

Securities Class Action Filings

2015 Midyear Assessment



New Analyses | Foreign Company Litigation Exposure | Case Status by Year of Filing

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EXECUTIVE SUMMARY

NUMBER AND SIZE OF FILINGS

- Plaintiffs filed **85 new federal class action securities cases** (filings) in the first six months of 2015—seven fewer than in the second half of 2014, but more than the 78 filings in the first half of 2014. This number was 10 percent below the historical semiannual average of 94 filings observed between 1997 and 2014. (pages 4–5)
- **Disclosure Dollar Loss (DDL)** remained at low levels. Total DDL was \$34 billion in the first half of 2015, 43 percent below the historical semiannual average of \$60 billion. (page 6)
- **Maximum Dollar Loss (MDL)** was \$105 billion, an amount 65 percent below the historical semiannual average MDL of \$304 billion. For 10 consecutive semiannual periods, MDL has been lower than the historical average. (page 7)
- In both 2014 and the first half of 2015, **mega filings** have been a smaller fraction of the annual MDL and DDL indices than in all prior years since 1998. Filings with a DDL of at least \$5 billion or an MDL of at least \$10 billion are considered mega filings. (page 18)

The number of federal securities class action filings has fluctuated at historically low levels in recent semiannual periods, demonstrating no clear trend.

FIGURE 1: CLASS ACTION FILINGS SUMMARY

	Semiannual Average (1997 H1–2014 H2)	2014 H1	2014 H2	2015 H1
Class Action Filings	94	78	92	85
Disclosure Dollar Loss (\$ Billions)	\$60	\$30	\$27	\$34
Maximum Dollar Loss (\$ Billions)	\$304	\$93	\$123	\$105

EXECUTIVE SUMMARY *continued*

KEY TRENDS

- The pace of filings against companies headquartered outside the United States continued to grow in the first half of the year. Twenty filings, 24 percent of the total, involved **foreign companies**. Asian companies were the targets of litigation in more than 50 percent of the foreign filings. (pages 9–10)
- The **median lag** between the end of the class period and the filing of a lawsuit is the third lowest on record, suggesting intensified competition for filings by the plaintiff bar. (page 14)
- Filing activity against companies with large market capitalizations, as represented by firms in the S&P 500, remained well below average. On an annualized basis, only 1.6 percent of **S&P 500 firms** were the subject of class actions in the first half of 2015. (pages 15–16)
- Reversing trends noted at year-end 2014, filing activity against **Industrial and Technology firms** increased to levels more consistent with historical averages, while filings against **Energy companies** declined to average historical levels. (page 17)
- **Biotechnology, healthcare, and pharmaceutical companies** (included in the Consumer Non-Cyclical sector) together accounted for 19 percent of total filings in the first half of 2015. In recent years, companies in this industry grouping were most frequently the subject of class actions. Filings against pharmaceutical firms have been the most common class action within this group so far in 2015. The 16 filings in this group are a sharp decline from the second half of 2014 due to a substantially reduced number of biotechnology filings. (page 17)
- Filing activity in the **Ninth Circuit** nearly doubled compared with the second half of 2014, driven in part by an increase in the number of filings in the Technology industry. The 38 filings in the first half of 2015 were the most in a semiannual period since the second half of 2004. Filings in the **Second Circuit** fell by approximately one-third compared with the second half of 2014. (page 20)

Class actions in the Ninth Circuit surged, nearly doubling the number filed in the second half of 2014.

NEW FOR THE 2015 MIDYEAR ASSESSMENT

FOREIGN COMPANY LITIGATION EXPOSURE

In recent years, filings against foreign-headquartered companies have increased. This analysis examines the likelihood of foreign companies listed on U.S. exchanges being sued based on current trends. (pages 9–12)

- Foreign filings were 24 percent of all filings in the first half of 2015, compared with 20 percent in the full year of 2014. Over the last 17 years, foreign filings have generally increased in frequency despite year-to-year variation.
- On major U.S. exchanges, foreign companies were just over 18 percent of listed companies in the first half of 2015. In comparison, only 9 percent were foreign companies in 1997.
- The percentage of foreign companies sued relative to the total number of foreign companies listed on U.S. exchanges increased from 1.4 percent in 2000 to an annualized rate of 3.9 percent in the first half of 2015.
- So far in 2015, foreign-headquartered companies traded on U.S. exchanges were more likely than the typical listed company to be the subject of a class action.

Filings against foreign companies continued to increase.

CASE STATUS BY YEAR OF FILING

In the context of recent heightened dismissals, this analysis looks at the likelihood of a filing being dismissed within three years of its filing date. Examining early dismissals provides insight into whether heightened dismissal rates are continuing for filings in more recent cohort years. (page 13)

- Dismissals within the first three years of the filing of a class action peaked for 2010 and 2011 filing cohorts.
- In filing cohort years 2012, 2013, and 2014, early dismissals (those within the first year) have declined relative to 2010 and 2011 cohorts.

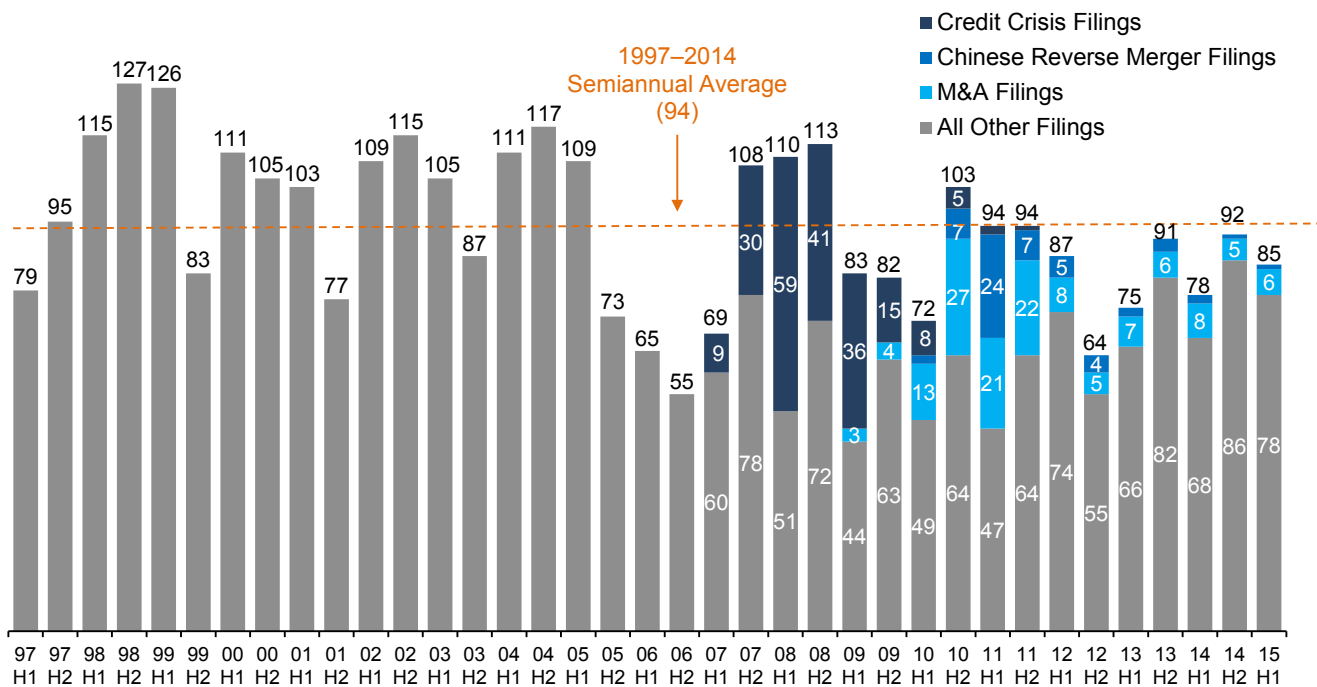
NUMBER OF FILINGS

KEY FINDINGS

- There were 85 reported filings in the first half of 2015, an 8 percent decrease from the 92 filings in the second half of 2014.
- “Traditional filings”—those excluding merger and acquisition (M&A) and Chinese reverse merger (CRM) cases—decreased by 9 percent from 86 filings in the second half of 2014 to 78 in the first half of 2015.
- Limited numbers of filings related to both CRMs and M&A transactions appear to be a feature of the current landscape, as they have been for the last few years. In the first half of 2015, six filings involved M&A transactions and one related to a CRM. Over the last six semiannual periods, the total number of these filings has not exceeded 10.

For the seventh consecutive semiannual period, filings have remained below the historical average.

FIGURE 2: CLASS ACTION FILINGS (CAF) INDEX™
SEMIANNUAL NUMBER OF CLASS ACTION FILINGS
 1997 H1–2015 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.

