



2003 PricewaterhouseCoopers LLP
Securities litigation study

2003 PricewaterhouseCoopers Securities Litigation Study

The year in review

During 2003 the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) took shape as the Securities and Exchange Commission (“SEC”) issued Final Rules in a number of areas addressed by Sarbanes-Oxley; and, The Public Company Accounting Oversight Board (“PCAOB”) got up and running. The Corporate Fraud Task Force, created by Executive Order of the President of the United States, kicked into gear, bringing a significant number of criminal prosecutions of corporations and individuals for violations of criminal fraud and other criminal statutes. State Attorneys General, particularly the Attorney General for the State of New York, became more active in a variety of securities investigations and prosecutions, including what is often referred to as the “mutual funds scandal,” and in cases affecting “Wall Street” investment banks and financial institutions. The SEC took on a number of “counter-party” financial institutions, regarding their roles in connection with the Enron “melt-down,” in a series of “aiding and abetting” cases. Securities litigation cases stemming from Enron, WorldCom, Adelphia, ImClone, and Rite-Aid ground through the courts and administrative process. And private securities litigation – although less in terms of number of cases filed in 2003 compared to prior years – became more potent.

Along the way in 2003 the venerable New York Stock Exchange (“NYSE”) came under attack regarding its former Chairman and his compensation, and regarding the activities of specialist firms, and executive compensation and “perks” went on trial in the Tyco case. In 2003 Frank Quattrone, formerly a Credit Suisse First Boston (“CSFB”) executive, was tried for obstruction of justice (and convicted in a second trial in 2004). Martha Stewart was indicted (and subsequently convicted in 2004) for perjury and obstruction of justice in connection with an insider-trading case involving ImClone. Andrew Fastow, the former Chief Financial Officer (“CFO”) of Enron entered into a tentative plea agreement with the DOJ, and the DOJ Enron Task Force indicted former Enron Chief Operating Officer (“COO”) Jeff Skilling. The U.S. Corporate Fraud Task Force is up and running and aggressively pursuing convictions.

In 2003, the PCAOB became very relevant – in the space of regulating the accounting and auditing profession – and it superseded the American Institute of Certified Public Accountants (“AICPA”) as the primary rule-making body for auditing standards applied to audits of SEC registrants. Auditing firms, both U.S. and foreign, that audit SEC registrants came under the regulatory oversight and authority of the PCAOB. During 2003 a sea change in auditing of SEC registrants occurred. The PCAOB began issuing new auditing standards, including Auditing Standard No. 2, *An Audit of Internal Control Over Financial*

Reporting Performed in Conjunction With an Audit of Financial Statements (in response to Sarbanes-Oxley Section 404 – Management Assessment of Internal Controls) and many more new auditing standards are to come. The PCAOB also commenced its auditing firm quality review procedures, and organized its auditing enforcement practice.

SEC rule-making regarding Sarbanes-Oxley Section 302 “certification,” Sarbanes-Oxley Section 404, “Management Assessment of Internal Controls,” and the many other provisions of Sarbanes-Oxley came into effect in the second half of 2002 and throughout 2003. Many of these Sarbanes-Oxley provisions and rules and regulations provide for severe civil and criminal penalties for non-compliance, and companies and individuals that run afoul of Sarbanes-Oxley risk serious consequences. Starting in 2003 and continuing in 2004 and beyond, the law, and regulatory practice, will define just how serious are the consequences of violations of Sarbanes-Oxley and how broad is the scope of this landmark securities legislation.

During 2003 a number of major foreign-filer securities litigation cases were brought or were settled, including: Ahold, DaimlerChrysler AG, and Vivendi Universal. The year 2003 saw investigations emerge at Nortel Networks Corporation, Hollinger and Parmalat; and, many foreign financial institutions were caught up in mutual fund industry and securities industry investigations. The year 2003 saw DaimlerChrysler AG make the largest ever foreign settlement in the amount of \$300 million. And, the SEC entered into new cooperation agreements with the European Union and various EU countries’ securities regulators, as many more securities litigation matters went “global.”

Private securities litigation – by the numbers – declined slightly from 2002 and as compared to the average annual number of cases from 1996 through 2002; however, the amounts of settlements, and the potency of cases, increased in 2003, continuing a trend that began in 1996 – after passage of the Private Securities Litigation Reform Act of 1995 (“PSLRA”). In this year’s PricewaterhouseCoopers (“PwC”) 2003 Securities Litigation Study, we continue to explore reasons for the changes in securities litigation statistics and trends and why settlement amounts are increasing, cases appear to be less likely to be quickly resolved (or resolved for lower amounts), and more parties are being named in such actions.

In 2003 the plaintiffs’ bar scored some impressive wins and achieved some impressive settlements in major private securities litigation matters. From the size of the average settlements reported during 2003, and reported settlements of \$20 million or greater, it seems clear that the securities litigation plaintiffs’ bar is as energetic and tenacious as ever.

