CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

Accounting Class Action Filings and Settlements

2019 Review and Analysis

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Executive Summary

Securities class action filings involving accounting allegations reached a record level as the overall trend of core filings against larger defendant firms continued.

While the total value of accounting class action settlements declined, the median accounting case settlement amount rose in 2019.

- There were 169 securities class actions involving accounting allegations (accounting case filings) during 2019, nearly double the historical average.[1] (page 2)
- Accounting class actions as a percentage of total class action filings reached the highest level since 2011. (page 2)
- Merger and acquisition (M&A) accounting cases alleging failure to reconcile a non-GAAP measure to a GAAP measure increased 29 percent.[2] (page 3)
- Market capitalization losses for core accounting case filings[3] were 58 percent higher than the historical average as the trend of filings against larger defendant firms continued. (page 6)
- In 2019, 19 percent of core accounting filings involved allegations of improper revenue recognition. (page 20)
- The number and proportion of securities class action settlements involving accounting allegations (accounting case settlements) continued to decline, with the proportion of accounting settlements relative to all case settlements at the lowest level over the past decade. (page 10)
- The median settlement for accounting cases increased over 2018, reflecting a shift in the size of the typical case.[4] (Figure 1)
- The total value of accounting case settlements can fluctuate substantially from year to year due to the presence or absence of very large settlements. In 2019, the total value declined, reflecting a lack of any settlements exceeding $500 million, as well as only two mega settlements (settlements above $100 million) involving accounting allegations. (page 11)

Figure 1: Filings and Settlements Summary Statistics

(Dollars in Millions)

	Accounting Cases		Non-Accounting Cases	
	2018	2019	2018	2019
Filings Summary				
Total Number of Filings	143	169	260	235
Total Number of Core Filings	64	67	157	177
Total Disclosure Dollar Loss (DDL)	$54,840	$54,170	$281,879	$229,372
Settlements Summary				
Number of Settlements	41	34	37	40
Total Settlement Value	$4,563	$920	$593	$1,109
Median Settlement	$9.7	$10.5	$15.0	$12.6
Average Settlement	$111.3	$27.1	$16.0	$27.7

Note: Total Number of Filings includes core and M&A cases; Total Disclosure Dollar Loss and settlements values reflect core cases only. Dollar values are adjusted for inflation; 2019 dollar equivalent figures are used.

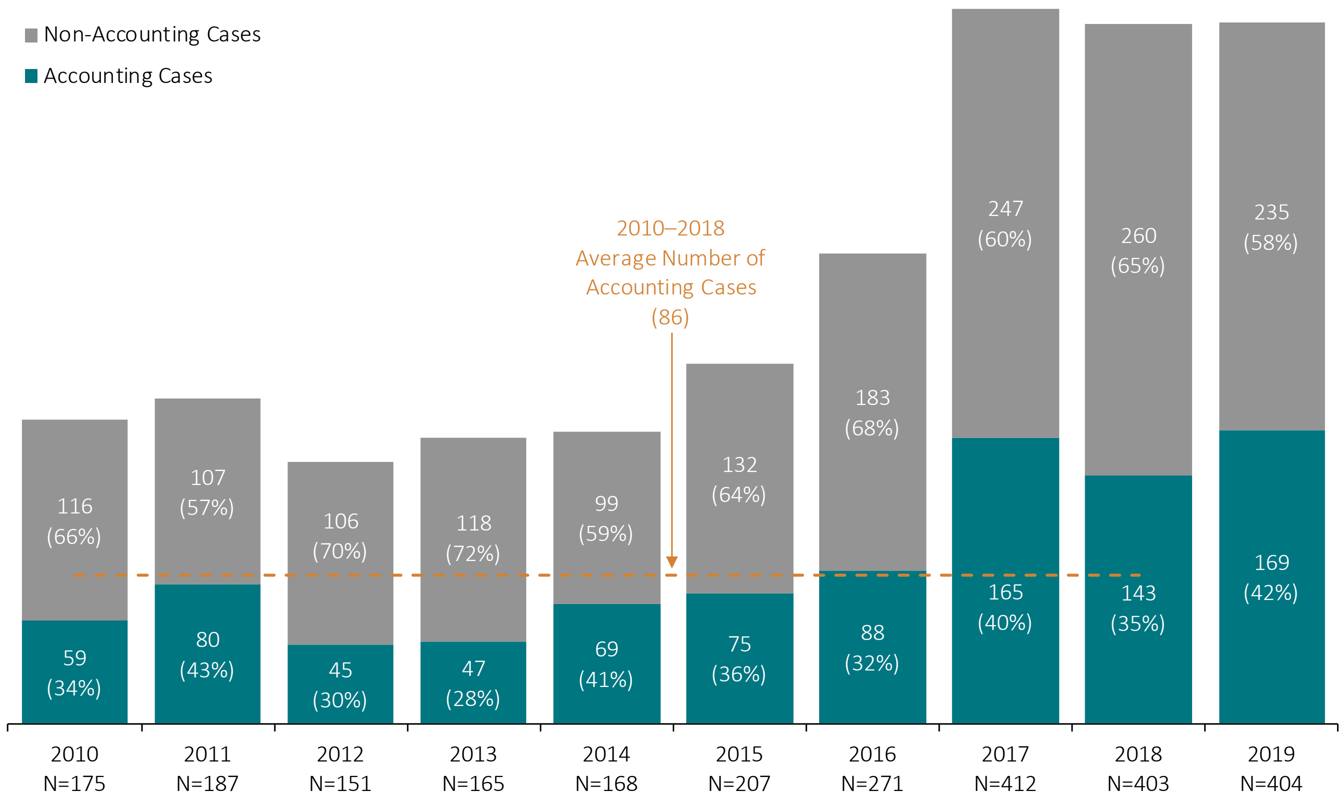
Filings

Number of Accounting Case Filings

- Plaintiffs filed 169 accounting cases in 2019, the highest number on record.
- Accounting case filings increased by 18 percent over 2018, driven by increases in both core accounting case filings (5 percent) and M&A-related accounting case filings (29 percent).
- The proportion of accounting case filings to total case filings (42 percent) was the second highest over the last 10 years.
- The total number of accounting case filings in 2019 was nearly double the 2010–2018 average of 86.

Total accounting case filings increased to the highest level on record.

Figure 2: Accounting Case Filings as a Percentage of Total Filings 2010–2019



Note: N refers to the number of observations.

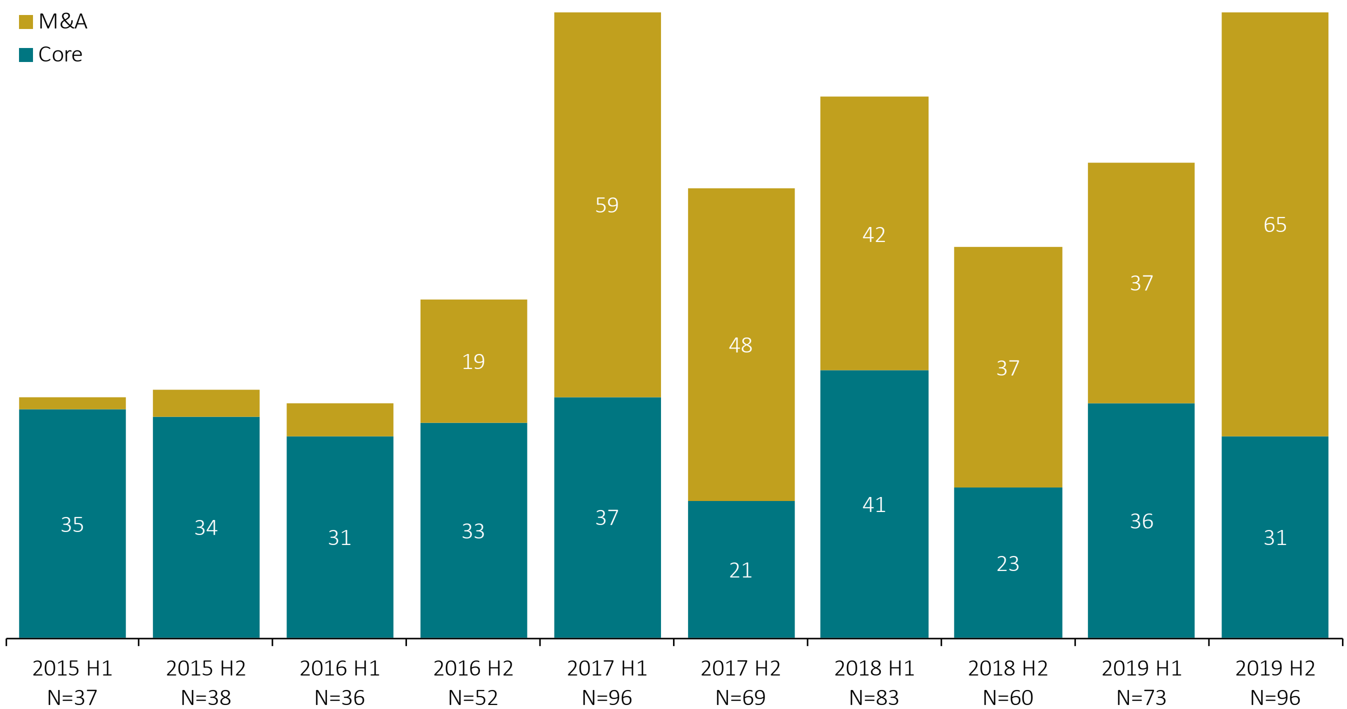
Semiannual Accounting Case Filings

- Total accounting case filing activity increased by 32 percent in the second half of 2019 compared to the first half of the year.
- More M&A accounting cases were filed in the second half of 2019 than in any other semiannual period in the last five years.
- For the third consecutive year, the pace of core accounting case filings slowed in the second half of the year.

The pace of M&A accounting case filings increased significantly in the second half of 2019.

- M&A accounting cases constituted 75 percent of all M&A cases in the second half of 2019 compared to approximately 50 percent in the first half of the year. This is the highest proportion for any half-year period.

Figure 3: Semiannual Accounting Case Filings
2015–2019

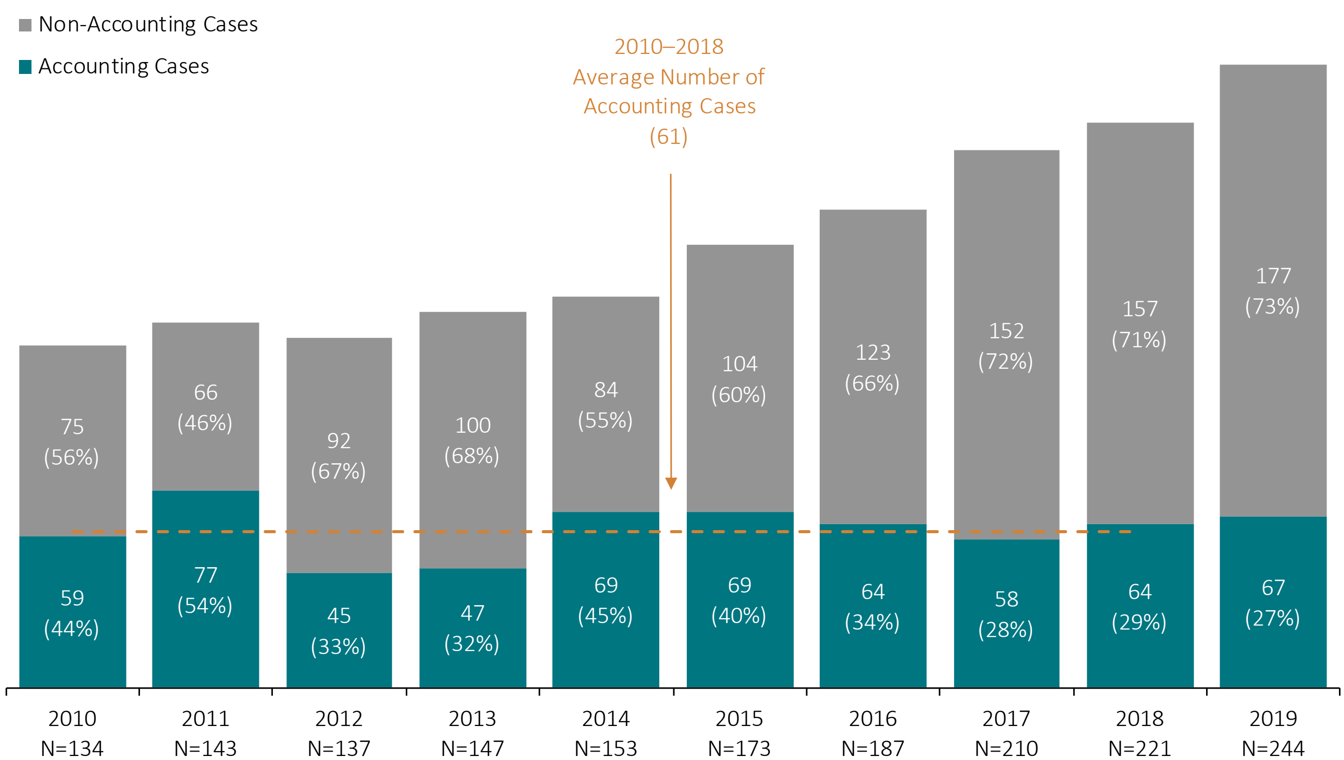


Core Accounting Case Filings

- There were 67 core accounting case filings in 2019, an increase of 5 percent from 2018.[5]
- As a percentage of total core filings, core accounting cases remained roughly at 2017–2018 levels.
- The number of core accounting case filings in 2019 was 10 percent higher than the 2010–2018 average.