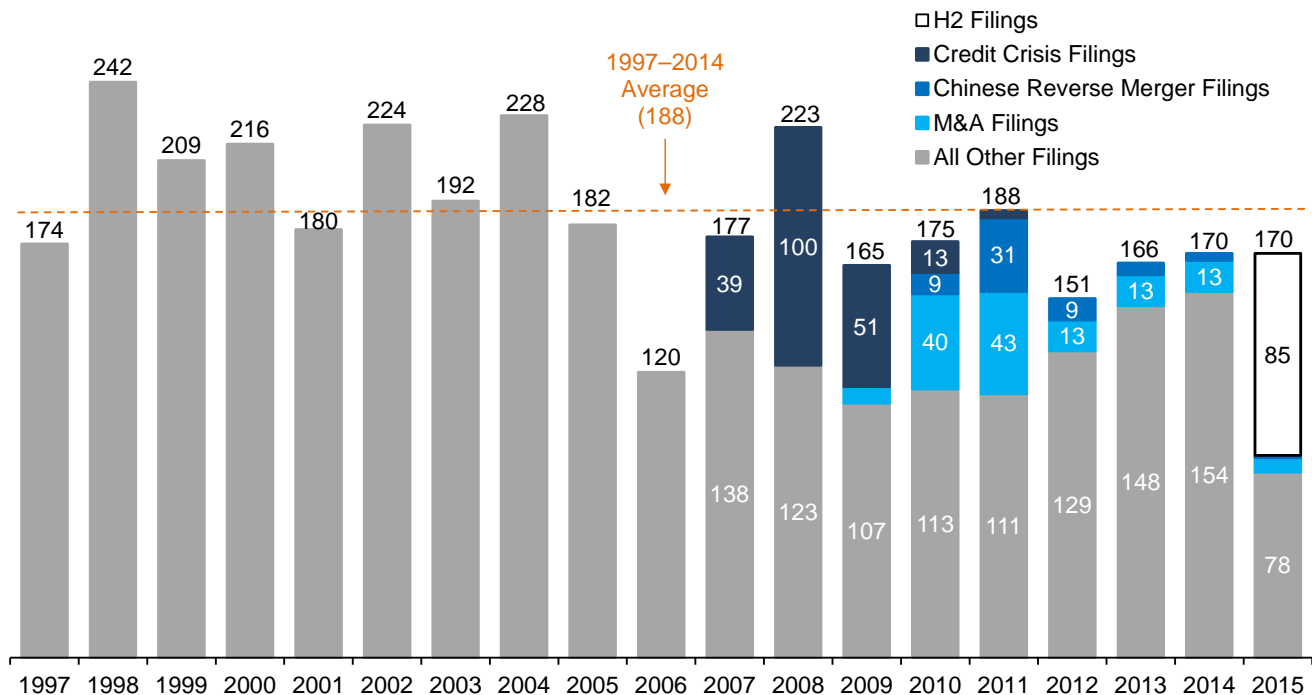
NUMBER OF FILINGS *continued*

KEY FINDINGS

- If filing activity in the second half is the same as in the first half of 2015, there will be a total of 170 filings this year, which would be 10 percent lower than the 1997–2014 historical average of 188 filings.
- If filings continue at the same pace for the rest of 2015, this year would be the seventh consecutive year with at- or below-average filing activity and would be tied for the fifth-lowest number of filings in the last 19 years.

Filing activity has continued at approximately the same pace as the previous two years.

FIGURE 3: CLASS ACTION FILINGS (CAF) INDEX™
ANNUAL NUMBER OF CLASS ACTION FILINGS
1997–2015 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 2015 will equal the first half.

MARKET CAPITALIZATION LOSSES

Disclosure Dollar Loss (DDL) Index™

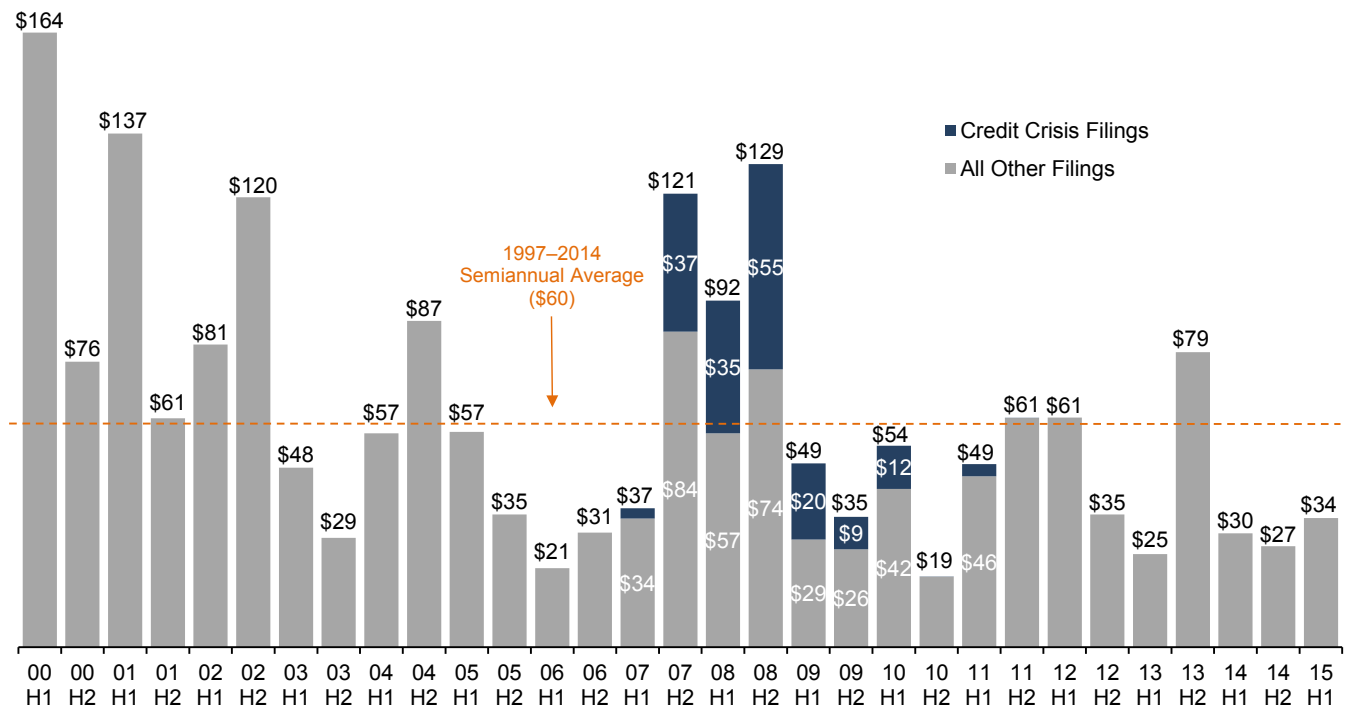
This index measures the aggregate DDL for all filings over a period of time. DDL is the dollar value change in the defendant firm’s market capitalization between the trading day immediately preceding the end of the class period and the trading day immediately following the end of the class period. DDL 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.

The DDL Index increased in the first half of 2015, even as filings declined.

KEY FINDINGS

- The DDL Index of \$34 billion increased 26 percent from the second half of 2014, but was 43 percent less than the 1997–2014 semiannual historical average.
- Filings in the Technology sector accounted for 50 percent of total DDL in the first half of 2015.

FIGURE 4: DISCLOSURE DOLLAR LOSS (DDL) INDEX™
2000 H1–2015 H1
 (Dollars in Billions)



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

MARKET CAPITALIZATION LOSSES *continued*

Maximum Dollar Loss (MDL) Index™

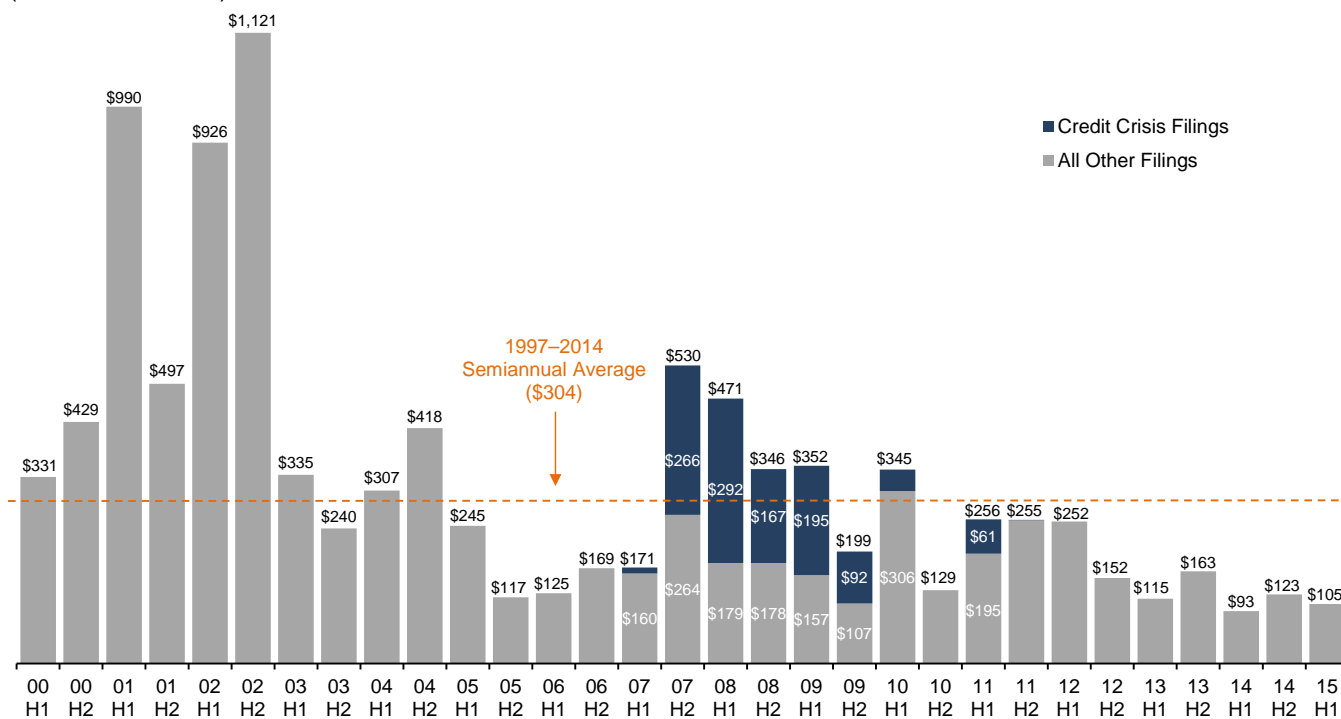
This index measures the aggregate MDL for all filings over a period of time. MDL is the dollar value change in the defendant firm’s market capitalization from the trading day with the highest market capitalization during the class period to the trading day immediately following the end of the class period.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

The semiannual MDL Index is the second-lowest in the last 16 years.

