

NEWS RELEASE

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FOR IMMEDIATE RELEASE

Stanford Law School and Cornerstone Research Release Mid-Year Securities Fraud Class Action Filings Report

Securities Class Action Filings in First Half of 2007 Remain Well Below Historical Averages

Fourth Consecutive Below-Average Period May Represent a “Permanent Shift”

Boston & Palo Alto, July 9, 2007 — Securities class action filings are well below historical averages for the fourth consecutive six-month period, finds a new mid-year report released today by the Stanford Law School Securities Class Action Clearinghouse in cooperation with Cornerstone Research. The 59 filings recorded in the first half of 2007 (January through June 22, 2007) represent a 42 percent drop from the average semi-annual filing rate of 101 (mid-year periods July 1996 through June 2005). The number of filings in the first half of 2007 was slightly above the second half of 2006 total of 53. For the two-year period beginning the second half of 2005, the average semi-annual filing rate was 61 filings, 40 percent below the average observed over the preceding nine-year period.

“We’ve now had two years worth of extremely low filing activity,” explained Stanford Law School Professor Joseph Grundfest, Director of the Securities Class Action Clearinghouse, co-Director of the Rock Center on Corporate Governance, and former Commissioner of the Securities and Exchange Commission. “This is starting to look like a permanent shift, not a transitory phenomenon.”

The report identifies two primary possibilities for the low incidence of securities class action filing activity:

1. **Less Fraud**—Professor Grundfest suggests that increased government enforcement activity has influenced the incidence of fraud. “With increased enforcement activity by the SEC and Department of Justice, we have seen an increase in both the probability of detection and associated penalties,” said Grundfest. “Economic theory suggests these factors should lead to a decline in the incidence of fraud—exactly what we have seen occur since the middle of 2005.” Professor Grundfest does not believe in the so-called “Milberg effect” that suggests that the prevalence of alleged unethical behavior is so wide-spread in the plaintiffs’ class action bar that the Milberg indictment chilled their appetite to file cases. “In my opinion, increased enforcement activity and a heightened awareness among corporate insiders may have led to a shift in the incidence of securities fraud litigation.”

- 2. Strong Stock Market**—The decreased levels of class action filings over the last two years have coincided with a strong stock market with low volatility. The Clearinghouse Report tracks the S&P 500 Composite and S&P 500 Volatility (VIX) Indices against the number of filings and demonstrates a strong correlation between filing activity and stock market volatility. While the S&P 500 was similarly strong in 1998 and 1999, the volatility at that time was high in comparison to the most recent two years. “If the market goes south, I would not be surprised to see the number of filings move back to the 200 per year level,” said John Gould, Vice President at Cornerstone Research and contributor to the report.

The “less fraud” and “strong stock market” hypotheses for the lower level of filings over the last two years are not mutually exclusive—the recent decline in filing activity could be the result of a combination of both factors—but the two hypotheses do lead to differing expectations for the level of filings in the future. The “less-fraud” hypothesis suggests a significant and permanent shift in the class action landscape. The “strong stock market” with low volatility explanation suggests a temporary shift in the landscape—one that will change with the strength and volatility of the stock markets.

Although these explanations lead to differing expectations for future levels of class action filings, the report acknowledges at least a temporary shift in the class action landscape over the last two years. Not only has this shift had an impact on the level of filings, but it will also influence the level of settlements and total settlement dollars in the coming years.

The Report also finds that total market capitalization losses associated with filings in the first half of 2007 showed a slight up-tick from 2006, reflecting an increase in the number of filings and an increase in the size of the loss associated with the average filing. The Maximum Dollar Losses* (MDL) saw a 25 percent increase, rising from \$126 billion in the first half of 2006 to \$158 billion in the first half of 2007. The increase in Disclosure Dollar Losses† (DDL) this period were slightly more significant, rising from \$22 billion in the first half of 2006 to \$33 billion in the first half of 2007—a 50 percent increase. Similar to prior periods, the market capitalization loss figures are heavily influenced by only a few filings. In the first half of 2007, 4 “mega” MDL filings with MDL of \$10 billion or more accounted for 68 percent of total MDL. “Mega” DDL filings with DDL of \$5 billion or more had a similar influence as 2 “mega” filings accounted for 61 percent of total DDL. However, total market capitalization losses continue at levels well below those observed in 2000–2002 where, for example, MDL soared above \$2 trillion on an annual basis.

Professor Grundfest and Dr. Gould are available to speak to the media about the report. The full text of the 2007 mid-year report can be found on the Clearinghouse site, <http://securities.stanford.edu>.

About The Securities Class Action Clearinghouse

The Securities Class Action Clearinghouse is an authoritative source of data and analysis regarding the financial and economic characteristics of federal securities fraud class action litigation.

About Cornerstone Research

Cornerstone Research provides financial and economic analysis in 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 Maximum Dollar Loss is a measure of the dollar value decrease in the defendant firm’s market capitalization from the trading day on which the defendant firm’s market capitalization reached its maximum during the class period to the trading day immediately following the end of the class period.

† Disclosure Dollar Loss is a measure of the dollar value decrease in the defendant firm’s market capitalization at the end of the class period (usually the time of the disclosure of the alleged fraud).