The number of core accounting case filings increased for the second consecutive year.

Figure 4: Core Accounting Case Filings as a Percentage of Total Core Filings
2010–2019



Core Accounting Case Filing Lag

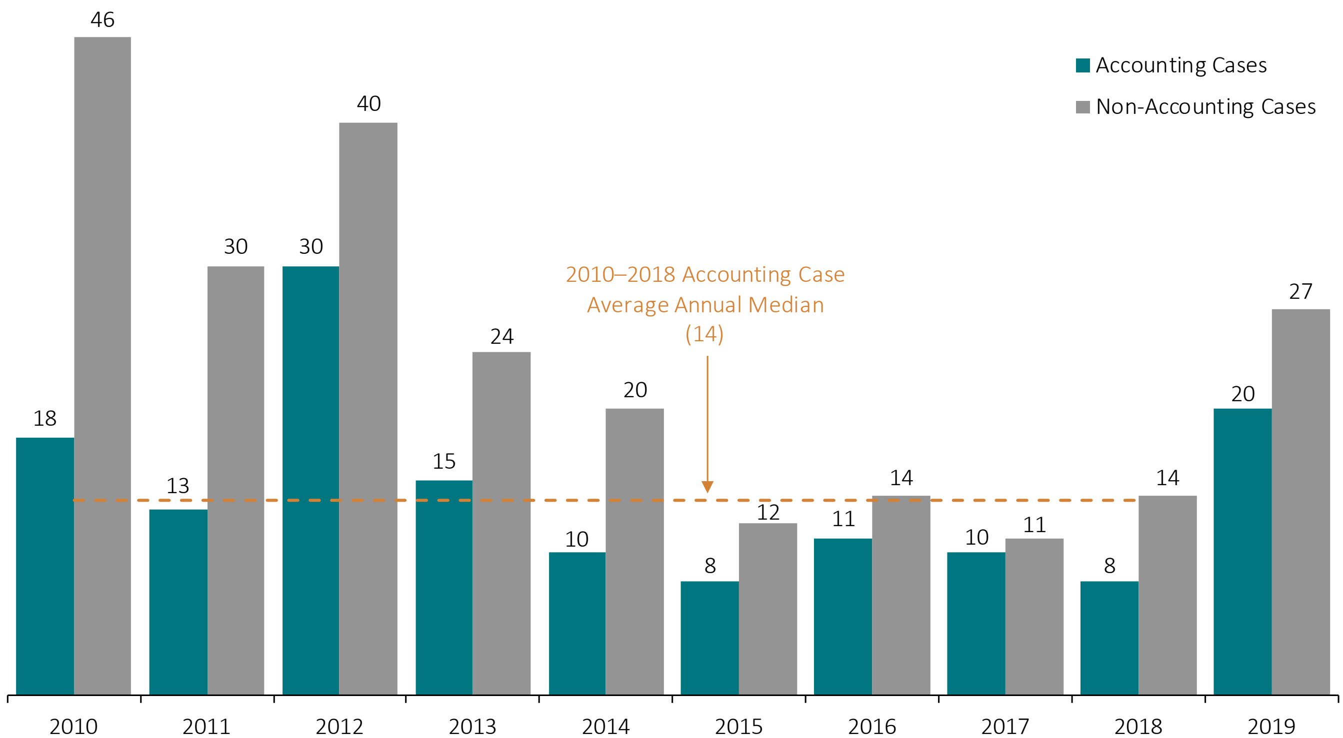
This analysis identifies the number of days between the end of the class period and the filing date of a core accounting securities class action.

- At 20 days, the median filing lag for core accounting case filings in 2019 was the longest since 2012.
- In the previous five years, the median filing lag for core accounting case filings fluctuated between eight and 11 days.
- The median filing lag has been longer for core non-accounting cases than for core accounting cases since 2010.

The filing lag for core accounting cases more than doubled from eight days in 2018 to 20 days in 2019.

Figure 5: Core Accounting Case Filings and Annual Median Lag between Class Period End Date and Filing Date 2010–2019

(Number of Days)



Core Accounting Case Filings and Market Capitalization Losses

Disclosure Dollar Loss Index® (DDL Index®)

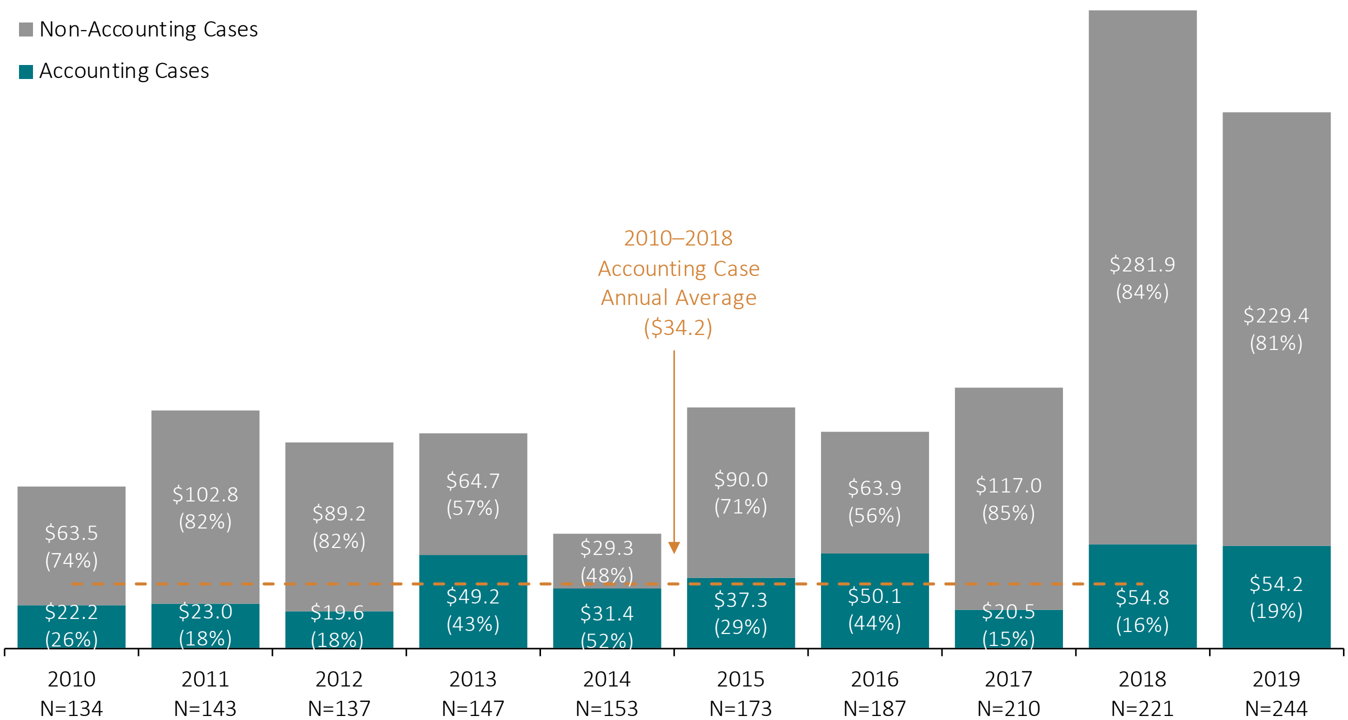
This index measures the aggregate annual DDL for all filings. DDL is the dollar value change in the defendant firm's market capitalization between the trading day immediately preceding the end of the class period and the trading day immediately following the end of the class period. DDL should not be considered an indicator of liability or measure of potential damages.

The DDL Index for core accounting cases reached its second-highest level in the last 10 years.

- The DDL Index for core accounting cases in 2019 was 58 percent greater than the 2010–2018 annual average DDL for accounting cases.
- In 2019, there were two core accounting cases with a DDL of at least $5 billion (mega DDL cases). The two mega DDL cases accounted for approximately half of the total accounting case DDL in 2019.
- Excluding mega DDL cases, the DDL Index for core accounting cases reached its third-highest level in the last 10 years. This is consistent with a continued trend of filings against larger issuer defendants as measured by market capitalization.

Figure 6: Core Accounting Case Filings and Disclosure Dollar Loss Index® (DDL Index®)
2010–2019

(Dollars in Billions)



Note: DDL dollars are adjusted for inflation; 2019 dollar equivalent figures are used.

Status of Core Accounting Case Filings

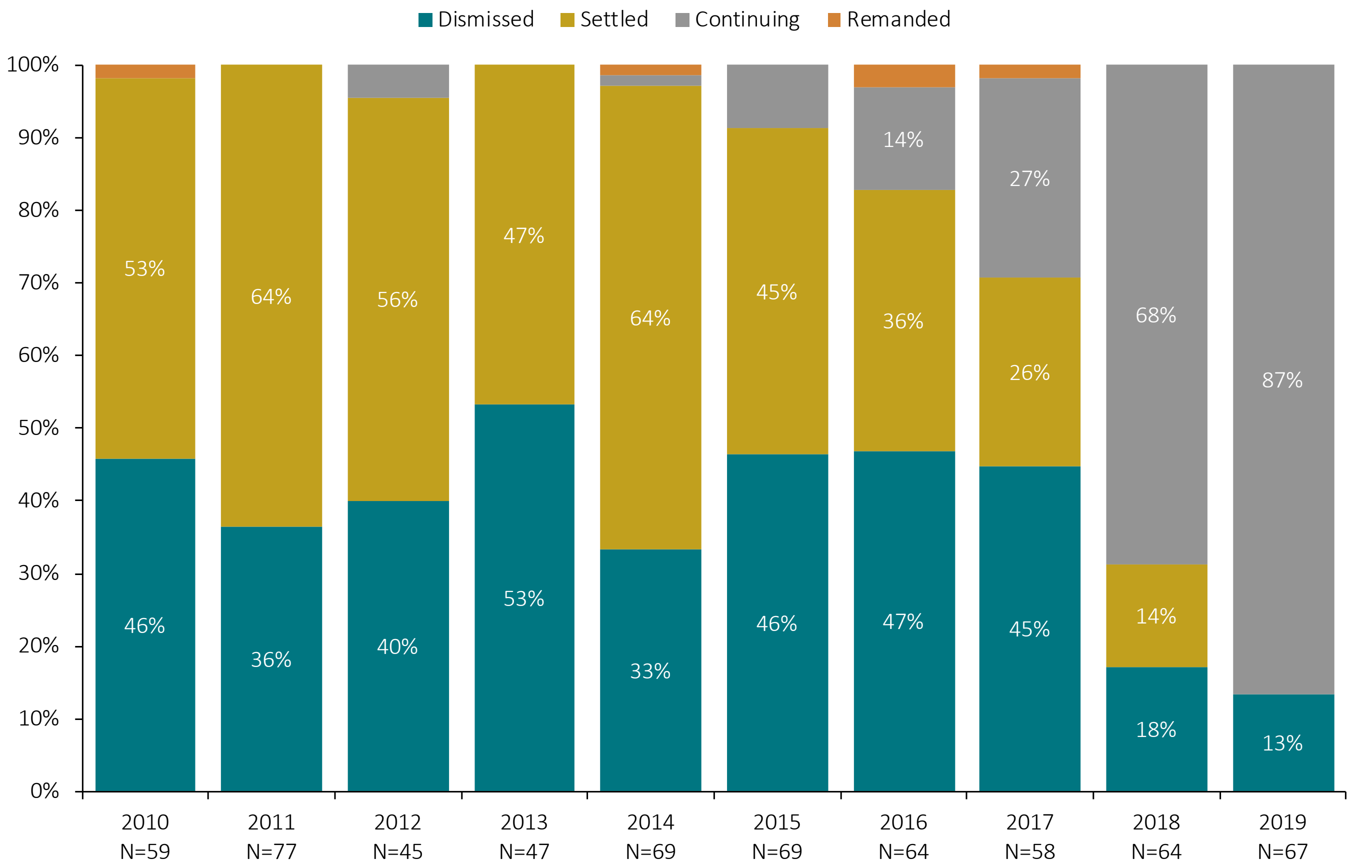
This analysis compares filing groups to determine whether filing outcomes have changed over time. As each cohort ages, a larger percentage of filings are resolved—whether through dismissal, settlement, remand, or trial verdict.