KEY FINDINGS

- The MDL Index of \$105 billion in the first half of 2015 declined 15 percent from \$123 billion in the second half of 2014.
- For 10 consecutive semiannual periods, the MDL Index has been lower than the historical average.
- The MDL Index was 65 percent lower than the 1997–2014 semiannual historical average of \$304 billion. The infrequency of mega filings in the first half of 2015 contributed to the relatively low MDL Index in the first half of the year (see page 18).

FIGURE 5: MAXIMUM DOLLAR LOSS (MDL) INDEX™
2000 H1–2015 H1
 (Dollars in Billions)



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

U.S. EXCHANGE-LISTED COMPANIES

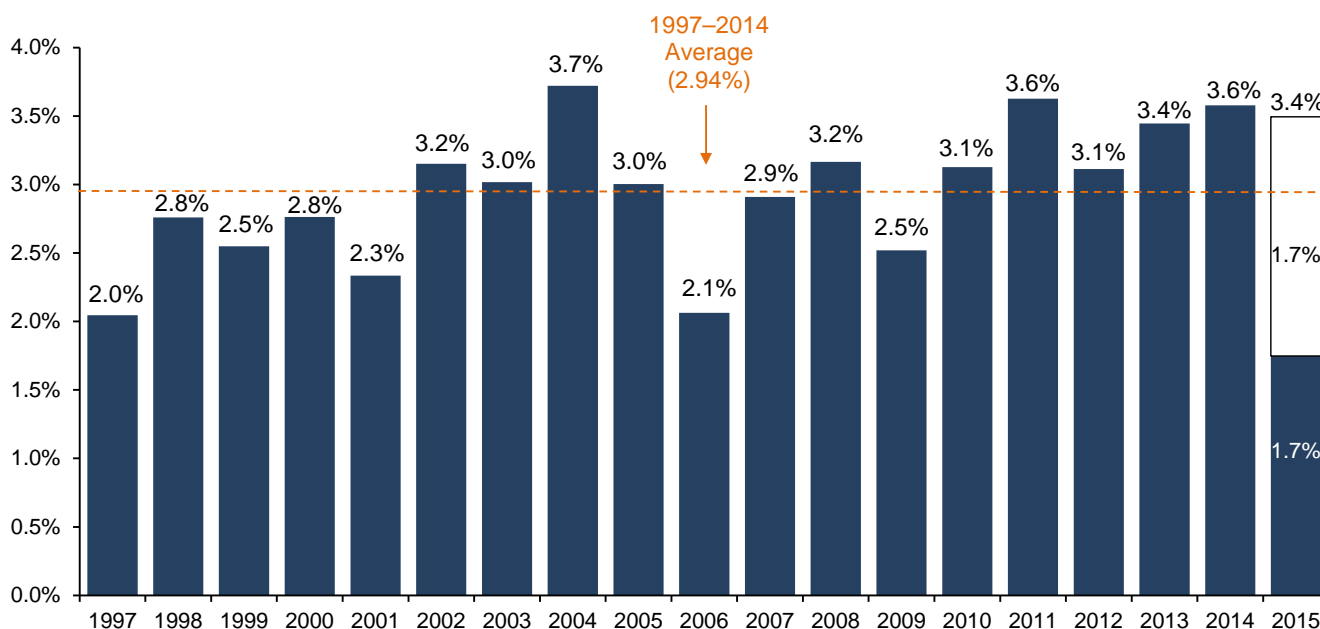
The percentage in the figure below is calculated as the unique number of companies listed on the NYSE or NASDAQ that were the subject of class actions in a given year divided by the unique number of companies listed on the NYSE or NASDAQ.

KEY FINDINGS

- In the first half of 2015, approximately one in 60 companies listed on the major U.S. exchanges was the subject of a class action.
- Assuming the rate of litigation in the second half of 2015 will equal that of the first half, the annual rate in 2015 will be slightly lower than in 2014 and equal to the 2013 rate.

The likelihood that a public company was the subject of a filing remained above the historical average.

FIGURE 6: PERCENTAGE OF U.S. EXCHANGE-LISTED COMPANIES SUBJECT TO FILINGS 1997–2015 H1



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 2015 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 Depository Receipts (ADRs) and listed on the NYSE or NASDAQ.

FOREIGN FILINGS

Class Action Filings-Foreign (CAF-F) Index™

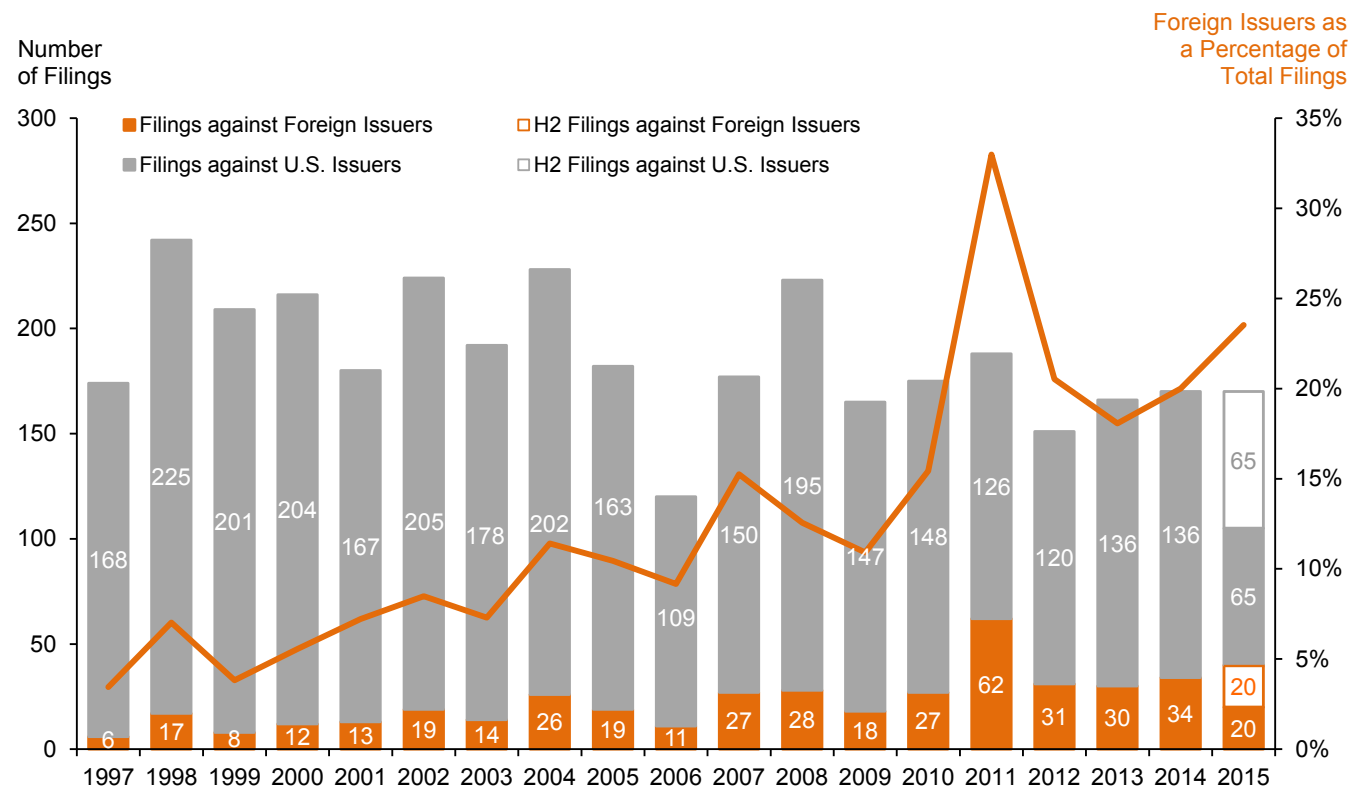
This index tracks the number of filings against foreign issuers (companies headquartered outside the United States) relative to total filings.

