

NEWS RELEASE

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FOR IMMEDIATE RELEASE**Number of Securities Class Action Settlements at Highest Level Since 2010**

Total settlement dollars in 2015 climb to \$3 billion, after historic low in 2014

Washington, March 29, 2016—There were 80 securities class action settlements approved in 2015, the highest number since 2010, according to a new report from Cornerstone Research. The report, *Securities Class Action Settlements—2015 Review and Analysis*, shows that total settlement dollars rose to more than \$3 billion, an increase of 184 percent over the historic low in 2014.

“The surge in securities class action settlements in 2015 can be attributed in part to three consecutive year-over-year increases in the number of case filings,” said Dr. Laura Simmons, a senior advisor of Cornerstone Research and a coauthor of the report. “The increases in case filings may suggest that higher numbers of settlements will persist in the near future. While settlement volume fluctuates from year to year, the size of the typical settlement tends to remain fairly consistent.”

In 2015 there were eight mega settlements (\$100 million or greater), compared to only one in 2014. This increase was likely driven by a corresponding rise in cases with very high “estimated damages,” a simplified calculation representing a proxy for damages. The median “estimated damages” for mega settlements in 2015 was the second highest in the last 10 years.

“Settlements in class action securities litigation can be viewed as rather predictable phenomena,” observed Professor Joseph A. Grundfest, director of the Stanford Law School Securities Class Action Clearinghouse. “You can only get a high settlement value for a strong case that alleges substantial damages, and those factors can often be assessed relatively early in the litigation process. When the number of mega filings is up, you can expect an increase in mega settlements three or more years down the road, with the larger settlements taking longer to reach, and that’s the process that seems to be at work in the 2015 settlement data.”

While larger damages appear to have driven up settlement values for some cases in 2015, other factors associated with higher settlements were less prevalent. For example, the proportion of settlements of \$50 million or greater involving financial statement restatements, public pension plan lead plaintiffs, and/or SEC actions was lower than most years since the passage of the Private Securities Litigation Reform Act of 1995.

Highlights

- Total settlement dollars in 2015 were 9 percent higher than the average for the prior five years.
- The average settlement size increased from \$17 million in 2014 to \$37.9 million in 2015 (an increase of 123 percent), while the median settlement amount (representing the typical case) remained relatively flat (\$6.0 million in 2014 and \$6.1 million in 2015).
- Average “estimated damages” rose 151 percent from 2014. Since “estimated damages” is the most important factor in predicting settlement amounts, this increase contributed to the substantially higher average settlement amounts in 2015.
- Median settlements as a percentage of “estimated damages” decreased to historic low levels in 2015.
- In 2015, 35 percent of accounting-related cases had a named auditor defendant, representing a 50 percent increase over the prior 10-year average. Underwriter defendants were named in 76 percent of cases with Section 11 claims.
- Although the proportion of securities class action settlements involving financial sector firms was lower in 2014 and 2015 compared to prior years, these cases continue to be some of the largest when measured by “estimated damages.” In 2015, 55 percent of financial sector cases had “estimated damages” greater than \$1 billion.
- The Second and Ninth Circuits continued to lead all circuits in the number of settlements.

Dollar amounts are adjusted for inflation; 2015 dollar equivalent figures are used.

About Cornerstone Research

Cornerstone Research provides economic and financial consulting and expert testimony in all phases of complex litigation and regulatory proceedings. The firm works with an extensive network of prominent faculty and industry practitioners to identify the best-qualified expert for each assignment. Cornerstone Research has earned a reputation for consistent high quality and effectiveness by delivering rigorous, state-of-the-art analysis for over 25 years. The firm has 600 staff and offices in Boston, Chicago, London, Los Angeles, Menlo Park, New York, San Francisco, and Washington.

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