

NEWS RELEASE

Contact: Jennifer Gronwaldt
Hellerman Baretz Communications
281.536.1870
jgronwaldt@hellermanbaretz.com

Laura Simmons
Cornerstone Research
202.912.8998
lsimmons@cornerstone.com

Susan Wittner
Cornerstone Research
212.605.5002
swittner@cornerstone.com

FOR IMMEDIATE RELEASE**Securities Class Action Settlement Dollars Increase 46 Percent in 2013**

Larger Settlements Capture Major Share While Median Drops

Washington, March 27, 2014—Total settlement dollars from securities class actions rose by 46 percent in 2013, according to *Securities Class Action Settlements—2013 Review and Analysis*, a new report issued today by Cornerstone Research. The 67 settlements in 2013, up from 57 in 2012, marked the first year-over-year increase since 2009.

Six mega settlements (defined as those at or above \$100 million) pushed settlement dollars up in 2013, accounting for 84 percent of total settlement dollars—the second highest proportion in the last decade.

“In 2013, total settlement dollars, at \$4.8 billion, reached the highest level since 2007, driven by both the increase in the number of settlements overall, as well as the increase in extremely large settlements,” said report coauthor Laura Simmons, a senior advisor in Cornerstone Research’s Washington, DC, office. “The largest settlements in 2013 were associated either with pharmaceutical firms or financial institutions involved with subprime credit crisis allegations.”

In contrast, median “estimated damages,” a key measure of investor losses, declined 48 percent from 2012. Since “estimated damages” are the most important factor in determining settlement amounts, this decline was likely a major factor contributing to the substantially lower median settlement amount of \$6.5 million in 2013.

The report also notes that the landscape for securities class actions and their settlements may shift dramatically depending on the outcome of *Halliburton Co. v. Erica P. John Fund*, currently pending in the U.S. Supreme Court.

“If the ruling in *Halliburton* severely limits investors’ ability to get large-scale class actions certified, the future of such cases is up in the air,” said Joseph Grundfest, director of the Stanford Law School Securities Class Action Clearinghouse. “This past year’s data also represent the fading echoes of the financial crisis, as some of the largest settlements resolve claims of fraud surrounding transactions in mortgage-backed securities. These lawsuits won’t be around in the coming years to drive aggregate settlement values.”

More Highlights

- Total settlement dollars in 2013 were 60 percent above the average for the prior five years.
- The proportion of settled cases in 2013 involving accounting allegations dipped to a ten-year low, but the settlement as a percentage of “estimated damages” for these cases was much higher than for cases not involving such allegations.
- The median settlement in 2013 for cases with a public pension as a lead plaintiff was \$23 million, compared with \$3 million for cases without a public pension as a lead plaintiff.
- Cases reaching more advanced stages of litigation were associated with median “estimated damages” of more than three and a half times the median for cases settling in an early stage.
- Settlements of \$50 million or lower were far less likely to involve accompanying SEC actions or public pensions as lead plaintiffs.
- In 2013, 32 percent of settlements less than \$10 million were for cases involving Chinese reverse mergers.

About the Authors

Laarni T. Bulan and **Ellen M. Ryan** are managers in Cornerstone Research’s Boston office. **Laura E. Simmons** is a senior advisor in Cornerstone Research’s Washington, DC, office.

About Cornerstone Research

For more than twenty-five years, Cornerstone Research staff have provided economic and financial analysis of complex issues arising in commercial litigation and regulatory proceedings. The firm has four hundred fifty staff who work with a broad network of testifying experts to bring specialized knowledge and experience to each assignment.

www.cornerstone.com

[Twitter at @Cornerstone_Res](https://twitter.com/Cornerstone_Res)

###