KEY FINDINGS

- Foreign filings were 24 percent of all filings in the first half of 2015, compared with 20 percent in the full year of 2014.
- Over the last 17 years, foreign filings have generally increased in frequency despite year-to-year variation.

The number of filings against foreign issuers is on track to increase for a second consecutive year.

FIGURE 7: CLASS ACTION FILINGS-FOREIGN (CAF-F) INDEX™
ANNUAL NUMBER OF CLASS ACTION FILINGS BY LOCATION OF HEADQUARTERS
1997–2015 H1



Note: Assumes the number of filings in the second half of 2015 will equal the first half.

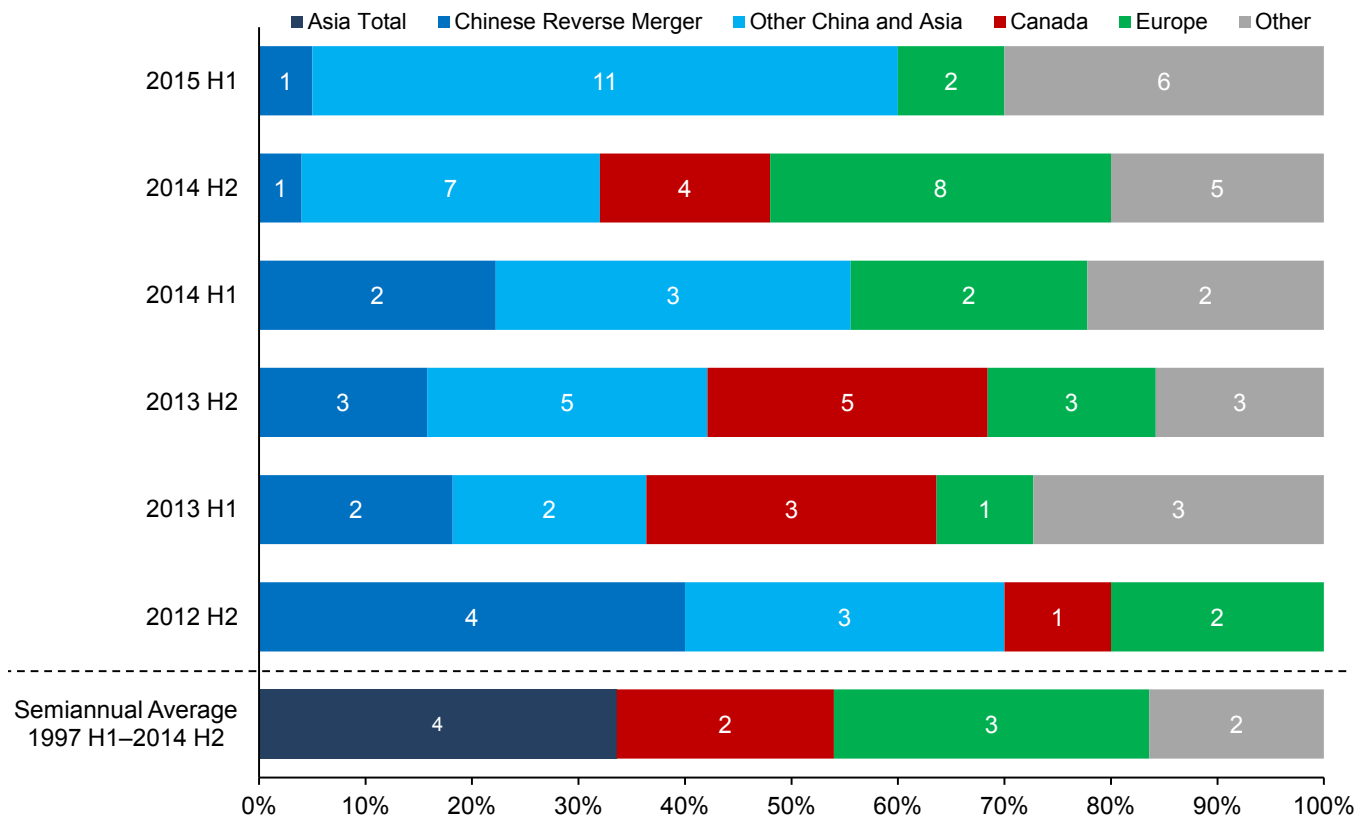
FOREIGN FILINGS *continued*

KEY FINDINGS

- Despite the drop in CRM filings relative to their peak in 2011, the most commonly targeted foreign issuers in the first half of 2015 were Chinese-headquartered firms. Filings against Chinese and other Asian firms (excluding CRM filings) are now 55 percent of total foreign filings. It will be interesting to see if this number increases in the second half of 2015 due to the recent volatility and decline in the Shanghai Composite Index.
- In the first half of 2015, there was a distinctive lack of filings against Canadian firms.
- Filings against European-headquartered firms declined 75 percent from the second half of 2014.
- Other foreign filings included class actions involving companies in Chile, the Cayman Islands, and the United Arab Emirates.

Filings against Asian firms were three times the historical average.

FIGURE 8: FOREIGN FILINGS BY LOCATION OF HEADQUARTERS



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

NEW ANALYSIS: FOREIGN COMPANY LITIGATION EXPOSURE

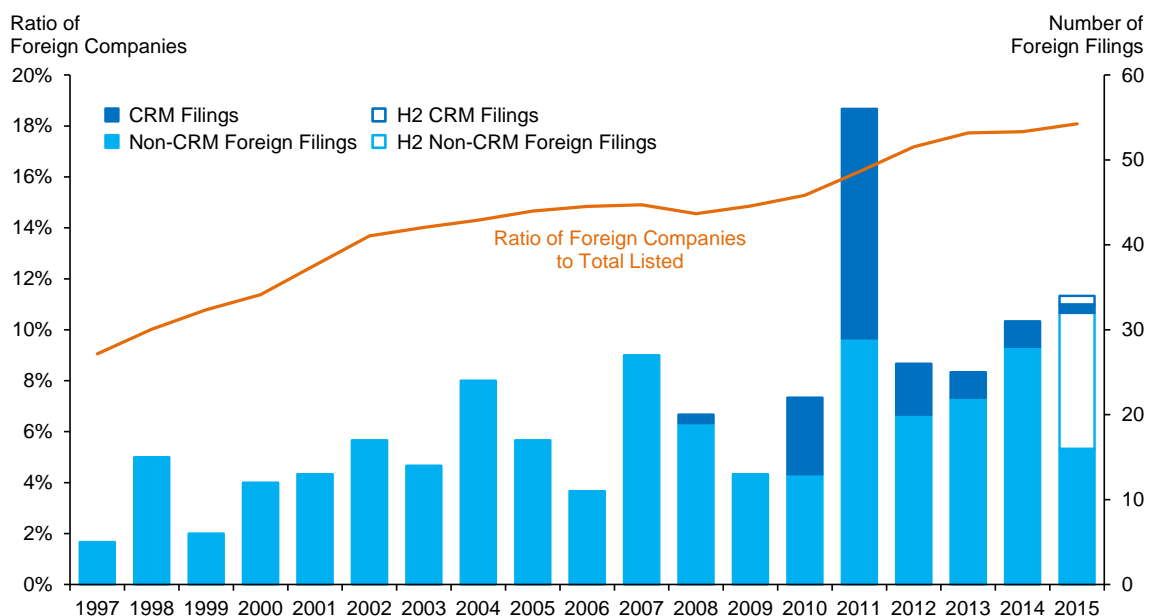
Recent Cornerstone Research Securities Class Action reports have tracked the increasing number of foreign-headquartered companies targeted by class actions. This analysis looks at why that trend has occurred. Are there simply more foreign companies subject to U.S. securities laws, or have securities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

Class actions against foreign companies have increased during a period of generally level filing activity.

KEY FINDINGS

- On major U.S. exchanges in the first half of 2015, foreign-headquartered firms accounted for slightly more than 18 percent of listed companies. In comparison, only 9 percent of companies on major U.S. exchanges in 1997 were foreign headquartered.
- From 1997 through the first half of 2015, the total number of companies listed on major U.S. exchanges fell by approximately one-half, while the total number of foreign companies declined only moderately. This explains the increasing proportion of foreign-headquartered companies on U.S. exchanges.
- If filings against foreign-headquartered companies in the second half of 2015 equal the pace set in the first half, 2015 will represent the third year in a row in which the number of foreign filings increased.

FIGURE 9: PERCENTAGE OF FOREIGN COMPANIES LISTED ON U.S. EXCHANGES AND PUBLICLY TRADED FOREIGN COMPANIES SUED BY FILING YEAR 1997–2015 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 2015 will equal the first half.

