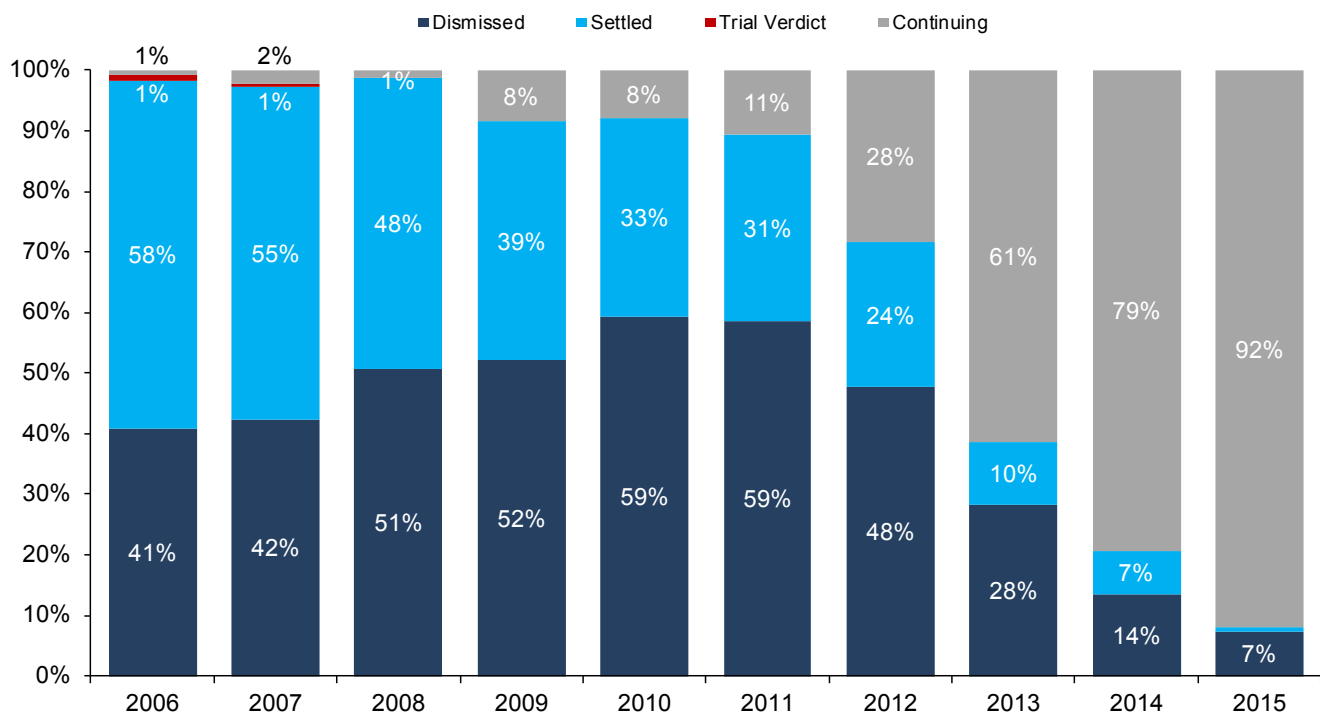
This report updates an examination of whether case outcomes have changed over time. Previous analyses showed that dismissals were increasingly common for filings in cohort years after 2003. This analysis of the last 10 years, beginning in 2006, shows that as each cohort ages, a larger percentage of filings are resolved—with a settlement, dismissal, or trial verdict outcome.

KEY FINDINGS

- Measured at comparable points in time, 28 percent of filings from 2013 were dismissed at the end of 2015—12 percentage points less than 2012 cohort filings at the end of 2014 (see Cornerstone Research, [Securities Class Action Filings—2014 Year in Review](#), page 12).
- Contrasted in an identical manner, 61 percent of 2013 cohort filings were ongoing at the end of 2015 compared with 49 percent of 2012 cohort filings at the end of 2014; an indication that 2013 cohort filings are being resolved more slowly.
- For comparison purposes with the annual cohort groups, 48 percent of filings from 1997 to 2014 have settled, 42 percent have been dismissed, and 10 percent are ongoing. Overall, less than 1 percent of filings from 1997 to 2014 have reached a trial verdict.

Dismissal rates appear to be trending down since the 2010 and 2011 filing cohorts.

FIGURE 10: STATUS OF FILINGS BY YEAR
2006–2015



Note: Percentages may not add to 100 percent due to rounding.

UPDATED ANALYSIS: EXAMINATION OF THE TIMING OF DISMISSALS

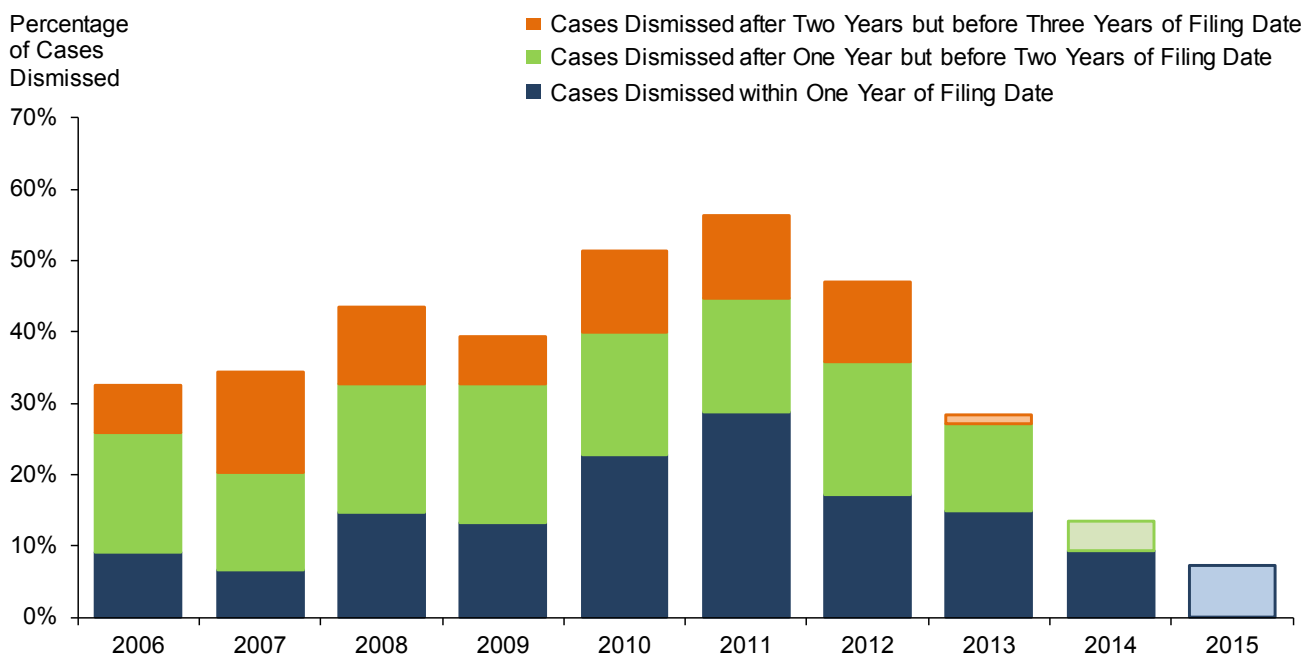
Given the length of time that may exist between the filing of a class action and its resolution, it may not be possible to immediately determine whether trends in dismissal rates observed in earlier annual cohort filings persist in later annual cohorts. This analysis looks at dismissal trends within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

KEY FINDINGS

- The percentage of cases dismissed within three years of their filing dates had generally increased for filing cohorts prior to 2012 and remained at relatively high historical rates for the 2012 cohort. These dismissal rates grew from 33 percent of cases filed in 2006 to 56 percent of cases filed in 2011 before declining to 47 percent in 2012—the last annual period for which three full years of resolution outcome data are available.
- Filings in cohort years 2013 and 2014 have been dismissed within the first year of filing at lower rates than filings in cohort years 2011 and 2012. For cases filed in 2014, 9 percent were dismissed within one year of the filing date, the lowest percentage since 2007.

Beginning with the 2012 filing cohort and continuing through the 2014 filing cohort, early dismissal rates have subsided.

FIGURE 11: PERCENTAGE OF CASES DISMISSED WITHIN THREE YEARS OF FILING DATE 2006–2015



Note:

1. Percentage of cases in each category is calculated as the number of cases that were dismissed within one, two, or three years of the filing date divided by the total number of cases filed each year.
2. The outlined portions of the stacked bars for years 2013 through 2015 indicate the percentage of cases dismissed through the end of 2015. The outlined portions of these stacked bars therefore present only partial-year observed resolution activity, whereas their counterparts in earlier years show an entire year.
3. Appendix 3 shows dismissals over a longer time frame.