- From 2010 through 2018, 45 percent of core accounting cases settled, 40 percent were dismissed, 14 percent are continuing, and 1 percent were remanded.
- Dismissal rates for M&A accounting cases filed in the past three years have been significantly higher than the rates for core accounting cases. Over the last three years, 84 percent of M&A accounting cases have been dismissed.

Core accounting cases filed from 2010 through 2018 were 54 percent more likely to settle than core non-accounting cases.

- More recent cohorts have too many ongoing cases to determine their ultimate dismissal rates. However, the 2016 cohort will end up having a dismissal rate of at least 47 percent.

Figure 7: Status of Core Accounting Case Filings by Year
2010–2019



Timing of Dismissals of Core Accounting Case Filings

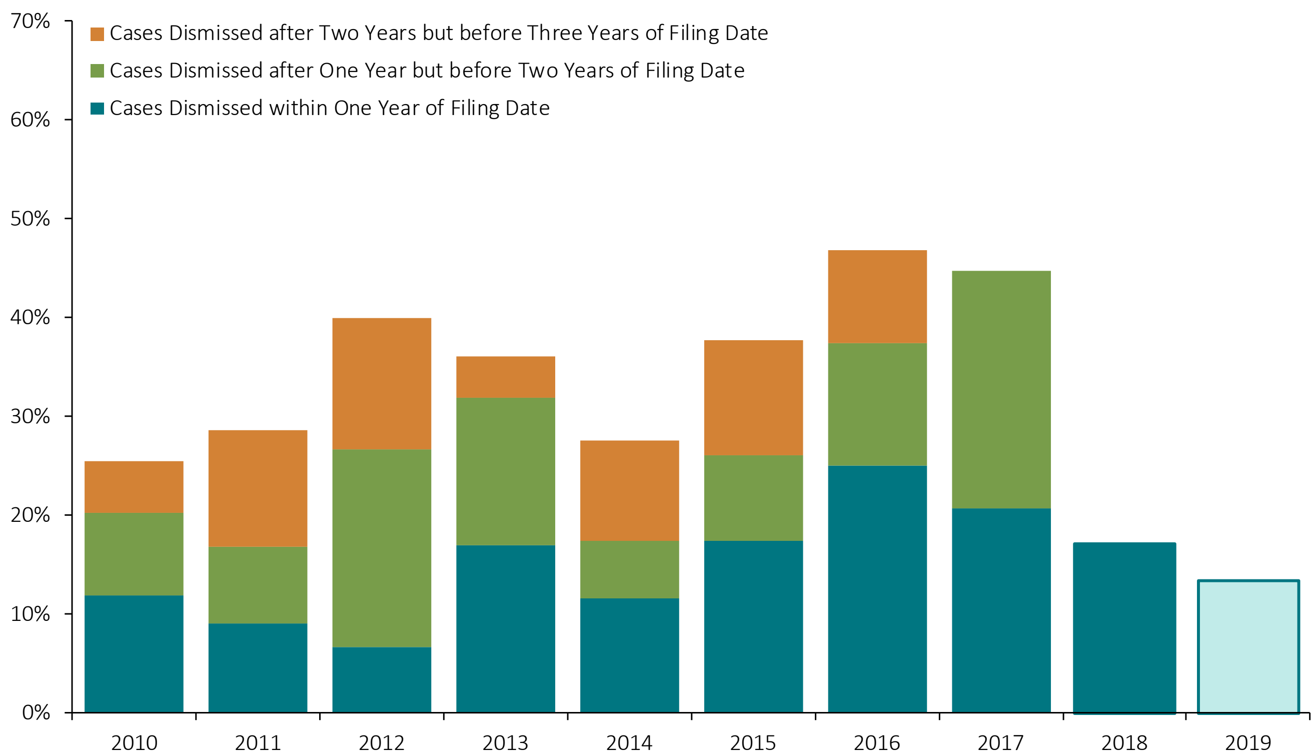
Given the length of time that may exist between the filing of a class action and its outcome, it may not be possible immediately to determine whether trends in dismissal rates observed in earlier annual cohort years will persist in later annual cohorts. This analysis looks at dismissal trends within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

- The percentage of core accounting cases dismissed in the first three years increased from 2014 through 2016.
- On average, the dismissal rate for core accounting cases from 2010 through 2018 was 15 percent in the first year following the filing of a complaint.

The percentage of core accounting cases dismissed within the first three years for the 2016 cohort is the highest in the last 10 years.

- Early indications of the first-year dismissal rates for the 2019 cohort are not yet conclusive; however, 13 percent of 2019 core accounting cases have already been dismissed within one year.

Figure 8: Percentage of Core Accounting Case Filings Dismissed within Three Years of Filing Date
2010–2019



Note:

1. Percentage of cases in each category is calculated as the number of core accounting case filings that were dismissed within one, two, or three years of the filing date divided by the total number of core accounting cases filed each year.

2. The outlined bar for year 2019 indicates the percentage of core accounting cases dismissed through the end of 2019. The outlined bar therefore presents only partial-year observed resolution activity, whereas its counterparts in earlier years show an entire year. There were no accounting case filings dismissed after one year but before two years for the 2018 cohort. There were no accounting case filings dismissed after two years but before three years for the 2017 cohort.

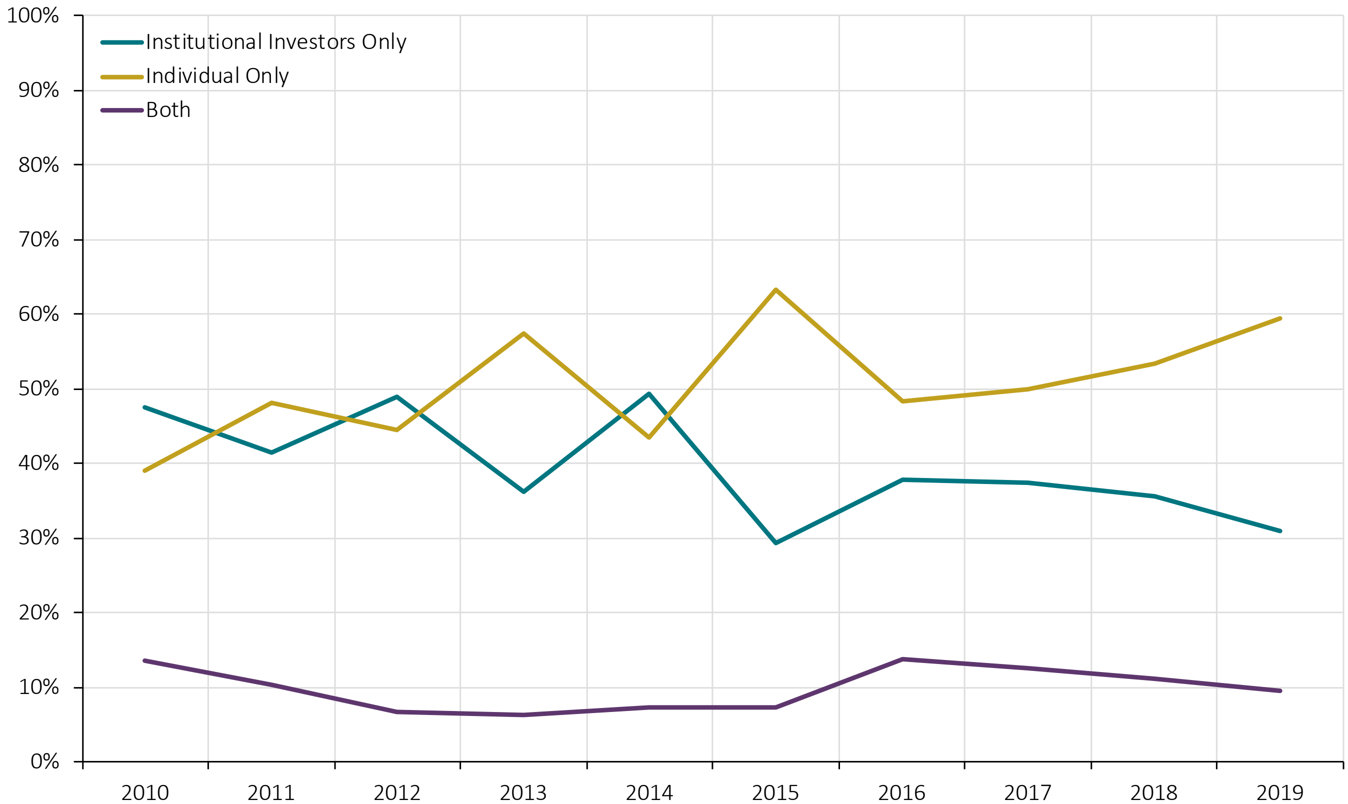
Core Accounting Case Filings by Lead Plaintiff

This analysis examines how frequently individual or institutional investors were appointed as lead plaintiffs in core accounting case filings.

Individuals were appointed more often as the lead plaintiff in core accounting case filings in each of the last five years.

- On average, individual investors were appointed as lead plaintiffs in 60 percent of core accounting case filings over the last 10 years.
- Institutional investors were appointed as lead plaintiffs more often than individual investors in only three of the last 10 years and not since 2014.

Figure 9: Percentage of Core Accounting Case Filings by Lead Plaintiff
2010–2019



Note:

1. Multiple plaintiffs can be designated as co-leads on a single case. This table separates percentages for which a case had only individuals as the lead/co-leads, institutional investors or investor groups as the lead/co-leads, or both individuals and institutional investors as the co-leads.

2. Cases may not have lead plaintiff data due to dismissal or settlement before a lead plaintiff is appointed or because the cases have not yet reached the stage when a lead plaintiff can be identified.

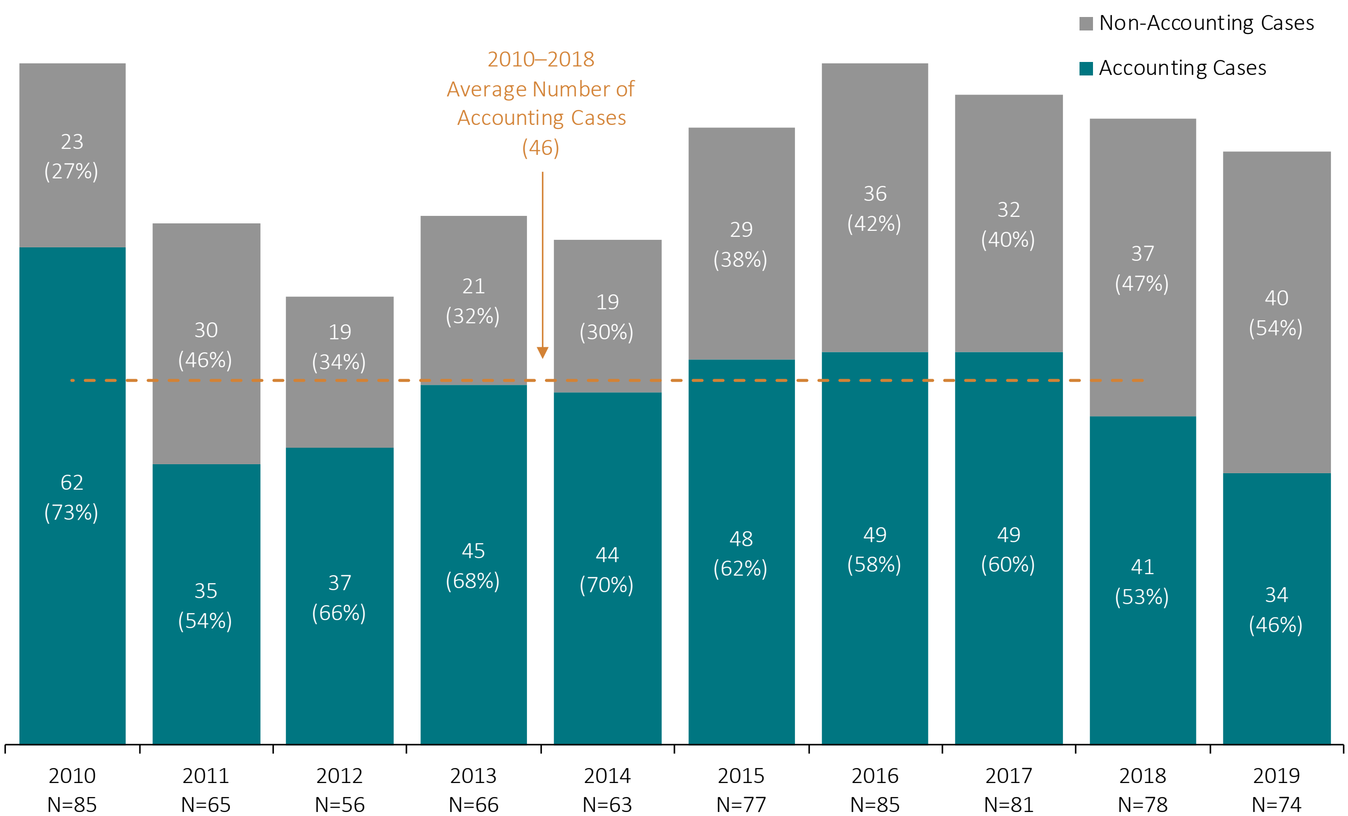
Settlements

Number of Accounting Case Settlements

- As a percentage of all settlements, the proportion of accounting case settlements decreased in 2019 to the lowest level over the last 10 years.
- The median time from filing to settlement for accounting cases in 2019 was 2.8 years. Thus, the reduced number of accounting case settlements in 2019 in part reflected the relatively low number of core filings during 2016–2018.
- The proportion of settled accounting cases involving accompanying SEC actions increased in 2019 to 44 percent of all accounting cases—the highest proportion since 1998.
- Public pension plan involvement as lead plaintiffs in settled accounting cases fell to its lowest level in the past decade, representing 24 percent of all accounting case settlements.

