

Securities Class Action Filings

2016 Midyear Assessment

New and Updated Analyses | M&A Filings by Circuit | Foreign Company Litigation Exposure | Section 11 Filings

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EXECUTIVE SUMMARY

NUMBER AND SIZE OF FILINGS

- Plaintiffs filed **119 new federal class action securities cases** (filings) in the first six months of 2016—17 more than in the second half of 2015, and 32 more than in the first half of 2015. The 119 filings were 27 percent above the historical semiannual average of 94 filings observed between 1997 and 2015. (pages 4–5)
- **Disclosure Dollar Loss (DDL)** declined to \$43 billion in the first half of 2016, 28 percent below the historical semiannual average of \$60 billion. This is in contrast to the increase in the number of class action filings. Reasons for the difference are discussed below. (page 6)
- **Maximum Dollar Loss (MDL)** was \$331 billion, 11 percent above the historical semiannual average MDL of \$297 billion. For the first time in the last 12 semiannual periods, MDL exceeded the historical average. (page 7)
- In the first half of 2016, two **mega filings** made up 27 percent of DDL and 10 mega filings made up 58 percent of MDL. Mega filings in the first half of 2016 comprised a smaller fraction of the DDL and MDL indices compared to the 1997–2015 average. Filings with a DDL of at least \$5 billion or an MDL of at least \$10 billion are considered mega filings. (pages 8–9)

Filings in the first half of 2016 leapt from recent levels.

OTHER MEASURES OF LITIGATION INTENSITY

- Looking at **U.S. exchange-listed companies**, 2.5 percent were subject to filings in the first half of 2016. Assuming filing activity in the second half of 2016 is the same as the first half, 5 percent of exchange-listed companies will be the subject of filings. This would be the highest annual rate since 1997. (page 11)
- In the first half of 2016, the number of filings against companies in the **S&P 500** occurred at an annualized pace that was greater than all years from 2009 through 2015. (pages 20–21)

FIGURE 1: CLASS ACTION FILINGS SUMMARY

	Semiannual Average (1997 H1–2015 H2)	2015 H1	2015 H2	2016 H1
Class Action Filings	94	87	102	119
Disclosure Dollar Loss (\$ Billions)	\$60	\$34	\$71	\$43
Maximum Dollar Loss (\$ Billions)	\$297	\$105	\$266	\$331

EXECUTIVE SUMMARY *continued*

KEY TRENDS

- Federal filings of class actions involving merger and acquisition (M&A) transactions increased to 24 in the first half of 2016—compared to a range of five to nine filings per semiannual period in 2012 through 2015. [\(page 4\)](#)
- On an annualized basis, filings against **foreign issuers** increased from 2015 levels in spite of an absence of filings against Chinese issuers, the most common foreign companies targeted by class actions in recent years. [\(pages 12–13\)](#)
- If filings in the first half of 2016 hold into the second half, 6 percent of **S&P 500 companies** will be sued in 2016, greater than the rates for foreign companies or all companies listed on U.S. exchanges. This represents a return to a longstanding pattern of larger companies being the most frequent targets of filings not seen since 2010. [\(page 15\)](#)
- Filings against companies in the **Financial sector** increased to 17, the same as the historical average. The 17 first half filings equaled the number filed in all of 2015. [\(page 22\)](#)
- The **Consumer Non-Cyclical sector** again had the most filings with 43. This sector is predominantly composed of biotechnology, pharmaceutical, and healthcare companies. Collectively, there were 32 filings against companies in these subsectors. [\(pages 22–23\)](#)
- There were two more filings in the **Ninth Circuit**, 38, than in the **Second Circuit**, 36. Filings in the Second and Ninth Circuits made up 62 percent of all filings in the first six months of 2016. [\(page 25\)](#)

Collectively, federal class actions involving biotechnology, pharmaceutical, and healthcare companies continued to increase.

NEW AND UPDATED ANALYSES FOR THE 2016 MIDYEAR ASSESSMENT

M&A FILINGS BY CIRCUIT

- There were 14 filings in the Third and Ninth Circuits, more than any other semiannual period between 2009 and 2015. Filings in the Third and Ninth Circuits accounted for 58 percent of M&A filings in the first half of 2016. [\(page 10\)](#)
- The Delaware Court of Chancery's rejection of a disclosure-only settlement in *Trulia* in January 2016 may have resulted in some shifting for merger objection lawsuits from state to federal venues. [\(page 10\)](#)

Foreign issuers continued to be as exposed to class actions as U.S. domiciled companies.

FOREIGN COMPANY LITIGATION EXPOSURE

- In the first half of 2016, foreign-headquartered firms accounted for 18 percent of listed companies on major U.S. exchanges. [\(page 14\)](#)
- The percentage of foreign companies sued relative to the total number of foreign companies listed on U.S. exchanges increased from 3.7 percent in 2015 to an annualized rate of 4.5 percent in the first half of 2016. This is the largest rate since the inception of this report in 1997. [\(page 15\)](#)

STATUS OF SECTION 11 FILINGS

In light of recent interest in class actions involving Section 11 claims, this report examines case outcomes for filings asserting Section 11 claims but not Rule 10b-5 claims (Section 11–Only filings), in comparison with all other class actions.

- Section 11–Only filings were less likely to be dismissed and consequently more likely to settle than other filings. [\(page 17\)](#)
- When dismissed from federal courts, rather than litigation ceasing, Section 11–Only filings have been increasingly likely to be remanded to state courts than other filings. [\(page 18\)](#)
- Of Section 11–Only filings dismissed from federal courts, 32 percent of Section 11–Only filings were remanded to state courts between 2010 and 2016. [\(page 18\)](#)

NUMBER OF FILINGS

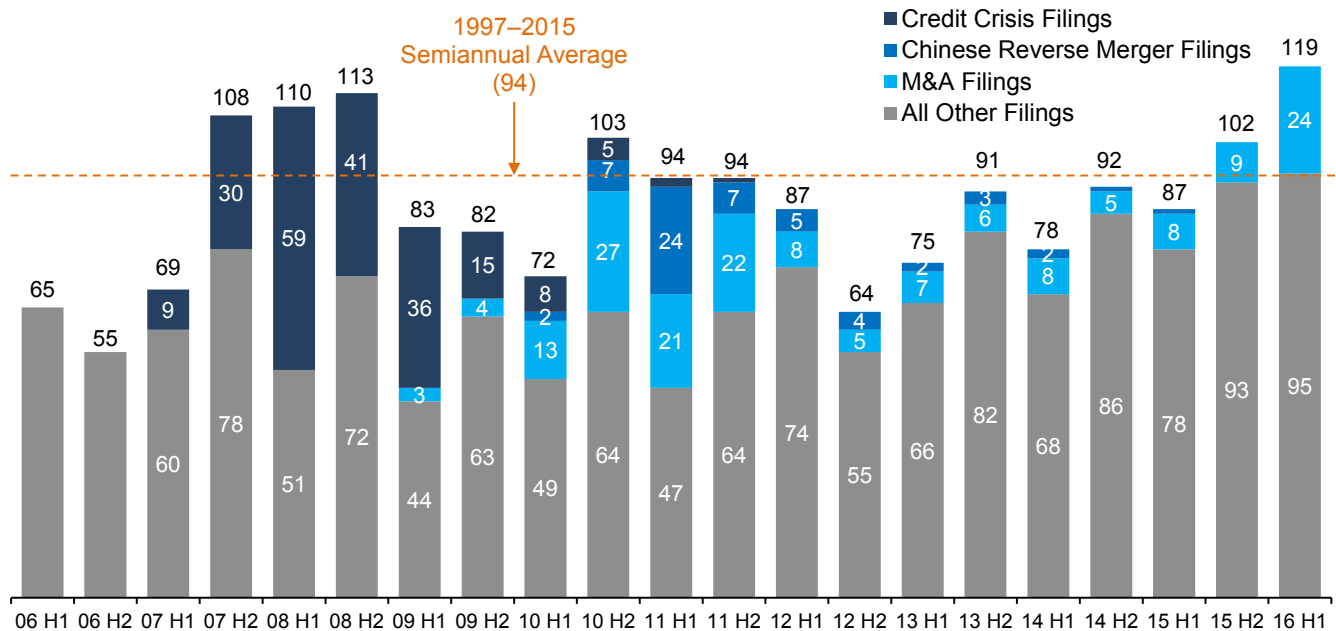
For presentation purposes, only the last 10 years are reflected in this figure and others that follow. Appendix 1 tracks these data over a longer time frame, with a summary of basic metrics starting in 1997.

KEY FINDINGS

- There were 119 filings in the first half of 2016, a 17 percent increase from the 102 filings in the second half of 2015.
- The number of M&A-related filings increased to 24 in the first half of 2016, the highest since 2010. Over the previous eight semiannual periods, the total number of M&A filings had not exceeded nine.
- A substantial increase in M&A class actions largely explains the increase in the number of filings for the first half of the year relative to the second half of 2015.

The 119 semiannual filings were the most since the first half of 1999.

FIGURE 2: CLASS ACTION FILINGS INDEX® (CAF INDEX®)
SEMIANNUAL NUMBER OF CLASS ACTION FILINGS
 2006 H1–2016 H1



Note: There were two cases in 2011 that were both an M&A filing and a Chinese reverse merger filing. These filings were classified as M&A filings in order to avoid double counting.

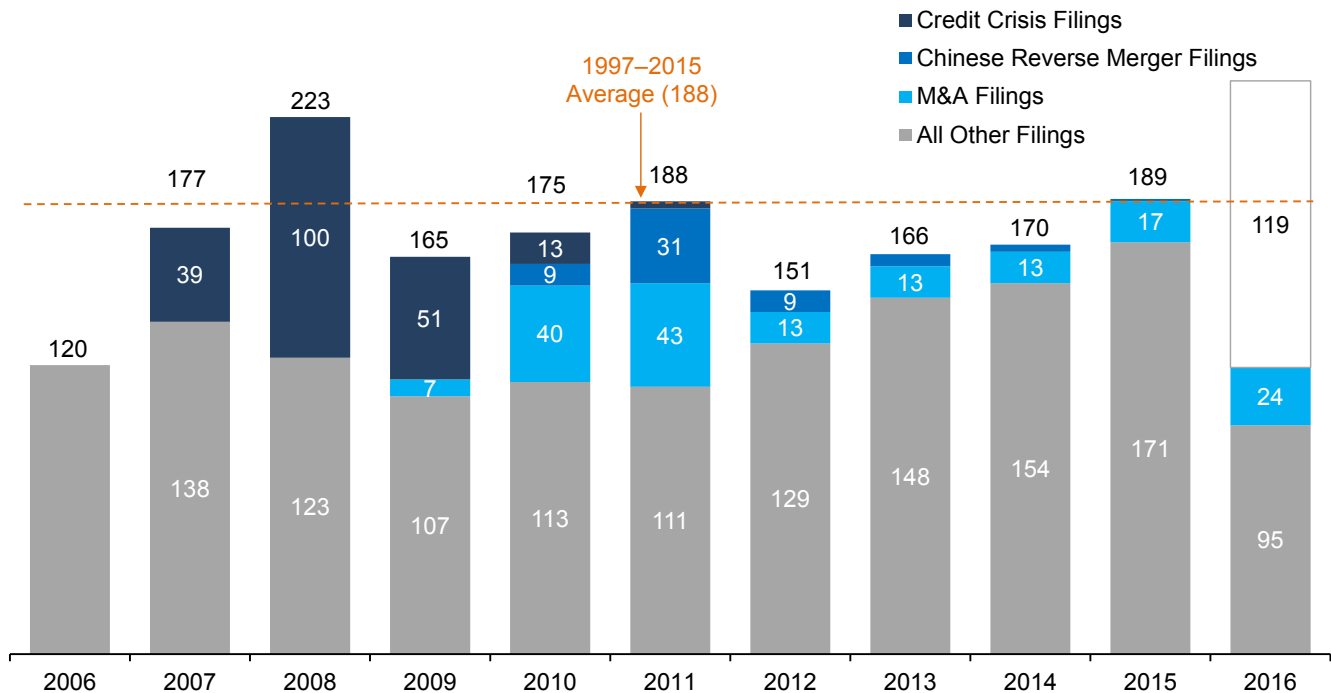
NUMBER OF FILINGS *continued*

KEY FINDINGS

- An annualized number of filings of 238 for 2016 would be an increase of 27 percent over the 1997–2015 historical average of 188 filings.
- If filings continue at the same pace for the remainder of 2016, this year would be the first since 2008 to have distinctly above average filing activity and would have the second-highest number of filings in the last 20 years—trailing only 242 in 1998. See Appendix 1.

