

# SECURITIES CLASS ACTION (SCA) RULE 10b-5 EXPOSURE REPORT – 3Q 2021



October 8, 2021

## U.S. SCA Rule 10b-5 Exposure of Public Corporations that Issue Common Stock on U.S. Exchanges Increased to \$38.7B in 3Q'21 from \$30.5B in 2Q'21<sup>i</sup>

22 public corporations that issue common stock on U.S. Exchanges (“U.S. issuers”) were sued for alleged violations of the federal securities laws under Section 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) during 3Q'21.<sup>ii</sup> U.S. SCA Rule 10b-5 Exposure of directors and officers of U.S. issuers to claims that allege violations of the Exchange Act amounts to \$38.7 billion.<sup>iii</sup> Approximately \$1.8 billion, or 4.3% of alleged shareholder losses (claimed market capitalization losses), do not surpass statistical thresholds of back-end stock price impact and may not translate into classwide shareholder damages. Without discounting the effects of back-end price impact, alleged shareholder losses in 3Q'21 amount to \$40.4 billion.



**Table 1: U.S. SCA Rule 10b-5 Exposure of U.S. Issuers**

Quarter	U.S. Rule 10b-5 Exchange Act Filings [1]	U.S. SCA Rule 10b-5 Exposure (000s) [2]	Aggregate Market Cap. of U.S. Issuers (000s) [3]	U.S. SCA Rule 10b-5 Exposure Rate [4]	U.S. SCA Rule 10b-5 Litigation Rate [5]
4Q'20	34	\$97,758,984	\$39,492,171,257	<b>0.25%</b>	<b>0.97%</b>
1Q'21	34	\$33,570,039	\$43,675,658,369	<b>0.08%</b>	<b>0.94%</b>
2Q'21	31	\$30,485,243	\$47,322,716,862	<b>0.06%</b>	<b>0.81%</b>
3Q'21	22	\$38,669,792	\$49,534,308,488	<b>0.08%</b>	<b>0.55%</b>

[1] Identified first-filed SCA complaints that allege violations of Rule 10b-5. Excludes non-U.S. issuers that trade on U.S. exchanges through ADRs.

[2] U.S. SCA Rule 10b-5 Exposure is equal to the claimed market cap. losses that may surpass back-end price impact statistical thresholds.

[3] The average aggregate market cap. of U.S. issuers for the corresponding quarter.

[4] The ratio of U.S. SCA Rule 10b-5 Exposure to the aggregate market cap of U.S. issuers ([4] = [2] / [3]).

[5] = Number of defendant U.S. issuers divided by the aggregate number of U.S. issuers.

While frequency of filings decreased by 29% in 3Q'21 relative to 2Q'21, U.S. SCA Rule 10b-5 Exposure increased by 26.8%, or \$8.2 billion, relative to 2Q'21. The U.S. SCA Rule 10b-5 Exposure Rate increased by 2 basis points in 3Q'21 to 0.08%. U.S. SCA Rule 10b-5 Litigation Rate decreased by 26 basis points from 0.81% in 2Q'21 to 0.55% in 3Q'21.

**COVID-19 U.S. SCA Rule 10b-5 Litigation Exposure:** No Rule 10b-5 claims related to COVID-19 were filed in 3Q'21. The total SCA Rule 10b-5 Exposure related to COVID-19 since March 2020 amounts to \$26.2 billion.

**Table 2: Back-end Price Impact Summary of Alleged Corrective Disclosures of U.S. Issuers**

Quarter	U.S. Rule 10b-5 Exchange Act Filings [1]	Alleged Corrective Disclosures [2]	Alleged Corrective Disclosures with No Price Impact [3]	% of Corrective Disclosures with No Price Impact [4]
4Q'20	34	73	24	33%
1Q'21	34	67	21	31%
2Q'21	31	51	20	39%
3Q'21	22	32	6	19%

[1] Identified first-filed SCA complaints that allege violations of Rule 10b-5. Excludes non-U.S. issuers that trade through ADRs.

[2] The number of alleged corrective disclosures identified in the sample of SCA complaints.

[3] The number of alleged corrective disclosures that do not exhibit a statistically significant one-day residual stock price return at the 95% confidence standard.