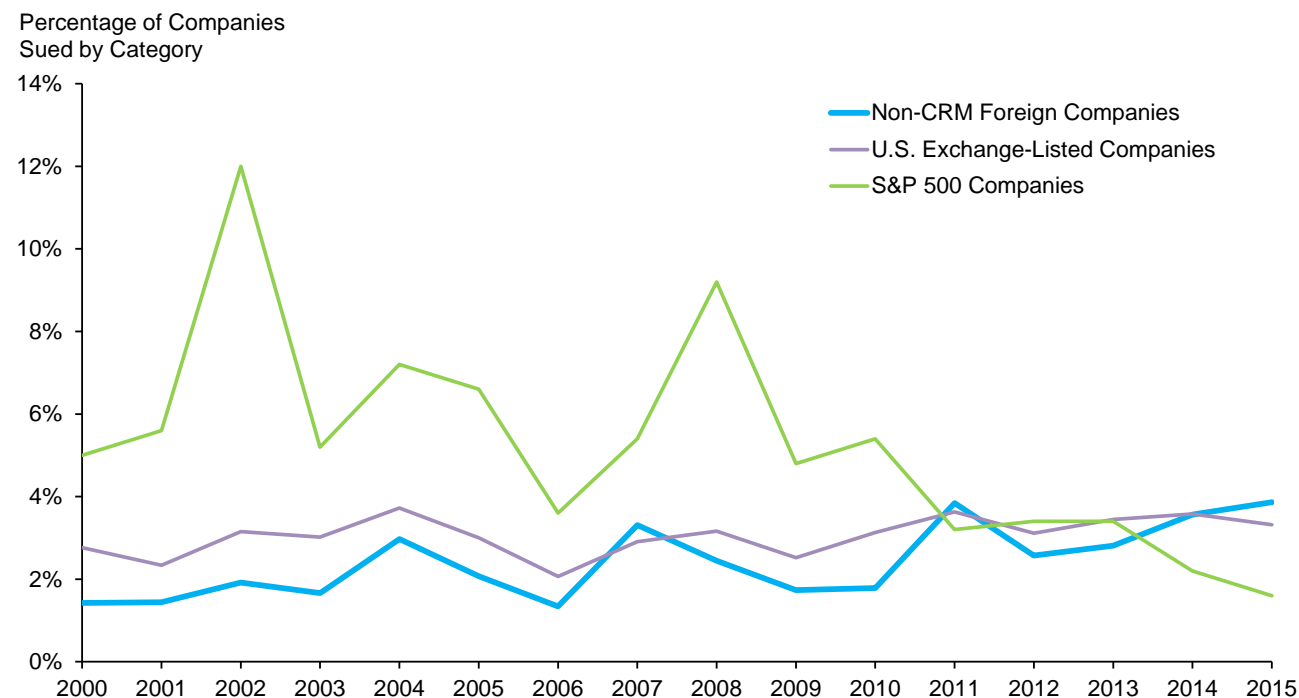
NEW ANALYSIS: FOREIGN COMPANY LITIGATION EXPOSURE *continued*

KEY FINDINGS

- The percentage of foreign companies (excluding CRMs) sued relative to the total number of foreign companies listed on U.S. exchanges increased from 1.4 percent in 2000 to an annualized rate of 3.9 percent in the first half of 2015. These data indicate that plaintiffs are increasingly likely to target foreign companies.
- In two out of the last four years, the likelihood of a foreign company (excluding CRMs) being sued was equal to or greater than all companies listed on U.S. exchanges.
- Between 2000 and 2010, S&P 500 companies were consistently more likely to be the subject of a class action than either the typical company on U.S. exchanges or foreign-headquartered firm. Since 2011 that has not been true. In fact, since 2014, foreign-headquartered firms have been more likely than S&P 500 firms to be targeted. So far in 2015, foreign-headquartered firms have been more likely targets of class actions than other companies listed on U.S. exchanges.

The increase in filings against foreign companies over the last decade is not simply the result of CRM filings.

FIGURE 10: PERCENTAGE OF COMPANIES SUED BY LISTING CATEGORY OR DOMICILE 2000–2015



Source: CRSP; Yahoo Finance

Note:

1. Percentages for 2015 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.

NEW ANALYSIS: CASE STATUS BY YEAR OF FILING

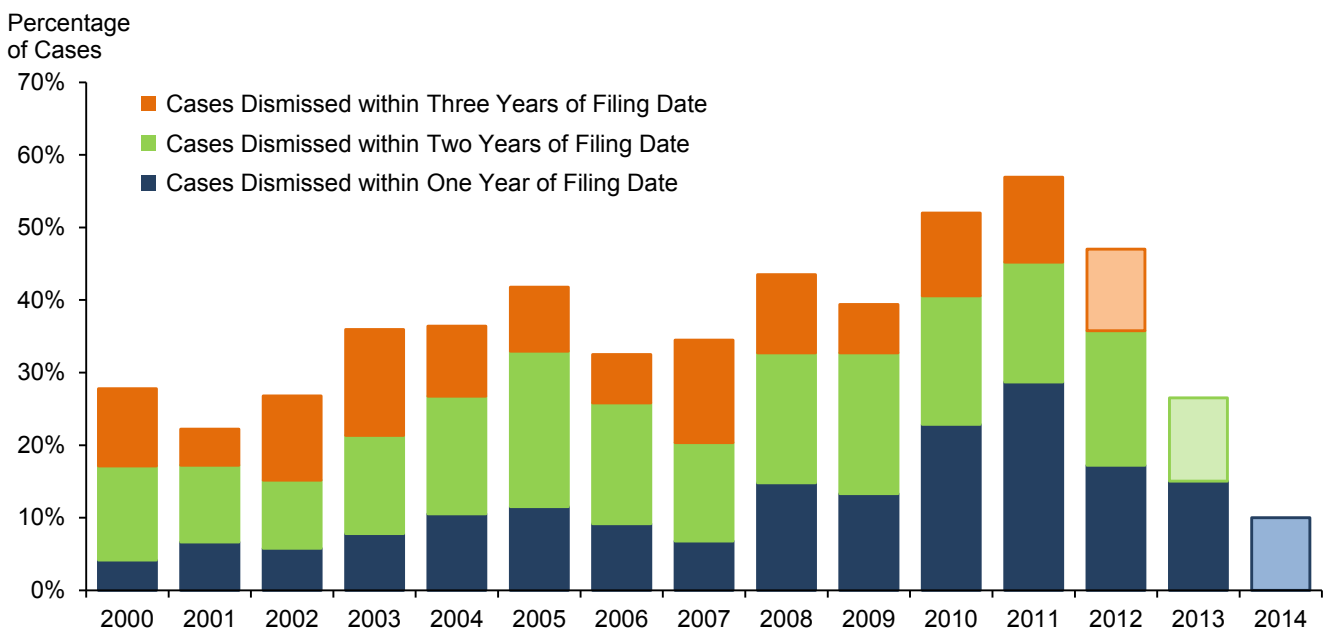
Previous Cornerstone Research securities class action reports have noted the increasing frequency with which filings have been dismissed. Given the length of time that may exist between the filing of a class action and its resolution, it may not be possible to immediately determine whether trends in dismissal rates observed in earlier annual cohort filings are persisting 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 dismissal rates.

KEY FINDINGS

- The percentage of cases dismissed within three years of their filing dates has increased, growing from 28 percent of cases filed in 2000 to 57 percent of cases filed in 2011—the last annual period for which three full years of resolution outcome data are available. A large portion of this increase is driven by cases dismissed within one year of filing, which grew from 4 percent to 29 percent over the same period.
- Filings in cohort years 2012 and 2013 have been dismissed within the first year of filing at lower rates than filings in cohort years 2010 and 2011. However, these filings were still dismissed within the first year of filing with higher likelihood than any of the cohort years from 2000 to 2009.

Through 2011, class actions were increasingly dismissed with greater likelihood and more quickly, although for 2012 and 2013 cohort filings the trend has subsided.

FIGURE 11: PERCENTAGE OF CASES DISMISSED WITHIN THREE YEARS OF FILING DATE 2000–2014



Note:

1. Percentage of cases in each category is calculated as the number of cases that were dismissed within one, two, or three years of the filing date divided by the total number of cases filed each year.
2. The outlined portions of the stacked bars for years 2012 through 2014 indicate the percentage of cases dismissed through the first half of 2015. The outlined portions of these stacked bars therefore present only six months of observed resolution activity, whereas their counterparts in earlier years show an entire year.

