

Table 1: **Securities Fraud Class Actions**

This table reports the year filed and the outcome of the 331 securities class actions in our sample. Actions are classified as settled or dismissed based on the status of the action as of January 2009.

Year Filed	Outcome		Total No.
	Dismissed No.	Settled No.	
1996	4	3	7
1997	8	27	35
1998	12	25	37
1999	24	29	53
2000	20	26	46
2001	19	23	42
2002	32	47	79
2003	21	13	34
Total	140	193	333

Table 2: **Director-Level Variables**

This table reports sample means of the characteristics of outside directors, inside directors and CEOs of the 331 sample firms. Date T=0 is the date of the last annual meeting prior to the date that the lawsuit was filed. Demographic characteristics, voting strength and audit committee membership status were obtained from the proxy filing for the annual meeting at T=0. Inside directors are directors that are employees or former employees of the firm. All other directors are classified as outside directors. Directors classified as CEOs held that position as of the last meeting before the action was filed. *Departed* is an indicator variable which is set to 1 if a director does not serve on the board through T=4, the fourth annual meeting after the suit is filed, and 0 if the director continues to serve on the board at T=4. Variable *age* is the age of the director as reported in the last proxy prior to the date the action was filed. Variable *board tenure* is the length of a director's board service in years as of the last proxy before the action is filed. Variable *voting share* is the percentage of votes controlled by a director relative to the total number of votes eligible to be cast at the annual meeting.

Variable	Outside Directors	Inside Directors	CEOs	Non-CEO Insiders	
	Mean	Mean	Mean	Mean	N
Observations (N)	2364	800	325	475	3164
<i>Involvement</i>					
Member Audit Committee (0/1)	0.477	0.062	0.015	0.095	3164
<i>Outcome</i>					
Departed (0/1)	0.426	0.564	0.538	0.581	3164
<i>Demographics</i>					
Age (Years)	59.074	53.326	52.403	53.958	3164
Board Tenure (Years)	6.552	9.011	8.895	9.091	3164
Voting Share (%)	0.630	3.093	4.251	2.302	3164

Table 3: Firm-Level Variables

This table reports sample means of characteristics of the firms that are defendants in a class action lawsuit for violation of SEC Rule 10(b)-5. Actions are classified as settled or dismissed based on the status of the action as of January 2009. Variable *settlement amount* is the dollar amount of settlements in the 191 actions resulting in a settlement. Variable *total assets* is the total assets of the firm at the end of the last fiscal year prior to the filing of the action. Variable *settlement amount as a % of total assets* is *settlement amount* divided by *total assets*. Variable *restatement* is 1 if the action concerns a restatement and 0 otherwise. Variable *other GAAP* is 1 if the action involves a technical violation of GAAP accounting and 0 otherwise. Variable *SEC involvement* is 1 if the class period of the action overlaps with the violation period of a SEC enforcement action. Variables *institutional holdings* and *outside blockholdings* are the percent of common shares held by institutions and 5 percent blockholders unaffiliated with the firm. Variable *Gindex* is the Gompers et al. (2003) index of corporate governance. Variable *board seats* is the total number of directors elected or continuing to serve on the board as of the annual meeting immediately preceding the date the action was filed. Variables *insider seats* and *outsider seats* are the number of inside and outside directors elected or continuing to serve on the board as of the annual meeting preceding the date the action was filed. Variable *two-year firm performance* is the cumulative abnormal return on equity, net of the return on the CRSP value-weighted index, in the two years ending in the month before the action was filed. Variable *abnormal returns ECP [-2,+2]* is the abnormal return, net of the CRSP value-weighted index with dividend reinvestment, in a five-day window centered on the date of the end of the class period. P-values represent a two-tailed test for differences in sample means between dismissed and settled actions.