If the pace of filings continues for the remainder of 2016, there will be 238 class actions filed.

FIGURE 3: CLASS ACTION FILINGS INDEX® (CAF INDEX®)
ANNUAL NUMBER OF CLASS ACTION FILINGS
2006–2016 H1



Note:

1. There were two cases in 2011 that were both an M&A filing and a Chinese reverse merger filing. These filings were classified as M&A filings in order to avoid double counting.
2. Assumes the number of filings in the second half of 2016 will equal the first half.

MARKET CAPITALIZATION LOSSES

Disclosure Dollar Loss Index® (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 decreased relative to the second half of 2015, despite an increased number of filings.

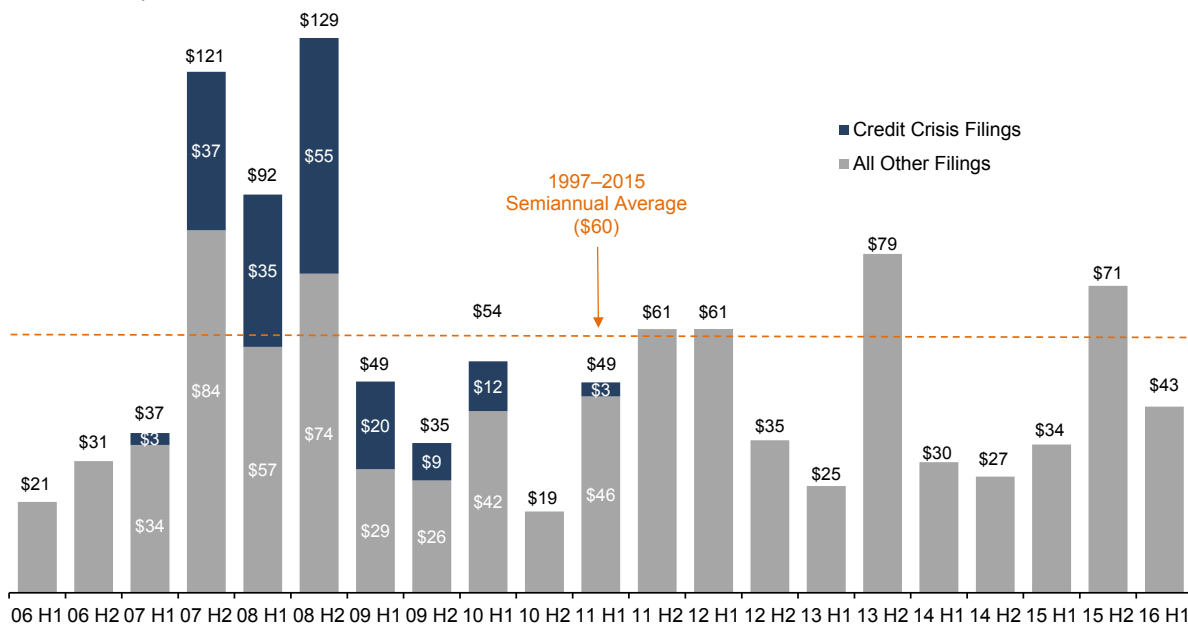
KEY FINDINGS

- The DDL Index® of \$43 billion decreased 39 percent from the second half of 2015, and was 28 percent lower than the 1997–2015 semiannual historical average. While the number of M&A filings increased in the first half of the year, these filings, which do not typically involve a “stock-drop” allegation, do not affect DDL.
- The higher DDL in the second half of 2015 was driven by a large mega filing, whereas median DDL per filing was essentially unchanged in the first half of 2016 from the second half of 2015. See Appendix 1.
- Filings in the Financial, Consumer Non-Cyclical, and Industrials sectors accounted for 22, 22, and 24 percent of DDL, respectively. See Appendix 2.

FIGURE 4: DISCLOSURE DOLLAR LOSS INDEX® (DDL INDEX®)

2006 H1–2016 H1

(Dollars in Billions)



Note: See Appendix 1 for the average and median values of DDL.

MARKET CAPITALIZATION LOSSES *continued*

Maximum Dollar Loss Index® (MDL Index®)

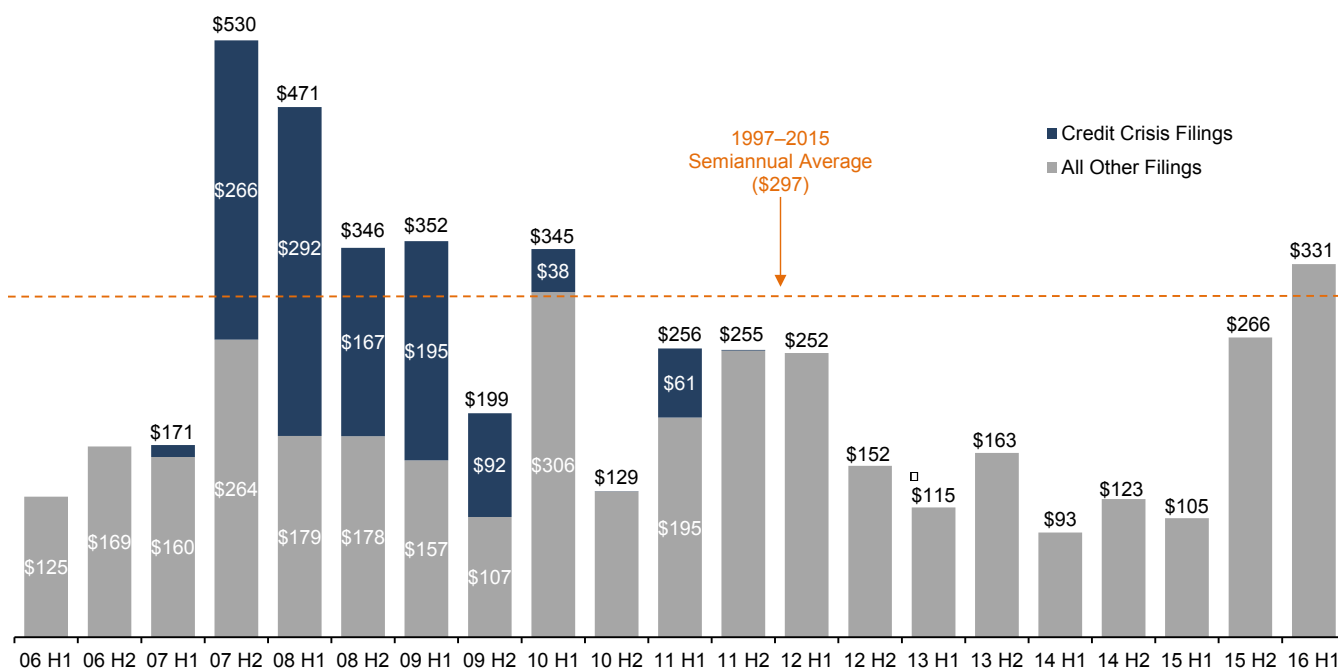
This index measures the aggregate MDL for all filings over a period of time. MDL is the dollar value change in the defendant firm’s market capitalization from the trading day with the highest market capitalization during the class period to the trading day immediately following the end of the class period. 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 to its highest point since the first half of 2010.

KEY FINDINGS

- The MDL Index® of \$331 billion in the first half of 2016 increased 24 percent from \$266 billion in the second half of 2015.
- MDL in the first half of the year was 11 percent higher than the 1997–2015 semiannual historical average of \$297 billion.
- For the first time in the last 12 semiannual periods, MDL was higher than the historical average.

FIGURE 5: **MAXIMUM DOLLAR LOSS INDEX® (MDL INDEX®)**
2006 H1–2016 H1
 (Dollars in Billions)



Note: See Appendix 1 for the mean and median values of MDL.

MEGA FILINGS: DISTRIBUTION OF DDL VALUES

Mega DDL and MDL Filings

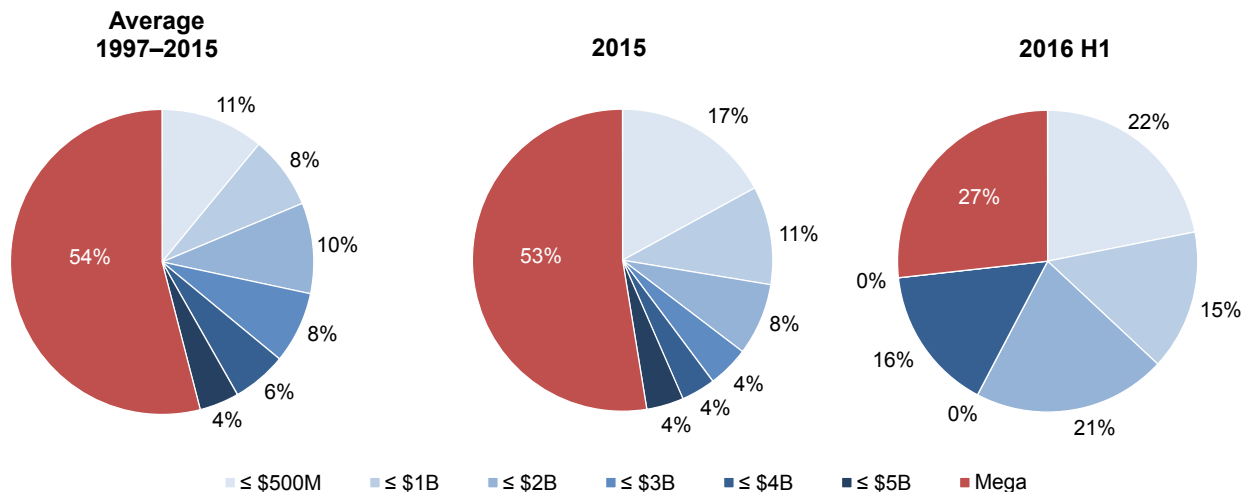
This section provides an analysis of large filings, as measured by DDL and MDL, in which mega DDL filings have a disclosure dollar loss (DDL) of at least \$5 billion and mega MDL filings have a maximum dollar loss (MDL) of at least \$10 billion.

KEY FINDINGS

- Historically, mega DDL filings have accounted for 3 percent of total filings and 54 percent of total DDL.
- In the first half of 2016, there were two mega DDL filings, in line with the historical average of three mega DDL filings per half year. However, dollar losses were notably smaller than historical averages, with mega DDL filings representing only 27 percent of the total DDL, down from 53 percent in 2015.
- While particularly large filings decreased in the first half of 2016, smaller class actions continued to increase. Filings with DDLs less than or equal to \$2 billion accounted for more than half of the total DDL at 58 percent, a large increase from 35 percent in 2015 and the 28 percent historical average.
- DDL filings less than or equal to \$500 million, accounted for 22 percent of the total DDL, compared to the historical average of 11 percent.

Based on DDL, filings on average were smaller in the first half of 2016 compared with 2015.

FIGURE 6: DISTRIBUTION OF DDL BY FILING SIZE 1997–2016 H1



Note:
 1. Mega DDL filings have a dollar loss of at least \$5 billion.
 2. Size of each slice represents the percentage of total DDL.
 3. Percentages may not add to 100 percent due to rounding.