The number of accounting case settlements declined by 17 percent from 2018 to 2019.

Figure 10: Accounting Case Settlements as a Percentage of Total Settlements
2010–2019



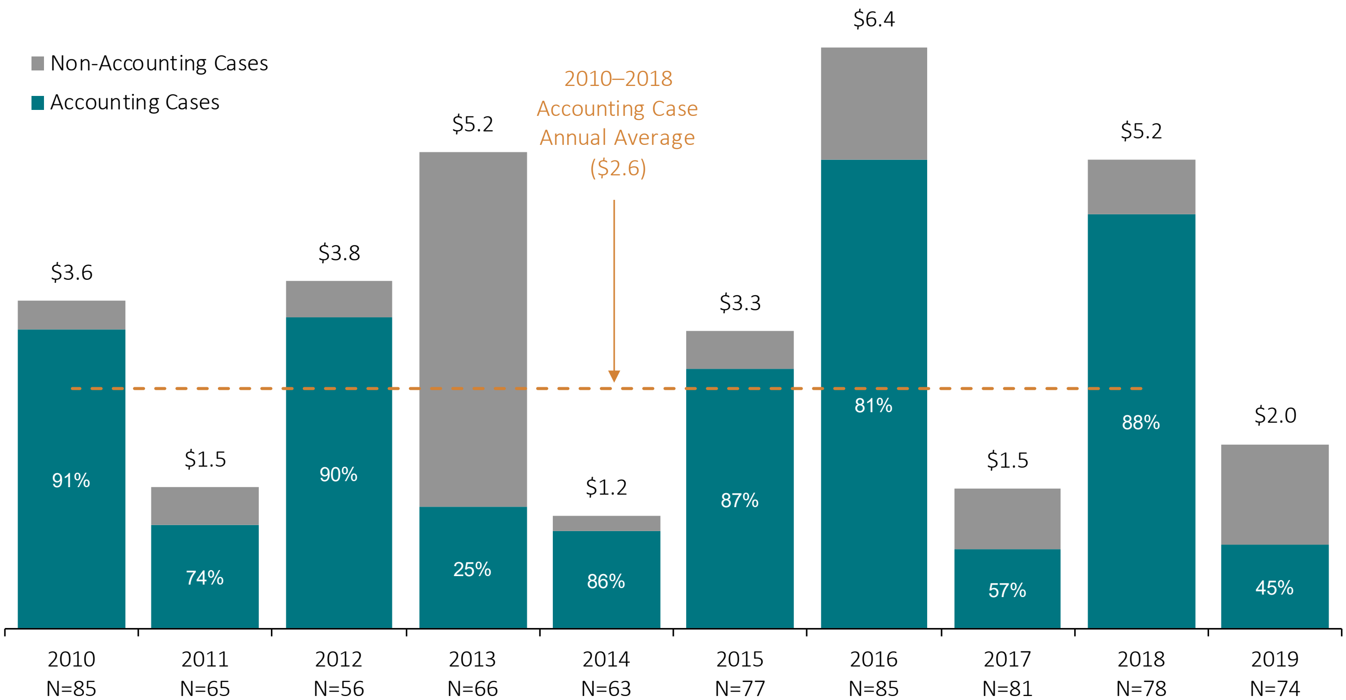
Accounting Case Settlement Value

- Total settlement dollars continue to vary considerably from year to year depending on the presence or absence of very large settlements.
- The drop in the value of accounting case settlements in 2019 was largely due to a lack of any settlements over $500 million.
- Of the four mega settlements (settlements greater than or equal to $100 million) in 2019, two involved accounting allegations.

The proportion of total settlement value comprising accounting cases was the second lowest over the last 10 years.

Figure 11: Accounting Case Settlement Dollars as a Percentage of Total Settlement Dollars 2010–2019

(Dollars in Billions)



Note: Settlement dollars are adjusted for inflation; 2019 dollar equivalent figures are used.

Firm Size

Core Accounting Case Filings by Firm Size

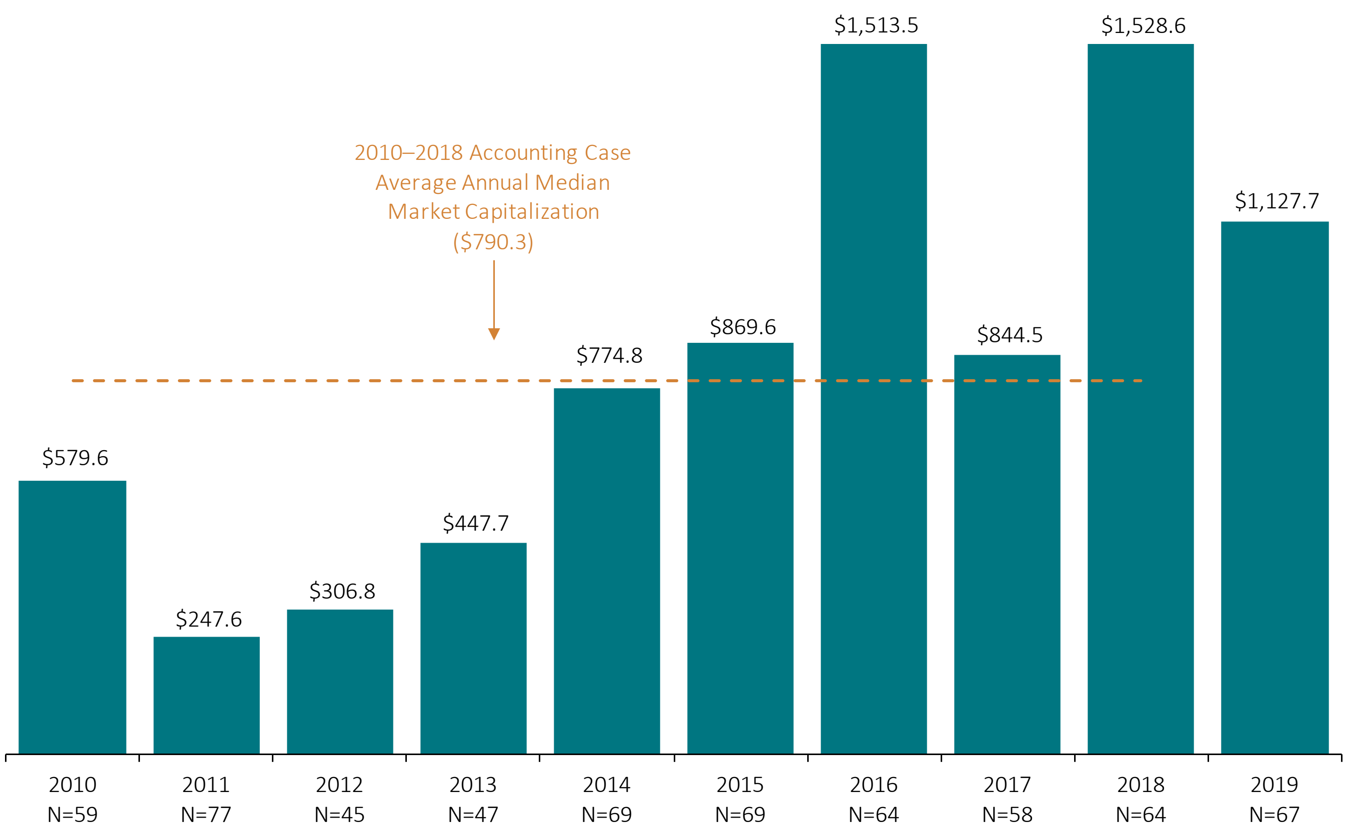
This analysis examines whether the size of defendant firms has changed over time based on their pre-disclosure market capitalization.

- Over the past six years, core accounting cases have been filed against larger issuer defendants.
- The size of issuer defendants in 2019 accounting case filings was the third largest in the last 10 years.
- As measured by pre-disclosure market capitalization, six of the 10 largest issuer defendants in 2019 were in the Consumer Non-Cyclical sector.

At $1.1 billion, the median market capitalization of issuer defendants in 2019 was 43 percent greater than the 2010–2018 average.

Figure 12: Core Accounting Case Filings and Median Market Capitalization of Issuer Defendants
2010–2019

(Dollars in Millions)



Note: Market capitalization dollars are adjusted for inflation; 2019 dollar equivalent figures are used.

Accounting Case Settlements by Firm Size

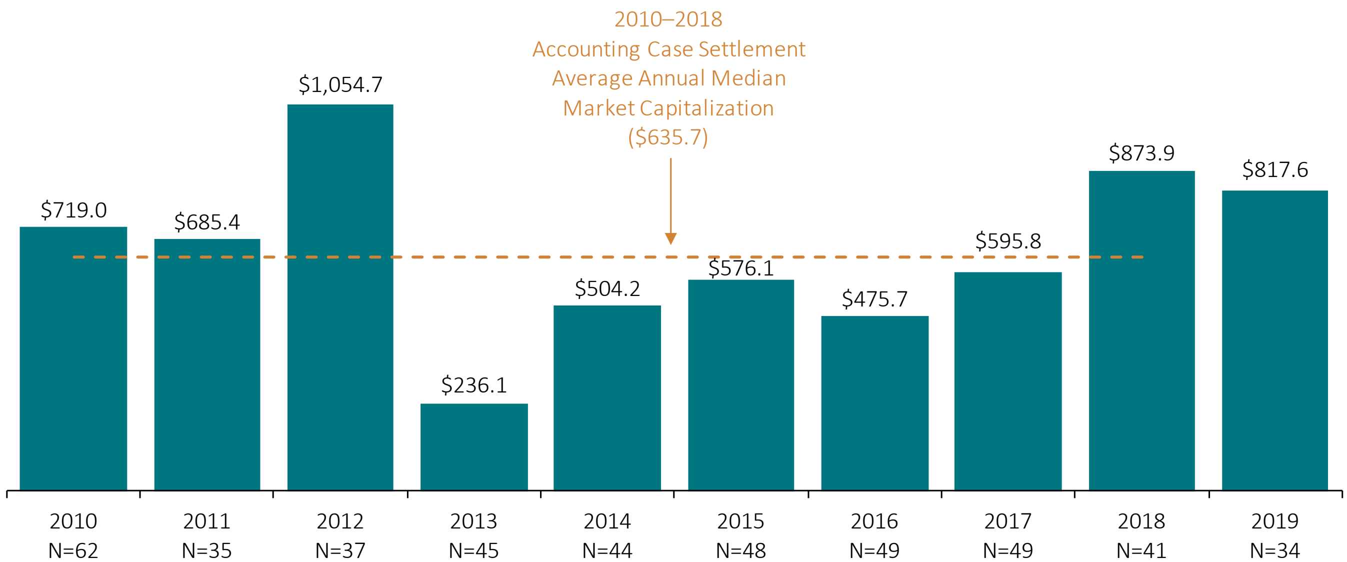
- In 2019, the size of issuer defendants involved in accounting case settlements, as measured by median market capitalization, decreased from 2018 but remained higher than the median in each of the five years from 2013 through 2017.