NEW ANALYSIS: EXAMINATION OF THE TIMING OF SETTLEMENTS

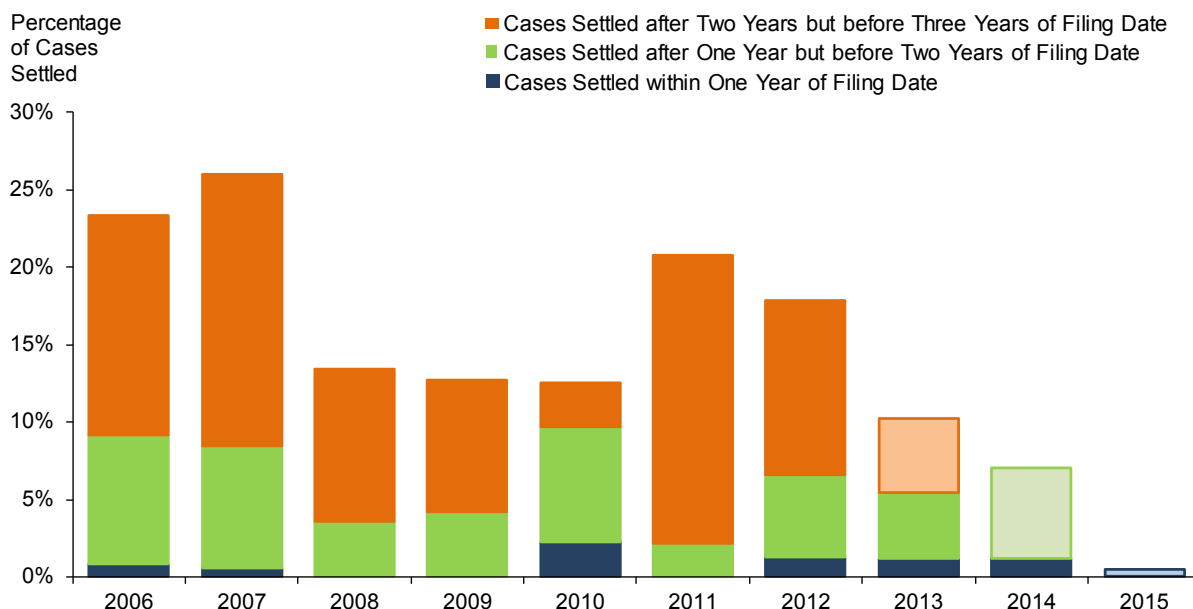
This analysis is a counterpart to the previous page. It examines the pattern of settlements in the years immediately after the filing of a class action. This analysis looks at settlement trends within the first several years of the filing of a class action to gain insight on settlement patterns in relation to the observed early dismissal rates shown previously.

KEY FINDINGS

- The percentage of cases settled within three years of their filing dates has decreased, shrinking from 23 percent of cases filed in 2006 to 18 percent of cases filed in 2012—the last annual period for which three full years of resolution outcome data are available.
- Filings in cohort years 2011 and 2012 demonstrated noticeably higher settlement rates in the third year after the filing of the class action than the prior three cohort years.
- Considered together, the analysis of early resolutions (those within three years) indicates that a larger percentage of filings in 2012 through 2014 were being resolved more slowly than 2011 cohort filings—a peak year for early resolution. The results for 2012 and 2014 cohorts are closer to historical norms. Also, see Appendix 3 which shows case resolutions over time.

The percentage of cases settled within three years of their filing dates has generally decreased since the 2006 cohort.

FIGURE 12: PERCENTAGE OF CASES SETTLED WITHIN THREE YEARS OF FILING DATE 2006–2015



Note:

1. Percentage of cases in each category is calculated as the number of cases that were settled within one, two, or three years of the filing date divided by the total number of cases filed each year.
2. The outlined portions of the stacked bars for years 2013 through 2015 indicate the percentage of cases settled through the end of 2015. The outlined portions of these stacked bars therefore present only partial-year observed resolution activity, whereas their counterparts in earlier years show an entire year.

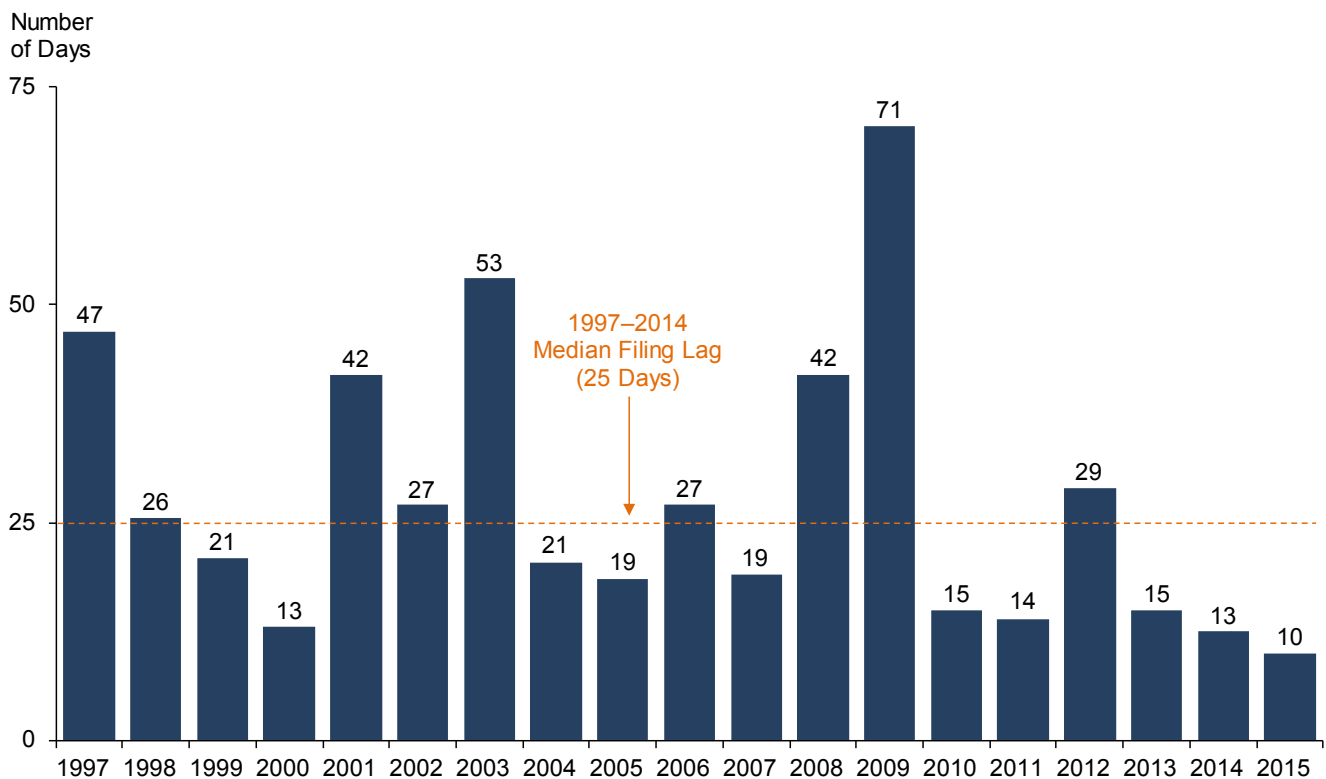
FILING LAG

KEY FINDINGS

- In 2015, the median filing lag was 10 days between the end of the alleged class period and the filing date of the lawsuit. The median filing lag has been steadily decreasing since 2012.
- The median filing lag in 2015 excluding M&A cases was 12 days, two days longer than the median of all cases. While M&A cases are normally filed soon after the class end date, 2015 had the shortest median filing lag on record for this subset of filings.
- Twelve percent of class actions were filed more than six months (i.e., 180 days) after the end of the alleged class period—the second lowest percentage on record. The lowest percentage on record was 9 percent in 2014.

The median filing lag has never been shorter than in 2015.

FIGURE 13: ANNUAL MEDIAN LAG BETWEEN CLASS END DATE AND FILING DATE 1997–2015



FOREIGN FILINGS

Class Action Filings-Foreign (CAF-F) Index™

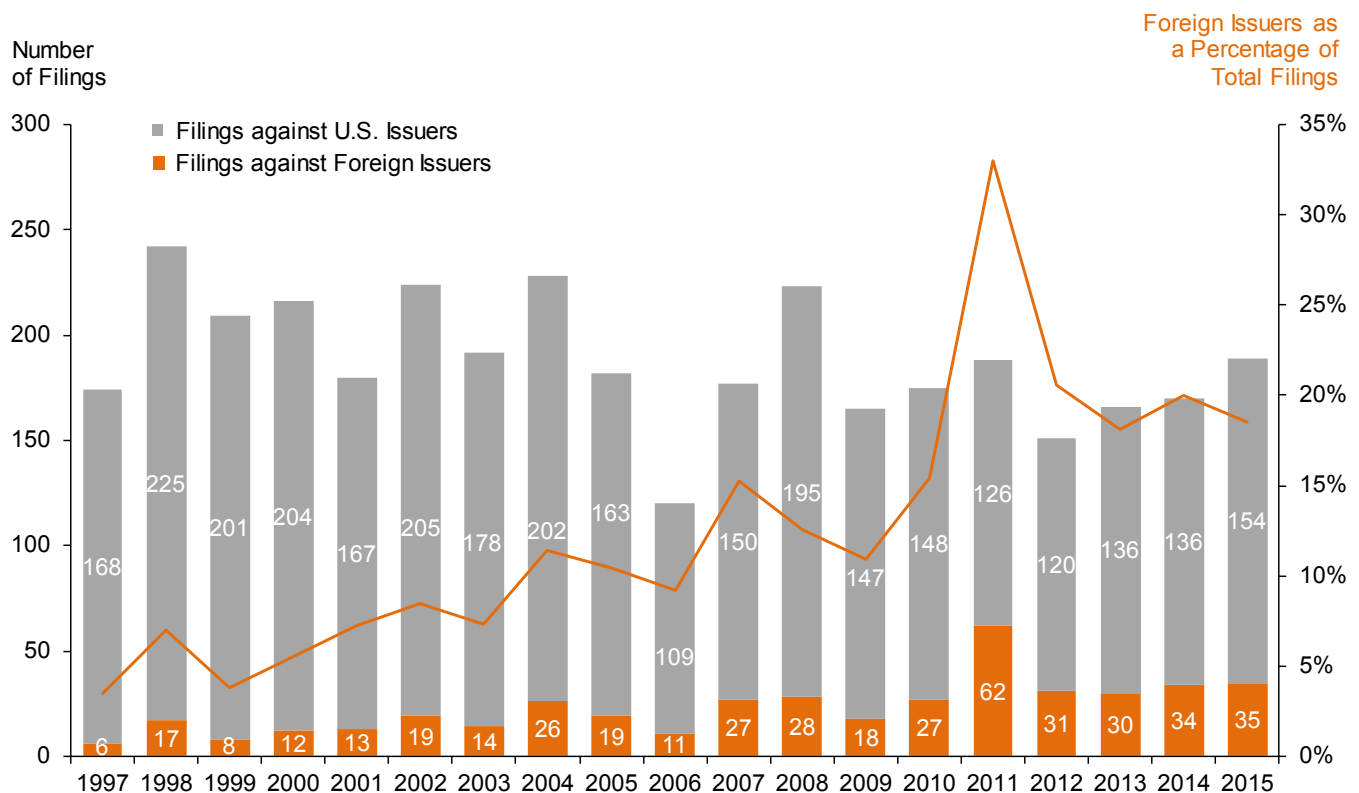
This index tracks the number of filings against foreign issuers (companies headquartered outside the United States) relative to total filings.