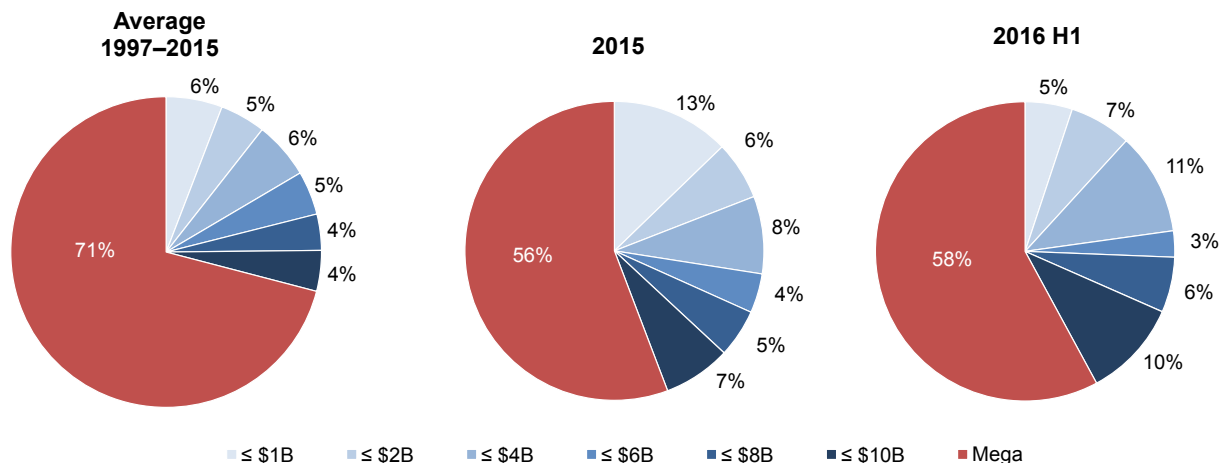
MEGA FILINGS: DISTRIBUTION OF MDL VALUES

KEY FINDINGS

- In the first half of 2016, mega MDL filings represented 11 percent of the total number of filings and approximately 58 percent of total MDL.
- There were 10 mega MDL filings in the first half of 2016 compared to the historical average of six. The percentage of MDL filings relative to the total number of filings increased to 11 percent from 5 percent in 2015, exceeding the historical average of 8 percent. The percentage of mega MDL filings to total MDL, 58 percent, was similar to 56 percent in 2015, but still much lower than the historical average of 71 percent.
- Filings with MDL of less than or equal to \$1 billion comprised approximately 5 percent of total MDL in the first half of 2016, decreasing from 13 percent in 2015 closer to the historical average of 6 percent.
- The percentage of total MDL in the first half of 2016 was not evenly distributed across groupings. Excluding the mega category, the remaining categories range from 3 percent to 11 percent.

The distribution of MDL filing size in the first half of 2016 was similar to 2015, but mega MDL filings remained below historical averages.

**FIGURE 7: DISTRIBUTION OF MDL BY FILING SIZE
1997–2016 H1**



Note:

1. Mega MDL filings have a dollar loss of at least \$10 billion.
2. Size of each slice represents the percentage of total DDL.
3. Percentages may not add to 100 percent due to rounding.

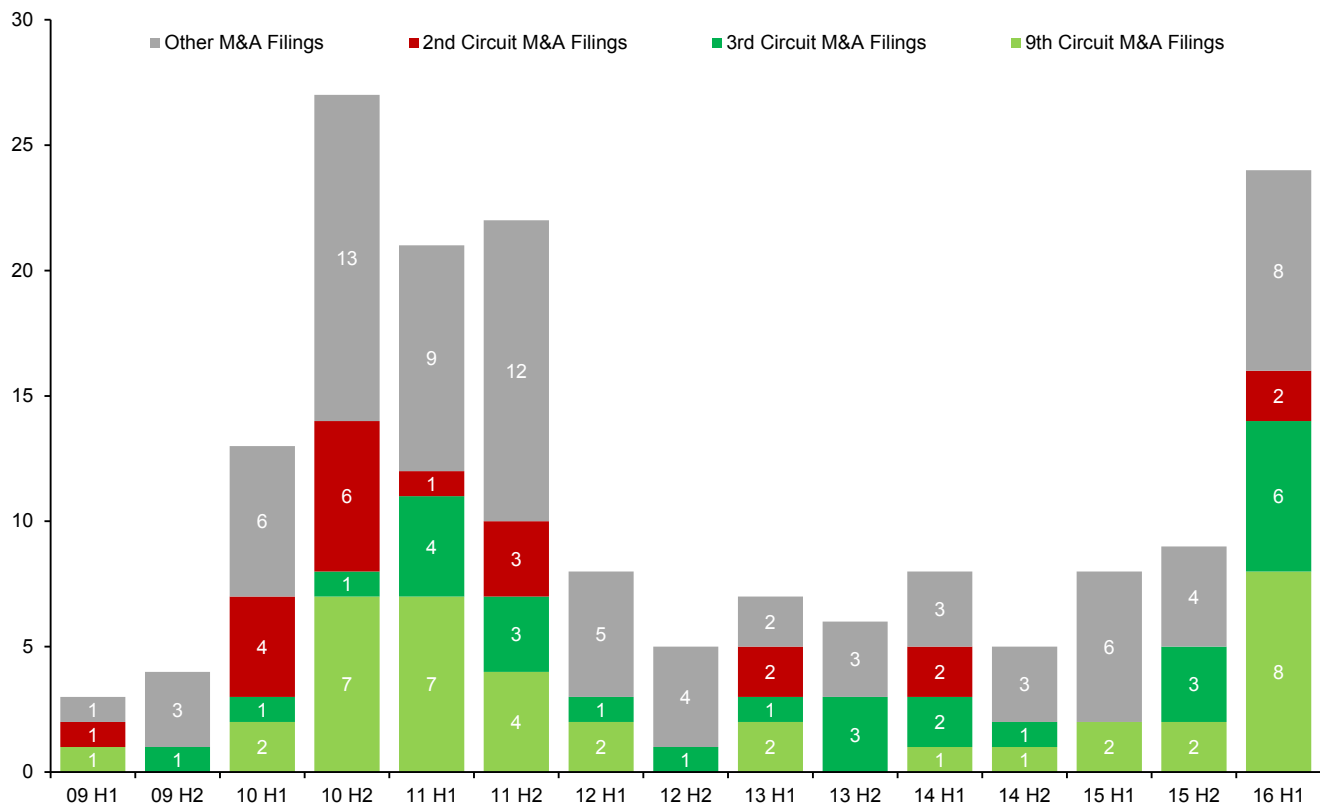
NEW ANALYSIS: M&A FILINGS BY CIRCUIT

KEY FINDINGS

- In the first half of 2016, federal M&A filings increased by 167 percent from the second half of 2015 and were the highest they have been since the second half of 2010.
- Filings in the Third and Ninth Circuits accounted for 58 percent of M&A filings in the first half of 2016. The number of filings in the Third and Ninth Circuits exceeded all previous semiannual periods since 2009.
- In January 2016, the Delaware Court of Chancery rejected a disclosure-only settlement in Zillow’s acquisition of Trulia.^[1] This may have resulted in some venue shifting for merger objection lawsuits, many of which in recent years have been filed in Delaware. See Cornerstone Research, [Shareholder Litigation Involving Acquisitions of Public Companies—Review of 2014 M&A Litigation](#) and forthcoming *Shareholder Litigation Involving Acquisitions of Public Companies—Review of 2015 and First Half 2016 M&A Litigation*.

M&A filings were concentrated in the Third and Ninth Circuits in the first half of 2016.

FIGURE 8: SEMIANNUAL M&A FILINGS BY CIRCUIT 2009 H1–2016 H1^[2]



Note:
 [1] See <http://courts.delaware.gov/opinions/download.aspx?ID=235370>.
 [2] The Securities Class Action Clearinghouse began tracking M&A filings in 2009.

U.S. EXCHANGE-LISTED COMPANIES

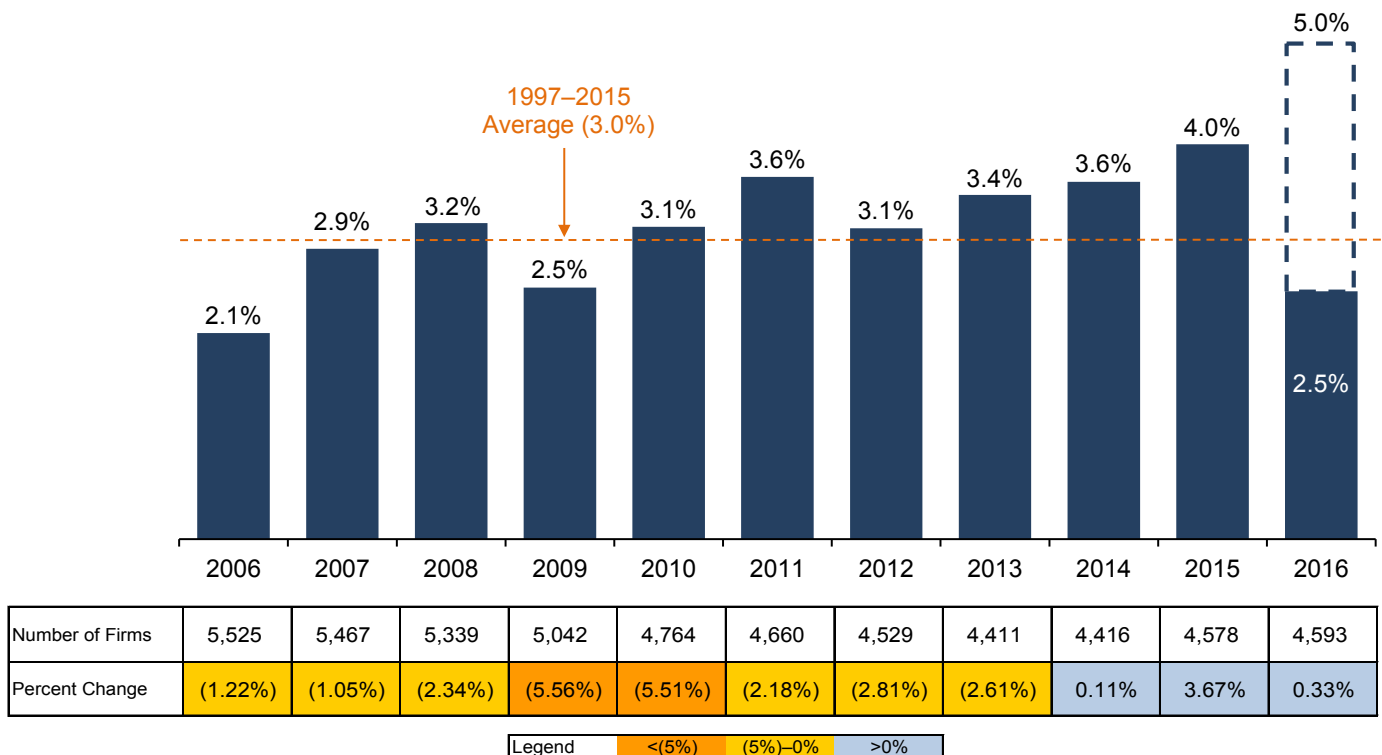
The percentage in the figure below is calculated as the unique number of companies listed on the NYSE or NASDAQ that were the subject of class actions in a given year divided by the unique number of companies listed on the NYSE or NASDAQ.

KEY FINDINGS

- Based on the first half of 2016, on an annualized basis, 5 percent of companies (or one in 20) listed on the major U.S. exchanges may become subject to a filing this year.
- Assuming the rate of litigation in the second half of 2016 will equal that of the first half, the annual rate in 2016 will be significantly higher than the historical average.

At the current rate, the likelihood of a company being the subject of a class action will increase for the fourth consecutive year.

FIGURE 9: PERCENTAGE OF U.S. EXCHANGE-LISTED COMPANIES SUBJECT TO FILINGS 2006–2016 H1



Number of Firms	5,525	5,467	5,339	5,042	4,764	4,660	4,529	4,411	4,416	4,578	4,593
Percent Change	(1.22%)	(1.05%)	(2.34%)	(5.56%)	(5.51%)	(2.18%)	(2.81%)	(2.61%)	0.11%	3.67%	0.33%

Legend <5% (5%)–0% >0%

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. Assumes that the percentage of unique listed issuers subject to filings for the second half of 2016 will equal the first half.
3. 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.