The median market capitalization of issuer defendants in accounting case settlements was the third largest over the last 10 years.

- While median total assets (i.e., assets reflective of the typical-sized firm) for issuer defendants in settled accounting cases declined, average total assets increased from $65.5 billion in 2018 to $74.7 billion in 2019, indicating growth in the size of larger issuers.
- Larger issuer defendant firms are generally associated with higher accounting case settlement amounts.

Figure 13: Accounting Case Settlements and Median Market Capitalization of Issuer Defendants
2010–2019

(Dollars in Millions)



Note: Settlement dollars are adjusted for inflation; 2019 dollar equivalent figures are used.

Industry

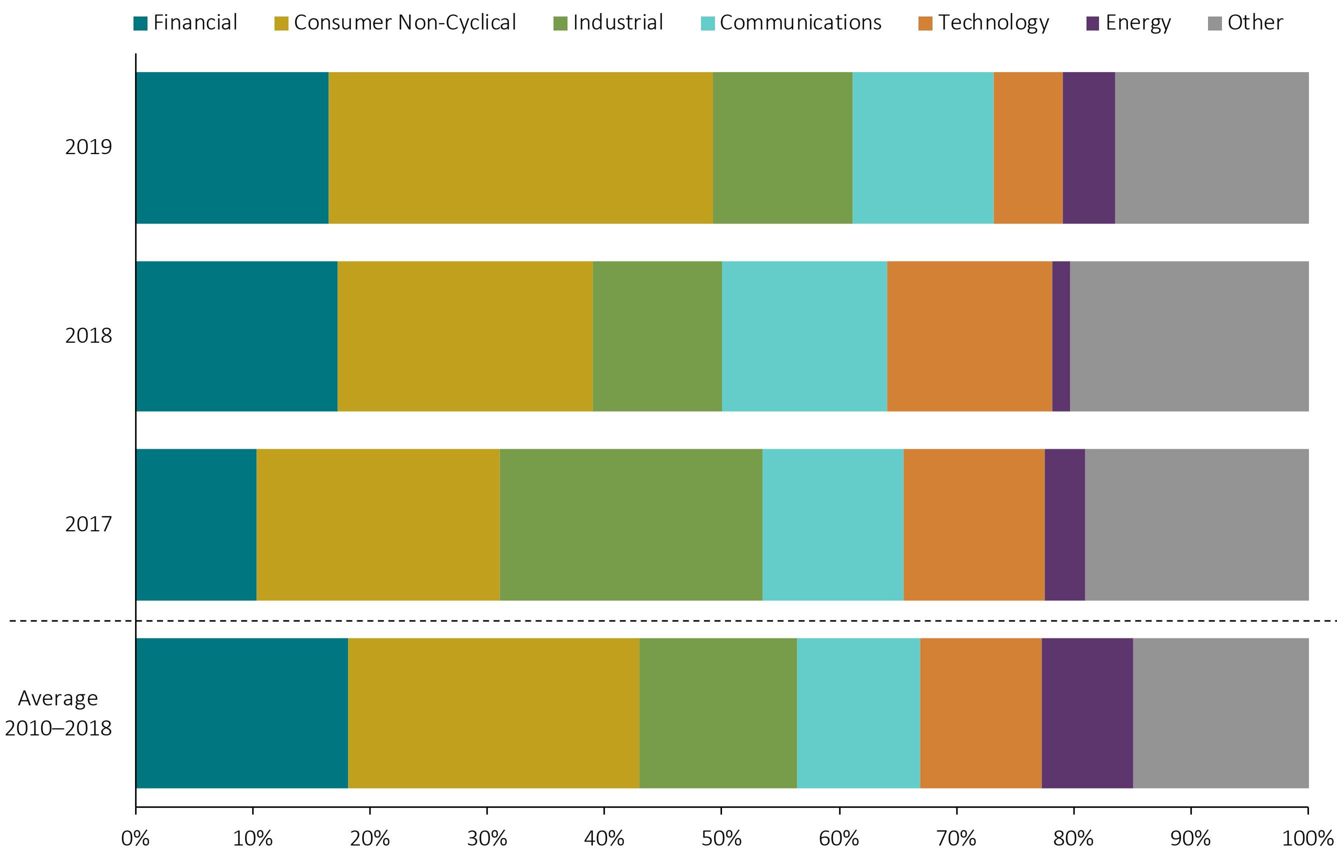
Core Accounting Case Filings by Industry

- For the second consecutive year, there were more core accounting case filings in the Consumer Non-Cyclical sector (which includes biotechnology, healthcare, and pharmaceutical companies) than any other sector. There were twice as many cases in this sector as were in the Financial sector, the second-largest sector.
- The number of core accounting case filings in the Consumer Non-Cyclical sector increased by 57 percent in 2019.
- Core accounting cases in the Technology sector declined by over 50 percent to their lowest level since 2012.

The DDL for core accounting case filings in the Consumer Non-Cyclical sector in 2019 was nearly five times higher than the historical average.

- The DDL for core accounting cases in the Industrial sector declined 33 percent in 2019 but remained well above the historical average.

Figure 14: Percentage of Core Accounting Case Filings by Industry



Note: Industries that comprise "Other" are Consumer Cyclical, Basic Materials, Utilities, and Diversified.

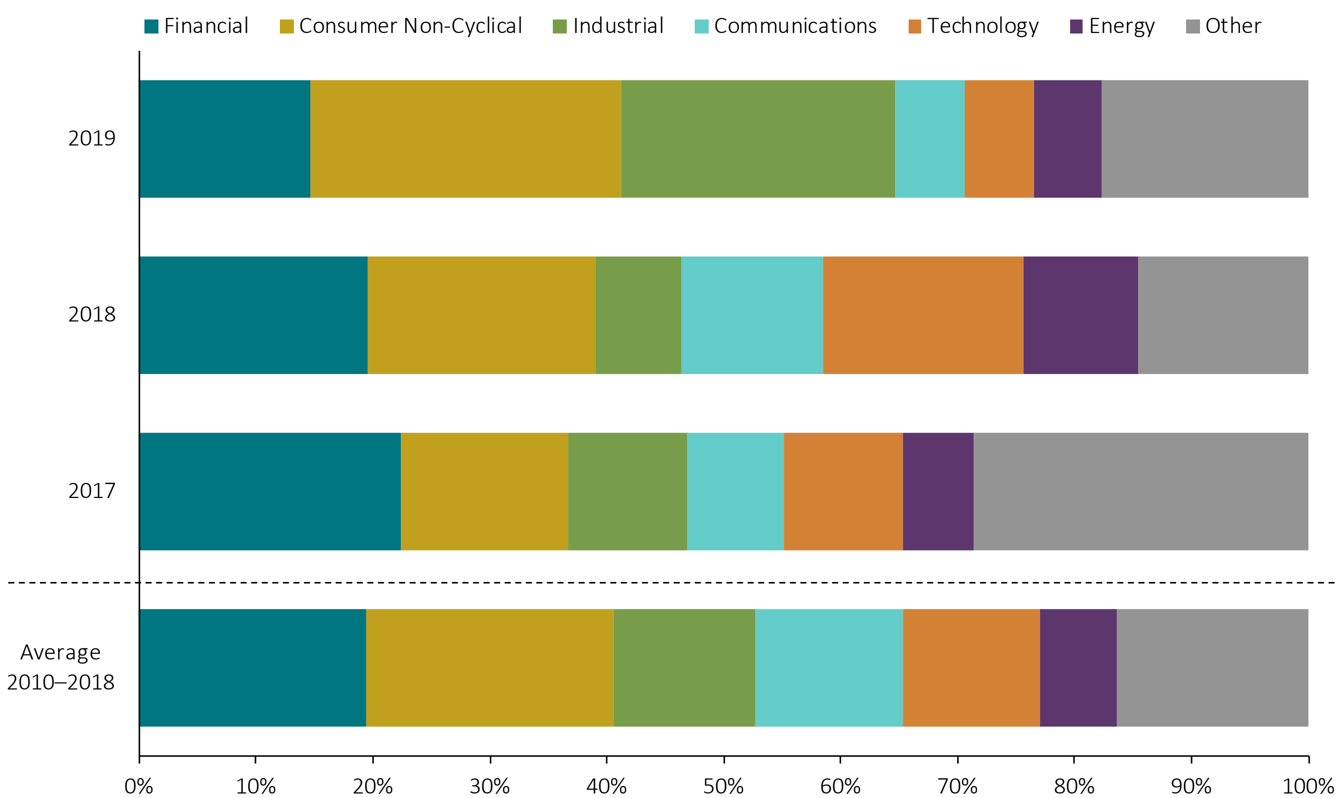
Accounting Case Settlements by Industry

- Similar to accounting case filings, more accounting case settlements in 2019 involved the Consumer Non-Cyclical sector than any other sector; however, Consumer Non-Cyclical settlements represented only 9 percent of the total value of accounting case settlements.
- In 2019, 67 percent of all settled accounting cases in the Consumer Non-Cyclical sector involved financial statement restatements.

For the second year in a row, more than 75 percent of settlements in the Energy sector involved accounting allegations.

- Compared to other sectors, Energy sector accounting case settlements again represented the largest dollar value of accounting case settlements, even though they comprised less than 10 percent of the number of accounting case settlements.
- The value of accounting case settlements in the Financial sector was the lowest over the past 10 years.

Figure 15: Percentage of Settled Accounting Cases by Industry



Note: Industries that comprise “Other” are Consumer Cyclical, Basic Materials, and Utilities.

Restatements

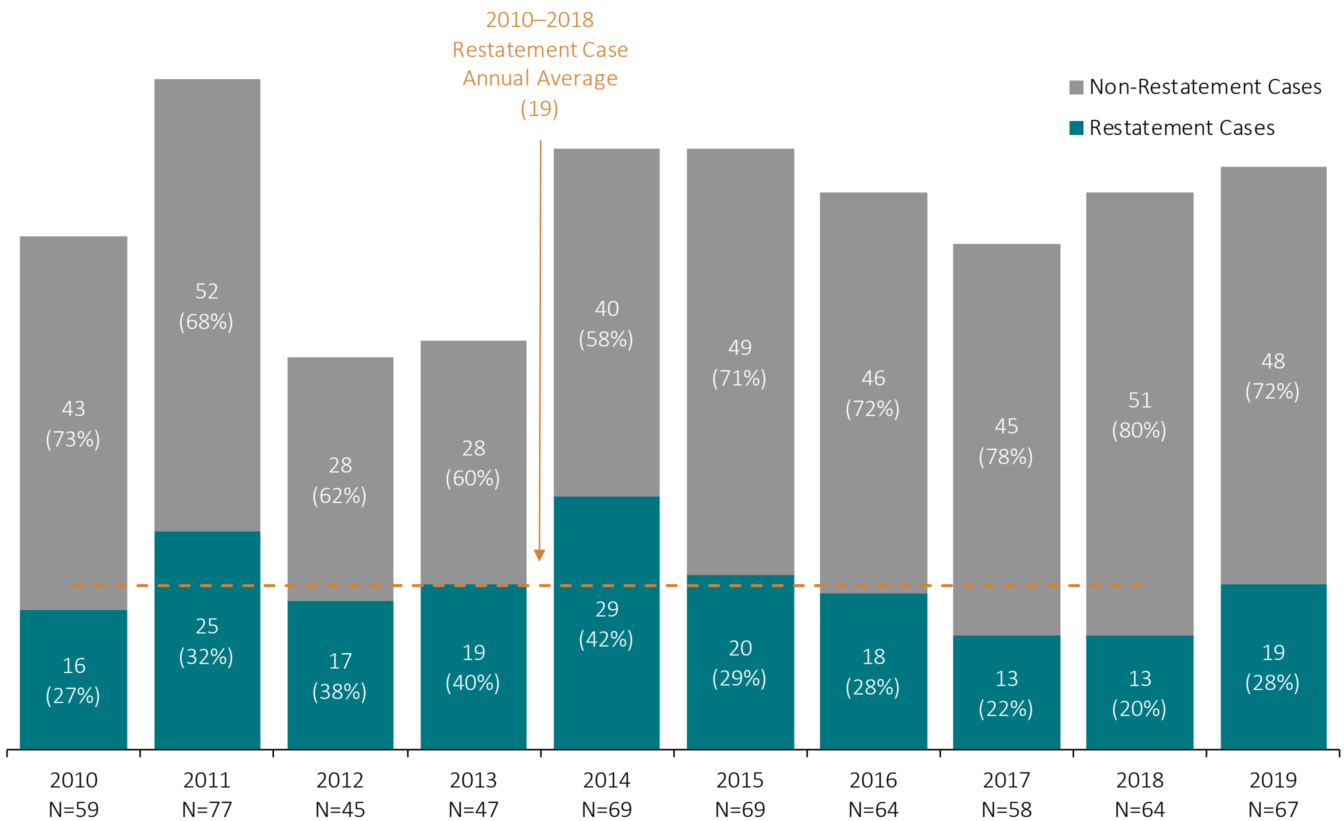
Core Accounting Case Filings Involving Restatements

- Accounting cases involving financial statement restatements increased by 46 percent in 2019.
- DDL for core accounting cases involving financial statement restatements in 2019 increased by over 250 percent compared to 2018.
- Companies in the Consumer Non-Cyclical and Consumer Cyclical sectors accounted for more than half of the restatement cases.