FILING LAG

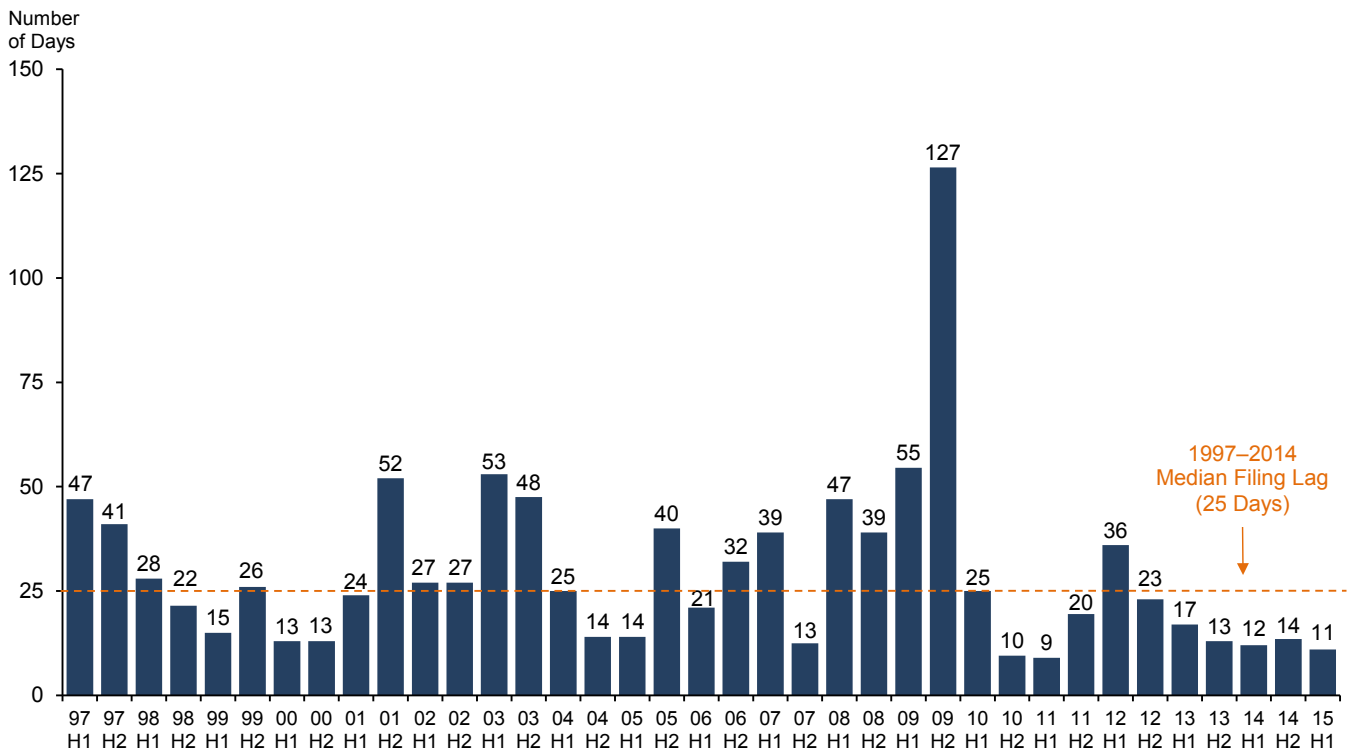
KEY FINDINGS

- The median filing lag time between the end of the class period and the filing date of the lawsuit continued its declining trend in the first half of 2015, suggesting intensifying competition for business by the plaintiff bar. The average lag was 66 days and the median lag was 11 days. The latter is the lowest since the first half of 2011.
- In the first half of 2015, 31 percent of class actions were filed within five days of the end of the class period.
- Only 12 percent of class actions were filed 180 days after the end of the class period. The comparable figures in the first and second halves of 2014 were 10 percent and 9 percent, respectively.

The median filing lag is the third-lowest filing lag on record.

FIGURE 12: SEMIANNUAL MEDIAN LAG BETWEEN CLASS PERIOD END DATE AND FILING DATE

1997 H1–2015 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?

Companies in the S&P 500 were less likely to be a defendant in a class action than in any of the last 15 years.

KEY FINDINGS

- Of the companies in the S&P 500 at the beginning of 2015, on an annualized basis, approximately 1.6 percent were defendants in a class action filed during the first half of the year. This annualized rate is the lowest since 2000 when this metric was first tracked.
- In the first half of 2015, there were a total of four filings against S&P 500 companies. Consumer Staples and Telecommunications/Information Technology were the only industries subject to filings.
- On average from 2001 through 2014, one in 18 (5.5 percent) S&P 500 companies were the subject of a class action filing, whereas the equivalent annualized figure for 2015 was one in 63.

FIGURE 13: HEAT MAPS OF S&P 500 SECURITIES LITIGATION™
PERCENTAGE OF COMPANIES SUBJECT TO NEW FILINGS
2001–2015 H1

	Average 2001–2014	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Consumer Discretionary	5.2%	2.4%	10.2%	4.6%	3.4%	10.3%	4.4%	5.7%	4.5%	3.8%	5.1%	3.8%	4.9%	8.4%	1.2%	0.0%
Consumer Staples	3.2%	8.3%	2.9%	2.9%	2.7%	8.6%	2.8%	0.0%	2.6%	4.9%	0.0%	2.4%	2.4%	0.0%	5.0%	10.0%
Energy/Materials	1.4%	0.0%	3.1%	1.7%	1.8%	1.7%	0.0%	0.0%	0.0%	1.5%	5.7%	0.0%	2.7%	0.0%	1.3%	0.0%
Financials	9.3%	1.4%	16.7%	8.6%	19.3%	7.3%	2.4%	10.3%	31.2%	13.1%	10.3%	1.2%	3.7%	0.0%	1.2%	0.0%
Health Care	8.6%	7.1%	15.2%	10.4%	10.6%	10.7%	6.9%	12.7%	13.7%	3.7%	15.4%	2.0%	3.8%	5.7%	3.6%	0.0%
Industrials	3.1%	0.0%	6.0%	3.0%	8.5%	1.8%	0.0%	5.8%	3.6%	6.9%	0.0%	1.7%	1.6%	0.0%	4.7%	0.0%
Telecommunications/ Information Tech	6.0%	18.0%	11.0%	5.6%	3.2%	6.7%	8.1%	2.3%	2.5%	1.2%	3.5%	7.1%	3.8%	9.1%	0.0%	5.6%
Utilities	6.2%	7.9%	40.5%	2.8%	5.7%	3.0%	0.0%	3.1%	3.2%	0.0%	0.0%	8.8%	3.1%	0.0%	3.2%	0.0%
All S&P 500 Companies	5.5%	5.6%	12.0%	5.2%	7.2%	6.6%	3.6%	5.4%	9.2%	4.8%	5.4%	3.2%	3.4%	3.4%	2.2%	1.6%

Legend 0% 0–5% 5–15% 15–25% 25%+

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. 2015 figures are annualized.

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

KEY FINDINGS

- On an annualized basis, approximately 2.5 percent of the S&P 500 market capitalization in the first half of 2015 was subject to new filings. This annualized 2015 rate is markedly low compared with the 2000–2014 historical average of 9.1 percent.
- Both industries with filings against S&P 500 companies—Consumer Staples and Telecommunications/Information Technology—had over 5 percent 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 continued in the first half of 2015, when the percentage of S&P 500 companies subject to filings (1.6 percent) was lower than the share of market capitalization attributed to these companies (2.5 percent).

A single filing in the Information Technology industry accounts for much of the market capitalization effect.

**FIGURE 14: HEAT MAPS OF S&P 500 SECURITIES LITIGATION™
PERCENTAGE OF MARKET CAPITALIZATION SUBJECT TO NEW FILINGS
2001–2015 H1**

	Average 2001–2014	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Consumer Discretionary	5.9%	1.3%	24.7%	2.0%	7.9%	5.7%	8.9%	4.4%	7.2%	1.9%	4.9%	4.6%	1.6%	4.4%	2.5%	0.0%
Consumer Staples	3.4%	6.3%	0.3%	2.3%	0.1%	11.4%	0.8%	0.0%	2.6%	3.9%	0.0%	0.8%	14.0%	0.0%	3.4%	5.7%
Energy/Materials	2.0%	0.0%	1.2%	0.4%	29.7%	1.6%	0.0%	0.0%	0.0%	0.8%	5.5%	0.0%	0.9%	0.0%	0.2%	0.0%
Financials	19.3%	0.8%	29.2%	19.9%	46.1%	22.2%	8.2%	18.1%	55.0%	38.3%	31.1%	6.9%	11.0%	0.0%	0.3%	0.0%
Health Care	13.9%	5.4%	35.2%	16.3%	24.1%	10.1%	18.1%	22.5%	20.0%	1.7%	33.7%	0.7%	3.8%	4.4%	3.0%	0.0%
Industrials	6.1%	0.0%	13.3%	4.6%	8.8%	5.6%	0.0%	2.2%	26.4%	23.2%	0.0%	2.1%	1.2%	0.0%	1.7%	0.0%
Telecommunications/ Information Tech	8.3%	32.6%	9.1%	1.7%	1.2%	10.3%	8.3%	3.4%	1.4%	0.3%	5.9%	13.4%	2.2%	16.6%	0.0%	8.3%
Utilities	6.9%	17.4%	51.0%	4.3%	4.8%	5.6%	0.0%	5.5%	4.0%	0.0%	0.0%	5.6%	6.8%	0.0%	0.7%	0.0%
All S&P 500 Companies	9.1%	10.9%	18.8%	8.0%	17.7%	10.7%	6.7%	8.2%	16.2%	8.6%	11.2%	5.1%	4.9%	4.7%	1.3%	2.5%

Legend 0% 0–5% 5–15% 15–25% 25%+

Note:

- 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.
- Sectors are based on the Global Industry Classification Standard.
- 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.
- 2015 figures are annualized.