FOREIGN FILINGS

Class Action Filings-Foreign Index[®] (CAF-F Index[®])

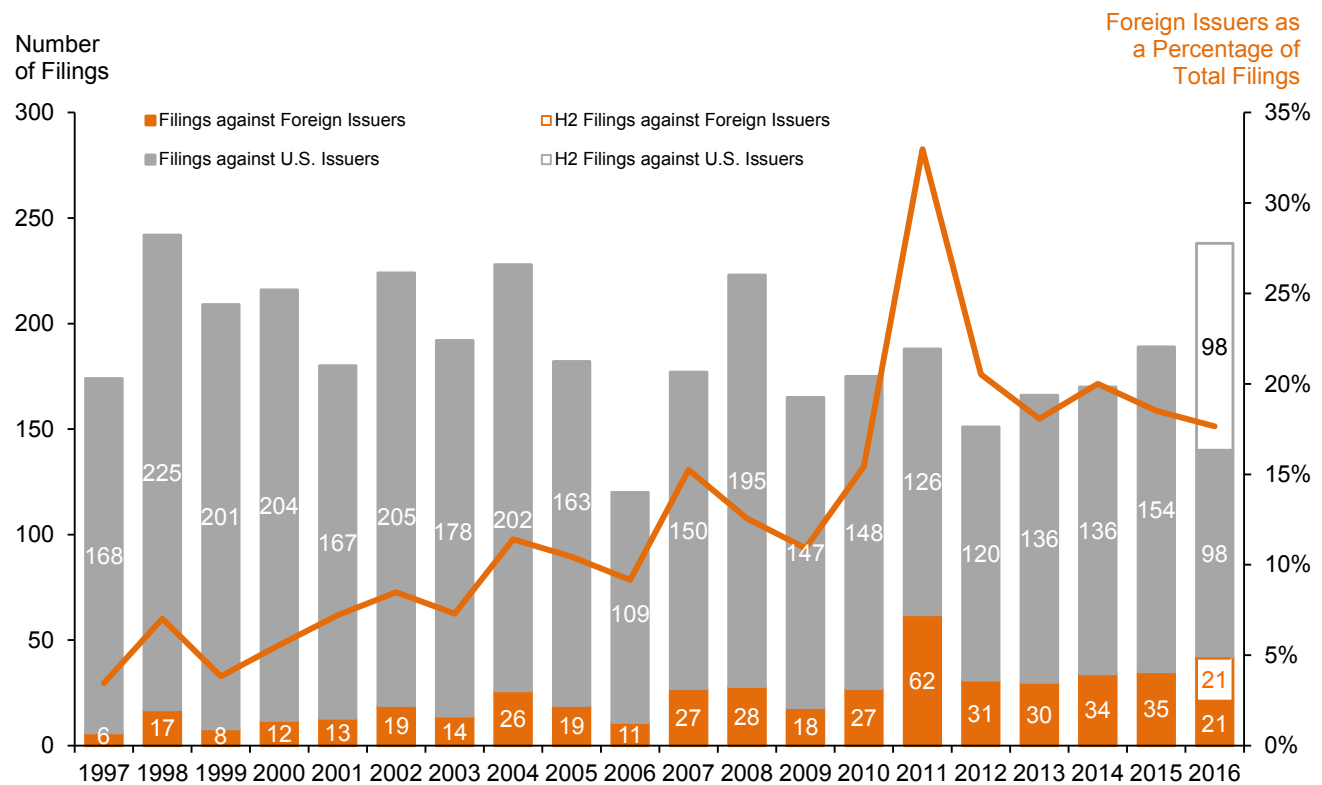
This index tracks the number of filings against foreign issuers (companies headquartered outside the United States) relative to total filings.

KEY FINDINGS

- While the pace of class actions against foreign issuers picked up in the first half of 2016, foreign filings represented only 18 percent of all filings during the same period, compared to 19 percent in the full year of 2015. The percentage of filings against foreign issuers has hovered between 18 percent and 21 percent after a spike in foreign filings in 2011.
- Over the last 19 years, foreign filings have generally increased in frequency despite year-to-year variation.

The number of filings against foreign issuers is on pace to increase in 2016.

**FIGURE 10: CLASS ACTION FILINGS-FOREIGN INDEX[®] (CAF-F INDEX[®])
ANNUAL NUMBER OF CLASS ACTION FILINGS BY LOCATION OF HEADQUARTERS
1997–2016 H1**



Note: Assumes the number of filings in the second half of 2016 will equal the first half.

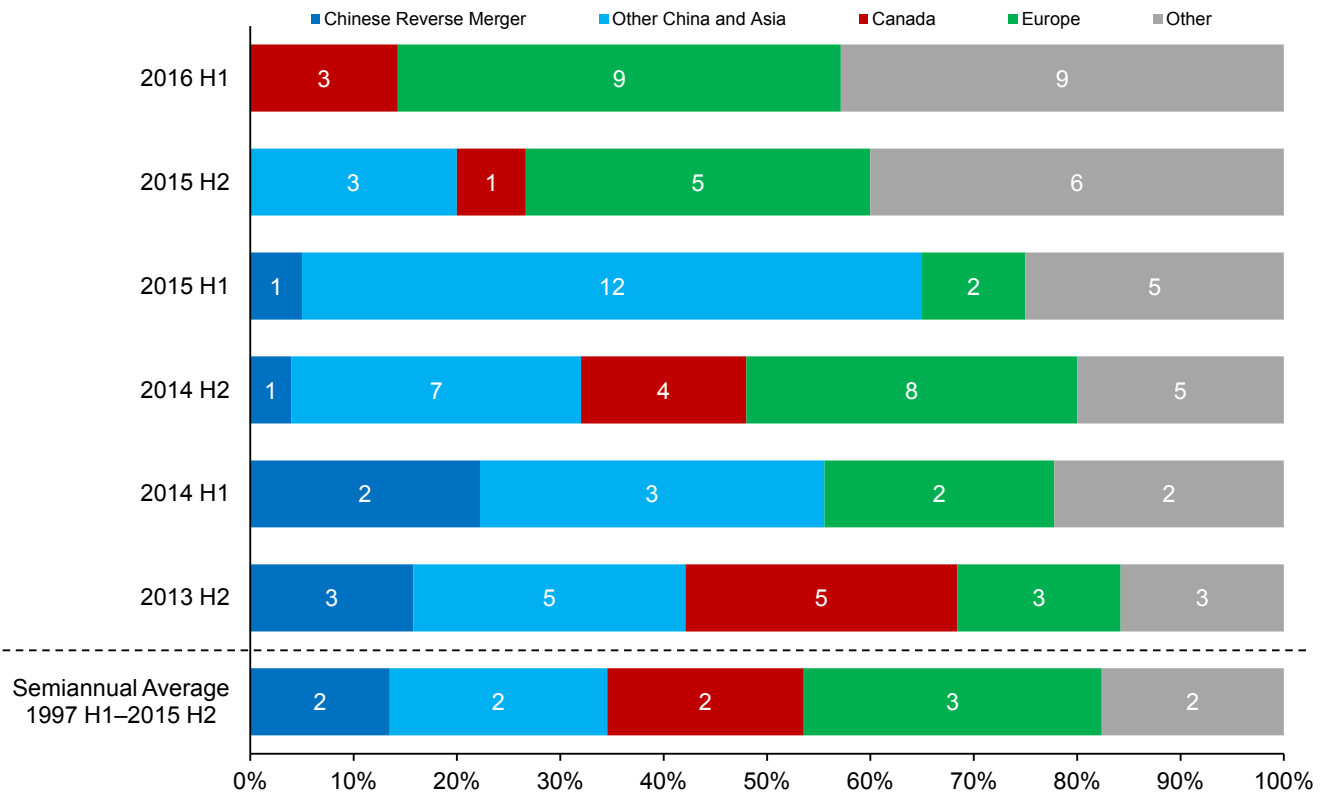
FOREIGN FILINGS *continued*

KEY FINDINGS

- Although Chinese-headquartered firms were the most commonly targeted foreign issuer in all years between 2010 and 2015, there were no filings against Chinese firms in the first half of 2016.
- In the first half of 2016, the three filings against Canadian firms were greater than in all of 2015.
- Filings against European-headquartered firms increased 80 percent from the second half of 2015. German and Irish companies accounted for seven of the nine filings.
- In descending order of frequency, other foreign filings included class actions against companies headquartered in Israel, Brazil, Argentina, and Bermuda.

Unlike recent years, no Chinese issuers were the subject of class actions in the first half of the year.

FIGURE 11: FOREIGN FILINGS BY LOCATION OF HEADQUARTERS 1997–2016 H1



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

UPDATED ANALYSIS: FOREIGN COMPANY LITIGATION EXPOSURE

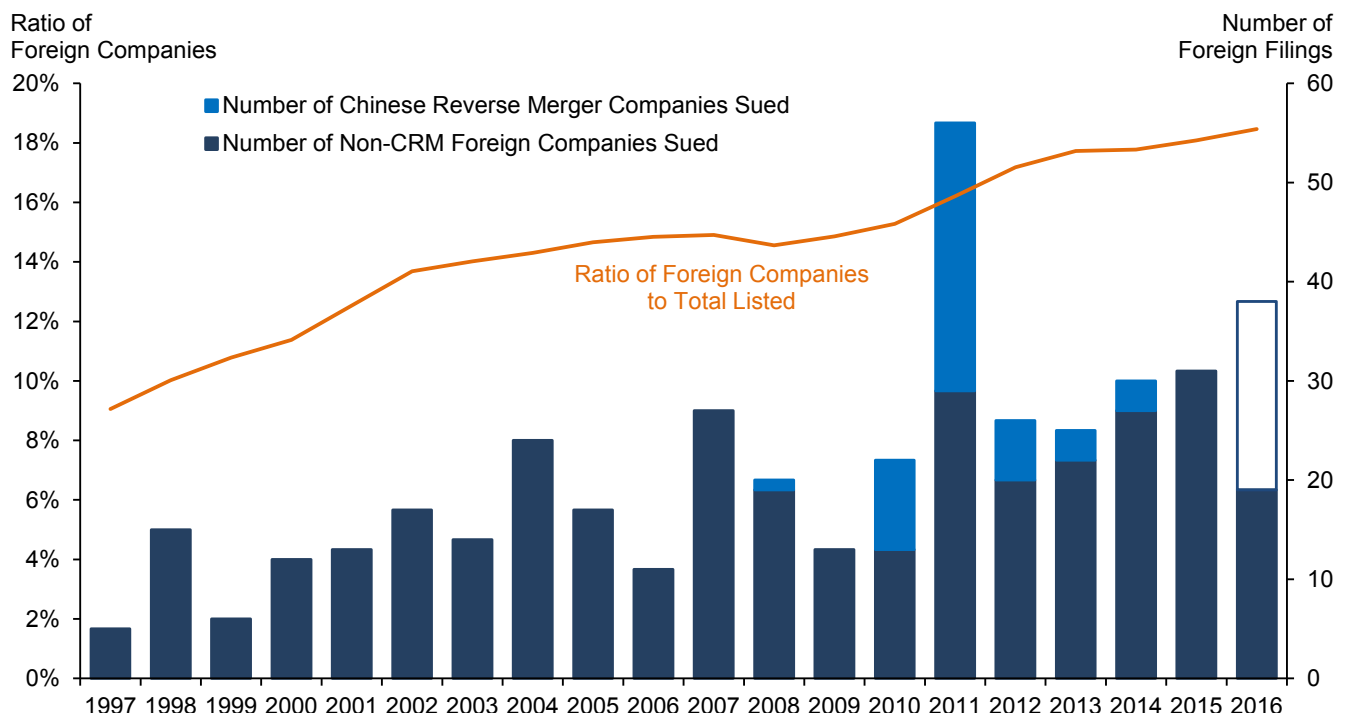
Recent Cornerstone Research Securities Class Action Filings reports have tracked the increasing number of foreign-headquartered companies targeted by class actions. This analysis looks at why that trend has occurred. Are there simply more foreign companies subject to U.S. securities laws, or have securities class actions against these companies become proportionately more frequent?

KEY FINDINGS

- From 1997 through the first half of 2016, the total number of companies listed on major U.S. exchanges fell by approximately 43 percent, while the total number of foreign companies remained relatively stable. This explains the increasing proportion of foreign-headquartered companies on U.S. exchanges.
- If the number of filings against foreign-headquartered companies in the second half of 2016 equals the pace set in the first half, 2016 will be the third consecutive year in which the number of foreign filings increased.

Foreign-headquartered firms increased to 18 percent of listed companies on major U.S. exchanges.

FIGURE 12: PERCENTAGE OF FOREIGN COMPANIES LISTED ON U.S. EXCHANGES AND PUBLICLY TRADED FOREIGN COMPANIES SUED BY FILING YEAR 1997–2016 H1



Source: CRSP

Note:

1. Foreign companies are defined as companies with headquarters outside the United States, Puerto Rico, and the U.S. Virgin Islands. Companies issuing ADRs are also considered foreign companies.
2. Assumes the number of foreign filings for the second half of 2016 will equal the first half and shows only foreign issuers on U.S. exchanges.

