

**RECENT TRENDS IV:
WHAT EXPLAINS FILINGS AND SETTLEMENTS
IN SHAREHOLDER CLASS ACTIONS?**

by

**Denise N. Martin, Vinita M. Juneja,
Todd S. Foster, Frederick C. Dunbar**

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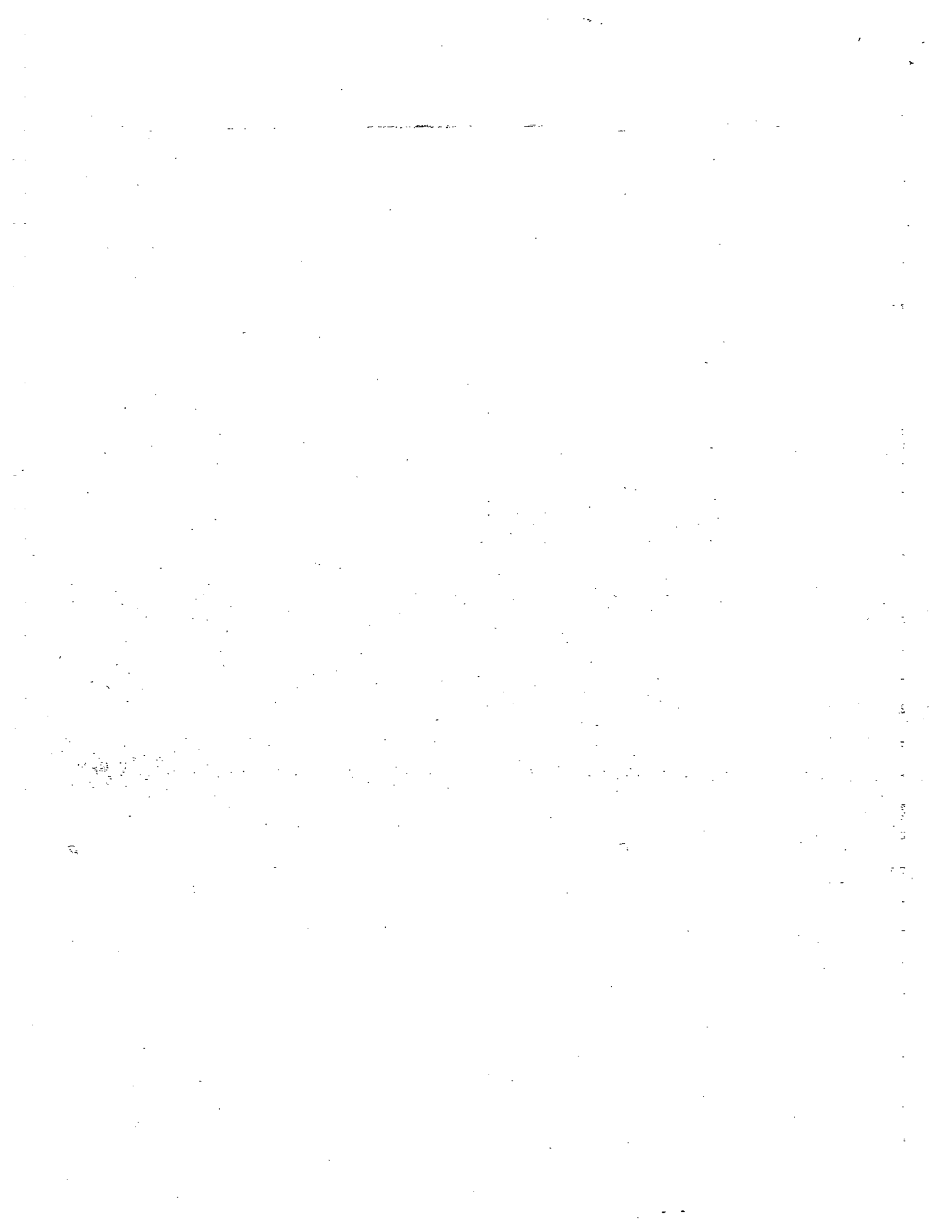
50 MAIN STREET, WHITE PLAINS, NEW YORK 10606
TELEPHONE: 914.448.4000 FACSIMILE: 914.448.4040

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We have updated and expanded our earlier studies on recent trends in securities class actions. Our data now cover the five full calendar years from January 1991 to December 1995, as well as dispositions reported through June 1996 and filings reported through October 1996. Below, we summarize our key findings.

- A decrease in the number of federal filings was observed in early 1996, but does not appear to signify a general downturn. The most recent data (which include filings reported through October 1996) indicate no significant decline in federal class action filings has occurred since passage of the Private Securities Litigation Reform Act of 1995 ("the Reform Act").
- A significant increase in the number of *state* filings has occurred since passage of the Reform Act.
- The filing rate of cases responds to overall stock market conditions. Significantly more cases are filed in the months following a bearish market

* Denise N. Martin is a Senior Consultant, Vinita M. Juneja is a Vice President, Todd S. Foster is an Analyst and Frederick C. Dunbar is a Senior Vice President at National Economic Research Associates, Inc. (NERA), an economic research and consulting firm.

than following a bullish one. To date, these market movements have had a more pronounced impact on the filing rate than has the Reform Act.

- From January 1991 through June 1996, 998 shareholder class actions were dismissed, settled or resolved by a jury verdict.
- If the historic 12 percent average annual growth rate continues in 1996, we can expect almost 250 cases to be resolved this year, up from 138 in 1991.
- Over the full sample period, 80 percent of the cases were resolved through settlement. Even cases that were dismissed, reached trial or received a jury verdict often settled before an appeal was resolved.
- Dismissals as a percentage of case dispositions have ranged between 14 and 21 percent over the past five and a half years. In the first half of 1996, 20 percent of dispositions were dismissals, as they were in 1995, up from 16 percent in 1994.
- Approximately \$3.9 billion has been paid out in settlement awards from January 1991 through June 1996 for 475 federal shareholder class action settlements. These cases represent roughly 60 percent of all settlements, suggesting as much as \$6.5 billion has been paid out overall. On average, plaintiffs' attorneys have received one-third of the settlement awards in each year.
- Average settlements increased significantly between 1994 and 1995, as did plaintiffs' attorneys' fees. In particular, the average settlement for calendar year 1995 was \$10.6 million, up from \$6.1 million in 1994. Plaintiffs' attorneys' fees increased proportionately, from \$2.0 million in 1994 to \$3.5 million in 1995. Average settlements and fees for the first six months of 1996,