KEY FINDINGS

- The number of filings against foreign issuers increased to 35 in 2015, well above the 1997–2014 historical average of 22 filings.
- While the number of foreign filings increased marginally from 2014 to 2015, the portion of total filings represented by foreign issuers decreased slightly to 19 percent. Over the last three years, the percentage of filings against foreign issuers has hovered between 18 and 20 percent.
- In 2015, companies headquartered in China were the most common targets of foreign filings with 14, comprising 7 percent of total filings.

Filings against foreign issuers remained at high levels.

FIGURE 14: CLASS ACTION FILINGS-FOREIGN (CAF-F) INDEX™
ANNUAL NUMBER OF CLASS ACTION FILINGS BY LOCATION OF HEADQUARTERS
1997–2015



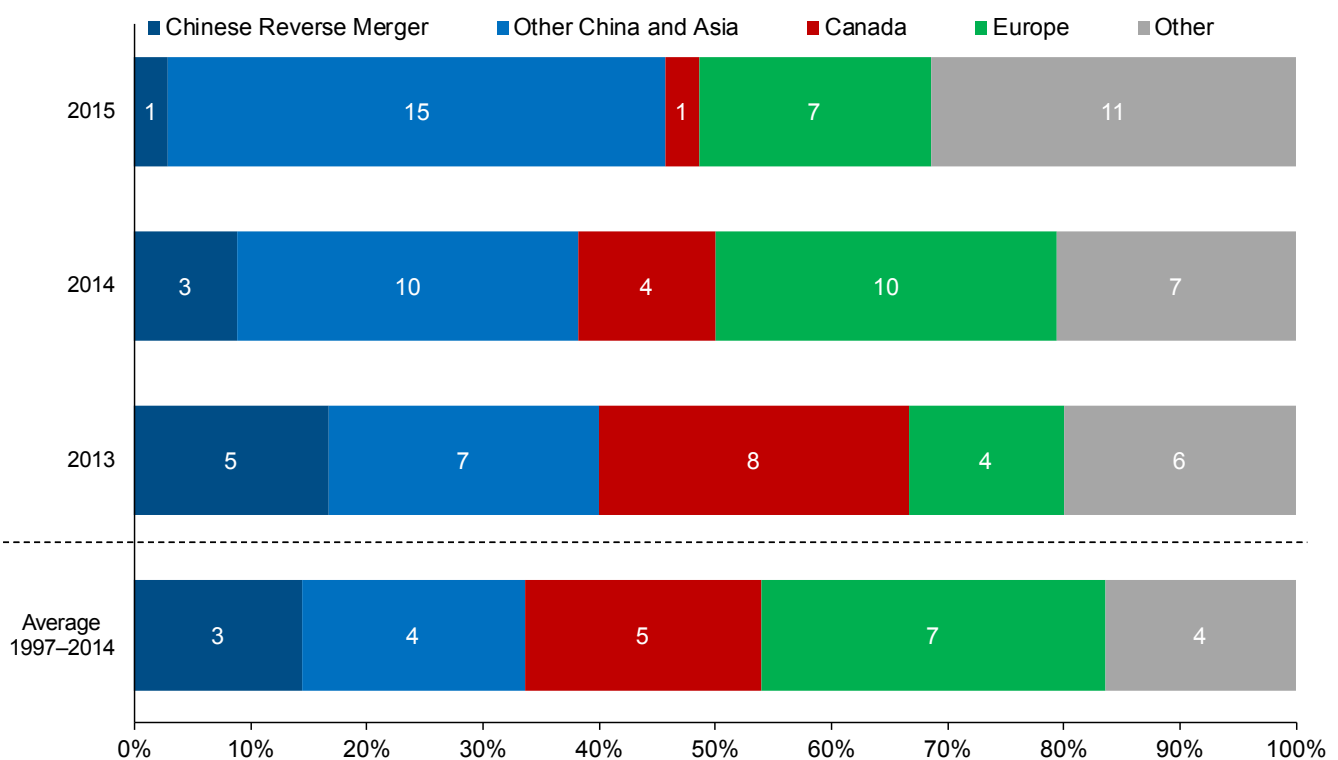
FOREIGN FILINGS *continued*

KEY FINDINGS

- Despite the 67 percent decline in CRM filings from 2014, the total number of filings against companies headquartered in China increased 27 percent from 2014 and remained well above the historical average.
- Filings against firms headquartered in Canada declined to just one in 2015 compared to an average of five historically.
- While the number of filings against European firms returned to the historical average, their portion of all filings against foreign issuers declined. Firms headquartered in six different European countries were the targets of class actions. Only companies from the United Kingdom had more than a single class action filing in 2015.
- For the first time in the past 19 years, a company headquartered in Chile was sued in a class action securities lawsuit. Multiple class actions were filed against companies headquartered in Brazil, the Cayman Islands, and Israel, in declining order of frequency.

Filings against European firms returned to the historical average.

FIGURE 15: FOREIGN FILINGS BY LOCATION OF HEADQUARTERS



Note: The Chinese Reverse Merger and Other China and Asia categories include filings for companies headquartered in Hong Kong.

HEAT MAPS: S&P 500 SECURITIES LITIGATION™

The Heat Maps analyze securities class action activity by industry sector. The analysis focuses on companies in the S&P 500 index, which comprises 500 large, publicly traded companies in all major sectors. Starting with the composition of the S&P 500 at the beginning of each year, the Heat Maps examine two questions for each sector:

- (1) What percentage of these companies were subject to new securities class actions in federal court during the year?
- (2) What percentage of the total market capitalization of these companies was accounted for by companies named in new securities class actions?

Filings against S&P 500 companies remained below the historical average.

KEY FINDINGS

- Of the companies comprising the S&P 500 at the beginning of 2015, only one in about 39 companies (2.6 percent) was a defendant in a class action filed during the year, compared to one in about 45 companies (2.2 percent) in 2014. The historical average is approximately one in 18 companies (5.5 percent).
- As in 2014, the Consumer Staples sector exhibited above-average activity in 2015 compared with historical averages. The Utilities sector also exhibited above-average activity in 2015.

FIGURE 16: HEAT MAPS OF S&P 500 SECURITIES LITIGATION™
PERCENTAGE OF COMPANIES SUBJECT TO NEW FILINGS
2005–2015

	Average 2001–2014	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Consumer Discretionary	5.2%	10.3%	4.4%	5.7%	4.5%	3.8%	5.1%	3.8%	4.9%	8.4%	1.2%	0.0%
Consumer Staples	3.2%	8.6%	2.8%	0.0%	2.6%	4.9%	0.0%	2.4%	2.4%	0.0%	5.0%	7.5%
Energy/Materials	1.4%	1.7%	0.0%	0.0%	0.0%	1.5%	5.7%	0.0%	2.7%	0.0%	1.3%	1.4%
Financials	9.3%	7.3%	2.4%	10.3%	31.2%	13.1%	10.3%	1.2%	3.7%	0.0%	1.2%	1.2%
Health Care	8.6%	10.7%	6.9%	12.7%	13.7%	3.7%	15.4%	2.0%	3.8%	5.7%	3.6%	1.9%
Industrials	3.1%	1.8%	0.0%	5.8%	3.6%	6.9%	0.0%	1.7%	1.6%	0.0%	4.7%	0.0%
Telecommunications/ Information Tech	6.0%	6.7%	8.1%	2.3%	2.5%	1.2%	3.5%	7.1%	3.8%	9.1%	0.0%	5.6%
Utilities	6.2%	3.0%	0.0%	3.1%	3.2%	0.0%	0.0%	8.8%	3.1%	0.0%	3.2%	10.3%
All S&P 500 Companies	5.5%	6.6%	3.6%	5.4%	9.2%	4.8%	5.4%	3.2%	3.4%	3.4%	2.2%	2.6%

Legend 0% 0–5% 5–15% 15–25% 25%+

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 (GICS). The Energy and Materials sectors and the Telecommunications and Information Technology sectors appear separately but are combined for the purposes of this analysis.
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.
4. Appendix 4A presents these figures over a longer time frame.

HEAT MAPS: S&P 500 SECURITIES LITIGATION™ *continued*

KEY FINDINGS

- The total market capitalization of S&P 500 companies sued increased from 1.3 percent in 2014 to 3.2 percent in 2015. This ends a four-year declining trend. However, 2015 was still well below the historical average of 9.1 percent.
- Larger S&P 500 companies have historically been more likely targets of class actions. This pattern continued in 2015. The percentage of S&P 500 companies subject to filings was less than their share of the S&P 500 market capitalization.
- The Consumer Discretionary and Industrials sectors had no filing activity in 2015. It was the first time in the data (dating to 2001) that the Consumer Discretionary sector had no filing activity.

The combined Telecom/IT category was the most active sector in 2015 as a percentage of market capitalization.