Variable	Dismissed Actions	Settled Actions	All Actions	P-value: Difference in Sample Means	
				<i>t</i> -test	Mann- Whitney
Number of Actions	140	193	333		
Settlement Amount (million \$)		89.536			
Settlement Amount as % of Total Assets		2.906			
Total Assets (billion \$)	26.438	14.539	19.542	0.200	0.401
<i>Allegations</i>					
Restatement (0/1)	0.143	0.306	0.237	0.001	0.000
Other GAAP (0/1)	0.393	0.575	0.498	0.001	0.001
SEC Involvement (0/1)	0.179	0.342	0.273	0.001	0.000
<i>Ownership Structure</i>					
Institutional Holdings (%)	64.582	59.717	61.735	0.038	0.016
Outside Blockholdings (%)	12.953	14.601	13.909	0.270	0.192
Gindex	8.922	8.506	8.684	0.156	0.110
<i>Board Structure</i>					
Board Seats	9.643	9.399	9.502	0.485	0.259
Insider Seats	2.457	2.363	2.402	0.526	0.333
Outsider Seats	7.186	7.036	7.099	0.663	0.306
<i>Performance and Market Reaction</i>					
Two-Year Firm Performance	0.141	-0.073	0.017	0.031	0.006
Abnormal Returns ECP [-2,+2]	30.228	-0.241	-0.235	0.590	0.370

Table 4: **Outside and Inside Director Retention Rates**

Retention rates for outside directors, inside directors and CEOs. Date T=0 is the date of the annual meeting that immediately precedes the filing of the SFCA. Retention rate is defined as the proportion of directors seated on the board of the firm as of the annual meeting immediately preceding the filing of the action that continue to serve on the board at year T. N at T=0 is the number of directors of a given type elected to or continuing to serve on the board at the annual meeting immediately preceding the date the action was filed. N at T=1 through T=4 is the number of those directors that continue to serve on the board. P-values represent a two-sided test for a difference in retention rates between dismissed and settled actions.

Panel A: Outside Directors					
Year	Dismissed Actions		Settled Actions		p-value
	Number Directors	Retention Rate	Number Directors	Retention Rate	
0	1006	100.00	1358	100.00	
1	892	88.67	1135	83.58	0.000
2	776	77.14	964	70.99	0.001
3	681	67.69	840	61.86	0.003
4	615	61.13	743	54.71	0.002

Panel B: Inside Directors					
Year	Dismissed Actions		Settled Actions		p-value
	Number of Directors	Retention Rate	Number of Directors	Retention Rate	
0	344	100.00	456	100.00	
1	292	84.88	319	69.96	0.000
2	229	66.57	247	54.17	0.000
3	202	58.72	207	45.39	0.000
4	175	50.87	174	38.16	0.000

Panel C: CEOs					
Year	Dismissed Actions		Settled Actions		p-value
	Number	Retention Rate	Number	Retention Rate	
0	135	100.00	190	100.00	
1	118	87.41	129	67.89	0.000
2	99	73.33	105	55.26	0.001
3	89	65.93	86	45.26	0.000
4	75	55.56	75	39.47	0.004

Table 5: **Outside Director Turnover Probability**

Estimates from a binary probit model of the average marginal effects on turnover probability of 2344 outside directors between T=0 and T=4. Outside directors include all directors seated on the board as of the last annual meeting preceding the lawsuit who are not employees or former employees. T=0 is the date of the annual meeting that immediately precedes the filing of a lawsuit for alleged violation of SEC Rule 10(b)-5. T=4 is the date of the fourth annual meeting after the suit is filed. The dependent variable, *departed*, is set to 1 if a director does not serve on the board through T=4, and 0 if the director continues to serve on the board at T=4. The *suit settled* variable is set to 1 if a lawsuit is settled and 0 if it is dismissed. The coefficient of the suit settled variable measures the difference in director turnover propensity between settled and dismissed suits. A positive coefficient indicates the marginal impact on director turnover was higher in settled suits relative to suits that were dismissed. The other two measures of suit outcomes, *settlement amount in Q4* and *scaled settlement amount in Q4*, are binary variables equal to 1 if the dollar value of the settlement (or settlement scaled by the assets of the firm) is in the top quartile and 0 otherwise. Model [1] excludes any measure of suit outcome. Estimates of the marginal effects of different measures of suit outcome on turnover appear in models [2] through [4]. All models include a set of year indicators. Cluster-robust standard errors are in parentheses. Superscripts ***, ** and * indicate significance at the 0.10, 0.05 and 0.01 levels.