Securities litigation trends

The number of private securities class action cases filed in 2003 was 175, only 89 percent of the yearly average from 1996 through 2002, approximately 195 cases per year (or about two percent of the corporate registrants on the U.S. exchanges). Is this a trend or just a blip? In 2002 the number of cases filed was 218, or 112 percent of average. There is no indication that this litigation trend will change significantly. If there is any significant change, qualitative characteristics and environmental factors suggest it will be upward – that is, an increase in litigation (at least for a while), due to: Sarbanes-Oxley – generally, the new SEC rules and regulations and the new PCAOB rules; the specific effects of Sarbanes-Oxley Section 404; and, the recent effects of certain private class action settlements and court decisions.

Securities class action lawsuits filed by year, 1996-2003²

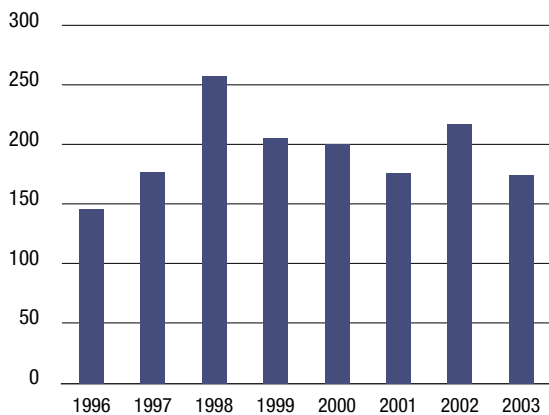
Year filed	Federal cases	State only cases	Laddering cases	Analyst cases	Mutual Fund cases	Total
Private Securities Litigation Reform Act (December 22, 1995)						
1996	122	25	—	—	—	147
1997	167	11	—	—	—	178
1998	245	13	—	—	—	258
Securities Litigation Uniform Standards Act (November 22, 1998)						
1999	206	—	—	—	—	206
2000	201	—	—	—	—	201
2001	177	—	309	—	—	486
2002	218	—	1	46	—	265
2003	175	—	—	15	16 ³	206

² The year a case is filed is determined by the filing date of the initial complaint in state or federal court.

³ Includes one case where the fund failed to disclose that sales personnel were offered incentives to sell proprietary funds.

As in prior years, the most common allegation in private securities litigation cases containing accounting issues is revenue recognition – in 2003 over 50 percent of accounting-related complaints involved revenue recognition issues. The next two most-frequent accounting-related issues, both involving 40 percent of the claims made, are accounting estimates and internal controls. Particularly in the area of internal controls, this is a new phenomenon and likely portends more of the same in coming years. Why revenue recognition is still the most often raised issue in securities litigation is because this area is most often associated with financial frauds – alleged by the SEC and DOJ, associated with “accounting melt-downs,” the most common reason for restatements due to accounting errors, and the subject of the most internal corporate investigations.

Securities class action lawsuits filed per year, 1996-2003¹



¹ 2001-2003 numbers exclude “IPO Laddering,” “Analyst,” and “Fund” cases.

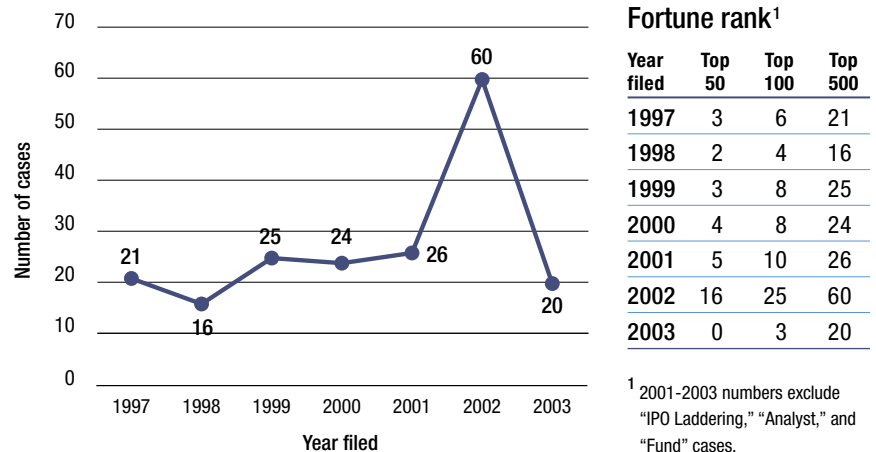
Some other trends to watch include: double- and triple-teaming of the SEC, DOJ and private securities litigation plaintiffs (or at least investigators) in combined matters; the increasing role of pension funds and major institutional plaintiffs in securities litigation matters, and the force (and influence) of media coverage in respect of corporate securities litigation cases. When the SEC and DOJ get involved in matters – in conducting investigations and bringing civil and criminal litigation – the stakes go up, settlement values are inflated, fines and penalties (which have reached the level of tens and hundreds of millions of dollars) must be considered carefully, and consequences to current or former employees – including criminal penalties – come into play. When lead plaintiffs are institutional investors, their price (and reasons) for settlement change; and, as indicated by our most recent PwC study, settlement amounts increase. Starting in 2002 and continuing in 2003 media coverage – as shown in the Martha Stewart, Tyco and Frank Quattrone trials – has become an important factor in high-profile cases.