INDUSTRY

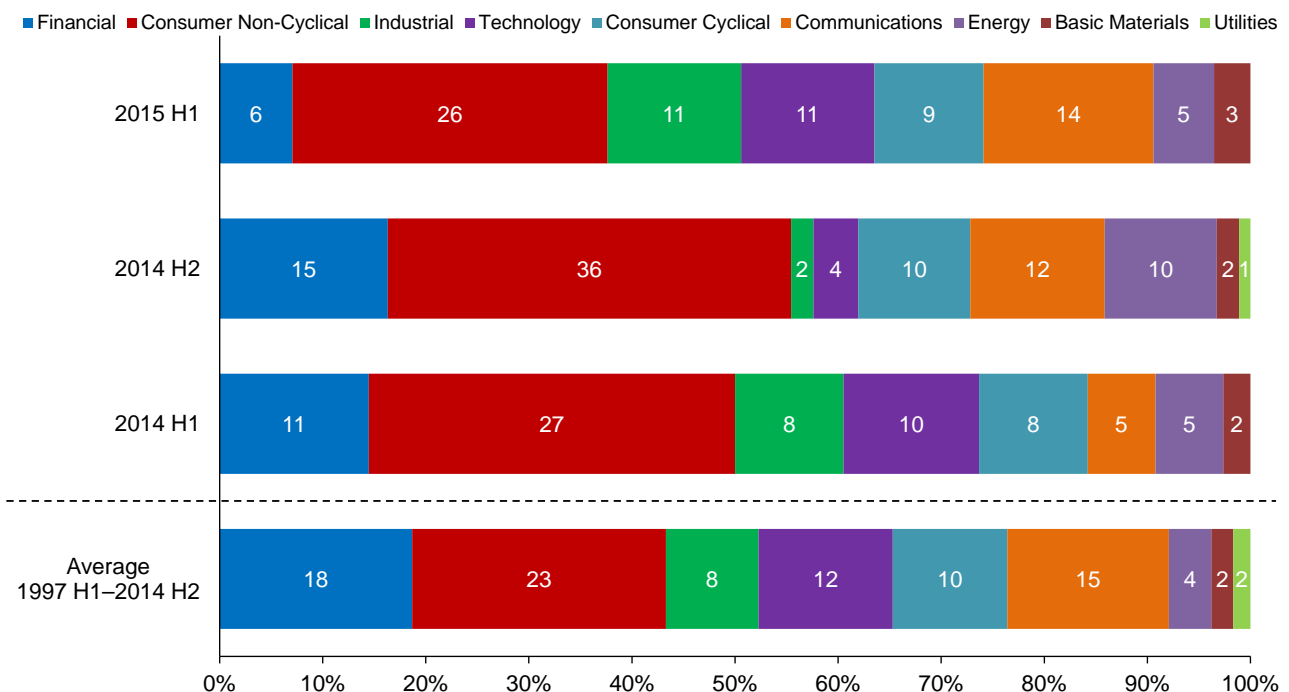
This analysis encompasses both the large capitalization companies of the S&P 500, shown on the preceding pages, as well as smaller companies.

KEY FINDINGS

- Filings against companies in the Technology sector increased from four in the second half of 2014 to 11 in the first half of 2015. In the Industrial sector, filings increased from two in the second half of 2014 to 11 in the first half of 2015. The Industrial sector accounted for 13 percent of all filings, its highest percentage since the second half of 2012.
- The number of filings against companies in the Financial sector fell to six in the first half of 2015. This amount represents the fewest number of semiannual Financial sector filings since the first half of 2005.
- Biotechnology, healthcare, and pharmaceutical companies (included in the Consumer Non-Cyclical sector) together accounted for 19 percent of total filings in the first half of 2015. There were 16 filings in these sub-sectors in the first half of the year, a decline of 43 percent from the second half of 2014. This is due largely to a drop in biotechnology filings from 10 to three.

Filings against Technology and Industrial companies rebounded sharply from the second half of 2014.

FIGURE 15: 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, and one filing in an unknown sector in 2015. 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.

MEGA FILINGS

Mega DDL and MDL Filings

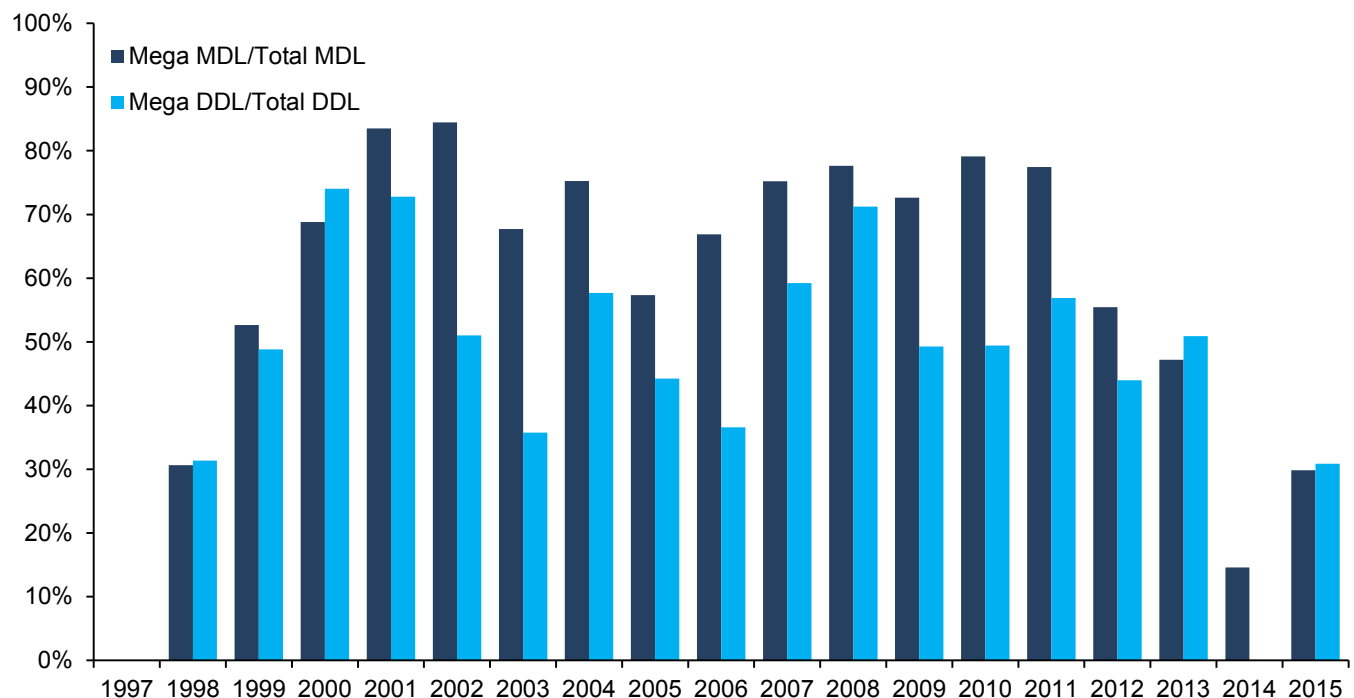
This section provides an analysis of large filings, as measured by DDL and MDL, in which mega DDL filings have a disclosure dollar loss (DDL) of at least \$5 billion and mega MDL filings have a maximum dollar loss (MDL) of at least \$10 billion.

KEY FINDINGS

- In both 2014 and the first half of 2015, mega filings have been a smaller fraction of the annual MDL and DDL indices than in all prior years since 1998.
- While the second half of 2014 had more mega MDL filings than the first half of 2015, they were a smaller fraction of MDL in that year.

Mega filings, based on either DDL or MDL, remained rare in the first half of the year.

FIGURE 16: MEGA MDL/DDL AS A PERCENTAGE OF TOTAL MDL/DDL 1997–2015 H1



Note:

1. Mega DDL filings have a dollar loss of at least \$5 billion.
2. Mega MDL filings have a dollar loss of at least \$10 billion.
3. There were no mega filings in 1997 or in the second half of 2014.

EXCHANGE

KEY FINDINGS

- In the first half of 2015, 36 and 43 class actions were filed against firms listed on the NYSE and NASDAQ, respectively.
- The number of filings against NYSE firms decreased by 14 percent from the second half of 2014 to the first half of 2015. For NASDAQ firms, filings decreased by 7 percent over the same period.
- The median DDL figure for NYSE filings was lower in the first half of 2015 compared with the second half of 2014, while median DDL for NASDAQ filings was essentially unchanged.
- Average DDL for NYSE filings nearly doubled to \$649 million; however, average MDL for the same sample went down by 7 percent. This is explained by the dynamics of MDL and DDL for the largest filings (see page 18).
- The number of filings against issuers not listed on an exchange increased from 4 percent of all filings in the second half of 2014 to 7 percent in the first half of 2015.

Filings against NYSE and NASDAQ firms were both below their historical averages.

FIGURE 17: FILINGS BY EXCHANGE LISTING

	Semiannual Average 1997 H1–2014 H2		2014 H1		2014 H2		2015 H1	
	NYSE/Amex	NASDAQ	NYSE	NASDAQ	NYSE	NASDAQ	NYSE	NASDAQ
Class Action Filings	38	48	33	36	42	46	36	43
DDL Total (\$ Billions)	\$43	\$17	\$15	\$15	\$11	\$16	\$21	\$13
MDL Total (\$ Billions)	\$204	\$99	\$51	\$37	\$79	\$43	\$71	\$33
Disclosure Dollar Loss								
Average (\$ Millions)	\$1,303	\$390	\$494	\$461	\$332	\$361	\$649	\$325
Median (\$ Millions)	\$262	\$97	\$322	\$164	\$195	\$107	\$136	\$106
Maximum Dollar Loss								
Average (\$ Millions)	\$6,148	\$2,097	\$1,706	\$1,168	\$2,331	\$993	\$2,160	\$826
Median (\$ Millions)	\$1,340	\$464	\$706	\$430	\$906	\$328	\$513	\$329

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.