[4] The ratio of the number of alleged corrective disclosures that do not exhibit back-end price impact to the total number of alleged corrective disclosures. ([4] = [3] / [2])

During 3Q'21, SAR accounted for 33 “stock-drop” SCAs filed against U.S. issuers that allege violations of Rule 10b-5 via 53 claimed corrective disclosures.<sup>iv</sup> After consolidating cases with seemingly related allegations against individual U.S. issuers, SAR accounted for 22 filed SCAs. A total of 32 corrective disclosures have been alleged in the 22 first-filed SCAs.<sup>v</sup> Of the 32 corrective disclosures alleged during 3Q'21, 6 (19%) may not translate to classwide shareholder damages since they do not warrant inclusion in a certified class of proposed shareholders (*Goldman*) as they do not surpass statistical thresholds of back-end price impact (*Halliburton II*). These alleged stock drops also run afoul of the heightened pleading standards of loss causation (*Dura*) because they lack statistical significance after excluding non-company specific effects.<sup>vi</sup>

The number of alleged stock drops decreased from 51 in 2Q'21 to 32 in 3Q'21, a decrease of 37.3%. The number of alleged stock drops that did not exhibit price impact decreased by more than two thirds, from 20 in 2Q'21, down to 6 in 3Q'21. That means that 19% of alleged corrective disclosures included in first-filed complaints in 3Q'21 do not exhibit price impact — the lowest amount since 3Q'19. The shareholder value of those drops - as calculated by the alleged market capitalization losses stemming from econometrically deficient alleged stock drops — decreased by nearly 60%, from \$4.4 billion in 2Q'21 to \$1.8 billion in 3Q'21. That is the lowest amount exhibited since 3Q'19.<sup>vii</sup>

## SCA RULE 10b-5 EXPOSURE BY INDUSTRY SECTOR

### Nearly Half of Rule 10b-5 Claims in 3Q'21 Were Filed Against Pharma/Biotech Companies.

Out of the 22 SCAs filed in 3Q'21, 10 (or 45.5%) were filed against Pharma/Biotech companies, 2 (or 9.1%) against Finance, Insurance, and Real Estate (F.I.R.E) companies, and 2 (or 9.1%) against Software companies. The sector with the greatest *U.S. SCA Rule 10b-5 Exposure* was the Software sector which accounted for 52.7% of the *U.S. SCA Rule 10b-5 Exposure* and amounts to \$20.4 billion.

Data and analyses indicate that the industry sectors that were impacted most by alleged corrective disclosures that may not surpass statistical thresholds of back-end price impact are Health Care; Media; Retail and Consumer Products; and Pharma/Biotech. 100% (\$195.3 million) of shareholder losses alleged in the single SCA against a Health Care company did not exhibit stock price impact. 22% (\$1.3 billion) of shareholder losses alleged in the single SCA filed against a Media company did not exhibit stock price impact. 8% (\$213.3 million) of shareholder losses alleged the single SCA against a Retail and Consumer Products company did not exhibit stock price impact. 1% (\$25.4 million) of shareholder losses alleged in the 10 SCAs against Pharma/Biotech companies did not exhibit stock price impact.

**Table 3: U.S. SCA Rule 10b-5 Exposure by Industry Sector in 3Q'21**

Industry Sector [1]	U.S. Rule 10b-5 Exchange Act Filings [2]	Alleged Market Cap. Losses (000s) [3]	Market Cap. Losses that Do Not Exhibit Price Impact (000s) [4]	U.S. SCA Rule 10b-5 Exposure (000s) [5]	% of Market Cap. Losses that Do Not Exhibit Price Impact [6]
<b>Agriculture</b>	1	\$346,625	\$0	\$346,625	0%
<b>Auto</b>	1	\$739,086	\$0	\$739,086	0%
<b>Energy</b>	1	\$4,272,489	\$0	\$4,272,489	0%
<b>F.I.R.E.</b>	2	\$1,598,561	\$0	\$1,598,561	0%
<b>Health Care</b>	1	\$195,337	\$195,337	\$0	100%
<b>Materials</b>	1	\$45,680	\$0	\$45,680	0%
<b>Media</b>	1	\$6,052,961	\$1,320,929	\$4,732,032	22%
<b>Other Services</b>	1	\$42,506	\$0	\$42,506	0%
<b>Pharma/Biotech</b>	10	\$4,028,632	\$25,358	\$4,003,274	1%
<b>Retail and Consumer Products</b>	1	\$2,706,869	\$213,309	\$2,493,560	8%
<b>Software</b>	2	\$20,395,979	\$0	\$20,395,979	0%
<b>3Q 2021 Total:</b>	<b>22</b>	<b>\$40,424,724</b>	<b>\$1,754,933</b>	<b>\$38,669,792</b>	<b>4.3%</b>

[1] Industry sector is based on the defendant corporation's SIC code.