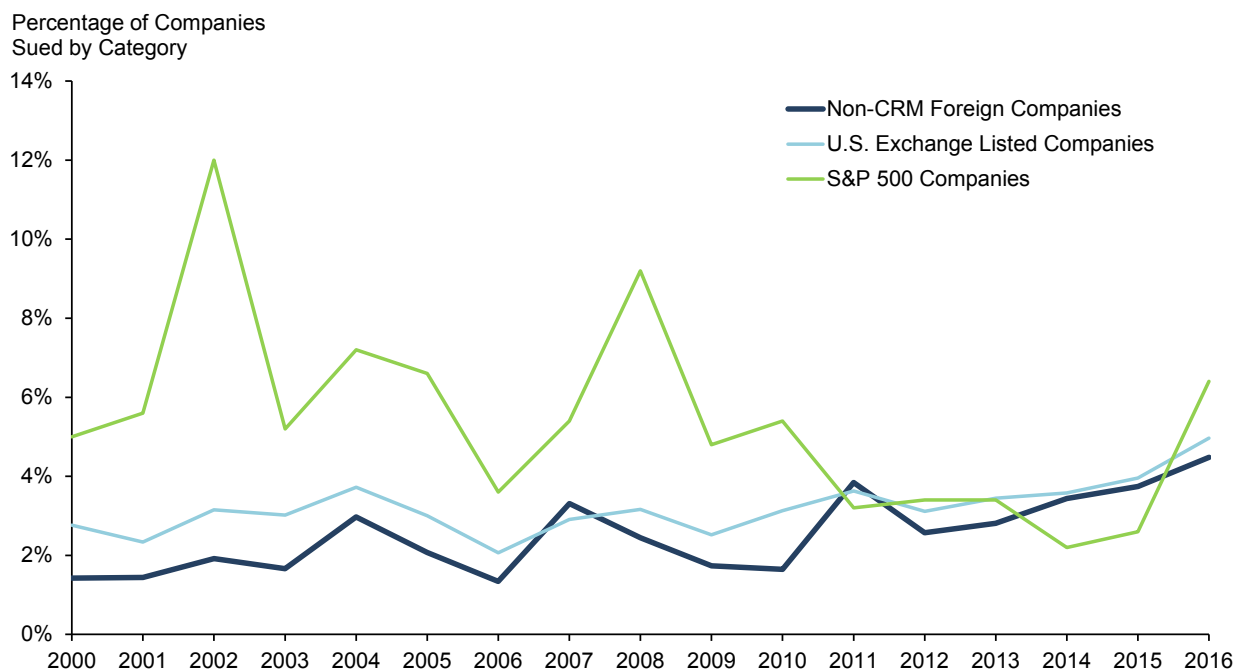
UPDATED ANALYSIS: FOREIGN COMPANY LITIGATION EXPOSURE *continued*

KEY FINDINGS

- The percentage of foreign companies, excluding Chinese reverse mergers (CRMs), sued relative to the total number of foreign companies listed on U.S. exchanges increased from 3.7 percent in 2015 to an annualized rate of 4.5 percent in the first half of 2016, which will be the highest level since 1997. These data indicate that plaintiffs are increasingly likely to target foreign companies.
- While the likelihood of an S&P 500 company being sued has hovered at or below rates of the typical company on U.S. exchanges between 2011 and 2015, this changed in the first half of 2016. Assuming filings in the second half of 2016 equal the pace in the first half, more than 6 percent of S&P 500 companies will be sued in 2016. This represents a return to a longstanding pattern of larger companies being more likely targets of class action filings than either the typical company or foreign companies listed on U.S. exchanges.

Filings against foreign companies did not increase in the first half of the year as much as filing rates against S&P 500 companies.

FIGURE 13: PERCENTAGE OF COMPANIES SUED BY LISTING CATEGORY OR DOMICILE 2000–2016 H1



Source: CRSP; Yahoo Finance

Note:

1. Percentages for 2016 are annualized.
2. Foreign companies are defined as companies with headquarters outside the United States, Puerto Rico, and the U.S. Virgin Islands. Companies issuing ADRs are also considered foreign companies.
3. Percentage of companies sued is calculated as the number of filings against unique companies in each category divided by the total number of companies in each category in a given year. The number of companies in each category is as of the beginning of each year.

UPDATED ANALYSIS: STATUS OF SECURITIES CLASS ACTION FILINGS

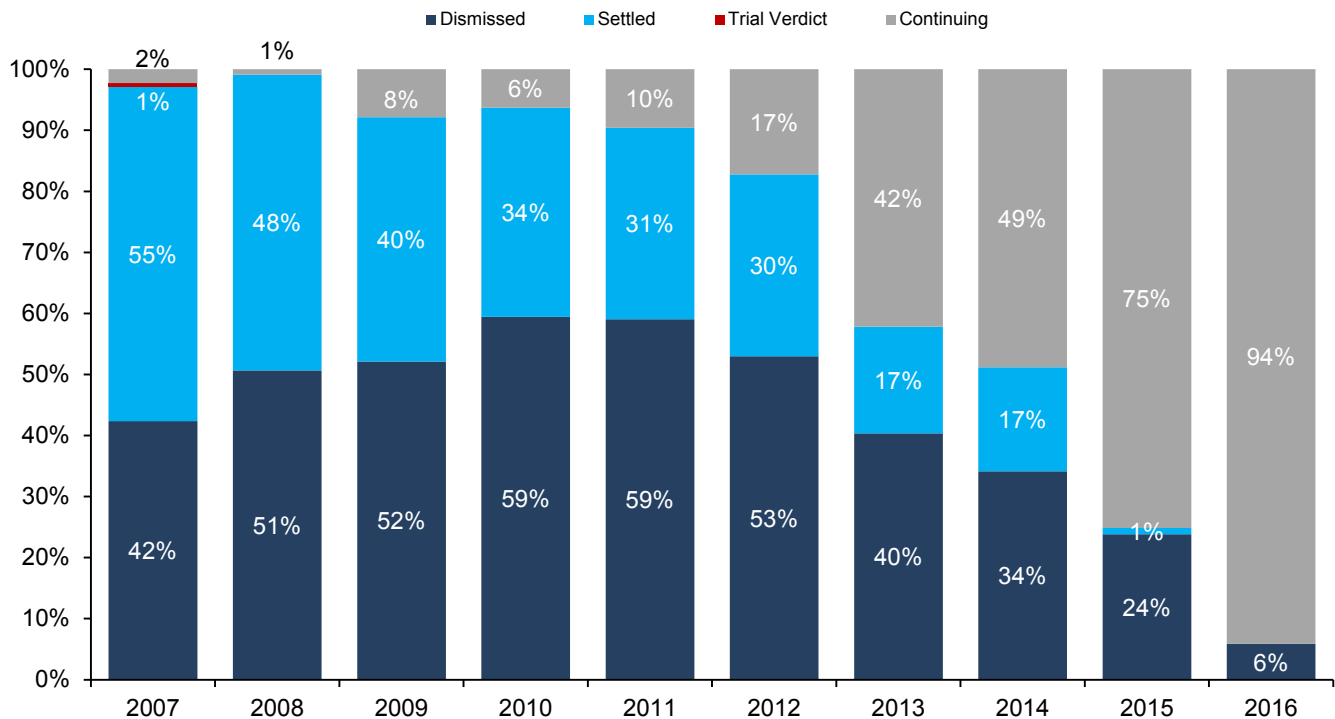
This report updates an examination of whether case outcomes have changed over time. Previous analyses showed that dismissals were increasingly common for filings in cohort years after 2003. This analysis of the last 10 years, beginning in 2007, shows that as each cohort ages, a larger percentage of filings are resolved—with a settlement, dismissal, or trial verdict outcome.

KEY FINDINGS

- Dismissal rates for 2013, 2014, and 2015 filing cohorts increased compared to 2015 year-end due to the elapse of an additional six months. The 2014 filing cohorts showed the most substantial increase, from 14 percent at the end of 2015 to 34 percent currently (see Cornerstone Research, [Securities Class Action Filings—2015 Year in Review](#), page 12).
- For reference purposes with the annual cohort groups, 47 percent of filings from 1997 to 2015 have settled, 42 percent have been dismissed, and 10 percent are ongoing. Overall, less than 1 percent of filings from 1997 to 2015 have reached a trial verdict.

Settlements of 2014 filing cohorts have occurred earlier in the litigation process relative to 2013 filing cohorts.

FIGURE 14: STATUS OF FILINGS BY YEAR 2007–2016 H1



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

NEW ANALYSIS: STATUS OF SECTION 11 FILINGS

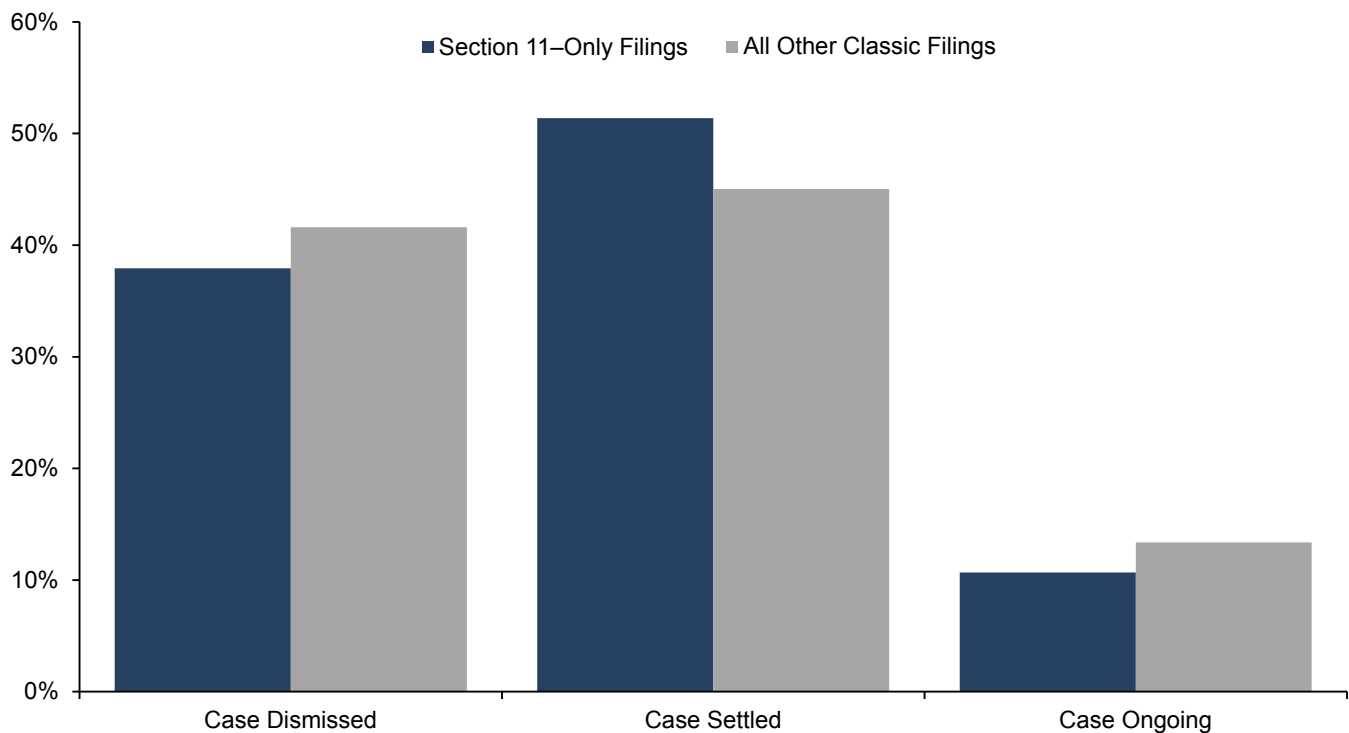
Recent interest in and current petitions for a writ of certiorari before the U.S. Supreme Court in *Cyan Inc. et al. v. Beaver County Employees Retirement Fund et al.* involve questions about the outcomes of federal class actions involving Section 11 claims. In the following analysis, case outcomes for filings with Section 11 claims but no Rule 10b-5 claims (Section 11–Only filings) are examined in comparison with all other filings (which may or may not include a Rule 10b-5 claim).

KEY FINDINGS

- Between 1997 and the first half of 2016, 38 percent of Section 11–Only filings were dismissed, compared with 41 percent for all other filings.
- Over the same period, 52 percent of Section 11–Only filings settled compared with 46 percent for all other filings.
- The lower dismissal rates and higher settlement rates for Section 11–Only cases are potentially the result of liability standards that do not require plaintiffs in Section 11 filings to prove loss causation or scienter.

Section 11–Only class actions have been less likely to be dismissed and consequently more likely to settle than other filings.