	[1]	[2]	[3]	[4]
<i>Director characteristics:</i>				
Age 61-65 (0/1)	-0.011 (0.025)	-0.012 (0.025)	-0.013 (0.025)	-0.009 (0.025)
Age 66-70 (0/1)	0.248 (0.027)***	0.248 (0.027)***	0.248 (0.027)***	0.249 (0.027)***
Age >70 (0/1)	0.408 (0.038)***	0.407 (0.038)***	0.407 (0.038)***	0.408 (0.038)***
Log(Board Tenure)	-0.028 (0.013)**	-0.027 (0.013)**	-0.026 (0.013)**	-0.026 (0.013)**
Voting Share (%)	0.003 (0.003)	0.003 (0.003)	0.003 (0.003)	0.003 (0.003)
Member Audit Committee (0/1)	-0.054 (0.019)***	-0.054 (0.019)***	-0.055 (0.019)***	-0.054 (0.019)***
<i>Firm characteristics:</i>				
Log(Total Assets)	0.009 (0.006)	0.008 (0.006)	0.006 (0.006)	0.015 (0.006)**
Firm Performance	-0.023 (0.013)*	-0.021 (0.013)	-0.025 (0.013)*	-0.024 (0.013)*
<i>Case characteristics:</i>				
Restatement of financials (0/1)	0.065 (0.025)***	0.051 (0.026)**	0.051 (0.026)**	0.052 (0.025)**
Other GAAP (0/1)	0.013 (0.023)	0.007 (0.024)	0.002 (0.024)	0.009 (0.023)
Suit Settled (0/1)		0.048 (0.021)**		
Settlement amount in Q4 (0/1)			0.058 (0.028)**	
Scaled settlement in Q4 (0/1)				0.128 (0.032)***
Number of Observations	2364	2364	2364	2364
Pseudo- R^2	0.067	0.068	0.068	0.071

Table 6: **Inside Director Turnover Probability**

Estimates from a binary probit model of the average marginal effects on turnover probability of 795 inside directors between T=0 and T=4. Inside directors include all directors seated on the board as of the last annual meeting preceding the lawsuit who are employees or former employees of the firm. T=0 is the date of the annual meeting that immediately precedes the filing of a lawsuit for alleged violation of SEC Rule 10(b)-5. T=4 is the date of the fourth annual meeting after the suit is filed. The dependent variable, *departed*, is set to 1 if a director does not serve on the board through T=4, and 0 if the director continues to serve on the board at T=4. The *suit settled* variable is set to 1 if a lawsuit is settled and 0 if it is dismissed. The coefficient of the suit settled variable measures the difference in director turnover propensity between settled and dismissed suits. A positive coefficient indicates the marginal impact on director turnover was higher in settled suits relative to suits that were dismissed. The other two measures of suit outcomes, *settlement amount in Q4* and *scaled settlement amount in Q4*, are binary variables equal to 1 if the dollar value of the settlement (or settlement scaled by the assets of the firm) is in the top quartile and 0 otherwise. Model [1] excludes any measure of suit outcome. Estimates of the marginal effects of different measures of suit outcome on turnover appear in models [2] through [4]. All models include a set of year indicators. Cluster-robust standard errors are in parentheses. Superscripts ***, ** and * indicate significance at the 0.10, 0.05 and 0.01 levels.

	[1]	[2]	[3]	[4]
<i>Director characteristics:</i>				
Age 61-65 (0/1)	0.010 (0.053)	0.007 (0.053)	0.022 (0.052)	0.012 (0.052)
Age 66-70 (0/1)	-0.058 (0.077)	-0.064 (0.077)	-0.059 (0.077)	-0.048 (0.077)
Age >70 (0/1)	0.152 (0.099)	0.160 (0.100)	0.173 (0.097)*	0.171 (0.099)*
Log(Board Tenure)	-0.024 (0.022)	-0.022 (0.022)	-0.023 (0.022)	-0.029 (0.022)
Voting Share (%)	-0.013 (0.003)***	-0.014 (0.003)***	-0.013 (0.003)***	-0.013 (0.003)***
<i>Firm characteristics:</i>				
Log(Total Assets)	0.009 (0.010)	0.010 (0.010)	-0.002 (0.010)	0.020 (0.010)**
Firm Performance	-0.048 (0.020)**	-0.043 (0.020)**	-0.048 (0.020)**	-0.048 (0.020)**
<i>Case characteristics:</i>				
Restatement of financials (0/1)	0.115 (0.043)***	0.092 (0.044)**	0.076 (0.044)*	0.097 (0.043)**
Other GAAP (0/1)	0.106 (0.041)***	0.095 (0.041)**	0.068 (0.042)	0.104 (0.041)**
Suit Settled (0/1)		0.090 (0.035)**		
Settlement amount in Q4 (0/1)			0.226 (0.055)***	
Scaled settlement in Q4 (0/1)				0.241 (0.053)***
Number of Observations	800	800	800	800
Pseudo- R^2	0.069	0.075	0.085	0.088