[2] Identified first-filed SCA complaints that allege violations of Rule 10b-5. Excludes non-U.S. issuers that trade on U.S. exchanges through ADRs.

[3] Market cap. losses of U.S. issuers listed as defendants unadjusted for alleged corrective disclosures that do not meet statistical thresholds of back-end price impact.

[4] Market cap. losses of U.S. issuers listed as defendants that do not meet statistical thresholds of back-end price impact.

[5] *U.S. SCA Rule 10b-5 Exposure* is equal to the claimed market cap. losses that may surpass statistical thresholds of back-end stock price impact ( [5]=[3]-[4] ).

[6] = [4] / [3]

## SCA RULE 10b-5 EXPOSURE OF U.S. LARGE CAP CORPORATIONS<sup>viii</sup>

### Large Cap SCA Rule 10b-5 Exposure Increased to \$33.3 Billion in 3Q'21, Nearly Doubling Relative to 2Q'21.

6 large cap corporations were sued for alleged violations of Rule 10b-5 during 3Q'21 – a decrease of 1 – relative to 2Q'21. The average aggregate market capitalization of U.S. large cap corporations, based on the market capitalization range of the S&P500 Index during 3Q'21, was \$47.03 trillion.<sup>ix</sup> This is an increase in aggregate market cap of \$2.14 trillion, or 4.8%, relative to 2Q'21. The greater increase in *Large Cap Rule 10b-5 Exposure* relative to the increase in the aggregate market cap led to an increase of the *Large Cap SCA Rule 10b-5 Exposure Rate* by 3 basis points to 0.07% in 3Q'21. The *Large Cap SCA Rule 10b-5 Litigation Rate* decreased from 0.64% in 2Q'21 to 0.51% in 3Q'21 – a drop of 13 basis points.

The return of the S&P500 Index between July 1, 2021 and September 30, 2021 was 0.58%.



**3Q'21 U.S. Large Cap Analysis:** The *Large Cap SCA Rule 10b-5 Exposure* of \$33.3 billion during 3Q'21 is up 98.1% from 2Q'21 with a single unit decline in frequency in 3Q'21 relative to 2Q'21. 3Q'21 exhibited the lowest *Large Cap SCA Rule 10b-5 Litigation Rate* since 1Q'19.

Table 4: Large Cap SCA Rule 10b-5 Exposure of U.S. Issuers

Quarter	Rule 10b-5 SCAs filed against Large Cap Defendants	Large Cap SCA Rule 10b-5 Exposure (000s)	Aggregate Market Cap. of Large Caps (000s)	Large Cap SCA Rule 10b-5 Exposure Rate	Large Cap SCA Rule 10b-5 Litigation Rate
4Q'20	17	\$93,171,021	\$37,375,514,160	0.25%	1.96%
1Q'21	11	\$22,769,816	\$41,385,863,786	0.06%	1.06%
2Q'21	7	\$16,822,443	\$44,892,667,940	0.04%	0.64%
3Q'21	6	\$33,320,795	\$47,030,040,955	0.07%	0.51%

## SCA RULE 10b-5 EXPOSURE OF U.S. MID CAP CORPORATIONS\*

### Mid Cap SCA Rule 10b-5 Exposure had a Material Decrease of 70.0% in 3Q'21, Amounting to \$2.5 Billion.

3 mid cap corporations were sued for alleged violations of Rule 10b-5 during 3Q'21 – a decrease of 3 – relative to 2Q'21. The average aggregate market capitalization of U.S. mid cap corporations, based on the market capitalization range of the S&P MidCap 400 Market Index during 3Q'21, was \$1.66 trillion, a small increase of 1.97% relative to 2Q'21.<sup>xi</sup> In 3Q'21, the *Mid Cap SCA Rule 10b-5 Exposure Rate* decreased to 0.15%. The *Mid Cap Rule 10b-5 Litigation Rate* decreased quarter-over-quarter to 0.43% – a drop of 42 basis points relative to 2Q'21.