The DDL for core accounting cases involving restatements was at its highest level in 10 years.

- Over 75 percent of cases involving a restatement over the last 10 years included allegations of internal control weaknesses.

Figure 16: Core Accounting Case Filings Involving Restatements
2010–2019

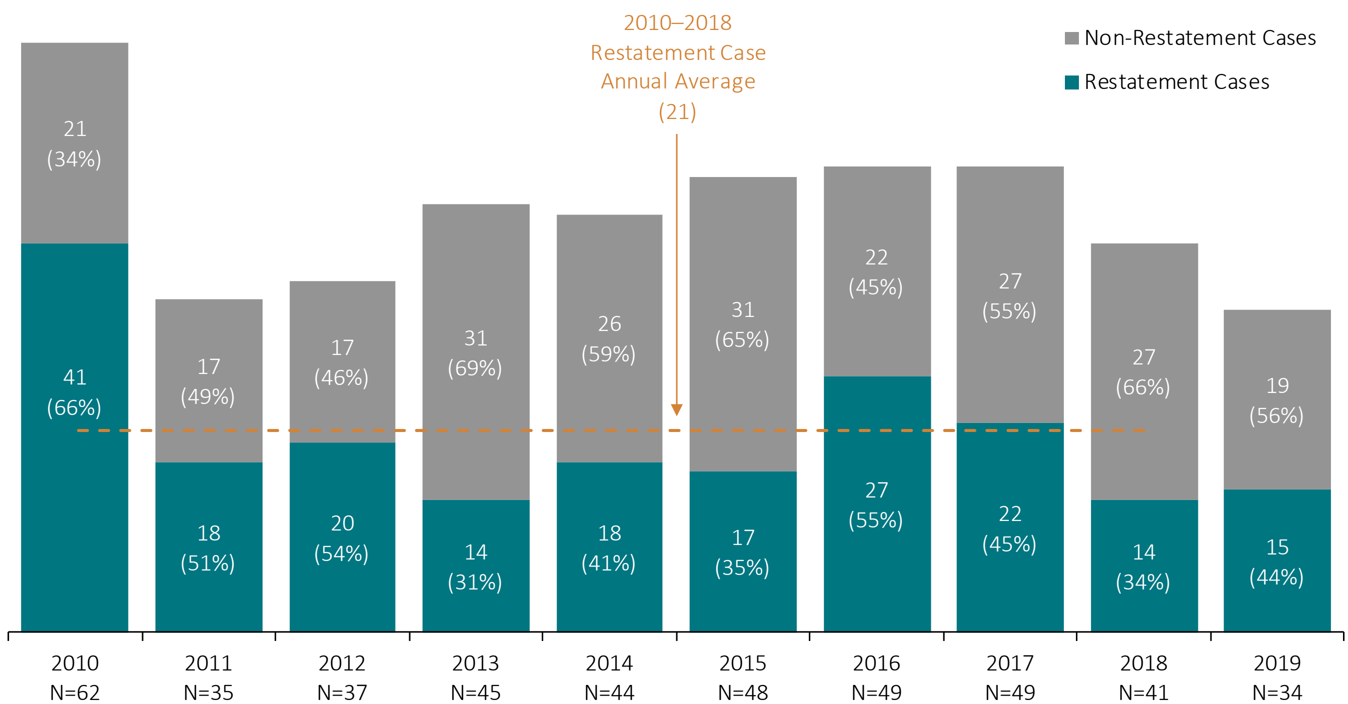


Accounting Case Settlements Involving Restatements

- The proportion of accounting case settlements involving financial statement restatements increased in 2019 compared to 2018.
- Likely due in part to a lower dismissal rate for cases involving restatements, the proportion of accounting case settlements involving restatements remained above the proportion for accounting case filings.
- Settled cases involving restatements tend to have longer class periods. In particular, over the last 10 years, the median class period length for accounting case settlements with restatements was 1.9 years, compared to 1.1 years for cases not involving restatements.
- Settled cases have seldom involved associated criminal charges and/or accounting irregularities.[6] However, in 2019, of the settlements involving a restatement, 40 percent involved criminal allegations and 33 percent involved accounting irregularities—the highest proportions over the last 10 years.
- CFOs are almost always included as named defendants in securities cases with financial statement restatements. In 2019, 87 percent of accounting case settlements involved a CFO as a named defendant.

The number of settled cases involving restatements in 2019 was on par with the level in 2018.

Figure 17: Accounting Case Settlements Involving Restatements
2010–2019



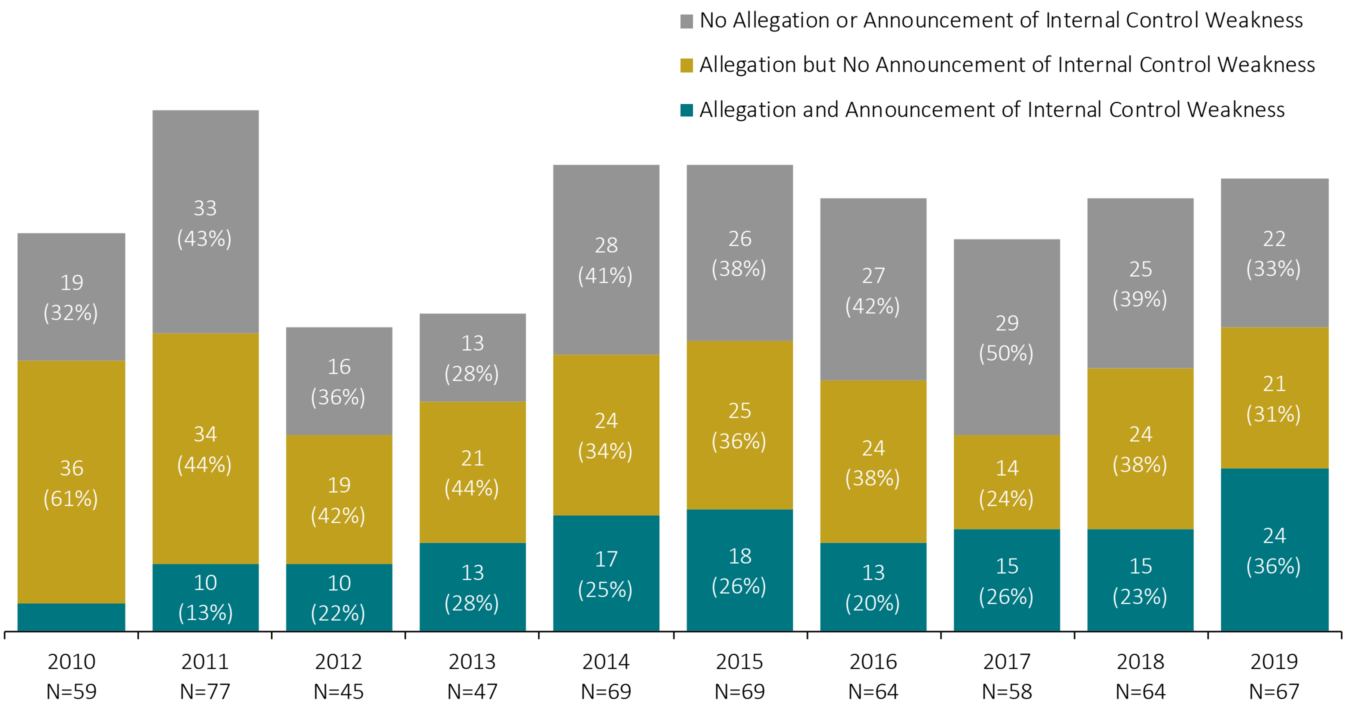
Internal Control Weaknesses

Core Accounting Case Filings Involving Allegations of Internal Control Weaknesses

- The proportion of core accounting case filings containing an allegation *and* announcement of internal control weaknesses reached its highest level in 10 years.
- The number of core accounting case filings containing an allegation *and* announcement of internal control weaknesses increased by 60 percent in 2019 and exceeded the historical average by 88 percent.
- Allegations of internal control weaknesses were included in approximately 90 percent of restatement cases in 2019.

The DDL for core accounting case filings with an allegation of internal control weaknesses was at its highest level in 10 years.

Figure 18: Core Accounting Case Filings Involving Allegations of Internal Control Weaknesses
2010–2019



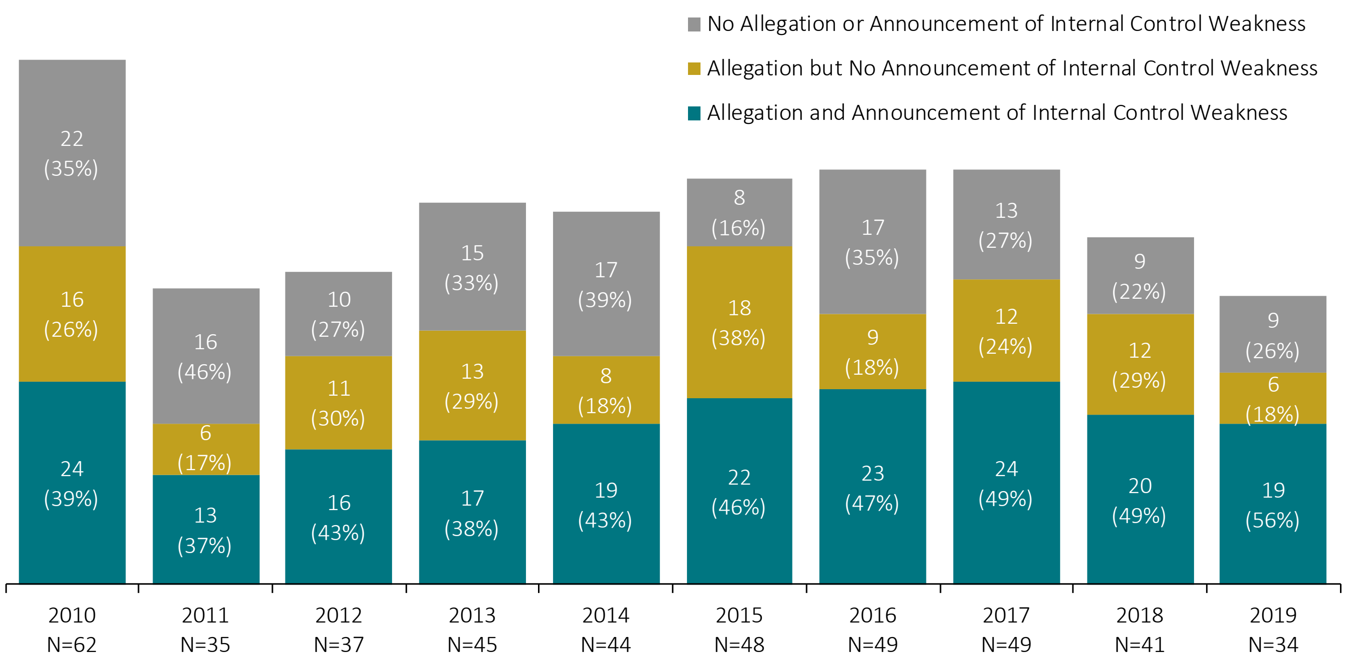
Accounting Case Settlements Involving Allegations of Internal Control Weaknesses

- The majority of accounting case settlements continued to involve allegations of internal control weaknesses.

The proportion of accounting case settlements involving a company announcement of internal control weaknesses in 2019 was the highest over the last 10 years.

- Settlements of cases involving announcements of internal control weaknesses are correlated with allegations of write-downs, accounting irregularities, and longer class periods.
- In 2019, 68 percent of settled cases involving announcements of internal control weaknesses included an accompanying derivative suit—the highest proportion over the last 10 years.
- While allegations of internal control weaknesses are common, they are not associated with higher settlement amounts. This finding is based on a regression analysis that accounts for several factors affecting settlements.