In short, the risks of securities litigation continue to increase. Private securities litigation cases may be down slightly but the cases being filed are more potent. Further, the jeopardy from civil cases brought by the SEC and criminal corporate fraud cases brought by the DOJ has become enormous.

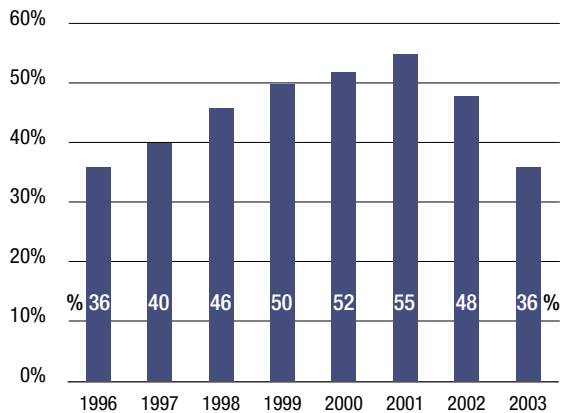
Who gets hit

Big companies were the subject of more securities litigation in 2002 than in any other year. In 2002 the number of private securities class actions filed against Fortune 500 companies spiked to 60, up from 26 the year before and over 250 percent higher than the average number of “Fortune 500” cases over the past five years. But, in 2003 the number of such cases declined to 20, over 30 percent less than the trailing six year average. The unusually high number of cases filed against “Fortune 500” companies in 2002 may be explained by the furor over Enron, WorldCom and other high profile corporate accounting scandals, the communications sector shake-out, and new activism by the SEC and the DOJ. But then, what explains the significant decline in such cases brought in 2003? Was 2002 just an anomaly? It is still too early to tell.

Securities class action lawsuits filed against Fortune 500 companies, 1997-2003



Percentage of accounting cases involving restatements, 1996-2003



Companies that have to restate their financial statements due to accounting errors are more frequently sued in private class actions. From 1996 through 2001 this was a steadily increasing trend, in terms of the percentage of private securities litigation accounting-related cases involving restatements: from 36 percent of such cases in 1996 up to 55 percent of the accounting-related cases filed in 2001. However, since 2001 the trend seems to have reversed. In 2002, 48 percent of accounting-related cases filed involved restatements, and the figure dropped to 36 percent in 2003 - the same percentage as back in 1996. This does not appear to be simply a result of fluctuations in the number of total cases filed. In 2002, out of 218 total cases filed, 161 cases were accounting related and 77 of those cases involved restatements. In 2003, out of a comparable 175 cases filed, 107 were accounting-related and only 38 of those cases involved restatements. Are restatements occurring less often as a result of Sarbanes-Oxley, tougher auditing, a more active enforcement program by the SEC, the actions of the Corporate Fraud Task Force? Or is this just a lull before another storm?

Federal Securities class action lawsuits by industry ¹

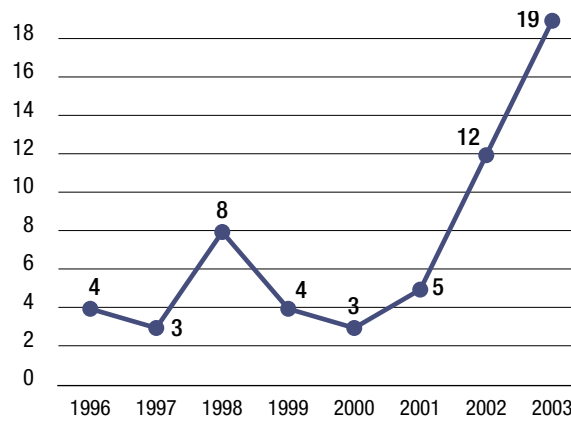
Industry	Percentage of total cases		
	2001	2002	2003
High technology			
Computer services	26%	13%	15%
Electronics	7	6	6
Telecommunications	22	16	5
	<u>55</u>	<u>35</u>	<u>26</u>
Health services	4	5	7
Pharmaceutical	6	10	15
Business services	6	6	5
Retail	3	6	5
Banking/Brokerage,	3	12	13
Financial Services & Insurance			
Other	21	13	19
Utilities/Energy/Oil & Gas	2	12	5

¹ Totals may not add up to 100% due to rounding.

Companies in the high technology sector – comprising computer services (and software), electronics, and telecommunications – have seen a three year downward trend in frequency of private class actions as a percentage of total lawsuits filed: from 55 percent in 2001, to 35 percent in 2002, to a record low 26 percent of total cases filed in 2003. What has changed? Among other things that have changed are: an improving economy and market growth in the high technology sector; more awareness and better understanding of the complex accounting rules for revenue recognition in the software and electronics industries; and, unfortunately, the fact that large numbers of telecommunications companies were sued in 2001 and 2002 – during the shake-out in that industry.