FIGURE 17: HEAT MAPS OF S&P 500 SECURITIES LITIGATION™
PERCENTAGE OF MARKET CAPITALIZATION SUBJECT TO NEW FILINGS
2005–2015

	Average 2001–2014	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Consumer Discretionary	5.9%	5.7%	8.9%	4.4%	7.2%	1.9%	4.9%	4.6%	1.6%	4.4%	2.5%	0.0%
Consumer Staples	3.4%	11.4%	0.8%	0.0%	2.6%	3.9%	0.0%	0.8%	14.0%	0.0%	3.4%	3.7%
Energy/Materials	2.0%	1.6%	0.0%	0.0%	0.0%	0.8%	5.5%	0.0%	0.9%	0.0%	0.2%	0.4%
Financials	19.3%	22.2%	8.2%	18.1%	55.0%	38.3%	31.1%	6.9%	11.0%	0.0%	0.3%	3.0%
Health Care	13.9%	10.1%	18.1%	22.5%	20.0%	1.7%	33.7%	0.7%	3.8%	4.4%	3.0%	3.1%
Industrials	6.1%	5.6%	0.0%	2.2%	26.4%	23.2%	0.0%	2.1%	1.2%	0.0%	1.7%	0.0%
Telecommunications/ Information Tech	8.3%	10.3%	8.3%	3.4%	1.4%	0.3%	5.9%	13.4%	2.2%	16.6%	0.0%	7.6%
Utilities	6.9%	5.6%	0.0%	5.5%	4.0%	0.0%	0.0%	5.6%	6.8%	0.0%	0.7%	5.7%
All S&P 500 Companies	9.1%	10.7%	6.7%	8.2%	16.2%	8.6%	11.2%	5.1%	4.9%	4.7%	1.3%	3.2%

Legend 0% 0–5% 5–15% 15–25% 25%+

Note:

1. The chart is based on the market capitalizations of the S&P 500 companies as of the last trading day of the previous year. If the market capitalization on the last trading day is not available, the average fourth-quarter market capitalization is used.
2. Sectors are based on the Global Industry Classification Standard (GICS). The Energy and Materials sectors and the Telecommunications and Information Technology sectors appear separately but are combined for the purposes of this analysis.
3. Percentage of Market Capitalization Subject to New Filings equals the total market capitalization of companies subject to new securities class action filings in federal courts in each sector divided by the total market capitalization of all companies in that sector.
4. Appendix 4B presents these figures over a longer time frame.

MEGA FILINGS

Mega DDL and MDL Filings

This section provides an analysis of large filings, as measured by DDL and MDL, in which mega DDL filings have a disclosure dollar loss (DDL) of at least \$5 billion and mega MDL filings have a maximum dollar loss (MDL) of at least \$10 billion.

KEY FINDINGS

- In 2015, there were five mega DDL filings that accounted for \$56 billion of DDL. There were no mega DDL filings in 2014.
- Mega filings in 2015 accounted for 53 percent of total DDL, the largest percentage since 2011.
- Two large filings in the Consumer Non-Cyclical sector—one in the Pharmaceutical subsector and the other in the Biotechnology subsector—made up 33 percent of the total DDL for 2015. Additionally, two filings in the Technology sector—one in the Computers subsector and one in the Semiconductor subsector—made up 15 percent of the total DDL for 2015.
- There were eight mega MDL filings in 2015 with a total MDL of \$207 billion. There were two mega MDL filings in 2014 with a total MDL of \$31 billion.
- The numbers of mega MDL and DDL filings moved closer to their historical averages.

Mega DDL and MDL rebounded from historic lows in 2014.

FIGURE 18: **MEGA FILINGS**

	Average 1997–2014	2012	2013	2014	2015
Mega Disclosure Dollar Loss (DDL) Filings¹					
Mega DDL Filings	5	4	3	0	5
DDL (\$ Billions)	\$65	\$43	\$53	\$0	\$56
Percentage of Total DDL	54%	44%	51%	0%	53%
Mega Maximum Dollar Loss (MDL) Filings²					
Mega MDL Filings	12	10	5	2	8
MDL (\$ Billions)	\$434	\$224	\$132	\$31	\$207
Percentage of Total MDL	71%	55%	47%	15%	56%

Note:

1. Mega DDL filings have a dollar loss of at least \$5 billion.

2. Mega MDL filings have a dollar loss of at least \$10 billion.

DISTRIBUTION OF DDL VALUES

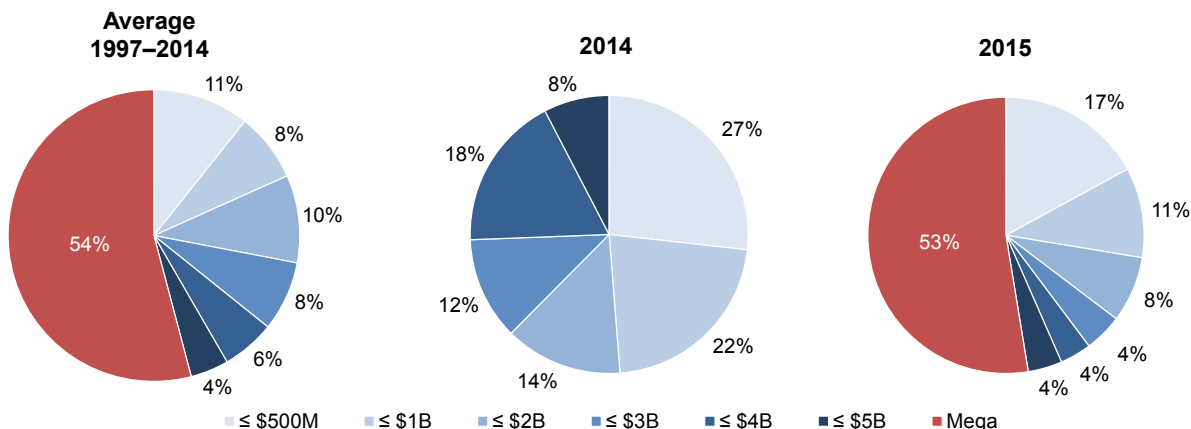
These charts compare the distribution of DDL attributable to filings of a given size in 2015 with the historical distribution of DDL.

KEY FINDINGS

- Historically, mega DDL filings have accounted for 4 percent of total filings and 54 percent of total DDL. The figures for 2015 were in line with historical averages.
- Although particularly large filings (i.e., mega filings) increased in 2015, smaller class actions also increased. Filings with DDLs less than or equal to \$500 million increased from 110 in 2014 to 126 in 2015. However, these smaller DDL filings accounted for only 17 percent of total 2015 DDL, compared to 28 percent in 2014.

DDLs of filings in 2015 moved closer to the historical norm after aberrant lows in 2014.

FIGURE 19: DISTRIBUTION OF DDL BY FILING SIZE



Note:
 1. Size of each slice represents the percentage of total DDL.
 2. Percentages may not add to 100 percent due to rounding.

DISTRIBUTION OF MDL VALUES

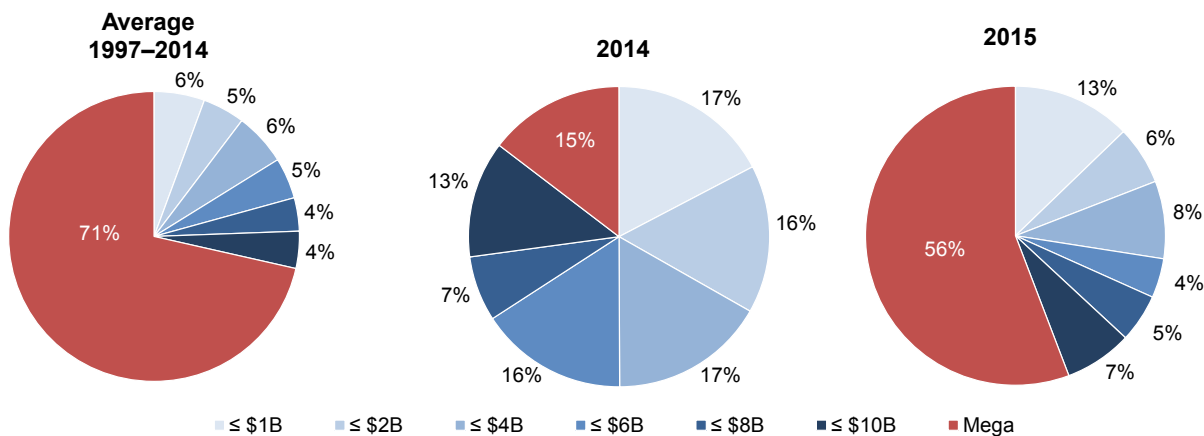
These charts compare the distribution of MDL attributable to filings of a given size in 2015 with the historical distribution of MDL.

KEY FINDINGS

- In 2015, mega MDL filings represented 5 percent of the total number of filings and approximately 56 percent of total MDL. These are significantly different from the 2014 figures of 1 percent and 15 percent, respectively, but much closer to the respective historical averages of 8 percent and 71 percent.
- While mega MDL filings accounted for the majority of total MDL, filings with MDL of less than or equal to \$1 billion comprised approximately 13 percent of total MDL in 2015. This is lower than the 2014 figure of 17 percent, but much higher than the historical average of 6 percent.
- The percentage of total MDL in 2015 is less evenly distributed across groupings than in 2014. Excluding the Mega category, the remaining categories range from 4 percent to 13 percent.

Mega filings represented the majority of MDL in 2015, although to a lesser degree than historical norms.

FIGURE 20: DISTRIBUTION OF MDL BY FILING SIZE



Note:
 1. Size of each slice represents the percentage of total MDL.
 2. Percentages may not add to 100 percent due to rounding.