The return of the S&P MidCap 400 between July 1, 2021 and September 30, 2021 was -1.76%.



**3Q'21 U.S. Mid Cap Analysis:** Mid Cap SCA filing frequency and *Mid Cap SCA Rule 10b-5 Exposure Rate* both decreased this quarter. The 3Q'21 *Mid Cap SCA Rule 10b-5 Exposure* amounted to \$2.5 billion, a material decrease of 70.0% relative to 2Q'21. The *Mid Cap Rule 10b-5 Litigation Rate* decreased by 42 basis points relative to 2Q'21, resulting in the lowest *Mid Cap SCA Rule 10b-5 Litigation Rate* exhibited since 1Q'19.

Table 5: Mid Cap SCA Rule 10b-5 Exposure of U.S. Issuers

Quarter	Rule 10b-5 SCAs filed against Mid Cap Defendants	Mid Cap SCA Rule 10b-5 Exposure (000s)	Aggregate Market Cap. of Mid Caps (000s)	Mid Cap SCA Rule 10b-5 Exposure Rate	Mid Cap SCA Rule 10b-5 Litigation Rate
4Q'20	4	\$2,152,848	\$1,432,821,304	0.15%	0.65%
1Q'21	4	\$2,380,893	\$1,556,318,844	0.15%	0.62%
2Q'21	6	\$8,464,394	\$1,629,594,208	0.52%	0.85%
3Q'21	3	\$2,539,543	\$1,661,697,612	0.15%	0.43%

## SCA RULE 10b-5 EXPOSURE OF U.S. SMALL CAP CORPORATIONS<sup>xii</sup>

### Small Cap SCA Rule 10b-5 Exposure Decreased by 46.0% in 3Q'21.

13 small cap corporations were sued for alleged violations of Rule 10b-5 during 3Q'21, which is 5 fewer than in 2Q'21. The *Small Cap SCA Rule 10b-5 Exposure* in 3Q'21 amounted to \$2.8 billion, which is a decrease of 46.0% relative to 2Q'21. The average aggregate market capitalization of U.S. small cap corporations, based on the market capitalization range of the S&P SmallCap 600 Market Index during 3Q'21, was \$842.6 billion — an increase of 5.26% relative to 2Q'21.<sup>xiii</sup> In 3Q'21, the *Small Cap SCA Rule 10b-5 Exposure Rate* was 0.33%, which is 32 basis points lower relative to 2Q'21. The *Small Cap Rule 10b-5 Litigation Rate* also decreased by 29 basis points to 0.61.

The return of the S&P SmallCap 600 Index between July 1, 2021 and September 30, 2021 was -2.84%.



**2Q'21 U.S. Small Cap Analysis:** *Small Cap SCA Rule 10b-5 Exposure* decreased by nearly half relative to 2Q'21. Small Cap SCA Rule 10b-5 filing frequency also decreased, resulting in the lowest *Small Cap Rule 10b-5 Exposure Rate* and the lowest *Small Cap Rule 10b-5 Litigation Rate* of the past year.

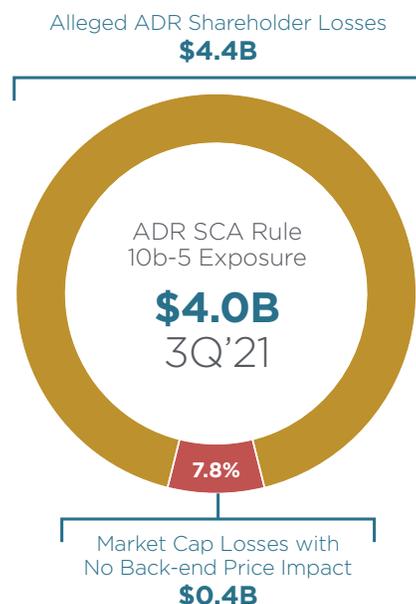
**Table 6: Small Cap SCA Rule 10b-5 Exposure of U.S. Issuers**