Two other emerging trends appear to be: securities litigation against pharmaceutical companies and against financial institutions. From 2001 to 2003, litigation involving pharmaceutical companies increased from 6 percent to 10 percent to 15 percent of all private securities litigation cases. And, in the same period, litigation against banking, brokerage, financial services and insurance companies increased from 3 percent to 12 percent to 13 percent of total cases filed. The increasing number of cases filed involving pharmaceutical companies is another trend that bears watching – “product efficacy” cases where the basic complaint centers on allegations of fraudulent product claims made by drug manufacturers and other health products producers. From 1996 through 2001, such claims averaged less than 5 per year. However, in 2002 the number of “product efficacy” cases against pharmaceutical and health products companies sharply increased to 12, and in 2003 this number jumped again to 19 cases filed.

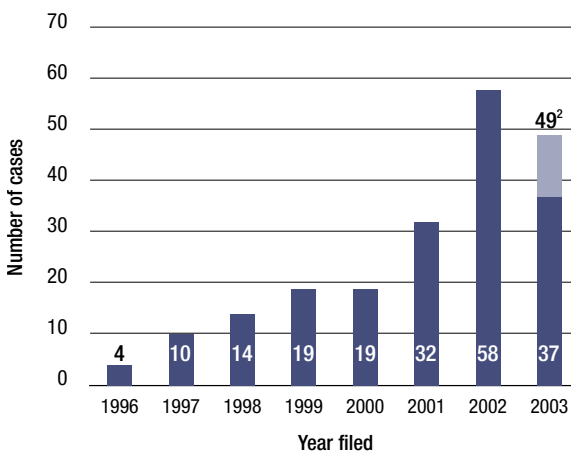
Pharmaceutical/Health efficacy cases 1996-2003



Directors and officers as targets

Chief Executive Officers (“CEOs”) were named as defendants in 98 percent of all cases filed in 2003, up from 94 percent of cases filed in 2002. Chief Financial Officers (“CFOs”) were named as defendants in 86 percent of total cases filed in 2003, while the chairman of the board of directors was named as a defendant in over two-thirds of such cases. Other than not serving at all as a director or officer of an SEC registrant, the safest director or officer positions appear to be general counsel or members of the audit committees of boards of directors – very few cases filed in 2003 named either as defendants in private securities litigation. On the SEC enforcement and DOJ criminal prosecution fronts, 2003 was “open season” for directors and officers and corporate executives. Civil charges were brought by the SEC, and/or criminal charges were brought (and various criminal convictions or plea agreements were obtained) by the DOJ, against current or former officers and directors in cases such as: Enron, WorldCom, Adelphia, HealthSouth, ImClone, Kmart, McKesson HBOC, Network Associates, Qwest, Rite-Aid, Symbol Technologies, and Xerox.

Cases with public pension funds as lead plaintiff¹



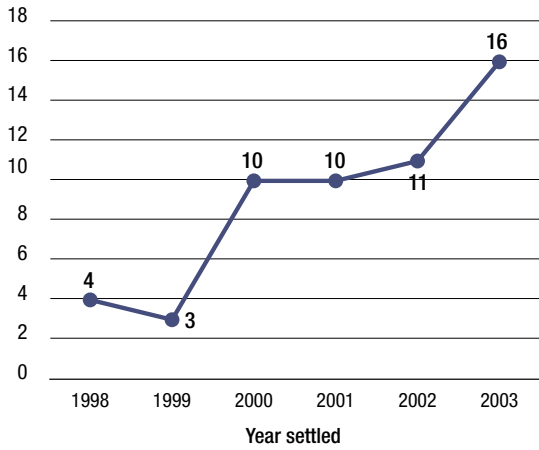
¹ Excludes “IPO Laddering,” “Analyst,” and “Mutual Fund” cases.

² Fourth quarter lead plaintiff data is not yet available. The projected total has been estimated based on the trends of the first three quarters of 2003.

Who is suing and where are the lawsuits being filed

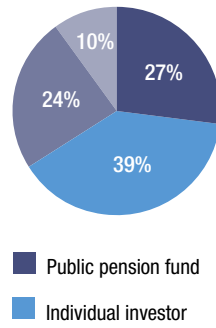
The PSLRA instituted reforms designed to encourage more participation of major investors as lead plaintiffs in private securities litigation. In 2002 institutional investors and public investment or pension funds comprised 51 percent of the lead plaintiffs for all cases filed. In 2003 these major investors represented 42 percent of the lead plaintiffs in cases filed. The rate of cases with union/public pension funds as lead plaintiffs has grown steadily from 1996 to 2003: in 1996, only 4 out of a total of 147 cases had such funds as lead plaintiffs (less than 3 percent); by 2002, union/public pension funds were lead plaintiffs in 58 out of the 218 cases filed (27 percent); and, in 2003 the percentage of cases with public pension funds rose slightly to 28 percent (based on cases filed through September 30, 2003).

Cases settled with public pension funds as lead plaintiff¹

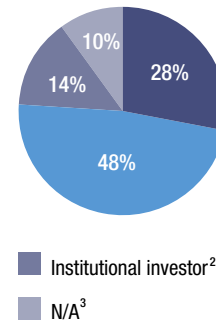


¹ Excludes "IPO Laddering," "Analyst," and "Mutual Fund" cases.