INDUSTRY

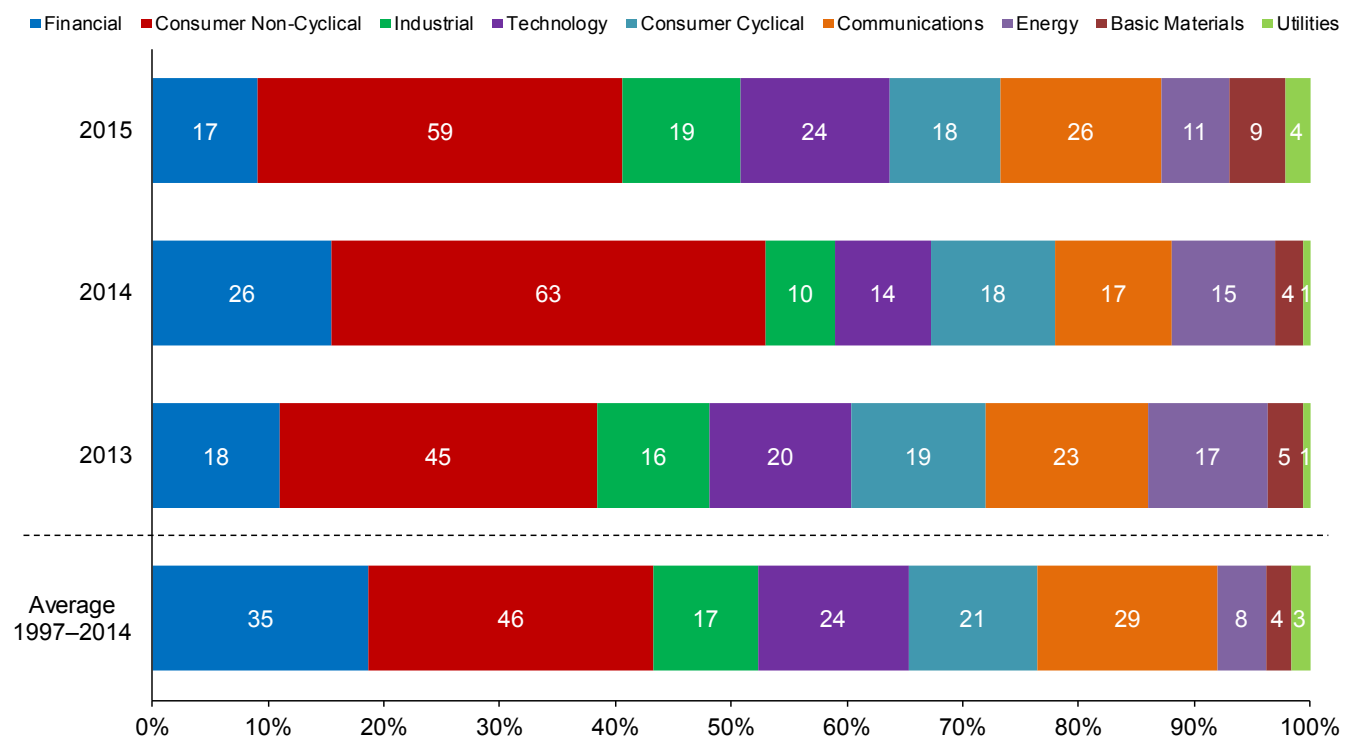
This analysis encompasses all filings, both the large capitalization companies of the S&P 500, shown on the preceding pages, as well as smaller companies.

KEY FINDINGS

- Filings against companies in the Financial sector decreased for the first time since 2012, and the number of filings against companies in this sector remained far below the historical average of 35 filings. The DDL for filings against Financial sector companies, \$8 billion, increased from 2014, but also remained well below the historical average of \$19 billion (see Appendix 5).
- While filings against companies in the Consumer Non-Cyclical sector decreased from 2014, the DDL for these filings, \$52 billion, increased distinctly to above the average of \$35 billion. MDL followed a similar trend, increasing to \$139 billion, \$16 billion above the historical average of \$123 billion.
- After decreasing in 2014, the number of filings in the Industrial sector nearly doubled to 19 in 2015, above the historical average of 17.

Filings against the Financial sector fell to 17—only 9 percent of all filings in 2015.

FIGURE 21: FILINGS BY INDUSTRY



Note:
 1. Filings with missing sector information or infrequently used sectors may be excluded. For more information, see Appendix 5.
 2. Sectors are based on the Bloomberg Industry Classification System.

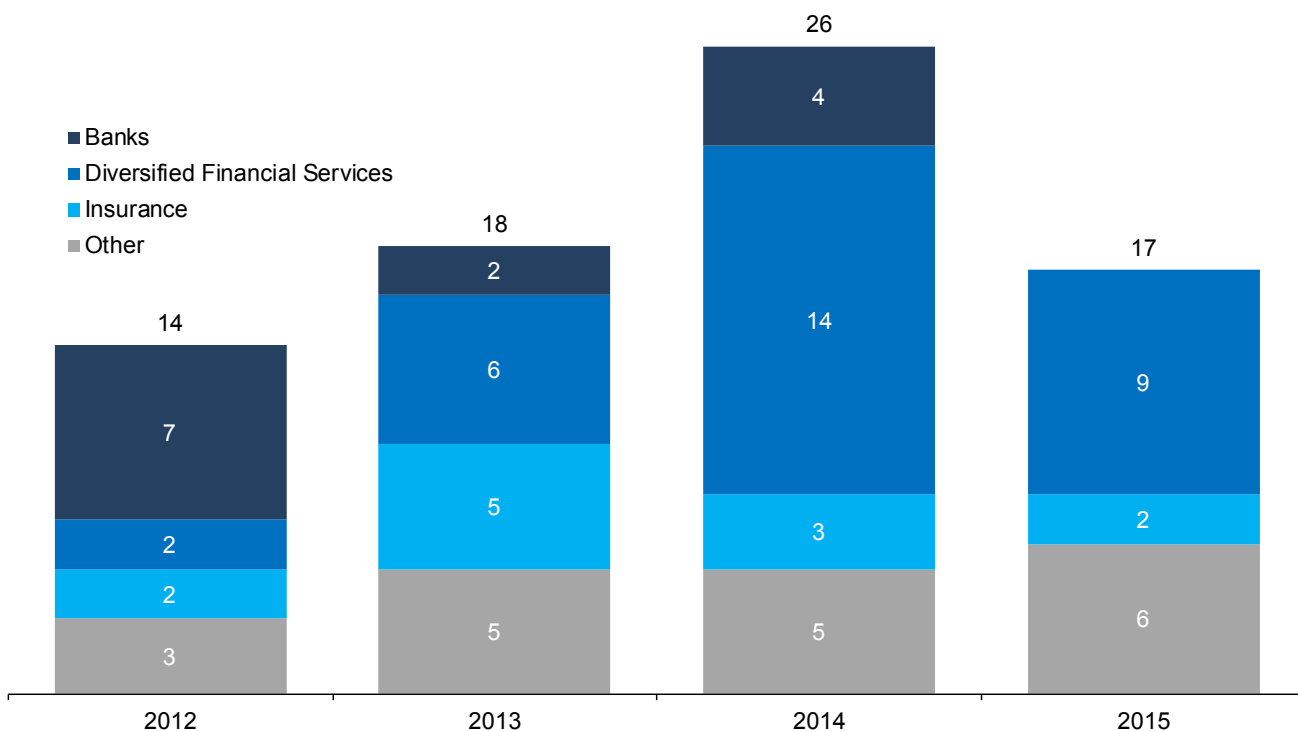
INDUSTRY *continued*

KEY FINDINGS: FINANCIAL SECTOR

- Filings in the Financial sector decreased by 35 percent, from 26 filings in 2014 to 17 in 2015. This decrease was largely fueled by decreases in filings against Banks (from four in 2014 to zero in 2015) and Diversified Financial Services companies (from 14 in 2014 to nine in 2015).
- The 17 filings in the Financial sector in 2015 were a little less than half the historical average of 35 filings.

For the first time since 2006, no class actions were filed against Banks.

FIGURE 22: FINANCIAL SECTOR FILINGS



Note:

1. Sectors and subsectors are based on the Bloomberg Industry Classification System.

2. The Other category is a grouping primarily encompassing the Closed-end Funds, Investment Companies, Savings & Loans, and REITs subsectors.