Table 7: CEO Turnover Probability

Estimates from a binary probit model of the average marginal effects on turnover probability of 323 CEOs between T=0 and T=4. Directors classified as CEOs are individuals with the title of CEO seated on the board as of the last annual meeting preceding the filing of a lawsuit. T=0 is the date of the annual meeting that immediately precedes the filing of a lawsuit for alleged violation of SEC Rule 10(b)-5. T=4 is the date of the fourth annual meeting after the suit is filed. The dependent variable, *departed*, is set to 1 if a director does not serve on the board through T=4, and 0 if the director continues to serve on the board at T=4. The *suit settled* variable is set to 1 if a lawsuit is settled and 0 if it is dismissed. The coefficient of the suit settled variable measures the difference in director turnover propensity between settled and dismissed suits. A positive coefficient indicates the marginal impact on director turnover was higher in settled suits relative to suits that were dismissed. The other two measures of suit outcomes, *settlement amount in Q4* and *scaled settlement amount in Q4*, are binary variables equal to 1 if the dollar value of the settlement (or settlement scaled by the assets of the firm) is in the top quartile and 0 otherwise. Model [1] excludes any measure of suit outcome. Estimates of the marginal effects of different measures of suit outcome on turnover appear in models [2] through [4]. All models include a set of year indicators. Cluster-robust standard errors are in parentheses. Superscripts ***, ** and * indicate significance at the 0.10, 0.05 and 0.01 levels.

	[1]	[2]	[3]	[4]
<i>Director characteristics:</i>				
Age 61-65 (0/1)	0.066 (0.090)	0.054 (0.090)	0.080 (0.088)	0.073 (0.088)
Age 66-70 (0/1)	0.116 (0.224)	0.082 (0.224)	0.157 (0.220)	0.143 (0.225)
Age >70 (0/1)	-0.128 (0.297)	-0.073 (0.287)	-0.043 (0.286)	-0.065 (0.296)
Log(Board Tenure)	-0.006 (0.037)	-0.001 (0.037)	-0.006 (0.037)	-0.013 (0.037)
Voting Share (%)	-0.016 (0.004)***	-0.016 (0.004)***	-0.016 (0.004)***	-0.016 (0.004)***
<i>Firm characteristics:</i>				
Log(Total Assets)	0.004 (0.015)	0.004 (0.015)	-0.010 (0.016)	0.019 (0.015)
Firm Performance	-0.050 (0.029)*	-0.045 (0.030)	-0.051 (0.029)*	-0.049 (0.029)*
<i>Case characteristics:</i>				
Restatement of financials (0/1)	0.241 (0.064)***	0.209 (0.066)***	0.196 (0.066)***	0.219 (0.064)***
Other GAAP (0/1)	0.101 (0.062)	0.087 (0.062)	0.060 (0.062)	0.092 (0.060)
Suit Settled (0/1)		0.118 (0.054)**		
Settlement amount in Q4 (0/1)			0.254 (0.080)***	
Scaled settlement in Q4 (0/1)				0.273 (0.082)***
Number of Observations	325	325	325	325
Pseudo- R^2	0.107	0.117	0.129	0.133

Table 8: Director Turnover Probability and Outside Equity Ownership Concentration