Figure 19: Accounting Case Settlements Involving Allegations of Internal Control Weaknesses
2010–2019



Spotlight: Accounting Cases Involving Revenue Recognition

Public companies began reporting revenue under a new standard released by the Financial Accounting Standards Board (FASB) in their Q1 2018 financial statements.[7] The new standard (ASC 606) has been characterized as a "complete overhaul of the revenue recognition process."[8] The goals of the new standard were to improve consistency in reporting across "economically similar transactions" and to simplify the judgments involved in recording revenues by providing consistent principles that are applied regardless of industry or geography.[9]

Commentators, however, have observed that application of the new guidance is not necessarily simple, and may involve substantial judgment to implement.[10] Indeed, the new standard represents 700 pages of guidance, including amendments.[11]

The complexity of the standard caused the FASB to delay the implementation date to allow firms more time to adjust to the new requirements. Moreover, revenue recognition was recently found to represent the second most common financial reporting topic identified as a critical audit matter (CAM) in audit reports for accelerated filers for the fiscal year ending June 30, 2019. CAMs are "the things that keep the auditor up at night"—those that involve especially subjective or complex judgment.[12]

Given the recency of implementation of the new standard, the potential effects are only beginning to emerge in securities litigation. In 2019, 19 percent of core accounting filings involved allegations of improper revenue recognition—five of these cases specifically mentioned ASC 606.

It is too early for issues related to the new revenue standard to have surfaced in settlements of securities class actions. However, it is helpful to consider historical trends in settlements of cases with revenue recognition allegations to gain insights into potential developments should revenue recognition allegations become more frequent. Compared to accounting cases not alleging revenue recognition violations, over the last 10 years, cases involving revenue recognition allegations have settled for higher median settlement amounts in relation to a simplified proxy for plaintiff-style damages (discussed in further detail on page 21).

Figure 20: Accounting Case Settlements Involving Revenue Recognition Allegations

Type of Accounting Case	2010–2019	
	Count	Median Settlement as a Percentage of "Simplified Tiered Damages"
With Revenue Recognition Allegations	160	7.1%
Without Revenue Recognition Allegations	284	5.1%

In addition, accounting case settlements involving revenue recognition allegations have more frequently involved financial statement restatements, accompanying SEC and/or derivative actions, as well as auditors as named defendants. Accordingly, to the extent that cases involving revenue recognition issues increase as a result of the new standard, these factors may become even more prevalent in future settlements.

Factors Affecting Settlements of Cases Involving GAAP Allegations

Median "Simplified Tiered Damages"

This section takes a closer look at settlement amounts across two major categories of GAAP allegations—write-downs and restatements[13]—and examines settlements across these categories in relation to a simplified proxy for plaintiff-style damages. This relationship is important to consider because a proxy for damages is the single most important determinant of settlement amounts.

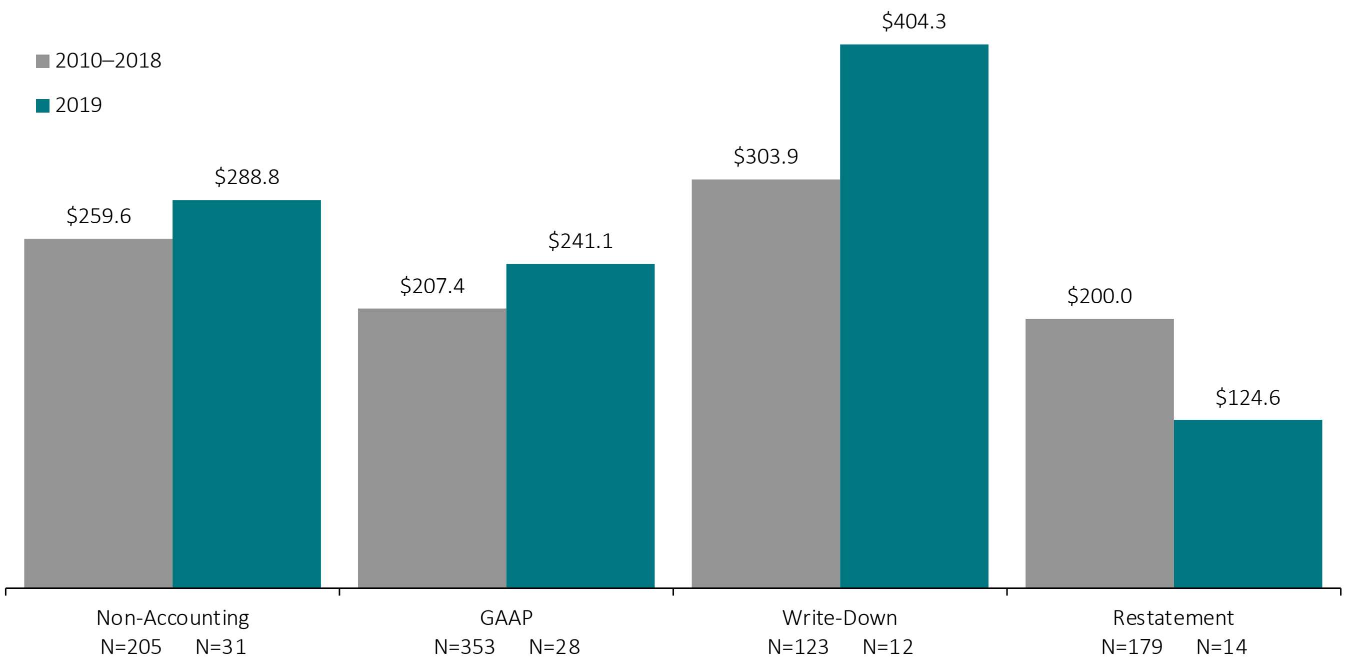
The proxy used in this report is referred to as "simplified tiered damages" and bases per-share inflation estimates on the value of a defendant's stock price movements for the dates detailed in the plan of allocation per the settlement notice.[14] This proxy is further described in *Securities Class Action Settlements—2019 Review and Analysis*.[15]

Median "simplified tiered damages" for accounting case settlements decreased in 2019 compared to 2018.

- Compared to all settled cases with GAAP allegations in 2019, cases involving write-downs were substantially larger, while cases involving restatements were smaller, as measured by "simplified tiered damages."
- Settled accounting cases involving write-downs were also larger as measured by issuer total assets. In particular, the median assets for defendant firms was $1.3 billion for cases involving write-downs, compared to only $359.9 million for cases involving restatements.
- Although lower than in 2018, median "simplified tiered damages" for accounting case settlements in 2019 remained above the median for the prior nine years.

Figure 21: Median "Simplified Tiered Damages" by Case Type

(Dollars in Millions)



Note: "Simplified tiered damages" are adjusted for inflation based on class period end dates; 2019 dollar equivalent figures are used.

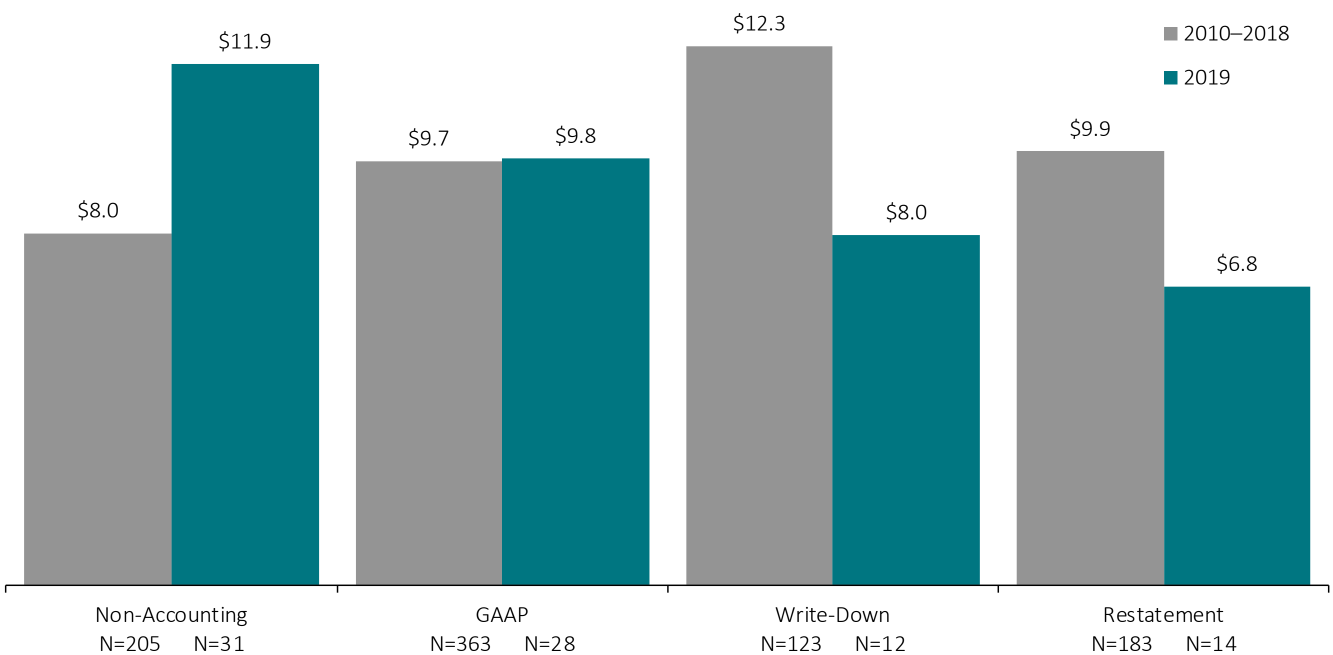
Median Settlement Amounts

- Relative to the prior nine years, median settlement amounts in 2019 were lower for write-down and restatement cases but in line with GAAP cases overall.
- While lower compared to the prior nine years as a whole, 2019 was not the lowest year, individually, for median settlement amounts of cases with write-downs or restatements.
- Cases involving write-downs typically take longer to settle than cases involving financial statement restatements. In 2019, the median time to settlement was 3.2 years for cases involving write-downs, compared to 2.6 years for cases involving restatements.
- In 2019, Industrial was the most prevalent industry sector for settled cases involving write-downs, with five out of 13 cases.
- Only two accounting case settlements in 2019 involved an auditor as a named defendant, representing the lowest number over the last 10 years.

Median settlement amounts for cases involving GAAP allegations decreased by just 4 percent from 2018.

Figure 22: Median Settlement Amounts by Case Type

(Dollars in Millions)



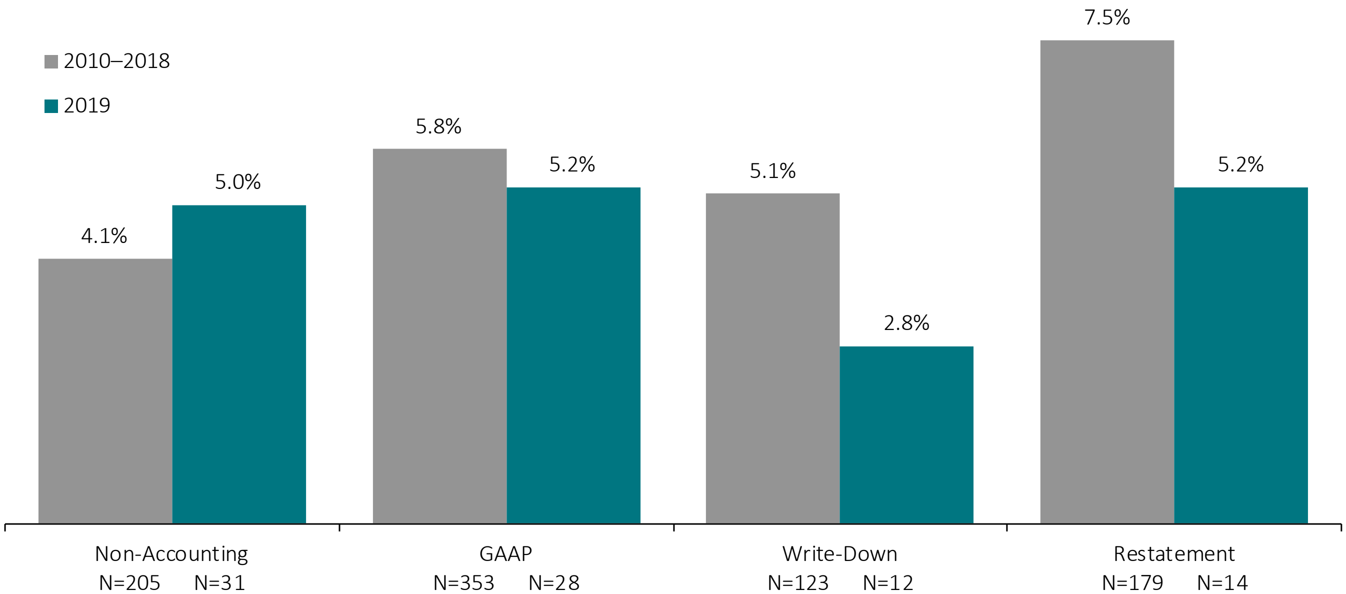
Note: Settlement dollars are adjusted for inflation; 2019 dollar equivalent figures are used.