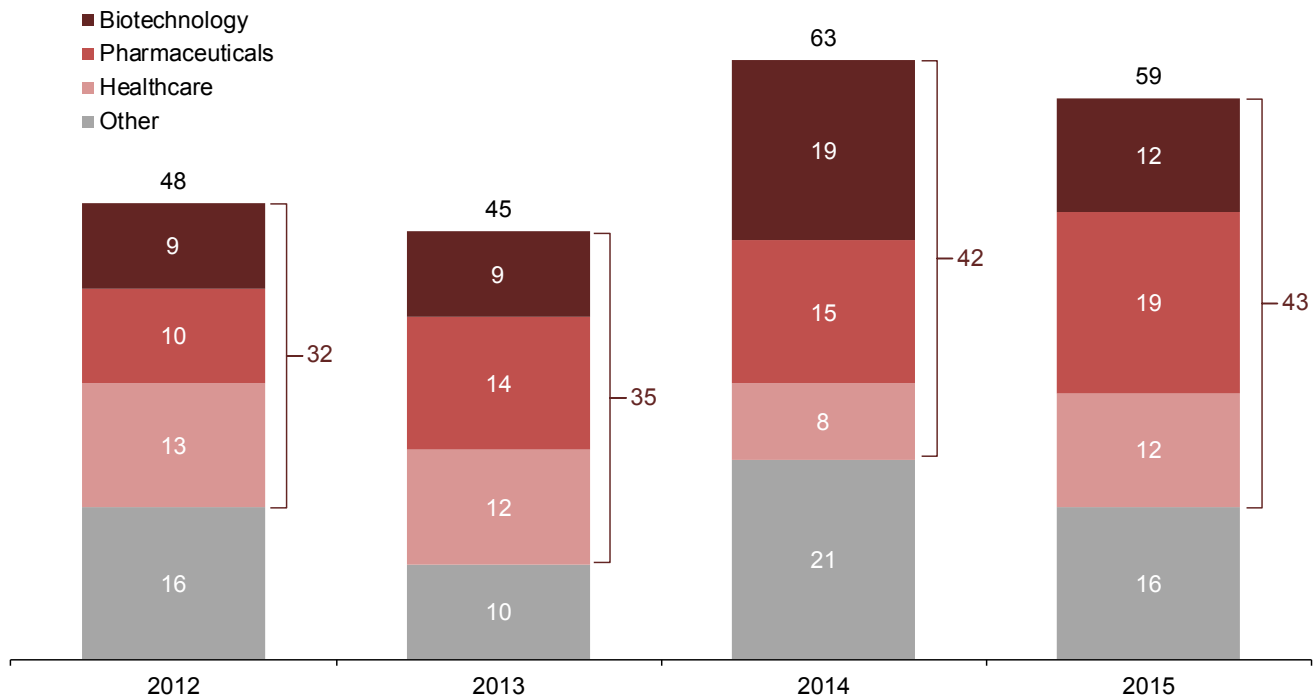
INDUSTRY *continued*

KEY FINDINGS: CONSUMER NON-CYCLICAL SECTOR

- Filings in the Consumer Non-Cyclical sector decreased by 6 percent, from 63 filings in 2014 to 59 in 2015. This decrease was largely fueled by a 37 percent decrease in filings against Biotechnology companies.
- Filings against Pharmaceutical companies increased for the third year in a row, making it the most sued subsector of Consumer Non-Cyclical companies in 2015. Pharmaceutical filings represented 32 percent of total Consumer Non-Cyclical filings in 2015.
- Collectively, filings against Biotechnology, Healthcare, and Pharmaceutical companies have increased in each of the last three years.

Class actions against biotech, healthcare, and pharma companies were again predominant in the Consumer Non-Cyclical sector.

FIGURE 23: CONSUMER NON-CYCLICAL SECTOR FILINGS



Note:

1. Sectors and subsectors are based on the Bloomberg Industry Classification System.

2. The Other category is a grouping primarily encompassing the Agriculture, Beverage, Commercial Services, and Food subsectors.

EXCHANGE

KEY FINDINGS

- In 2015, 96 class actions were filed against NASDAQ-listed companies, compared to 84 against companies listed on the NYSE.
- The number of filings against NYSE firms represents a 12 percent increase over the number of filings in 2014. The number of filings against NASDAQ firms increased by 17 percent.
- The median DDL and MDL for filings against NYSE companies decreased in 2015 compared to 2014. Other measures of the typical size of a filing against NYSE and NASDAQ companies increased from 2014. The increase in the total and average DDLs is consistent with the increase in mega filings in 2015.

Filings against NYSE and NASDAQ firms increased in 2015.

FIGURE 24: FILINGS BY EXCHANGE LISTING

	Average (1997–2014)		2014		2015	
	NYSE/Amex	NASDAQ	NYSE	NASDAQ	NYSE	NASDAQ
Class Action Filings	76	96	75	82	84	96
Disclosure Dollar Loss						
DDL Total (\$ Billions)	\$85	\$35	\$26	\$30	\$52	\$53
Average (\$ Millions)	\$1,306	\$397	\$408	\$404	\$729	\$597
Median (\$ Millions)	\$251	\$92	\$220	\$130	\$184	\$141
Maximum Dollar Loss						
MDL Total (\$ Billions)	\$408	\$197	\$130	\$80	\$208	\$162
Average (\$ Millions)	\$6,153	\$2,189	\$2,038	\$1,068	\$2,892	\$1,816
Median (\$ Millions)	\$1,266	\$444	\$780	\$393	\$756	\$415

Note:

1. Average and median numbers are calculated only for filings with MDL and DDL data.
2. NYSE Amex was renamed NYSE MKT in May 2012.

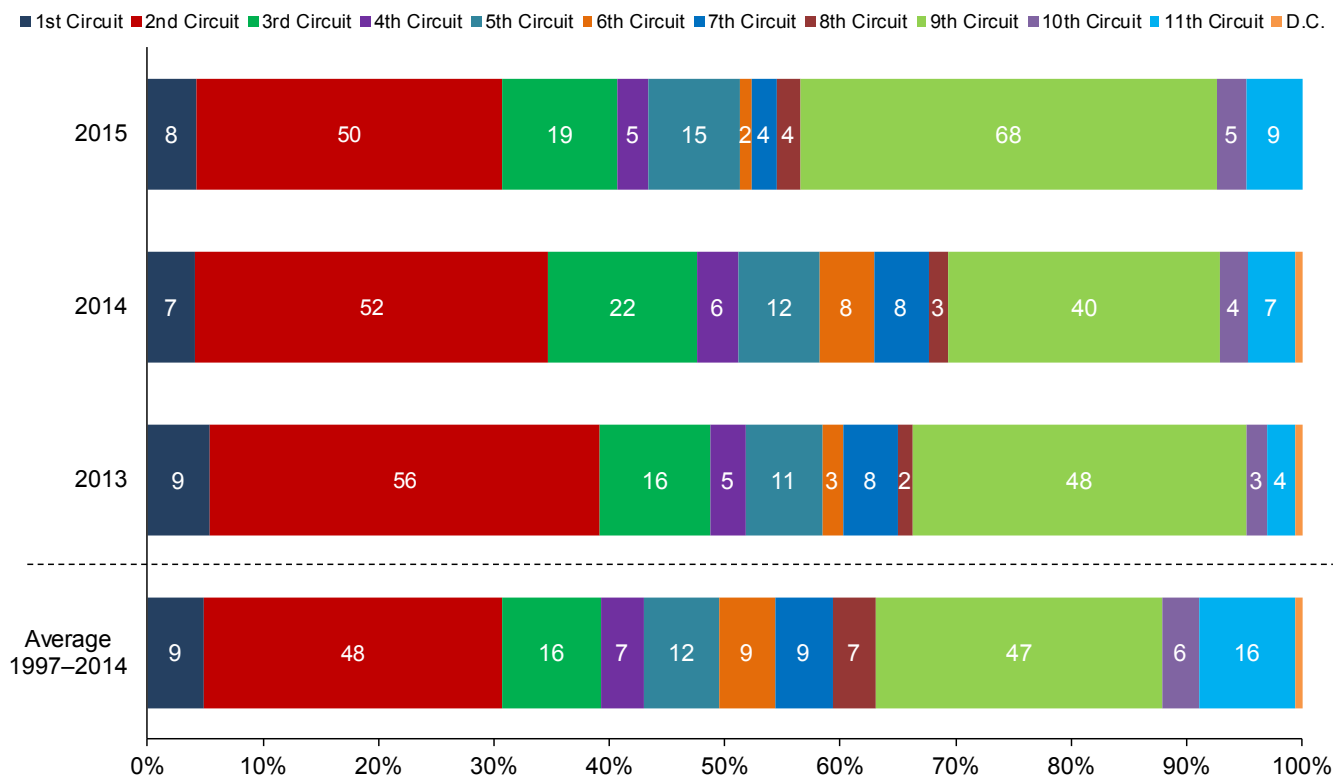
CIRCUIT

KEY FINDINGS

- Filings in 2015 in the Ninth Circuit increased to 68, the most in the history of this report for this circuit. Filing activity in the Second and Ninth Circuits collectively was just over 60 percent of all filings; the historical average for these two circuits is 51 percent.
- In the Ninth Circuit, the largest industry subsectors by number of filings were Biotechnology and Internet companies (each with seven filings) followed by Pharmaceutical and Semiconductor companies (each with six filings).
- Filings in the Third Circuit, after increasing in 2014 due to filings against companies in the Biotechnology and Pharmaceutical industries, decreased to a level that is closer to the historical average.
- DDL and MDL in the First, Second, Third, and Ninth Circuits increased significantly from 2014 to 2015. This was driven by the presence of mega filings in these circuits in 2015 (see Appendix 6).

Filings in the Ninth Circuit increased 70 percent in 2015.

FIGURE 25: FILINGS BY COURT CIRCUIT



Note: For more information, see Appendix 6.

NEW DEVELOPMENTS

CLASS CERTIFICATION

As discussed in more detail in the 2014 report (Cornerstone Research, [Securities Class Action Filings—2014 Year in Review](#)), in *Halliburton Co. v. Erica P. John Fund*,¹ the U.S. Supreme Court made two major rulings related to class certification. The first finding stipulated that plaintiffs still bear the burden of proof to establish that the market in which the security at issue traded is efficient in order to establish indirect reliance. The second finding determined that defendants could rebut the presumption of reliance prior to class certification by showing direct evidence “that the alleged misrepresentations did not actually affect the stock price—that is, that it has no ‘price impact.’”

District courts continue to wrestle with the standard of proof for both plaintiffs and defendants. Upon remand in the *Halliburton* case, the district court relied on a statistical approach that has not been traditionally used in this type of setting to rule that the defendants demonstrated the lack of price impact for all but one alleged misrepresentation and certified the class with respect to that one alleged misrepresentation. That decision is now on appeal in the Fifth Circuit. Future rulings by courts of appeal on the standard of proof for both plaintiffs and defendants may lead the Supreme Court to provide more clarity on its decision.

In *Comcast Corp. v. Behrend*,² the Supreme Court ruled that plaintiffs must demonstrate, prior to class certification, that damages are measurable on a classwide basis and that their proposed damages approach tracks their theory of liability. The ruling in *Comcast* has now been cited in at least three opinions: *Ludlow v. BP p.l.c.*,³ *Lortiz v. Exide Technologies*,⁴ and *Fort Worth Employees’ Retirement Fund v. J.P. Morgan Chase & Co.*⁵ In *BP*, an appellate court affirmed that a large subclass would not be certified, and in *Exide* and *J.P. Morgan*, the courts ruled that a class would be certified for liability only and not for damages. It is still in the early innings of post-*Comcast* rulings, and the implications of the decision continue to be shaped.