Estimates from a binary probit model of the average marginal effect on turnover probability between T=0 and T=4 of outside directors, inside directors and CEOs as a function of the concentration of external equity ownership and outcome of the lawsuit. The sample consists of directors seated on the board of directors as of the last annual meeting preceding the filing of a lawsuit. T=0 is the date of the annual meeting that immediately precedes the filing of a lawsuit for alleged violation of SEC Rule 10(b)-5. T=4 is the date of the fourth annual meeting after the suit is filed. The dependent variable, *departed*, is set to 1 if a director does not serve on the board through T=4, and 0 if the director continues to serve on the board at T=4. The *suit settled* variable is set to 1 if a lawsuit is settled and 0 if it is dismissed. Models include interaction terms between *suit settled* and measures of external equity ownership concentration, indicated by *Outcome interactions*. Variable *institutional holdings* is the percentage of equity held by institutions. Variable *outside blockholdings* is the percentage of equity in blocks of 5 percent or larger held by institutions with no other business relationships with the firm. Detailed results incorporating the estimated interaction coefficients are presented in Table 8a. All models include a set of year indicators. Cluster-robust standard errors are in parentheses. Superscripts ***, ** and * indicate significance at the 0.10, 0.05 and 0.01 levels.

	[1]	[2]	[3]	[4]	[5]	[6]
<i>Director characteristics:</i>						
Age 61-65 (0/1)	-0.009 (0.026)	-0.005 (0.026)	0.017 (0.056)	0.020 (0.056)	-0.001 (0.092)	-0.017 (0.093)
Age 66-70 (0/1)	0.263 (0.029)***	0.268 (0.028)***	-0.037 (0.083)	-0.052 (0.082)	0.131 (0.253)	0.111 (0.257)
Age >70 (0/1)	0.402 (0.040)***	0.406 (0.039)***	0.150 (0.109)	0.179 (0.103)*	-0.114 (0.276)	-0.176 (0.262)
Log(Board Tenure)	-0.016 (0.014)	-0.018 (0.013)	-0.019 (0.023)	-0.018 (0.023)	0.003 (0.040)	0.011 (0.039)
Voting Share (%)	0.003 (0.003)	0.003 (0.003)	-0.014 (0.003)***	-0.014 (0.003)***	-0.017 (0.005)***	-0.016 (0.005)***
<i>Firm characteristics:</i>						
Log(Total Assets)	0.001 (0.006)	0.006 (0.006)	0.006 (0.011)	0.006 (0.011)	-0.005 (0.017)	-0.012 (0.017)
Firm Performance	-0.023 (0.014)*	-0.021 (0.014)	-0.052 (0.020)**	-0.051 (0.021)**	-0.049 (0.030)	-0.063 (0.031)**
Institutional Holdings	-0.001 (0.001)**		-0.002 (0.001)*		-0.001 (0.001)	
Outside Blockholdings		0.001 (0.001)		0.000 (0.001)		-0.003 (0.002)*
Gindex	0.000 (0.004)	-0.003 (0.004)	0.004 (0.008)	0.004 (0.008)	0.014 (0.012)	0.018 (0.011)
<i>Case characteristics:</i>						
Restatement of financials (0/1)	0.026 (0.027)	0.033 (0.027)	0.123 (0.046)***	0.117 (0.046)**	0.208 (0.067)***	0.207 (0.067)***
Other GAAP (0/1)	0.014 (0.025)	0.011 (0.025)	0.084 (0.043)*	0.076 (0.043)*	0.095 (0.065)	0.074 (0.066)
Suit Settled (0/1)	0.054 (0.022)**	0.048 (0.022)**	0.098 (0.039)**	0.109 (0.038)***	0.132 (0.060)**	0.148 (0.059)**
Outcome interactions	Included	Included	Included	Included	Included	Included
Number of Observations	2136	2186	704	716	290	296
Pseudo- R^2	0.076	0.073	0.084	0.082	0.117	0.120