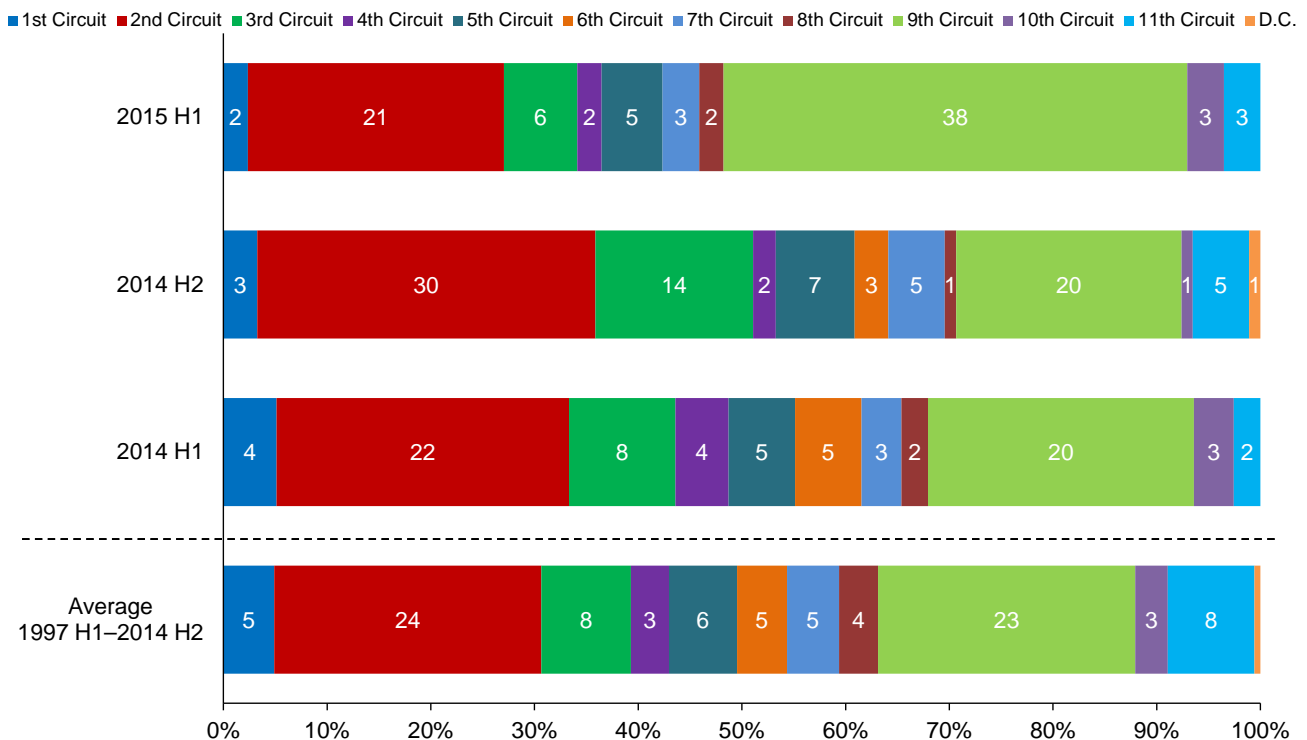
CIRCUIT

KEY FINDINGS

- The 38 filings in the Ninth Circuit in the first six months of 2015 were nearly twice as many as the 20 filings in the second half of 2014. While filing activity was 65 percent greater than the historical average of 23, the Ninth Circuit’s semiannual DDL was only 10 percent larger than the historical average of \$10 billion (see Appendix 3).
- The surge in filings in the Ninth Circuit was driven primarily by an increase in the number of filings in the Technology and Industrial sectors. During the first half of 2015, there were six Ninth Circuit filings in both the Technology and Industrial sectors, compared to only one and two filings in each respective industry during the second half of 2014.
- The 21 filings in the Second Circuit were 13 percent less than the historical average of 24. The Second Circuit’s semiannual DDL of \$18 billion declined in a commensurate manner and was 14 percent below its historical average of \$21 billion (see Appendix 3).
- Filings in all other circuits were either lower or essentially unchanged relative to historical averages.

Semiannual filing activity in the Ninth Circuit reached its highest level since 2004.

FIGURE 18: 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 (CAF) Index™ tracks the number of federal securities class action filings.

Class Action Filings-Foreign (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 (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 (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

	Semiannual Average (1997 H1–2014 H2)	2014 H1	2014 H2	2015 H1
Class Action Filings	94	78	92	85
DDL Total (\$ Billions)	\$60	\$30	\$27	\$34
MDL Total (\$ Billions)	\$304	\$93	\$123	\$105
Disclosure Dollar Loss				
Average (\$ Millions)	\$772	\$446	\$337	\$447
Median (\$ Millions)	\$125	\$189	\$145	\$92
Median DDL % Decline	22.62%	15.92%	19.44%	15.93%
Maximum Dollar Loss				
Average (\$ Millions)	\$3,912	\$1,364	\$1,532	\$1,370
Median (\$ Millions)	\$650	\$541	\$528	\$403

Note: Average and median numbers are calculated only for filings with MDL and DDL data.

APPENDIX 2: FILINGS BY INDUSTRY

(Dollars in Billions)

Industry	Class Action Filings				Disclosure Dollar Loss				Maximum Dollar Loss			
	Average 1997 H1–2014 H2	2014 H1	2014 H2	2015 H1	Average 1997 H1–2014 H2	2014 H1	2014 H2	2015 H1	Average 1997 H1–2014 H2	2014 H1	2014 H2	2015 H1
Financial	18	11	15	6	\$10	\$2	\$5	\$2	\$58	\$5	\$18	\$6
Consumer Non-Cyclical	23	27	36	26	\$17	\$12	\$9	\$7	\$61	\$32	\$21	\$17
Industrial	8	8	2	11	\$6	\$2	\$1	\$1	\$18	\$8	\$2	\$7
Technology	12	10	4	11	\$9	\$7	\$2	\$17	\$40	\$18	\$5	\$52
Consumer Cyclical	10	8	10	9	\$4	\$6	\$3	\$1	\$25	\$11	\$7	\$4
Communications	15	5	12	14	\$12	\$0	\$3	\$6	\$82	\$8	\$20	\$17
Energy	4	5	10	5	\$2	\$1	\$3	\$0	\$11	\$2	\$49	\$1
Basic Materials	2	2	2	3	\$1	\$1	\$0	\$0	\$5	\$9	\$1	\$2
Utilities	2	0	1	0	\$1	\$0	\$0	\$0	\$5	\$0	\$0	\$0
Unknown/Unclassified	-	2	-	-	-	-	-	-	-	-	-	-
Total	94	78	92	85	\$60	\$30	\$27	\$34	\$304	\$93	\$123	\$105

Note:

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

APPENDICES *continued***APPENDIX 3: FILINGS BY CIRCUIT**

(Dollars in Billions)

Circuit	Class Action Filings				Disclosure Dollar Loss				Maximum Dollar Loss			
	Average 1997 H1–2014 H2	2014 H1	2014 H2	2015 H1	Average 1997 H1–2014 H2	2014 H1	2014 H2	2015 H1	Average 1997 H1–2014 H2	2014 H1	2014 H2	2015 H1
1st	5	4	3	2	\$4	\$1	\$1	\$1	\$11	\$3	\$3	\$2
2nd	24	22	30	21	\$21	\$11	\$13	\$18	\$111	\$26	\$61	\$52
3rd	8	8	14	6	\$8	\$2	\$2	\$2	\$30	\$3	\$7	\$5
4th	3	4	2	2	\$1	\$1	\$1	\$1	\$7	\$9	\$4	\$6
5th	6	5	7	5	\$3	\$1	\$2	\$1	\$19	\$4	\$11	\$4
6th	5	5	3	0	\$4	\$5	\$0	\$0	\$14	\$14	\$1	\$0
7th	5	3	5	3	\$3	\$1	\$2	\$1	\$13	\$1	\$4	\$1
8th	4	2	1	2	\$2	\$1	\$0	\$1	\$7	\$4	\$0	\$3
9th	23	20	20	38	\$10	\$5	\$4	\$11	\$73	\$21	\$20	\$29
10th	3	3	1	3	\$1	\$1	\$0	\$0	\$7	\$1	\$2	\$1
11th	8	2	5	3	\$2	\$1	\$1	\$1	\$12	\$6	\$9	\$4
D.C.	1	0	1	0	\$0	\$0	\$0	\$0	\$2	\$0	\$2	\$0
Total	94	78	92	85	\$60	\$30	\$27	\$34	\$304	\$93	\$123	\$105

Note: Numbers may not add due to rounding.

RESEARCH SAMPLE

- The Stanford Law School Securities Class Action Clearinghouse, in collaboration with Cornerstone Research, has identified 3,985 federal securities class action filings between January 1, 1996, and June 30, 2015 (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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