1. *Halliburton Co. et al. v. Erica P. John Fund Inc.*, No. 13-317, 134 S.Ct. 2398 (2014) (*Halliburton II*).

2. *Comcast Corp. v. Behrend*, No. 11-864, 133 S. Ct. 1426 (2013).

3. *Ludlow et al. v. BP p.l.c. et al.*, No. 14-20420 (5th Cir. 2015).

4. *Lortiz v. Exide Technologies et al.*, No. 2:13-cv-02607-SVW-E (C.D. Cal. 2015).

5. *Fort Worth Employees’ Retirement Fund v. J.P. Morgan Chase & Co. et al.*, No. 09-CV-3701 (JPO) (S.D.N.Y. 2014).

GLOSSARY

Chinese reverse merger (CRM) filing is a securities class action against a China-headquartered company listed on a U.S. exchange as a result of a reverse merger with a public shell company. See Cornerstone Research, *Investigations and Litigation Related to Chinese Reverse Merger Companies*.

Class Action Filings (CAF) Index™ tracks the number of federal securities class action filings.

Class Action Filings-Foreign (CAF-F) Index™ tracks the number of filings against foreign issuers (companies headquartered outside the United States) relative to total filings.

Disclosure Dollar Loss (DDL) Index™ measures the aggregate DDL for all filings over a period of time. 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. Instead, it estimates the impact of all information revealed at the end of the class period, including information unrelated to the litigation.

Filing lag is the time between the end of a class period and the filing of a securities class action.

Heat Maps of S&P 500 Securities Litigation™ analyze securities class action activity by industry sector. The analysis focuses on companies in the Standard & Poor's 500 (S&P 500) index, which comprises 500 large, publicly traded companies in all major sectors. Starting with the composition of the S&P 500 at the beginning of each year, the Heat Maps examine two questions for each sector: (1) What percentage of these companies were subject to new securities class actions in federal court during the year? (2) What percentage of the total market capitalization of these companies was accounted for by companies named in new securities class actions?

Market capitalization losses measure changes to market values of the companies subject to class action filings. Market capitalization losses are tracked for defendant firms during and at the end of class periods. They are calculated for publicly traded common equity securities, closed-ended mutual funds, and exchange-traded funds where data are available. Declines in market capitalization may be driven by market, industry, and/or firm-specific factors. To the extent that the observed losses reflect factors unrelated to the allegations in class action complaints, indices based on class period losses would not be representative of potential defendant exposure in class actions. This is especially relevant in the post-*Dura* securities litigation environment. In April 2005, the U.S. Supreme Court ruled that plaintiffs in a securities class action are required to plead a causal connection between alleged wrongdoing and subsequent shareholder losses. This report tracks market capitalization losses at the end of each class period using DDL, and market capitalization losses during each class period using MDL.

Maximum Dollar Loss (MDL) Index™ measures the aggregate MDL for all filings over a period of time. MDL 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 to the trading day immediately following the end of the class period. MDL should not be considered an indicator of liability or measure of potential damages. Instead, it estimates the impact of all information revealed during and at the end of the class period, including information unrelated to the litigation.

Mega filings include mega DDL filings, securities class action filings with a DDL of at least \$5 billion; and mega MDL filings, securities class action filings with an MDL of at least \$10 billion.

Merger and acquisition (M&A) filing is a securities class action that has Section 14 claims, but no Rule 10b-5, Section 11, or Section 12(2) claims, and involves a merger and acquisition transaction.

Securities Class Action Clearinghouse is an authoritative source of data and analysis on the financial and economic characteristics of federal securities fraud class action litigation, cosponsored by Cornerstone Research and Stanford Law School.

APPENDICES

APPENDIX 1: FILINGS BASIC METRICS

Year	Class Action Filings	Disclosure Dollar Loss			Maximum Dollar Loss			U.S. Exchange-Listed Firms	
		DDL Total (\$ Billions)	Average (\$ Millions)	Median (\$ Millions)	MDL Total (\$ Billions)	Average (\$ Millions)	Median (\$ Millions)	Number	Percentage of Listed Firms Sued
Average (1997–2014)	188	\$121	\$772	\$125	\$607	\$3,879	\$640	5,920	2.9%
1997	174	\$42	\$272	\$57	\$145	\$940	\$405	8,113	2.0%
1998	242	\$80	\$365	\$61	\$224	\$1,018	\$294	8,190	2.8%
1999	209	\$140	\$761	\$101	\$364	\$1,978	\$377	7,771	2.5%
2000	216	\$240	\$1,251	\$119	\$761	\$3,961	\$689	7,418	2.8%
2001	180	\$198	\$1,215	\$93	\$1,487	\$9,120	\$771	7,197	2.3%
2002	224	\$201	\$989	\$136	\$2,046	\$10,080	\$1,494	6,474	3.2%
2003	192	\$77	\$450	\$100	\$575	\$3,363	\$478	5,999	3.0%
2004	228	\$144	\$739	\$108	\$726	\$3,722	\$498	5,643	3.7%
2005	182	\$93	\$595	\$154	\$362	\$2,321	\$496	5,593	3.0%
2006	120	\$52	\$496	\$109	\$294	\$2,827	\$413	5,525	2.1%
2007	177	\$158	\$1,013	\$156	\$700	\$4,489	\$715	5,467	2.9%
2008	223	\$221	\$1,516	\$208	\$816	\$5,591	\$1,077	5,339	3.2%
2009	165	\$84	\$830	\$138	\$550	\$5,447	\$1,066	5,042	2.5%
2010	175	\$73	\$691	\$146	\$474	\$4,515	\$598	4,764	3.1%
2011	188	\$110	\$821	\$89	\$511	\$3,815	\$422	4,660	3.6%
2012	151	\$97	\$767	\$151	\$404	\$3,183	\$659	4,529	3.1%
2013	166	\$104	\$745	\$148	\$279	\$2,004	\$532	4,411	3.4%
2014	170	\$57	\$387	\$169	\$215	\$1,455	\$532	4,416	3.6%
2015	189	\$106	\$633	\$144	\$371	\$2,225	\$510	4,578	4.0%

Note:

1. Average and median numbers are calculated only for filings with MDL and DDL data.
2. U.S. exchange-listed firms were identified by taking the count of listed securities at the beginning of each year and accounting for cross-listed firms or firms with more than one security traded on a given exchange. Securities were counted if they were classified as common stock or American Depository Receipts (ADRs) and listed on the NYSE or NASDAQ.

APPENDIX 2: LITIGATION EXPOSURE FOR IPOs IN THE GIVEN PERIODS

Years Since IPO	Cumulative Exposure			Incremental Exposure		
	2009–2014	2001–2008	1996–2000	2009–2014	2001–2008	1996–2000
1	5.2%	5.1%	2.2%	5.2%	5.1%	2.2%
2	9.7%	8.8%	6.5%	4.5%	3.7%	4.3%
3	13.3%	11.7%	9.7%	3.6%	2.8%	3.2%
4	17.8%	14.5%	12.6%	4.5%	2.8%	2.9%
5	21.5%	16.8%	16.1%	3.7%	2.4%	3.5%
6	24.2%	19.2%	18.5%	2.7%	2.3%	2.4%
7	26.4%	21.8%	21.1%	2.2%	2.6%	2.6%
8	-	24.4%	23.4%	-	2.6%	2.3%
9	-	26.0%	26.0%	-	1.6%	2.6%
10	-	28.5%	27.8%	-	2.5%	1.8%

Note: Cumulative litigation exposure correcting for survivorship bias is calculated using the following formula:

(cumulative litigation exposure in year t) = $1 - \prod_{i=1}^t (1 - p_i)$, where:

$$p_i = \frac{\text{number of companies sued in year } i}{\text{number of companies surviving at the end of year } (i-1)}$$

APPENDICES *continued***APPENDIX 3: PERCENTAGE OF CASES DISMISSED AND SETTLED
WITHIN THREE YEARS OF FILING DATE****1997–2015**

Filing Year	As of End of One Year			As of End of Two Years			As of End of Three Years		
	Settled	Dismissed	Total Resolved	Settled	Dismissed	Total Resolved	Settled	Dismissed	Total Resolved
1997	0.0%	7.5%	8.0%	14.9%	16.1%	31.6%	31.6%	20.1%	52.3%
1998	0.8%	7.9%	8.7%	16.9%	19.8%	36.8%	33.1%	28.1%	61.2%
1999	0.5%	7.2%	7.7%	11.5%	18.7%	30.1%	29.7%	27.8%	57.4%
2000	1.9%	4.2%	6.0%	13.4%	17.1%	30.6%	29.2%	27.8%	57.4%
2001	1.7%	6.7%	8.3%	13.3%	17.2%	30.6%	31.7%	22.2%	53.9%
2002	0.9%	5.8%	7.1%	7.6%	15.2%	23.2%	22.8%	26.8%	50.0%
2003	0.5%	7.8%	8.3%	8.3%	21.4%	29.7%	22.9%	35.9%	58.9%
2004	0.0%	10.5%	10.5%	9.6%	26.8%	36.4%	21.9%	36.4%	58.3%
2005	0.5%	11.5%	12.1%	8.8%	33.0%	41.8%	26.4%	41.8%	68.1%
2006	0.8%	9.2%	10.0%	9.2%	25.8%	35.0%	23.3%	32.5%	55.8%
2007	0.6%	6.8%	7.3%	8.5%	20.3%	28.8%	26.0%	34.5%	60.5%
2008	0.0%	14.8%	14.8%	3.6%	32.7%	36.3%	13.5%	43.5%	57.0%
2009	0.0%	13.3%	13.3%	4.2%	32.7%	37.0%	12.7%	39.4%	52.1%
2010	2.3%	22.9%	25.1%	9.7%	40.0%	49.7%	12.6%	51.4%	64.0%
2011	0.0%	28.7%	28.7%	2.1%	44.7%	46.8%	20.7%	56.4%	77.1%
2012	1.3%	17.2%	18.5%	6.6%	35.8%	42.4%	17.9%	47.0%	64.9%
2013	1.2%	15.1%	16.3%	5.4%	27.1%	32.5%	10.2%	28.3%	38.6%
2014	1.2%	9.4%	9.4%	7.1%	13.5%	20.6%	-	-	-
2015	0.5%	7.4%	7.4%	-	-	-	-	-	-

Note:

- Percentages are calculated as the number of cases that were settled or dismissed within one, two, or three years of filing divided by the total number of cases filed each year.
- For filings in 2012 and prior years, three full years of observational history is available to examine. For filings in years 2013, 2014, and 2015, the final period figures (those below the dashed line) reflect resolution data for only a portion of the year.