Lead plaintiff in securities class action cases filed in 2002¹



Lead plaintiff in securities class action cases filed in 2003¹



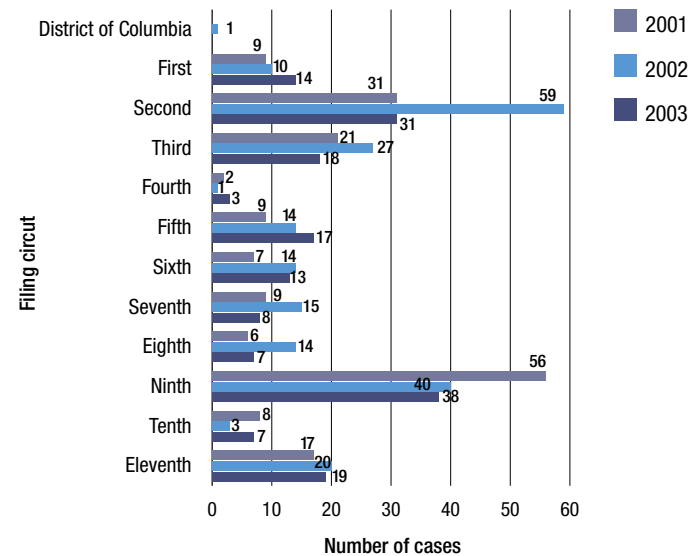
¹ 2001-2003 numbers exclude "IPO Laddering," "Analyst," and "Fund" cases

² Excluding public pension funds

³ Includes cases that have been consolidated or dismissed before a lead plaintiff was determined, and others where lead plaintiff could not be determined.

As in prior years, the largest numbers of cases filed in 2003 were in the Second and Ninth Federal Circuits, where the litigation epicenters are New York, San Francisco (and the Bay Area), Los Angeles and San Diego. Over the period 2001-2003, the Fourth Circuit has seen consistently the least number of cases filed.

U.S. securities class action lawsuits by circuit 2001-2003¹

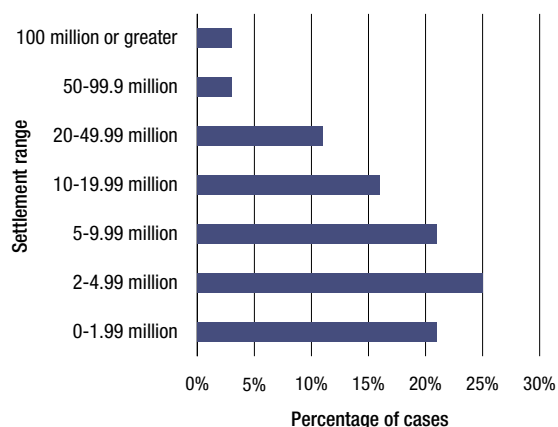


¹ 2001-2003 numbers exclude "IPO Laddering," "Analyst," and "Fund" cases.

Settlements

In 2003 the average settlement value for all cases settled was \$23.2 million, up 20 percent from 2002. Average settlement values for accounting-related cases in 2003 was \$26.5 million, up 53 percent (largely as a result of the mega-settlements) from 2002. The real story regarding settlements is the continued trend of very large settlements. In 2002 there were 21 settlements of \$20 million or greater, of which 4 settlements were in excess of \$100 million. In 2003, there were 23 settlements for \$20 million or greater, of which 6 settlements exceeded \$100 million. Some of the largest settlements reported in 2003 include: Lucent Technologies - \$517 million; DaimlerChrysler AG - \$300 million; Oxford Health Plans - \$300 million; and DPL, Inc. - \$145.5 million. The total value of these settlements for \$20 million or greater that occurred in 2003 was over \$2.2 billion, compared to a total value of settlements for \$20 million or greater in 2002 of approximately \$1.57 billion. Private securities litigation is getting more costly.

Settlement breakdown for all cases filed and settled post-PSLRA



All cases¹

Year Settled	Number of settled cases	Total settlement value	Average settlement value	Average settlement value excl. Cendant	Median settlement value	Average settlement value for cases settled for \$1 million or more up to \$50 million
1996-2000	248	\$6,812,800,000	\$27,500,000	\$14,700,000	\$5,000,000	\$9,100,000
2001	108	\$1,932,300,000	\$17,900,000	\$17,900,000	\$5,500,000	\$10,800,000
2002	107	\$2,072,700,000	\$19,400,000	\$19,400,000	\$6,400,000	\$9,700,000
2003	117	\$2,709,300,000	\$23,200,000	\$23,200,000	\$5,600,000	\$9,800,000

Accounting cases

Year Settled	Number of settled cases	Total settlement value	Average settlement value	Average settlement value excl. Cendant	Median settlement value	Average settlement value for cases settled for \$1 million or more up to \$50 million
1996-2000	160	\$6,150,700,000	\$38,400,000	\$18,600,000	\$6,500,000	\$10,600,000
2001	71	\$1,685,800,000	\$24,000,000	\$24,000,000	\$7,500,000	\$13,000,000
2002	80	\$1,381,100,000	\$17,300,000	\$17,300,000	\$7,500,000	\$10,900,000
2003	83	\$2,197,800,000	\$26,500,000	\$26,500,000	\$6,900,000	\$11,200,000