FIGURE 15: STATUS OF SECTION 11–ONLY FILINGS VERSUS ALL OTHER FILINGS 1997–2016 H1



Note: A Section 11–Only filing is defined as a filing with a Section 11 claim but not a rule 10b-5 claim. Other claims may or may not be present. Cases are identified by the Stanford Law School Securities Class Action Clearinghouse based on the claims made in first identified complaint. Case status is according to the Stanford Law School Securities Class Action Clearinghouse database as of June 30, 2016.

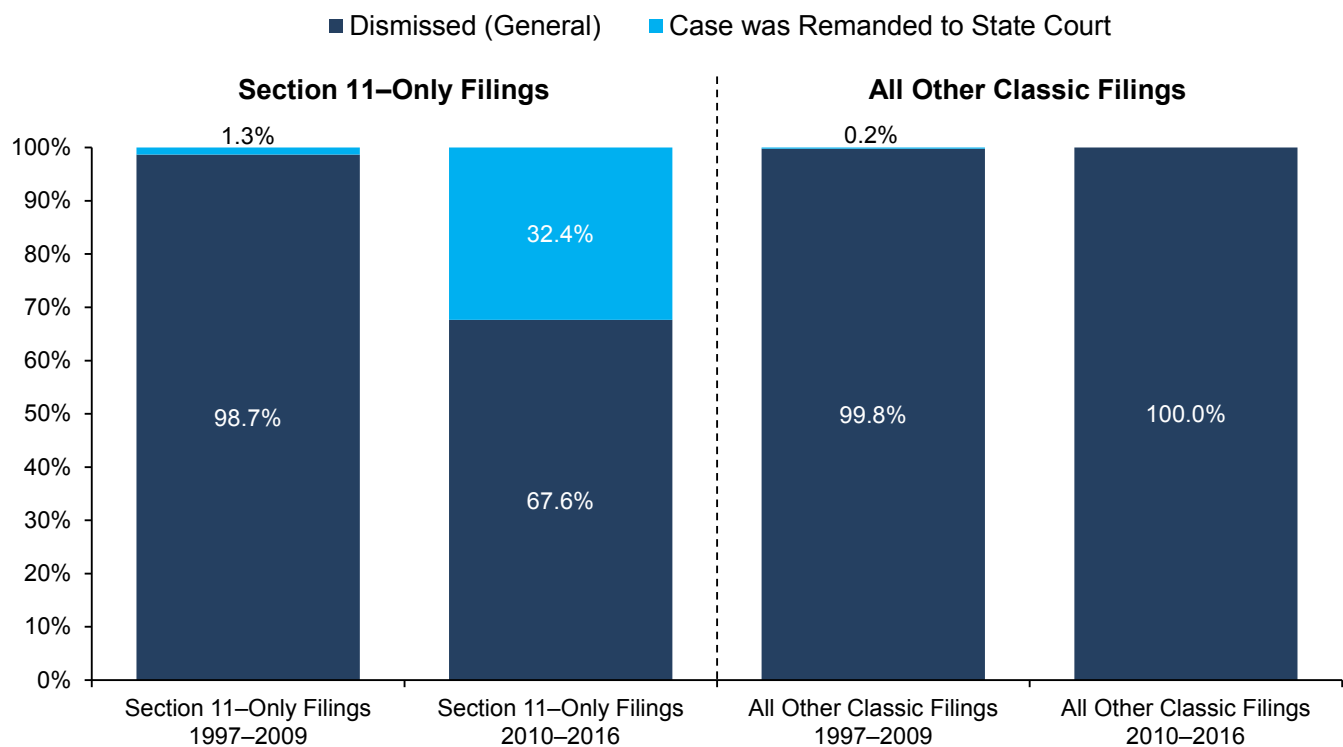
NEW ANALYSIS: STATUS OF SECTION 11 FILINGS *continued*

KEY FINDINGS

- When dismissed from federal courts, Section 11–Only filings have been more likely to be remanded to state courts than other filings. This occurrence has been almost exclusively a Section 11–Only phenomenon.
- Of filings dismissed from federal courts, 32 percent of Section 11–Only filings between 2010 and 2016 were remanded to state courts, compared to less than 1 percent between 1997 and 2009.
- Only rarely have other filings been remanded to state court (less than 0.2 percent of all other filings).

Since 2010, nearly one-third of Section 11–Only filings dismissed from federal courts were remanded to state courts.

FIGURE 16: DISMISSED SECTION 11–ONLY FILINGS VERSUS ALL OTHER DISMISSED FILINGS 1997–2016



Note: A Section 11–Only filing is defined as a filing with a Section 11 claim but not a Rule 10b-5 claim. Other claims may or may not be present. Cases are identified by the Stanford Law School Securities Class Action Clearinghouse based on the claims made in first identified complaint.

FILING LAG

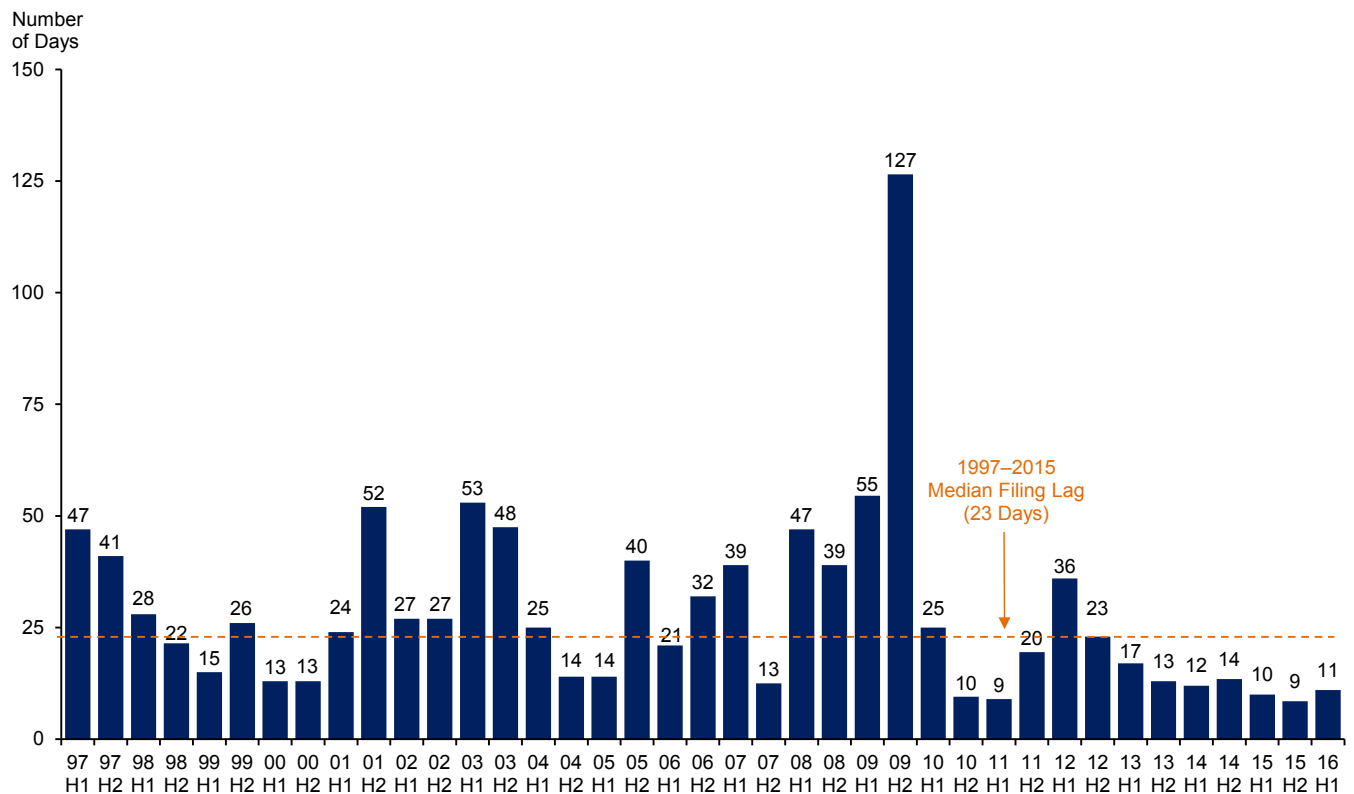
KEY FINDINGS

- The first half of 2016 median filing lag of 11 days between the end of the class period and the filing date of the lawsuit remained at near historically low levels. The average lag was 52 days, the lowest on record since 1997. Excluding M&A filings, the median and average lags were 18 and 66 days, respectively.
- In the first half of 2016, 38 percent of class actions were filed within five days of the end of the class period, and 25 percent were filed on the class period end date.
- Only 8 percent of class actions were filed more than 180 days after the end of the class period, the lowest on record since 1997.

Considering both median and average filing lags, class actions are being filed as quickly as ever.

FIGURE 17: SEMIANNUAL MEDIAN LAG BETWEEN CLASS PERIOD END DATE AND FILING DATE

1997 H1–2016 H1



HEAT MAPS: S&P 500 SECURITIES LITIGATION™

The Heat Maps analyze securities class action activity by industry sector. This 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?

KEY FINDINGS

- Of the companies in the S&P 500 at the beginning of 2016, on an annualized basis, 6.4 percent were defendants in a class action filed during the first half of the year.
- From 2001 through 2015, one in 18 (5.5 percent) S&P 500 companies was the subject of a class action filing, whereas the equivalent annualized figure for 2016 was one in 16.

Filings against S&P 500 companies were more frequent than the historical average and at the highest annualized rate since 2008.

FIGURE 18: HEAT MAPS OF S&P 500 SECURITIES LITIGATION™
PERCENTAGE OF COMPANIES SUBJECT TO NEW FILINGS
2001–2016 H1

	Average 2001–2015	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Consumer Discretionary	5.2%	4.4%	5.7%	4.5%	3.8%	5.1%	3.8%	4.9%	8.4%	1.2%	0.0%	4.8%
Consumer Staples	3.2%	2.8%	0.0%	2.6%	4.9%	0.0%	2.4%	2.4%	0.0%	5.0%	7.5%	5.3%
Energy/Materials	1.4%	0.0%	0.0%	0.0%	1.5%	5.7%	0.0%	2.7%	0.0%	1.3%	1.4%	6.0%
Financials	9.3%	2.4%	10.3%	31.2%	13.1%	10.3%	1.2%	3.7%	0.0%	1.2%	1.2%	4.6%
Health Care	8.6%	6.9%	12.7%	13.7%	3.7%	15.4%	2.0%	3.8%	5.7%	3.6%	1.9%	17.9%
Industrials	3.1%	0.0%	5.8%	3.6%	6.9%	0.0%	1.7%	1.6%	0.0%	4.7%	0.0%	6.1%
Telecommunications/ Information Tech	6.0%	8.1%	2.3%	2.5%	1.2%	3.5%	7.1%	3.8%	9.1%	0.0%	5.6%	2.7%
Utilities	6.2%	0.0%	3.1%	3.2%	0.0%	0.0%	8.8%	3.1%	0.0%	3.2%	10.3%	6.9%
All S&P 500 Companies	5.5%	3.6%	5.4%	9.2%	4.8%	5.4%	3.2%	3.4%	3.4%	2.2%	2.6%	6.4%

Legend	0%	0–5%	5–15%	15–25%	25%+
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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.
4. 2016 figures are annualized.

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

KEY FINDINGS

- On an annualized basis, 6.1 percent of the S&P 500 market capitalization in the first half of 2016 was subject to new filings. This annualized 2016 rate is higher than recent years, but still lower than the historical average of 9.1 percent.
- Health Care, Industrials, Telecommunications/Information Technology, and Utilities had 7 percent or more of their market capitalization subject to new filings (on an annualized basis).
- Historically, larger S&P 500 companies have been more likely targets of class actions, as demonstrated by a lower historical percentage of firms subject to filings (5.5 percent) than the historical share of market capitalization attributed to such firms (9.1 percent). This pattern was not evident in the first half of 2016, when the annualized percentage of S&P 500 companies subject to filings (6.4 percent) was slightly more than the share of market capitalization attributed to these companies (6.1 percent).

Companies in the Industrials sector of the S&P 500 were the most common class action targets when measured by market capitalization.