APPENDICES *continued*

APPENDIX 4A: S&P 500 SECURITIES LITIGATION™ PERCENTAGE OF COMPANIES SUBJECT TO NEW FILINGS

Year	Consumer Discretionary	Consumer Staples	Energy / Materials	Financials	Health Care	Industrials	Telecom / IT	Utilities	All S&P 500 Companies
Average 2001–2014	5.2%	3.2%	1.4%	9.3%	8.6%	3.1%	6.0%	6.2%	5.5%
2001	2.4%	8.3%	0.0%	1.4%	7.1%	0.0%	18.0%	7.9%	5.6%
2002	10.2%	2.9%	3.1%	16.7%	15.2%	6.0%	11.0%	40.5%	12.0%
2003	4.6%	2.9%	1.7%	8.6%	10.4%	3.0%	5.6%	2.8%	5.2%
2004	3.4%	2.7%	1.8%	19.3%	10.6%	8.5%	3.2%	5.7%	7.2%
2005	10.3%	8.6%	1.7%	7.3%	10.7%	1.8%	6.7%	3.0%	6.6%
2006	4.4%	2.8%	0.0%	2.4%	6.9%	0.0%	8.1%	0.0%	3.6%
2007	5.7%	0.0%	0.0%	10.3%	12.7%	5.8%	2.3%	3.1%	5.4%
2008	4.5%	2.6%	0.0%	31.2%	13.7%	3.6%	2.5%	3.2%	9.2%
2009	3.8%	4.9%	1.5%	13.1%	3.7%	6.9%	1.2%	0.0%	4.8%
2010	5.1%	0.0%	5.7%	10.3%	15.4%	0.0%	3.5%	0.0%	5.4%
2011	3.8%	2.4%	0.0%	1.2%	2.0%	1.7%	7.1%	8.8%	3.2%
2012	4.9%	2.4%	2.7%	3.7%	3.8%	1.6%	3.8%	3.1%	3.4%
2013	8.4%	0.0%	0.0%	0.0%	5.7%	0.0%	9.1%	0.0%	3.4%
2014	1.2%	5.0%	1.3%	1.2%	3.6%	4.7%	0.0%	3.2%	2.2%
2015	0.0%	7.5%	1.4%	1.2%	1.9%	0.0%	5.6%	10.3%	2.6%

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.

APPENDIX 4B: S&P 500 SECURITIES LITIGATION™ PERCENTAGE OF MARKET CAPITALIZATION SUBJECT TO NEW FILINGS

Year	Consumer Discretionary	Consumer Staples	Energy / Materials	Financials	Health Care	Industrials	Telecom / IT	Utilities	All S&P 500 Companies
Average 2001–2014	5.9%	3.4%	2.0%	19.3%	13.9%	6.1%	8.3%	6.9%	9.1%
2001	1.3%	6.3%	0.0%	0.8%	5.4%	0.0%	32.6%	17.4%	10.9%
2002	24.7%	0.3%	1.2%	29.2%	35.2%	13.3%	9.1%	51.0%	18.8%
2003	2.0%	2.3%	0.4%	19.9%	16.3%	4.6%	1.7%	4.3%	8.0%
2004	7.9%	0.1%	29.7%	46.1%	24.1%	8.8%	1.2%	4.8%	17.7%
2005	5.7%	11.4%	1.6%	22.2%	10.1%	5.6%	10.3%	5.6%	10.7%
2006	8.9%	0.8%	0.0%	8.2%	18.1%	0.0%	8.3%	0.0%	6.7%
2007	4.4%	0.0%	0.0%	18.1%	22.5%	2.2%	3.4%	5.5%	8.2%
2008	7.2%	2.6%	0.0%	55.0%	20.0%	26.4%	1.4%	4.0%	16.2%
2009	1.9%	3.9%	0.8%	38.3%	1.7%	23.2%	0.3%	0.0%	8.6%
2010	4.9%	0.0%	5.5%	31.1%	33.7%	0.0%	5.9%	0.0%	11.2%
2011	4.6%	0.8%	0.0%	6.9%	0.7%	2.1%	13.4%	5.6%	5.1%
2012	1.6%	14.0%	0.9%	11.0%	3.8%	1.2%	2.2%	6.8%	4.9%
2013	4.4%	0.0%	0.0%	0.0%	4.4%	0.0%	16.6%	0.0%	4.7%
2014	2.5%	3.4%	0.2%	0.3%	3.0%	1.7%	0.0%	0.7%	1.3%
2015	0.0%	3.7%	0.4%	3.0%	3.1%	0.0%	7.6%	5.7%	3.2%

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 Market Capitalization Subject to New Filings equals the total market capitalization of companies subject to new securities class action filings in federal courts in each sector divided by the total market capitalization of all companies in that sector.

APPENDICES *continued*

APPENDIX 5: FILINGS BY INDUSTRY

(Dollars in Billions)

Industry	Class Action Filings				Disclosure Dollar Loss				Maximum Dollar Loss			
	Average 1997–2014	2013	2014	2015	Average 1997–2014	2013	2014	2015	Average 1997–2014	2013	2014	2015
Financial	35	18	26	17	\$19	\$1	\$7	\$8	\$115	\$2	\$22	\$26
Consumer Non-Cyclical	46	45	63	59	\$35	\$20	\$21	\$52	\$123	\$56	\$53	\$139
Industrial	17	16	10	19	\$12	\$2	\$3	\$2	\$35	\$10	\$10	\$12
Technology	24	20	14	24	\$17	\$52	\$9	\$26	\$80	\$93	\$22	\$90
Consumer Cyclical	21	19	18	18	\$9	\$12	\$9	\$4	\$50	\$31	\$18	\$15
Communications	29	23	17	26	\$23	\$13	\$3	\$8	\$163	\$22	\$28	\$39
Energy	8	17	15	11	\$3	\$2	\$4	\$3	\$21	\$13	\$51	\$19
Basic Materials	4	5	4	9	\$1	\$1	\$1	\$2	\$11	\$51	\$10	\$26
Utilities	3	1	1	4	\$1	\$0	\$0	\$1	\$9	\$1	\$0	\$6
Unknown/Unclassified	1	2	2	2	-	-	-	-	-	-	-	-
Total	188	166	170	189	\$121	\$104	\$57	\$106	\$607	\$279	\$215	\$371

Note:

1. Numbers may not add due to rounding.
2. Filings with missing sector information or infrequently used sectors may be excluded in prior years.

APPENDIX 6: FILINGS BY COURT CIRCUIT

(Dollars in Billions)

Circuit	Class Action Filings				Disclosure Dollar Loss				Maximum Dollar Loss			
	Average 1997–2014	2013	2014	2015	Average 1997–2014	2013	2014	2015	Average 1997–2014	2013	2014	2015
1st	9	9	7	8	\$7	\$39	\$3	\$23	\$21	\$46	\$5	\$45
2nd	48	56	52	50	\$41	\$31	\$24	\$29	\$222	\$137	\$86	\$119
3rd	16	16	22	19	\$17	\$3	\$4	\$16	\$59	\$8	\$10	\$64
4th	7	5	6	5	\$2	\$2	\$2	\$1	\$13	\$4	\$13	\$7
5th	12	11	12	15	\$7	\$1	\$3	\$5	\$38	\$6	\$16	\$22
6th	9	3	8	2	\$7	\$0	\$5	\$0	\$28	\$1	\$15	\$1
7th	9	8	8	4	\$6	\$1	\$3	\$1	\$26	\$8	\$6	\$1
8th	7	2	3	4	\$3	\$1	\$1	\$1	\$14	\$11	\$4	\$9
9th	47	48	40	68	\$21	\$20	\$9	\$25	\$146	\$51	\$41	\$95
10th	6	3	4	5	\$3	\$4	\$1	\$3	\$13	\$6	\$3	\$5
11th	16	4	7	9	\$5	\$0	\$3	\$1	\$24	\$1	\$15	\$4
D.C.	1	1	1	0	\$1	\$0	\$0	\$0	\$3	\$0	\$2	\$0
Total	188	166	170	189	\$121	\$104	\$57	\$106	\$607	\$279	\$215	\$371

Note: Numbers may not add due to rounding.

RESEARCH SAMPLE

- The Stanford Law School Securities Class Action Clearinghouse, in collaboration with Cornerstone Research, has identified 4,087 federal securities class action filings between January 1, 1996, and December 31, 2015 (securities.stanford.edu).
- The sample used in this report is referred to as the “classic filings” sample and excludes IPO allocation, analyst, and mutual fund filings (313, 68, and 25 filings, respectively).
- Multiple filings related to the same allegations against the same defendant(s) are consolidated in the database through a unique record indexed to the first identified complaint.

The authors request that you reference Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse in any reprint of the information or figures included in this study.

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