Non-accounting cases

Year Settled	Number of settled cases	Total settlement value	Average settlement value	Median settlement value	Average settlement value for cases settled for \$1 million or more up to \$50 million
1996-2000	88	\$662,100,000	\$7,500,000	\$3,900,000	\$6,300,000
2001	37	\$225,600,000	\$6,100,000	\$3,800,000	\$6,700,000
2002	27	\$691,600,000	\$25,600,000 ²	\$4,800,000	\$6,000,000
2003	34	\$494,600,000	\$15,000,000 ³	\$3,400,000	\$6,700,000

¹ Settlement year is determined by the year the settlement is disclosed. Settlement information reflects only cases filed and settled after passage of the PSLRA (12/22/95).

² 2002 non-accounting settlements include BankAmerica \$490,000,000 and Bankers Trust \$58,000,000.

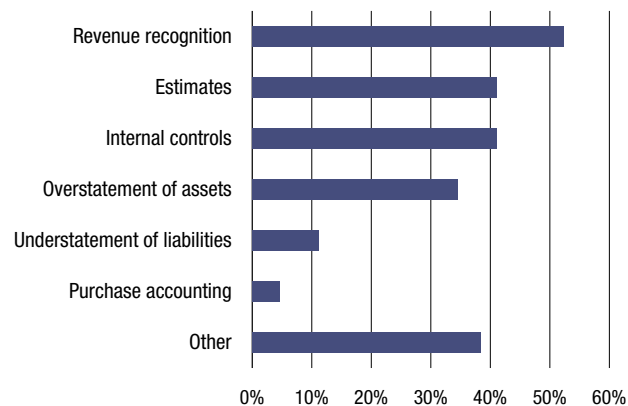
³ 2003 non-accounting settlements include DaimlerChrysler AG \$300,000,000.

Accounting-related litigation trends

Both in private securities litigation and SEC Litigation Releases, the number-one allegation made in accounting-related cases is revenue recognition. In 2003, over 50 percent of all private securities litigation accounting-related cases and approximately 67 percent of SEC accounting-related litigation matters involve revenue recognition allegations. However, in private securities litigation two other areas of accounting-related claims are emerging as “hot” allegations: accounting estimates and internal controls. In 2003 over 40 percent of the claims asserted in accounting-related cases involved one or both of these categories. Typically, “accounting estimates” allegations relate to: earnings management; use of “cookie jar” reserves; under-estimation of reserves and allowances (such as allowances for doubtful accounts, sales returns allowances, and inventory reserves), and estimates relating to impairment of long-lived and intangible assets. This area of accounting estimates has increased in frequency of claims alleged in accounting-related cases since 2001, when 26 percent of the liability claims made in accounting-related cases involved accounting estimates, to 2002 when this figure had increased to 34 percent, to 2003 when 41 percent of the liability claims in accounting-related cases dealt with accounting estimates. The emergence of allegations relating to internal control weaknesses is a growing phenomenon. In prior years, this type of accounting-related allegation was made less frequently. In 2003 internal accounting control weaknesses were alleged in 41 percent of the accounting-related cases. And, this was before Sarbanes-Oxley Section 404 reporting on internal controls begins to occur in 2004 and 2005.

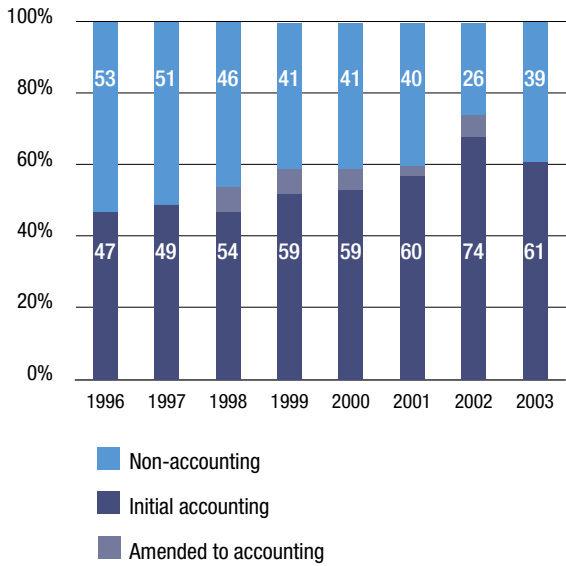
Securities class action lawsuits filed in 2003

Percentage of accounting cases with specific issues¹



¹ Some cases allege multiple accounting issues.

Percentage of accounting securities class action lawsuits filed 1996-2003¹



¹ Cases filed between 1996 and 2002 may have been updated with accounting allegations if the amended complaints allege accounting violations not previously recognized. 2003 cases reflect only initial case complaints.