Quarter	Rule 10b-5 SCAs filed against Small Cap Defendants	Small Cap SCA Rule 10b-5 Exposure (000s)	Aggregate Market Cap. of Small Caps (000s)	Small Cap Rule 10b-5 Exposure Rate	Small Cap Rule 10b-5 Litigation Rate
4Q'20	13	\$2,435,116	\$683,835,792	0.36%	0.64%
1Q'21	19	\$8,419,330	\$733,475,740	1.15%	0.97%
2Q'21	18	\$5,198,406	\$800,454,714	0.65%	0.90%
3Q'21	13	\$2,809,454	\$842,569,921	0.33%	0.61%

## The ADR SCA Rule 10b-5 Exposure of non-U.S. issuers in 3Q'21 amounts to \$4.0 billion, a Decrease of 44.0% Relative to 2Q'21.<sup>xiv</sup>

4 non-U.S. issuers that trade on U.S. exchanges through ADRs (“non-U.S. issuers”) were sued for alleged violations Exchange Act during 3Q'21.<sup>xv</sup> ADR SCA Rule 10b-5 Exposure of directors and officers of non-U.S. issuers to claims that allege violations of Rule 10b-5 under the Exchange Act amounts to \$4.0 billion.<sup>xvi</sup> Approximately \$0.4 billion of market capitalization declines that have been claimed as investor losses by a proposed class of common stock shareholders may not surpass statistical thresholds of back-end price impact and may not translate into classwide shareholder damages. Without discounting the effects of back-end stock price impact, claimed shareholder losses against directors and officers of non-U.S. issuers amounts to \$4.4 billion in 3Q'21.

In 3Q'21, the ADR SCA Rule 10b-5 Exposure Rate decreased by 1 basis point to 0.01% relative to 2Q'21. The ADR SCA Rule 10b-5 Litigation Rate is 0.20% based on the number of non-U.S. issuers that trade in the NYSE, NASDAQ, and over-the-counter in the U.S, which is an increase of 5 basis points relative to 2Q'21.



**Table 7: ADR SCA Rule 10b-5 Exposure of Non-U.S. Issuers**

Quarter	ADR Rule 10b-5 Exchange Act Filings [1]	ADR SCA Rule 10b-5 Exposure (000s) [2]	Aggregate Market Cap. Of Non-U.S. Issuers (000s) [3]	ADR SCA Rule 10b-5 Exposure Rate [4]	ADR SCA Rule 10b-5 Litigation Rate [5]
4Q'20	7	\$79,317,724	\$28,864,710,836	<b>0.27%</b>	<b>0.35%</b>
1Q'21	4	\$4,270,020	\$31,880,168,701	<b>0.01%</b>	<b>0.20%</b>
2Q'21	3	\$7,180,663	\$33,096,190,555	<b>0.02%</b>	<b>0.15%</b>
3Q'21	4	\$4,022,379	\$32,889,703,189	<b>0.01%</b>	<b>0.20%</b>

[1] First-filed SCA complaints that allege violations of Rule 10b-5 against non-U.S. issuers. Excludes U.S. issuers that trade on U.S. exchanges.

[2] ADR SCA Rule 10b-5 Exposure is equal to the claimed market cap. losses that may surpass back-end price impact thresholds.

[3] The aggregate market cap. of non-U.S. issuers.

[4] The ratio of ADR SCA Rule 10b-5 Exposure to the aggregate market cap of non-U.S. issuers. ([4] = [2] / [3]).

[5] = Number of defendant non-U.S. issuers divided by the aggregate number of non-U.S. issuers.

**3Q'21 ADR Analysis:** Although the number of filings increased by 1 in 3Q'21, *ADR SCA Rule 10b-5 Exposure* of non-U.S. issuers decreased by 44.0% relative to 2Q'21. 22.2% of the alleged corrective disclosures in the 4 SCAs filed against non-U.S. issuers do not surpass statistical thresholds of back-end price impact. That amounts to \$0.4 billion, or 7.8% of the claimed market capitalization losses that do not surpass statistical thresholds of stock price impact.