FIGURE 19: HEAT MAPS OF S&P 500 SECURITIES LITIGATION™
PERCENTAGE OF MARKET CAPITALIZATION SUBJECT TO NEW FILINGS
2001–2016 H1

	Average 2001–2015	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Consumer Discretionary	5.9%	8.9%	4.4%	7.2%	1.9%	4.9%	4.6%	1.6%	4.4%	2.5%	0.0%	4.8%
Consumer Staples	3.4%	0.8%	0.0%	2.6%	3.9%	0.0%	0.8%	14.0%	0.0%	3.4%	3.7%	1.3%
Energy/Materials	2.0%	0.0%	0.0%	0.0%	0.8%	5.5%	0.0%	0.9%	0.0%	0.2%	0.4%	3.2%
Financials	19.3%	8.2%	18.1%	55.0%	38.3%	31.1%	6.9%	11.0%	0.0%	0.3%	3.0%	1.4%
Health Care	13.9%	18.1%	22.5%	20.0%	1.7%	33.7%	0.7%	3.8%	4.4%	3.0%	3.1%	10.8%
Industrials	6.1%	0.0%	2.2%	26.4%	23.2%	0.0%	2.1%	1.2%	0.0%	1.7%	0.0%	13.8%
Telecommunications/ Information Tech	8.3%	8.3%	3.4%	1.4%	0.3%	5.9%	13.4%	2.2%	16.6%	0.0%	7.6%	7.0%
Utilities	6.9%	0.0%	5.5%	4.0%	0.0%	0.0%	5.6%	6.8%	0.0%	0.7%	5.7%	8.7%
All S&P 500 Companies	9.1%	6.7%	8.2%	16.2%	8.6%	11.2%	5.1%	4.9%	4.7%	1.3%	3.2%	6.1%

Legend	0%	0–5%	5–15%	15–25%	25%+
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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.
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. 2016 figures are annualized.

INDUSTRY

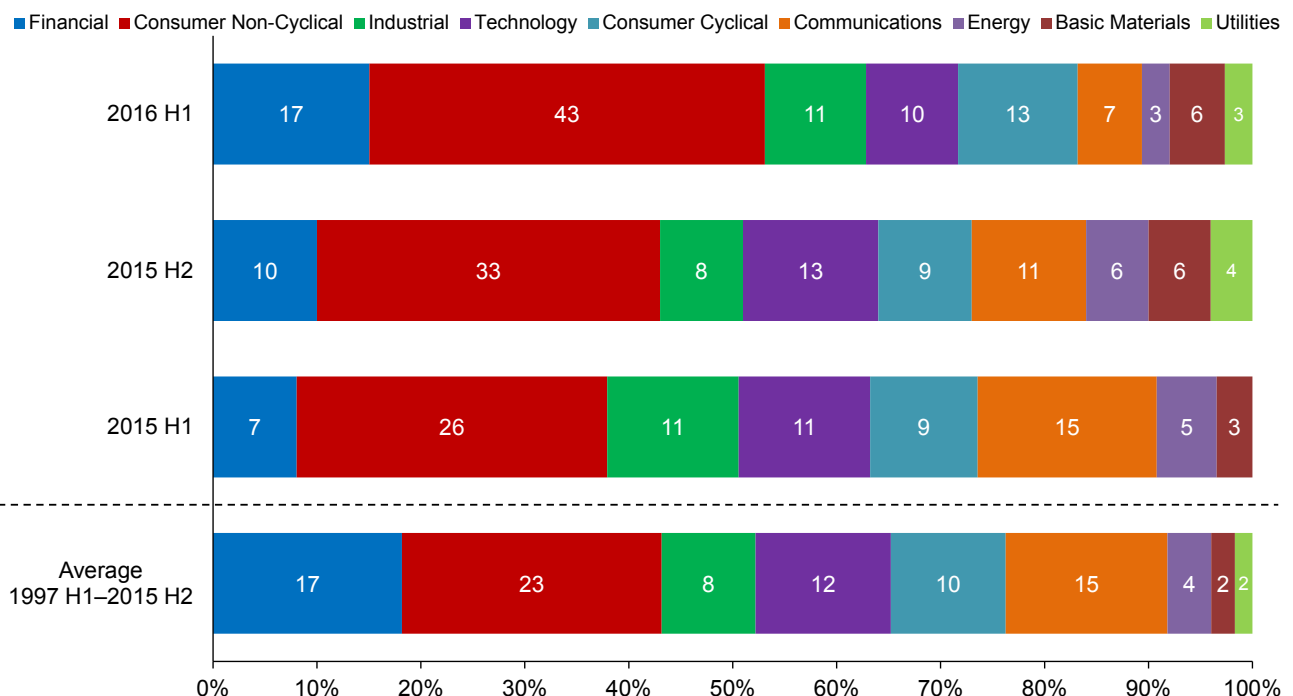
This analysis encompasses both the large capitalization companies of the S&P 500, shown on the preceding pages, as well as smaller companies.

KEY FINDINGS

- The number of filings against companies in the Financial sector increased to 17 in the first half of 2016. This amount is the same as the 1997–2015 semiannual average and equal to the total for 2015.
- Filings in the Consumer Non-Cyclical sector increased to 43 and accounted for 36 percent of total filings in the first half of 2016. The Consumer Non-Cyclical sector has had the most filings for the past 10 semiannual periods. While filings increased in this sector, DDL decreased from \$45 billion in the second half of 2015 to \$10 billion. See Appendix 2.
- Filings against companies in the Communications sector decreased from 11 in the second half of 2015 to seven in the first half of 2016. Filings also decreased in the Technology, Energy, and Utilities industries.

The Financial and Consumer Non-Cyclical sectors accounted for more than 50 percent of filings.

FIGURE 20: FILINGS BY INDUSTRY



Note:

1. Analysis excludes two filings in unknown sectors in 2012, two filings in unknown sectors in 2013, two filings in unknown sectors in 2014, two filings in unknown sectors in 2015, and six filings in unknown sectors in 2016. Filings with missing sector information or infrequently used sectors may be excluded in prior years. For more information, see Appendix 2.
2. Sectors are based on the Bloomberg Industry Classification System.

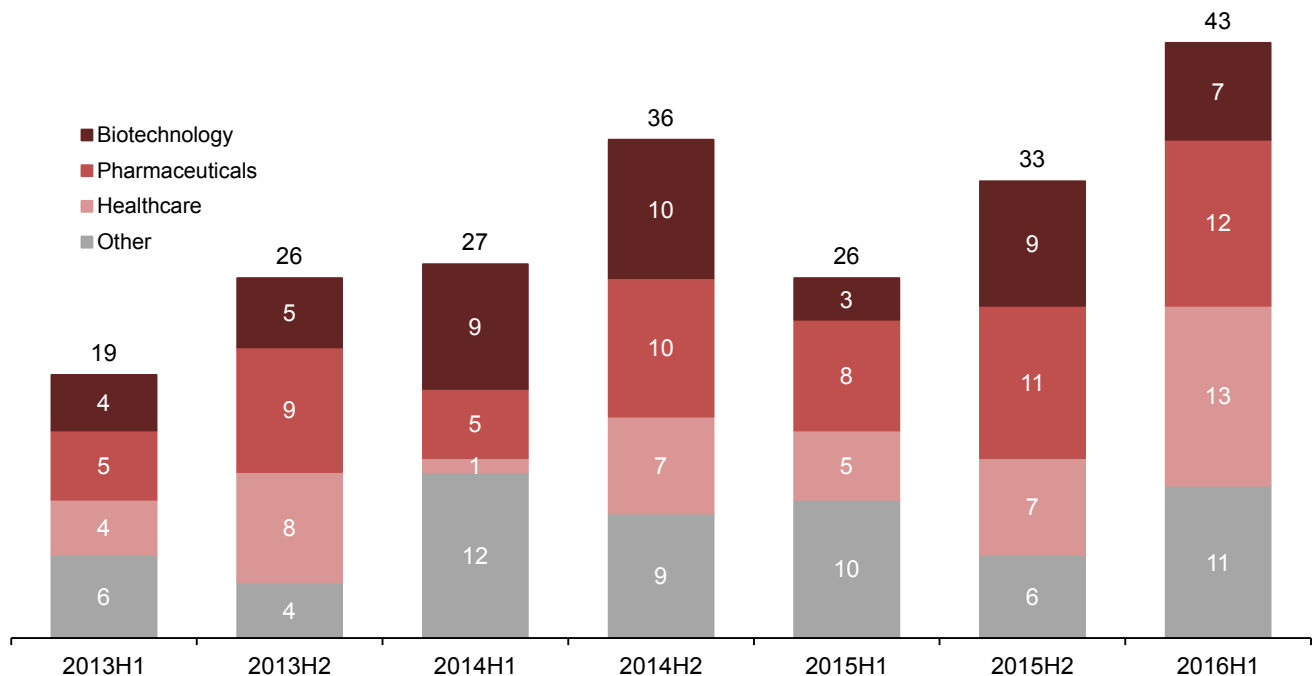
INDUSTRY *continued*

KEY FINDINGS: CONSUMER NON-CYCLICAL SECTOR

- Filings involving biotechnology, pharmaceuticals, and healthcare companies—included in the Consumer Non-Cyclical sector—totaled 32 in the first half of the year.
- The number of filings against healthcare firms at midyear 2016 has already exceeded full-year 2015.
- Filings against pharmaceutical firms in 2016 are on track to exceed 2015.

Healthcare and Pharmaceuticals were the most commonly targeted subsectors.

FIGURE 21: CONSUMER NON-CYCLICAL SECTOR FILINGS 2013 H1–2016 H1



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 the first half of 2016, 48 and 66 class actions were filed against firms listed on the NYSE and NASDAQ, respectively.
- The number of filings against NYSE firms increased by 2 percent from the second half of 2015 to the first half of 2016. For NASDAQ firms, filings increased by 27 percent over the same period.
- The median DDL figure for NYSE filings was higher in the first half of 2016 compared with the second half of 2015, while median DDL for NASDAQ filings was lower.
- Average DDL for NYSE filings increased by 7 percent to \$851 million; average MDL went up by 88 percent.
- The number of filings against issuers not listed on an exchange increased slightly from 3 percent of all filings in the second half of 2015 to 4 percent in the first half of 2016.

DDL and MDL declined for filings against NASDAQ firms.

FIGURE 22: FILINGS BY EXCHANGE LISTING

	Semiannual Average 1997 H1–2015 H2		2015 H1		2015 H2		2016 H1	
	NYSE/Amex	NASDAQ	NYSE	NASDAQ	NYSE	NASDAQ	NYSE	NASDAQ
Class Action Filings	38	48	37	44	47	52	48	66
DDL Total (\$ Billions)	\$42	\$18	\$21	\$13	\$31	\$40	\$31	\$12
MDL Total (\$ Billions)	\$199	\$98	\$71	\$33	\$137	\$129	\$245	\$86
Disclosure Dollar Loss								
Average (\$ Millions)	\$1,273	\$400	\$649	\$325	\$796	\$819	\$851	\$217
Median (\$ Millions)	\$258	\$99	\$136	\$106	\$239	\$148	\$321	\$110
Maximum Dollar Loss								
Average (\$ Millions)	\$5,973	\$2,078	\$2,160	\$826	\$3,512	\$2,624	\$6,612	\$1,600
Median (\$ Millions)	\$1,309	\$461	\$513	\$329	\$976	\$490	\$2,567	\$648

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.