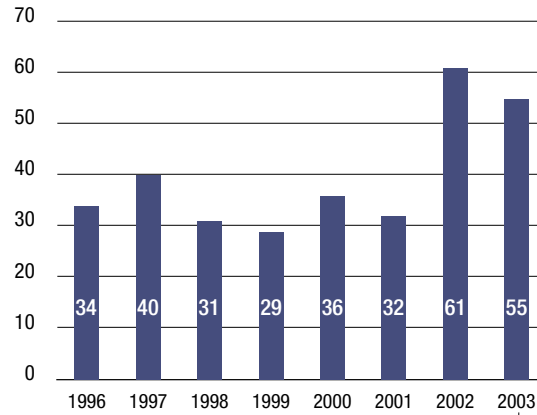
Note: The figures are derived from a review of all new SEC Litigation Releases. A Release is considered new if it does not relate to a previous SEC action. While the SEC has a September 30th year-end, the final tally is based on all releases issued during a calendar year.

After a record year 2002, when accounting-related private securities litigation involved 74 percent of the total cases filed, the figure dropped to 61 percent of total cases filed in 2003. However, the 2003 figure is still higher than in any prior year from 1996 through 2001; and, it continues to reflect an increasing trend in private class actions of alleging violations of accounting rules and financial reporting and disclosure misstatements in the majority of cases.

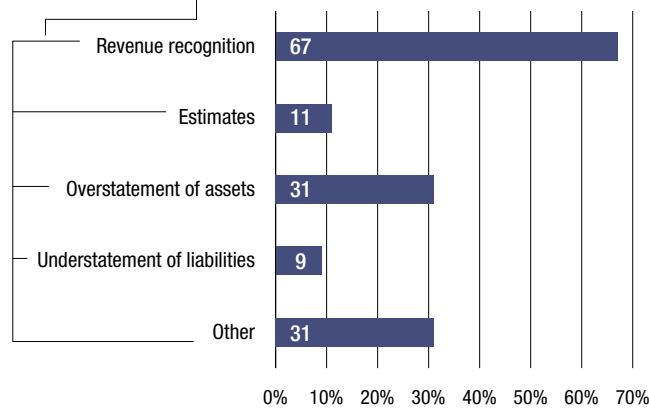
SEC and DOJ investigations, enforcement and prosecution activities

Across the board the SEC and DOJ continue to be more active than in previous years. Investigations are up, SEC enforcement actions are up, and DOJ criminal prosecutions – of corporations and individuals – are up. In 2003, there were 55 “new and unique” accounting cases identified in SEC Litigation Releases. The 55 new accounting cases along with the 61 identified in 2002 are both well above the 1996 through 2001 average when the SEC filed approximately 34 per year.

Securities litigation releases related to new accounting cases

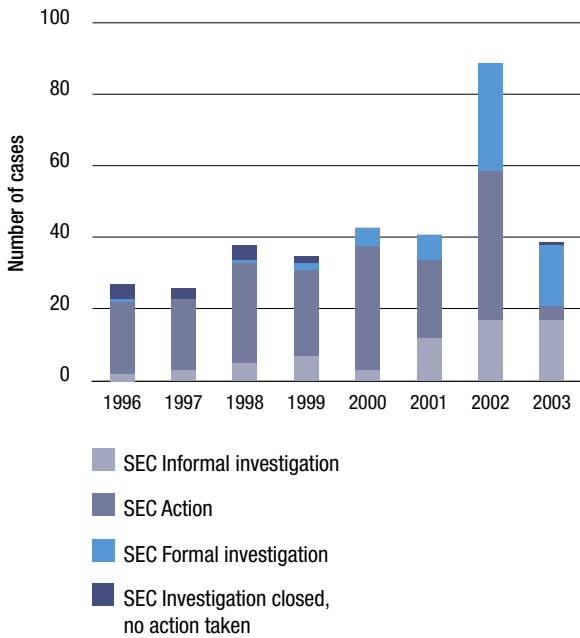


Analysis of accounting issues in 2003 SEC litigation releases

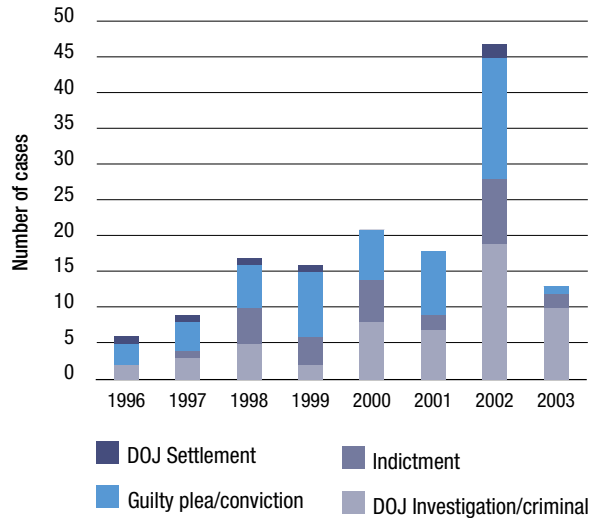


In 2002, there was a sharp upward spike in private securities litigation matters also involving SEC and/or DOJ parallel activity. However, in 2003 this statistic fell back to case numbers similar to, or even below, figures reported in 1996 through 2001. Why is this? One reason may be that the number of SEC and/or DOJ cases in the “pipeline” is taking longer to investigate and bring to the stage of settlement or litigation. Another reason may be that 2002, the year of such significant activity, also was the year in which the U.S. Congress took aim at Enron and other corporate scandals and enacted Sarbanes-Oxley. Whether 2004 and beyond will see another upsurge in SEC and DOJ securities litigation activity is not yet clear.