**Table 8: Price Impact Summary of Alleged Corrective Disclosures of Non-U.S. Issuers**

Quarter	ADR Rule 10b-5 Exchange Act Filings [1]	Alleged Corrective Disclosures [2]	Alleged Corrective Disclosures with No Price Impact [3]	% of Corrective Disclosures with No Price Impact [4]
4Q'20	7	11	2	18.2%
1Q'21	4	4	2	50.0%
2Q'21	3	15	9	60.0%
3Q'21	4	9	2	22.2%

[1] First-filed SCA complaints that allege violations of Rule 10b-5 against non-U.S. issuers that trade on U.S. exchanges through ADRs. Excludes U.S. issuers.

[2] The total number of alleged corrective disclosures identified in the sample of SCA complaints.

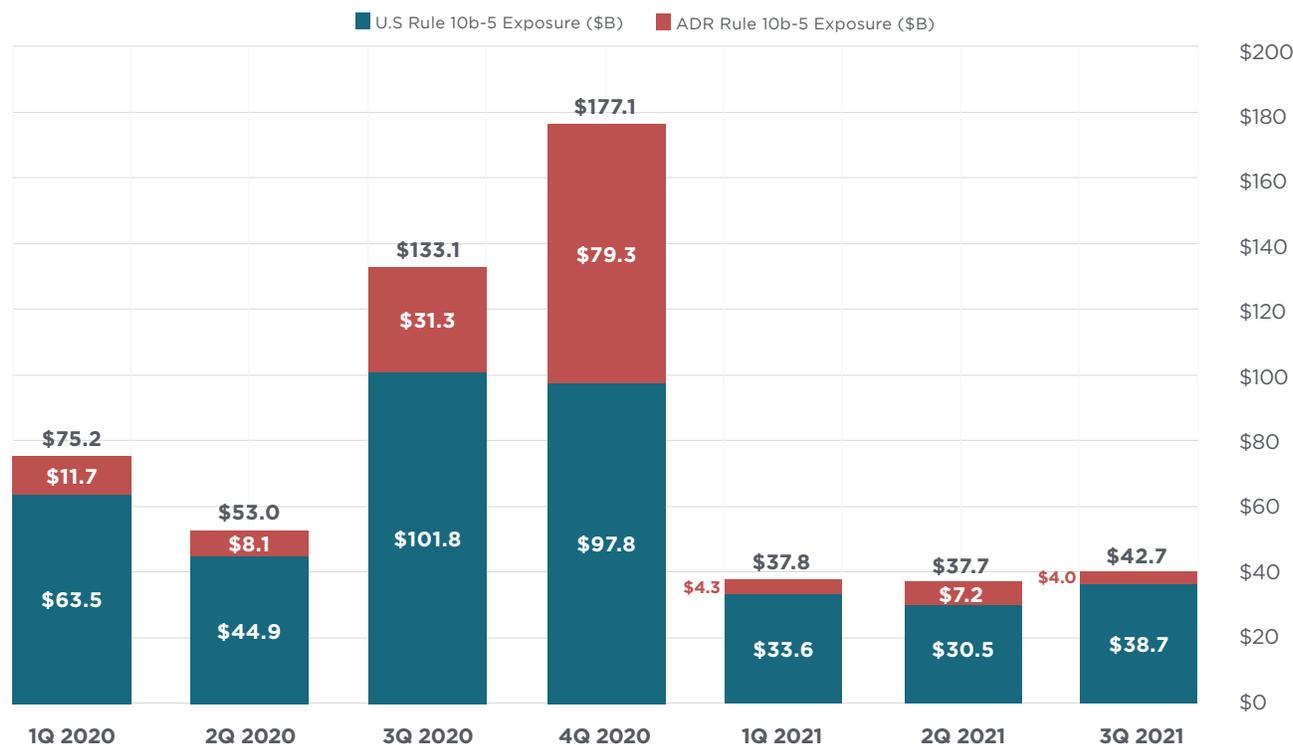
[3] The total number of alleged corrective disclosures that do not exhibit a statistically significant one-day residual stock price return at the 95% confidence standard.

[4] The ratio of the number of alleged corrective disclosures that do not meet statistical thresholds of back-end price impact to the total number of alleged corrective disclosures. ( [4] = [3] / [2] ).