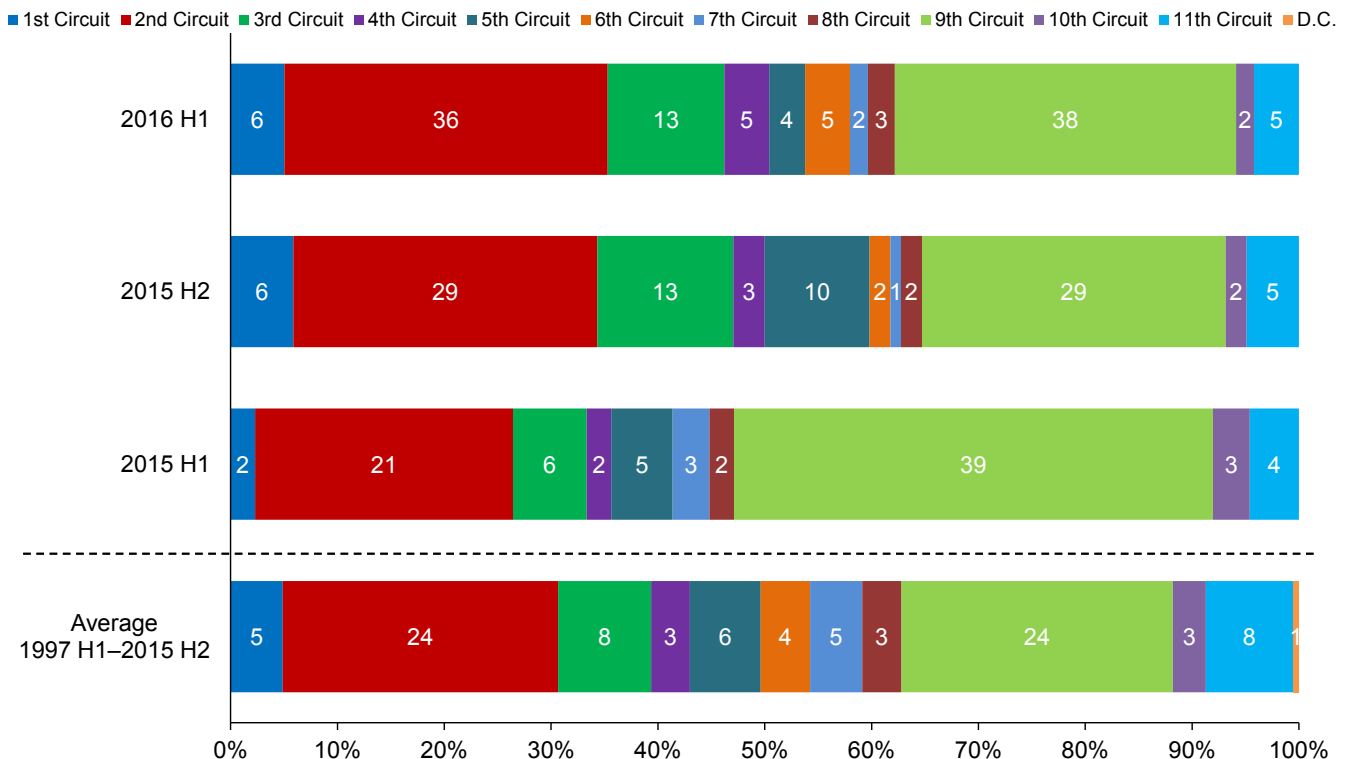
CIRCUIT

KEY FINDINGS

- There were 38 filings in the Ninth Circuit in the first half of 2016, compared to 29 in the second half of 2015. Filing activity in this circuit was 58 percent greater than the historical average of 24 filings.
- The 36 filings in the Second Circuit were 50 percent greater than the historical average of 24 filings. While the number of filings in the Second Circuit increased, the semiannual DDL of \$9 billion was 55 percent below its historical average of \$20 billion. See Appendix 3.
- The number of filings in the Third Circuit was five greater than the historical average. However, both MDL and DDL were lower than average. See Appendix 3.
- While there were only two filings in the Seventh Circuit in the first half of 2016, their MDL of \$43 billion accounted for 13 percent of the total MDL. This was due to the presence of one mega filing in the Seventh Circuit. See Appendix 3.

The Ninth Circuit was the most likely venue for filings in the first half of the year.

FIGURE 23: FILINGS BY CIRCUIT



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 Index[®] (CAF Index[®]) tracks the number of federal securities class action filings.

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

Cohort is the group of securities class actions all filed in a particular calendar year.

Disclosure Dollar Loss Index[®] (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 during or 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. This report tracks market capitalization losses 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 Index[®] (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 or at the end of the class period, including information unrelated to the litigation.

GLOSSARY *continued*

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) filings are securities class actions that have Section 14 claims, but no Rule 10b-5, Section 11, or Section 12(2) claims, and involve 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 COMPARISON

Year	Class Action Filings	Disclosure Dollar Loss			Maximum Dollar Loss		
		DDL Total (\$ Billions)	Average (\$ Millions)	Median (\$ Millions)	MDL Total (\$ Billions)	Average (\$ Millions)	Median (\$ Millions)
1997 H1	79	\$11	\$169	\$42	\$52	\$767	\$396
1997 H2	95	\$30	\$354	\$73	\$93	\$1,077	\$411
1998 H1	115	\$36	\$347	\$42	\$88	\$851	\$269
1998 H2	127	\$45	\$381	\$72	\$136	\$1,164	\$337
1999 H1	126	\$63	\$568	\$99	\$146	\$1,325	\$339
1999 H2	83	\$78	\$1,048	\$129	\$218	\$2,949	\$453
2000 H1	111	\$164	\$1,708	\$92	\$331	\$3,452	\$444
2000 H2	105	\$76	\$793	\$143	\$429	\$4,469	\$975
2001 H1	103	\$137	\$1,473	\$98	\$990	\$10,642	\$990
2001 H2	77	\$61	\$872	\$69	\$497	\$7,097	\$657
2002 H1	109	\$81	\$776	\$117	\$926	\$8,899	\$1,402
2002 H2	115	\$120	\$1,212	\$184	\$1,121	\$11,320	\$1,547
2003 H1	105	\$48	\$493	\$92	\$335	\$3,455	\$531
2003 H2	87	\$29	\$394	\$100	\$240	\$3,242	\$368
2004 H1	111	\$57	\$641	\$101	\$307	\$3,455	\$428
2004 H2	117	\$87	\$821	\$117	\$418	\$3,947	\$622
2005 H1	109	\$57	\$618	\$135	\$245	\$2,632	\$463
2005 H2	73	\$35	\$562	\$167	\$117	\$1,862	\$513
2006 H1	65	\$21	\$390	\$118	\$125	\$2,308	\$413
2006 H2	55	\$31	\$611	\$97	\$169	\$3,387	\$439
2007 H1	69	\$37	\$650	\$153	\$171	\$2,992	\$763
2007 H2	108	\$121	\$1,222	\$159	\$530	\$5,351	\$660
2008 H1	110	\$92	\$1,340	\$224	\$471	\$6,822	\$1,361
2008 H2	113	\$129	\$1,674	\$163	\$346	\$4,488	\$1,001
2009 H1	83	\$49	\$1,290	\$167	\$352	\$9,251	\$1,176
2009 H2	82	\$35	\$552	\$134	\$199	\$3,153	\$935
2010 H1	72	\$54	\$1,168	\$162	\$345	\$7,492	\$730
2010 H2	103	\$19	\$318	\$141	\$129	\$2,195	\$392
2011 H1	94	\$49	\$740	\$93	\$256	\$3,882	\$384
2011 H2	94	\$61	\$900	\$78	\$255	\$3,751	\$599
2012 H1	87	\$61	\$851	\$158	\$252	\$3,504	\$665
2012 H2	64	\$35	\$656	\$143	\$152	\$2,764	\$577
2013 H1	75	\$25	\$407	\$163	\$115	\$1,887	\$531
2013 H2	91	\$79	\$1,009	\$134	\$163	\$2,096	\$566
2014 H1	78	\$30	\$446	\$189	\$93	\$1,364	\$541
2014 H2	92	\$27	\$337	\$145	\$123	\$1,532	\$528
2015 H1	87	\$34	\$447	\$92	\$105	\$1,370	\$403
2015 H2	102	\$71	\$792	\$170	\$266	\$2,956	\$641
2016 H1	119	\$43	\$475	\$171	\$331	\$3,638	\$1,046
Average (1997–2015)	94	\$60	\$764	\$125	\$297	\$3,820	\$643

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.

APPENDICES *continued*

APPENDIX 2: FILINGS BY INDUSTRY

(Dollars in Billions)

Industry	Class Action Filings				Disclosure Dollar Loss				Maximum Dollar Loss			
	Average 1997 H1– 2015 H2	2015 H1	2015 H2	2016 H1	Average 1997 H1– 2015 H2	2015 H1	2015 H2	2016 H1	Average 1997 H1– 2015 H2	2015 H1	2015 H2	2016 H1
Financial	17	7	10	17	\$9	\$2	\$7	\$10	\$55	\$6	\$20	\$83
Consumer Non-Cyclical	23	26	33	43	\$18	\$7	\$45	\$10	\$62	\$17	\$123	\$92
Industrial	8	11	8	11	\$6	\$1	\$1	\$10	\$17	\$7	\$5	\$61
Technology	12	11	13	10	\$9	\$17	\$8	\$9	\$40	\$52	\$38	\$18
Consumer Cyclical	10	9	9	13	\$4	\$1	\$3	\$3	\$24	\$4	\$11	\$29
Communications	15	15	11	7	\$11	\$6	\$2	\$0	\$78	\$17	\$23	\$2
Energy	4	5	6	3	\$2	\$0	\$3	\$0	\$11	\$1	\$18	\$3
Basic Materials	2	3	6	6	\$1	\$0	\$1	\$1	\$6	\$2	\$24	\$39
Utilities	2	0	4	3	\$1	\$0	\$1	\$0	\$4	\$0	\$6	\$2
Unknown/Unclassified	-	0	2	6	-	-	-	-	-	-	-	-
Total	94	87	102	119	\$60	\$34	\$71	\$43	\$297	\$105	\$266	\$329

Note:

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

APPENDIX 3: FILINGS BY CIRCUIT

(Dollars in Billions)

Circuit	Class Action Filings				Disclosure Dollar Loss				Maximum Dollar Loss			
	Average 1997 H1– 2015 H2	2015 H1	2015 H2	2016 H1	Average 1997 H1– 2015 H2	2015 H1	2015 H2	2016 H1	Average 1997 H1– 2015 H2	2015 H1	2015 H2	2016 H1
1st	5	2	6	6	\$4	\$1	\$22	\$2	\$11	\$2	\$44	\$5
2nd	24	21	29	36	\$20	\$18	\$12	\$9	\$108	\$52	\$67	\$129
3rd	8	6	13	13	\$8	\$2	\$15	\$2	\$30	\$5	\$59	\$28
4th	3	2	3	5	\$1	\$1	\$0	\$0	\$6	\$6	\$1	\$3
5th	6	5	10	4	\$3	\$1	\$4	\$1	\$18	\$4	\$18	\$9
6th	4	0	2	5	\$3	\$0	\$0	\$4	\$13	\$0	\$1	\$10
7th	5	3	1	2	\$3	\$1	\$0	\$5	\$12	\$1	\$0	\$43
8th	3	2	2	3	\$2	\$1	\$0	\$1	\$7	\$3	\$6	\$12
9th	24	39	29	38	\$11	\$11	\$15	\$18	\$72	\$29	\$66	\$86
10th	3	3	2	2	\$1	\$0	\$3	\$0	\$6	\$1	\$4	\$0
11th	8	4	5	5	\$2	\$1	\$0	\$1	\$11	\$4	\$0	\$4
D.C.	1	0	0	0	\$0	\$0	\$0	\$0	\$1	\$0	\$0	\$0
Total	94	87	102	119	\$60	\$34	\$71	\$43	\$297	\$105	\$266	\$331

Note: Numbers may not add due to rounding.

APPENDICES *continued*

APPENDIX 4A: S&P 500 SECURITIES LITIGATION—PERCENTAGE OF S&P 500 COMPANIES SUBJECT TO LITIGATION

Year	Percentage of Companies Subject to New Filings								
	Consumer Discretionary	Consumer Staples	Energy / Materials	Financials	Health Care	Industrials	Telecom / IT	Utilities	All S&P 500 Companies
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%
2016	4.8%	5.3%	6.0%	4.6%	17.9%	6.1%	2.7%	6.9%	6.4%
Average 2001–2015	5.2%	3.2%	1.4%	9.3%	8.6%	3.1%	6.0%	6.2%	5.5%

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.
4. 2016 figures are annualized.

APPENDIX 4B: S&P 500 SECURITIES LITIGATION—PERCENTAGE OF MARKET CAPITALIZATION OF S&P 500 COMPANIES SUBJECT TO LITIGATION

Year	Percentage of Companies Subject to New Filings								
	Consumer Discretionary	Consumer Staples	Energy / Materials	Financials	Health Care	Industrials	Telecom / IT	Utilities	All S&P 500 Companies
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%
2016	4.8%	1.3%	3.2%	1.4%	10.8%	13.8%	7.0%	8.7%	6.1%
Average 2001–2015	5.9%	3.4%	2.0%	19.3%	13.9%	6.1%	8.3%	6.9%	9.1%

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 Capitalizations 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. 2016 figures are annualized.

RESEARCH SAMPLE

- The Stanford Law School Securities Class Action Clearinghouse, in collaboration with Cornerstone Research, has identified 4,206 federal securities class action filings between January 1, 1996, and June 30, 2016 (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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