Median Settlements as a Percentage of "Simplified Tiered Damages"

- Settlements as a percentage of "simplified tiered damages" for cases involving GAAP allegations continued to be slightly higher than for non-accounting cases.
- Since settlements as a percentage of "simplified tiered damages" generally decrease as case size increases, part of the drop in the percentage for write-down cases in 2019 is due to the fact that they comprised larger cases (i.e., higher "simplified tiered damages").
- In contrast, the size of the firms involved in these cases was smaller. In particular, the median assets for issuer defendants in settled cases involving write-downs in 2019 was roughly half the corresponding median for 2018.
- Settlements as a percentage of "simplified tiered damages" for cases involving restatements were the second lowest over the last 10 years.

Cases involving write-downs settled for a lower percentage of "simplified tiered damages" in 2019 than any year between 2010 and 2018.

Figure 23: Median Settlements as a Percentage of "Simplified Tiered Damages" by Case Type



Appendices

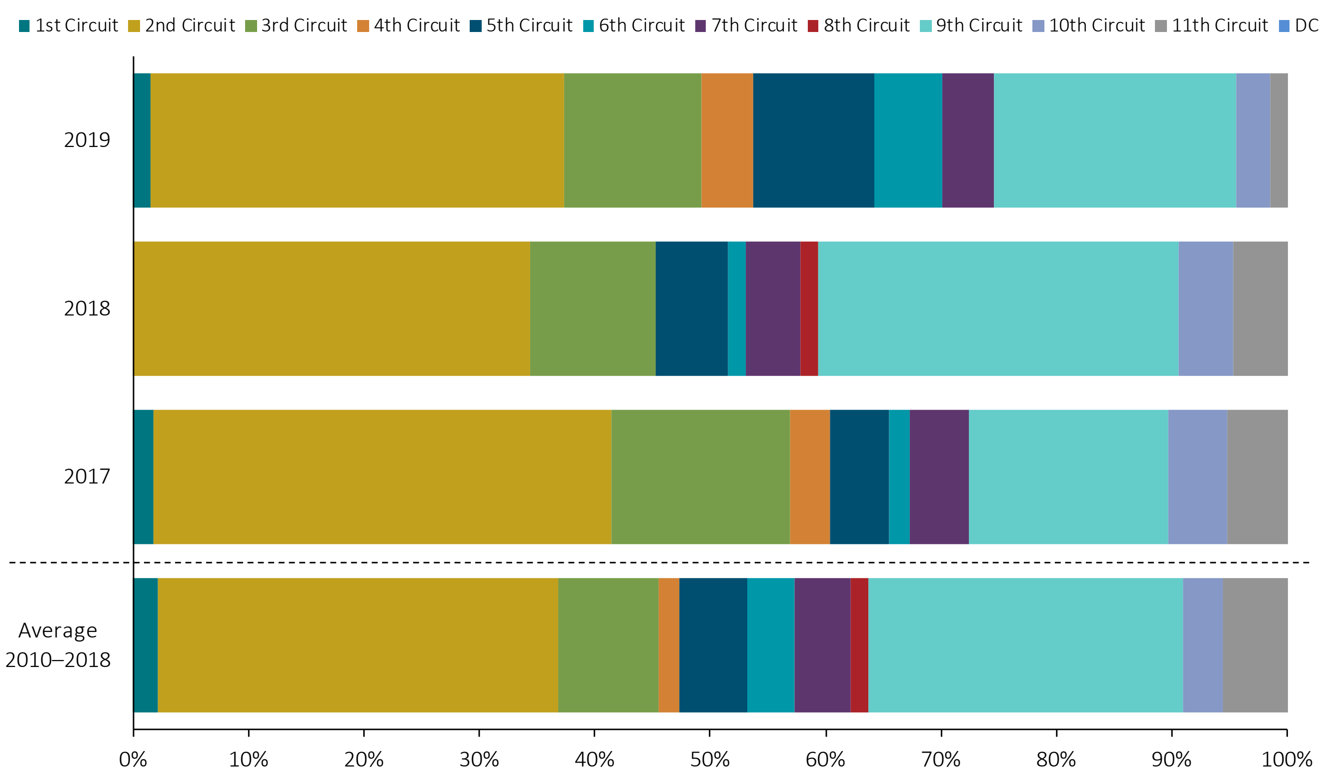
Appendix 1: Core Accounting Case Filings and Exchange

(Dollars in Millions)

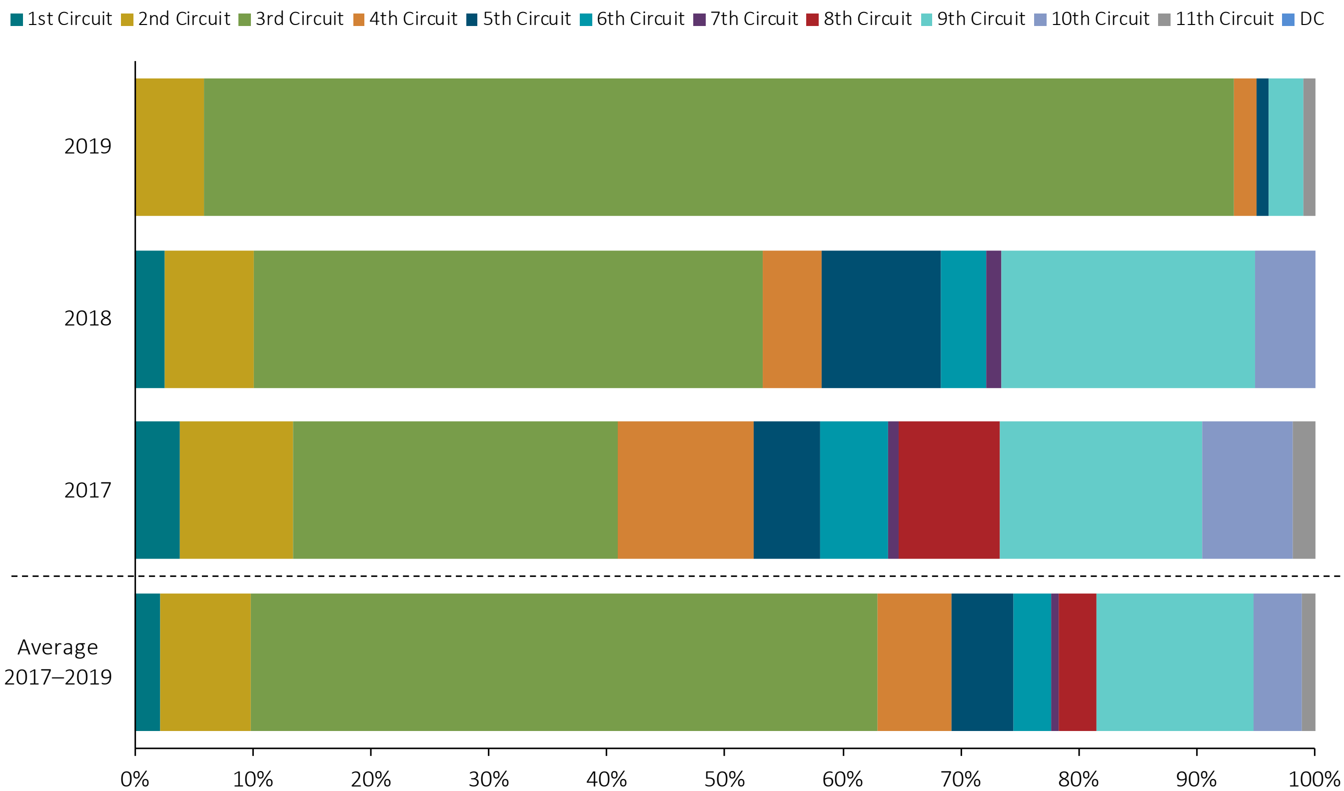
	Average 2010–2018		2018		2019	
	NYSE/Amex	NASDAQ	NYSE	NASDAQ	NYSE	NASDAQ
Total Filings	233	261	29	33	36	25
Annual Average Filings	26	29	-	-	-	-
Disclosure Dollar Losses (DDL)						
Total	$180,795	$123,778	$30,180	$22,510	$29,625	$24,298
Annual Average	$20,088	$13,753	-	-	-	-
Average across Cases	$796	$478	$1,078	$682	$823	$972
Median across Cases	$154	$79	$204	$93	$248	$109

Note:
1. DDL dollars are adjusted for inflation; 2019 dollar equivalent figures are used.
2. Average and median numbers are calculated only for filings with DDL data.
3. This figure shows only accounting case filings against issuers listed on indicated exchanges.

Appendix 2: Core Accounting Case Filings by Circuit



Appendix 3: M&A Accounting Case Filings by Circuit



Note: The average case filings by circuit is computed for the past three years.

Research Sample

This report utilizes the federal securities class action filings database described in *Securities Class Action Filings—2019 Year in Review* and the securities class action settlements database described in *Securities Class Action Settlements—2019 Review and Analysis*.

Endnotes

1. Filings are considered “accounting filings” if they involve allegations related to Generally Accepted Accounting Principles (GAAP) violations, violations of other reporting standards, auditing violations, or weaknesses in internal controls over financial reporting.
2. 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 M&A transactions. “M&A accounting filings” are M&A filings containing accounting-related allegations.
3. Core filings are all federal securities class actions excluding those defined as M&A filings, consistent with *Securities Class Action Filings—2019 Year in Review*, Cornerstone Research, 2020.
4. For related discussion, see *Securities Class Action Settlements—2019 Review and Analysis*, Cornerstone Research, 2020.
5. Core cases are the primary focus of the remainder of this report because many of the metrics that are reported (e.g., filing lag and DDL) apply only to core cases. As such, unless specified otherwise, all subsequent references to accounting cases for both filings and settlements information are based on these cases (i.e., excluding M&A).
6. Cases with associated criminal charges are those in which there was a criminal indictment/charge against the issuer, other defendants, or related parties with allegations similar to those in the class action complaint. Cases with accounting irregularities are those in which the defendant has reported the occurrence of accounting irregularities (intentional misstatements or omissions) in its financial statements.
7. The FASB’s new revenue recognition standard was effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. See “Accounting Standards Update No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,” Financial Accounting Standards Board, August 2015, www.fasb.org/cs/ContentServer?c=Document_C&cid=1176166272502&d=Touch&pagename=FASB%2FDocument_C%2FDocumentPage.
8. David Trainer, “How Companies Implemented the New Revenue Recognition Standard,” *Forbes*, October 10, 2019, www.forbes.com/sites/greatspeculations/2019/10/10/how-companies-implemented-the-new-revenue-recognition-standard/.
9. “Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606),” *FASB In Focus*, May 28, 2014 / Revised January 2016, www.fasb.org/cs/ContentServer?c=Document_C&cid=1176164075187&d=&pagename=FASB%2FDocument_C%2FDocumentPage.
10. Ken Tysiac, “Six Areas Where New Revenue Recognition Standard Will Require Judgment,” *Journal of Accountancy*, August 9, 2013, www.journalofaccountancy.com/news/2013/aug/20138470.html.
11. David Trainer, “How Companies Implemented the New Revenue Recognition Standard,” *Forbes*, October 10, 2019, www.forbes.com/sites/greatspeculations/2019/10/10/how-companies-implemented-the-new-revenue-recognition-standard/.
12. See Greg Eastman, Elaine Harwood, Steven McBride, and Jean-Philippe Poissant, “Will PCAOB’s New Audit Rule Trigger Shareholder Litigation?,” *Law360*, October 16, 2019, available at www.cornerstone.com/Publications/Articles/Will-PCAOB-New-Audit-Rule-Trigger-Shareholder-Litigation/Will-PCAOB-s-New-Audit-Rule-Trigger-Shareholder-Litigation.pdf.
13. Within cases involving GAAP issues (i.e., cases with allegations of GAAP violations), write-down cases are those with allegations involving an asset write-down or reserve increase, and restatement cases are those involving a restatement (or announcement of a restatement) of financial statements.
14. This proxy is specific to Rule 10b-5 claims; accordingly, the analysis in this section excludes any cases involving only Section 11 and 12(2) claims.
15. See *Securities Class Action Settlements—2019 Review and Analysis*, Cornerstone Research, 2020, p. 5 (“‘Simplified tiered damages’ uses simplifying assumptions to estimate per-share damages and trading behavior. It provides a measure of potential shareholder losses that allows for consistency across a large volume of cases, thus enabling the identification and analysis of potential trends. …However, this measure is not intended to represent actual economic losses borne by shareholders.”).

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