## GLOBAL SCA RULE 10b-5 EXPOSURE<sup>xvii</sup>

*Global SCA Rule 10b-5 Exposure* of U.S.-listed corporations (including U.S. issuers of common stock and non-U.S. issuers that trade via ADRs) amounts to \$42.7 billion in 3Q'21. That is an increase of \$5.0 billion, or 13.3%, in global securities class action exposure to Rule 10b-5 private securities fraud litigation relative to 2Q'21.

### Global SCA Rule 10b-5 Exposure



First-filed Rule 10b-5 Exchange Act claims between 1Q 2020 and 3Q 2021 that allege Rule 10b-5 class-wide damages against publically traded companies listed on U.S. Exchanges.

**Sources:** S&P Global Market Intelligence, S&P Dow Jones Indices, Thomson Reuters, SAR SCA Platform as of June 30<sup>th</sup>, 2021.

**Any reprint of the information or figures presented in this quarterly report should reference SAR. Please direct any technical inquiries to Stephen Sigrist, VP of Data Science, at 202.891.3652 or stephen@sarlit.com. SAR is a software and data analytics company that actively tracks, monitors, and analyzes private securities fraud actions that allege violations of the Exchange Act of 1934.**

<sup>i</sup>Figures of Securities Class Action (SCA) Rule 10b-5 litigation exposure are based on identified first-filed complaints for each claim filed during the corresponding quarter. All federal securities class action complaints are read and screened for allegations that specifically include alleged violations of Rule 10b-5 and define a specific Class Period. Only the claimed stock price declines presented in the first-filed complaint against each defendant company are accounted for to estimate *U.S. SCA Rule 10b-5 Exposure*. Measures of SCA exposure for each claim may increase or decrease as the case progresses through the class action life cycle. SCA Exposure is not amended retroactively for cases that have been dismissed by the Court or voluntarily dismissed by plaintiffs.

<sup>ii</sup>This tally accounts for U.S. issuers of common stock that are listed as defendants in first-filed SCA complaints that allege shareholder damages for alleged artificial inflation of stock price during the third quarter of 2021. A U.S. issuer of common stock that was sued a second or third time during the current quarter is not accounted for in the current quarter's tally. The tally excludes SCA complaints against U.S. issuers of common stock that were sued for alleged violations of the federal securities laws in previous quarters. The tally also excludes Exchange Act claims that allege an artificially depressed price of common stock, a novel damages theory (see for example, *White Pine Investments v. CVR Refining, LP et al.*); and Exchange Act claims against Electronic Traded Funds (ETFs). The tally also excludes cases that have been filed against international corporations that are listed on U.S. exchanges through American Depositary Receipts (ADRs). SCAs that allege Class Periods and/or corrective disclosures for which insufficient historical pricing data exists to estimate alleged artificial stock inflation are also excluded from the tally (see for example, *Skeels v. Piedmont Lithium Inc. et al.*, *Ivan Baron v. HyreCar Inc. et al.*)

<sup>iii</sup>A public corporation's exposure to alleged violations of Rule 10b-5 is estimated by tracking the cumulative decline in market capitalization during open market trading sessions that correspond with the timing of the claimed alleged corrective disclosures that surpass statistical thresholds of indirect price impact and are presented in a first-filed SCA complaint. This figure excludes market capitalization declines of non-U.S. issuers that have been sued for violations of the U.S. federal securities laws and trade on U.S. exchanges through American Depositary Receipts (ADRs).

<sup>iv</sup>SAR relies on Docket Alert and Court Wire notifications attained from Thomson Reuters Westlaw. SAR professionals actively monitor and track case dockets to attain newly filed and amended claims.

<sup>v</sup>This tally of alleged corrective disclosures includes only those from first-filed SCA complaints identified during 3Q 2021 against U.S. issuers of common stock. The tally excludes securities class action complaints against companies for which there are first-filed complaints in prior quarters.

<sup>vi</sup>See *Goldman Sachs Group Inc. v. Arkansas Teacher Retirement System*, No. 20-222 (2021), *Halliburton Co. v. Erica P. John Fund, Inc.*, 134 S. Ct. 2398 (2014), and *Dura Pharmaceuticals, Inc. v. Broudo*, No. 03-932, 2005 WL 885109 (2005).