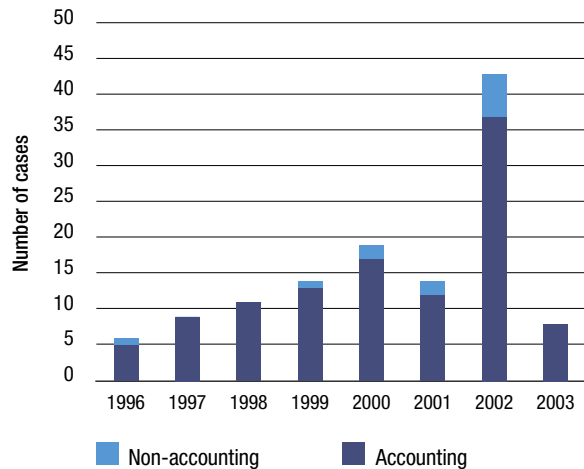
U.S. securities class action lawsuits involving SEC activity, 1996-2003¹



U.S. securities class action lawsuits involving criminal activity, 1996-2003¹



U.S. securities class action lawsuits with both SEC and DOJ activity, 1996-2003¹



¹ Information is based on a review of press releases, SEC releases, and news articles.

When the SEC and/or DOJ become involved in securities investigations and litigation, companies and their directors, officers and employees face “triple jeopardy,” involving SEC civil litigation, DOJ criminal prosecution, and private securities litigation. These circumstances have become common over the past several years, and have involved higher-profile matters such as HealthSouth, WorldCom, Enron, Adelphia, and – in 2003 – Ahold and Parmalat. In such cases, settlements have become much more complicated, and the greatest risks may no longer be damages or settlement costs in private securities litigation. The SEC wields almost unlimited power to debar officers and directors, impose fines and penalties, obtain disgorgements, and prevent professionals from practicing before the Commission. DOJ investigations and prosecutions can lead to criminal fraud convictions and imprisonment. The dynamics of securities litigation has changed dramatically in such “triple jeopardy” cases.

Fines and penalties being meted out in recent SEC and DOJ settlements with companies have sky-rocketed. For example, in four recently settled cases involving financial institutions charged with aiding and abetting the frauds at Enron through so-called “counter-party” structured transactions, the fines and penalties (including disgorgements) have been \$80 million, \$80 million, \$120 million and \$135 million respectively. The fines and penalties in the Vivendi Universal settlement with the SEC were \$50 million. In the WorldCom settlement with the SEC and DOJ, total fines and penalties were a whopping \$2.25 billion. In several recent speeches, SEC representatives have indicated that fines and penalties may be ratcheted up even further.

Criminal prosecutions and convictions for corporate fraud offenses also are ratcheting up. The First Year Report To The President, by the U.S. Corporate Fraud Task Force, issued in 2003, reported the following sobering statistics regarding their activities from July 9, 2002 through May 31, 2003: 250 corporate fraud convictions; as of May 31, 2003, 354 criminal charges pending, involving 169 filed cases and 320 ongoing criminal investigations, involving 500 individual subjects; and over \$2.5 billion awarded in fines, forfeitures and restitution. And, the Corporate Fraud Task Force noted that in 64 of their corporate fraud convictions where sentencing had occurred, 75 percent of the corporate fraud defendants had been sentenced to terms of imprisonment and 25 percent of such defendants had been sentenced to terms of imprisonment in excess of 5 years¹. The Corporate Fraud Task Force has promised more to come.

1 This Study does not include “transactional cases” which are typically filed in Delaware Chancery Court and allege that a company and its directors and officers breached their fiduciary duty to shareholders in the process of negotiating a merger, takeover or other transaction involving the company.

2 There is a +/-3 variation in the numbers and percentages presented in this study.

For more information visit the
PricewaterhouseCoopers Securities
Litigation website @ www.10b5.com

Some concluding thoughts

The securities litigation picture in 2003 is unfocused. Case levels are down from 2002, but average settlements are up in dollar amounts and the potency of major cases is much stronger. Investigations and litigation activities of the SEC and DOJ – while increasing over prior years – are down from the year 2002. Restatements of corporate-filers’ financial statements involved in securities litigation are down from 2002; and, the number of securities class actions filed against “Fortune 500” companies is markedly less than was filed in 2002 (and even below the levels of such cases filed in 1999, 2000 and 2001). The messages are mixed and no clear trends appear to be emerging. The good news is that private class action case filings are not exploding; the number of restatements is not growing; and accounting-related cases are declining. The bad news is that average settlement values and the settlement values of major cases are both significantly increased again in 2003.

¹ Per July 22, 2003 press release from The White House.