<sup>vii</sup>A single-firm multivariate regression analysis with a minimum of 100 observations (if a full 252 observations is unattainable) for a Control Period is applied to evaluate the statistical significance of the logarithmic residual stock price decline on the trading day(s) affected by an alleged corrective disclosure(s) (or the alleged adverse event). Statistical significance is measured by computing the t-statistic of the residual stock price decline during the trading session that is affected by the alleged corrective information. (If the t-statistic is greater than plus or minus 1.96, the likelihood that the daily residual return of the defendant company's common stock could have been caused by random volatility is less than 5%.) The Control Period ends one trading day prior to the start of the Class Period presented in the corresponding securities class action complaint. Due to proliferation of Rule 10b-5 claims made against companies involved in recent SPAC transactions, beginning in 2Q'21, a single-firm multivariate regression analysis is performed when sufficient trading day observations are available to support an adequate Control Period. If there are between 50 and 100 closing stock price observations before the first alleged corrective disclosure, the VP of Data Science determines whether the raw data sample is sufficiently robust to perform a multivariate regression analysis that surpasses econometric quality controls of SAR.

<sup>viii</sup>Large cap corporations are the sub-set of defendant corporations that have market capitalizations within the range of the greatest and least market capitalization value of the constituent members of the S&P 500 Market Index at the time of the start of the Class Period alleged in the first-filed complaint.

<sup>ix</sup>This is the average total market capitalization of U.S. issuers of common stock that are listed on the NYSE or Nasdaq exchanges with market capitalizations greater than \$3.7 billion between July 1st, 2021 and September 30th, 2021.

<sup>x</sup>Mid cap corporations are the sub-set of defendant corporations that have market capitalizations within the range of the greatest and least market capitalization value of the constituent members of the S&P MidCap 400 Market Index at the time of the start of the Class Period alleged in the first-filed complaint.

<sup>xi</sup>This is the average total market capitalization of U.S. issuers of common stock that are listed on the NYSE or Nasdaq exchanges with market capitalizations between \$1.26 and \$3.7 billion between July 1st, 2021 and September 30th, 2021.

<sup>xii</sup>Small cap corporations are the sub-set of defendant corporations that have market capitalizations within the range of the greatest and least market capitalization value of the constituent members of the S&P SmallCap 600 Market Index at the time of the start of the Class Period alleged in the first-filed complaint.

<sup>xiii</sup>This is the average total market capitalization of U.S. issuers of common stock in that are listed on the NYSE or Nasdaq exchanges with market capitalizations less than \$1.26 billion July 1st, 2021 and September 30th, 2021.

<sup>xiv</sup>Figures of *ADR Securities Class Action (SCA) Rule 10b-5 Exposure* are based on the first filed complaint for each claim filed during the corresponding quarter. All federal securities class action complaints that comprise the data and analyses presented herein are read and screened for allegations that specifically include alleged violations of Rule 10b-5 and define a specific Class Period. Only the claimed stock price declines presented in the first filed complaint against each defendant company are accounted for to estimate *ADR SCA Rule 10b-5 Exposure*. Measures of SCA exposure for each claim may increase or decrease as the case progresses through the class action life cycle.

<sup>xv</sup>This tally only includes securities class action complaints against non-U.S. issuers that trade on U.S. exchanges through ADRs that were sued for alleged violations of the federal securities laws for the first time in the current quarter. A non-U.S. issuer of ADRs that was sued a second or third time during the current quarter is not accounted for in the current quarter's tally. SCAs that allege Class Periods and/or corrective disclosures for which insufficient historical pricing data exists to estimate alleged artificial stock inflation are also excluded from the tally (see for example, *Bonnie L. Franklin v. DiDi Global Inc. et al.*, *Kostendy v. Oatly Group AB et al.*)

<sup>xvi</sup>A non-U.S. issuer's exposure to alleged violations of Rule 10b-5 is estimated by tracking the cumulative decline in market capitalization during open market trading sessions that correspond with the timing of the claimed alleged corrective disclosures that surpass statistical thresholds of indirect price impact and are presented in a first-filed SCA complaint.

<sup>xvii</sup>*Global SCA Rule 10b-5 Exposure* is the sum of *U.S. Rule 10b-5 Exposure* and *ADR Rule 10b-5 Exposure*.

To learn more about how SAR data analytics services and data packages can enhance the complex claim resolution capabilities of your organization, please contact:

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