Table 8a: **Sensitivity of Pr[Departure] to Case Outcome**

Panel A: Outside directors						
	InstHold	dPrdSettled	P-value	Blockhold	dPrdSettled	P-value
p10	33.800	-0.055	0.168	0.000	-0.014	0.651
p25	51.440	0.014	0.580	0.000	-0.014	0.651
p50	64.500	0.064	0.004	10.500	0.036	0.108
p75	77.100	0.111	0.000	21.200	0.087	0.000
p90	85.660	0.142	0.000	30.500	0.131	0.000
Panel B: Inside directors						
	InstHold	dPrdSettled	P-value	Blockhold	dPrdSettled	P-value
p10	29.370	0.042	0.554	0.000	0.102	0.065
p25	49.630	0.076	0.093	0.000	0.102	0.065
p50	64.410	0.102	0.009	9.625	0.107	0.007
p75	77.200	0.124	0.009	21.260	0.114	0.010
p90	85.900	0.138	0.017	30.900	0.120	0.058
Panel C: CEOs						
	InstHold	dPrdSettled	P-value	Blockhold	dPrdSettled	P-value
p10	31.490	0.055	0.622	0.000	0.123	0.148
p25	50.600	0.101	0.161	0.000	0.123	0.148
p50	65.660	0.137	0.024	11.700	0.144	0.018
p75	77.940	0.167	0.022	22.910	0.162	0.018
p90	87.550	0.189	0.037	31.990	0.175	0.058

Estimates from a binary probit model of the sensitivity of turnover probability ($dPrdSettled$) to case outcome ($Suit\ Settled$) for varying levels of institutional holdings ($InstHold$) and outside blockholdings ($Blockhold$). The latter variables are evaluated at their 10, 25, 50, 75 and 90th percentiles in the estimation samples of Table 8. Panel A, for outside directors, corresponds to models [1] and [2] of Table 8. Panel B, for inside directors, corresponds to models [3] and [4] of Table 8. Panel C, for CEOs, corresponds to models [5] and [6] of Table 8. The P-value tests the null hypothesis that the derivative $\partial Pr[departure]/\partial Settled$ is zero for a firm with that level of institutional holdings (blockholdings).

Table 9: Director Turnover Probability and Governance Interactions

Estimates from a binary probit model of the average marginal effect on turnover probability between T=0 and T=4 of outside directors, inside directors and CEOs as a function of the concentration of external equity ownership and outcome of the lawsuit. The sample consists of directors seated on the board of directors as of the last annual meeting preceding the filing of a lawsuit. T=0 is the date of the annual meeting that immediately precedes the filing of a lawsuit for alleged violation of SEC Rule 10(b)-5. T=4 is the date of the fourth annual meeting after the suit is filed. The dependent variable, *departed*, is set to 1 if a director does not serve on the board through T=4, and 0 if the director continues to serve on the board at T=4. The *suit settled* variable is set to 1 if a lawsuit is settled and 0 if it is dismissed. Models include interaction terms between *suit settled* and measures of corporate governance, indicated by *Outcome interactions*. Variable *Gindex* is the Gompers–Ishii–Metrick index of corporate governance. Variable *Proportion of outside directors* is the percentage of the board consisting of outside directors at T=0. Detailed results incorporating the estimated interaction coefficients are presented in Table 9a. All models include a set of year indicators. Cluster-robust standard errors are in parentheses. Superscripts ***, ** and * indicate significance at the 0.10, 0.05 and 0.01 levels.

	[1]	[2]	[3]
<i>Director characteristics:</i>			
Age 61-65 (0/1)	-0.009 (0.026)	-0.028 (0.091)	0.019 (0.056)
Age 66-70 (0/1)	0.264 (0.029)***	0.094 (0.255)	-0.046 (0.083)
Age >70 (0/1)	0.402 (0.040)***	-0.232 (0.255)	0.161 (0.109)
Log(Board Tenure)	-0.018 (0.013)	0.005 (0.040)	-0.019 (0.023)
Voting Share (%)	0.002 (0.003)	-0.016 (0.005)***	-0.015 (0.003)***
<i>Firm characteristics:</i>			
Log(Total Assets)	0.006 (0.006)	-0.008 (0.017)	0.009 (0.011)
Firm Performance	-0.014 (0.014)	-0.054 (0.030)*	-0.044 (0.021)**
Institutional Holdings	-0.002 (0.001)***	-0.000 (0.002)	-0.002 (0.001)*
Outside Blockholdings	0.002 (0.001)**	-0.003 (0.002)	0.001 (0.002)
Gindex	0.001 (0.004)	0.015 (0.011)	0.005 (0.008)
<i>Case characteristics:</i>			
Restatement of financials (0/1)	0.016 (0.028)	0.222 (0.065)***	0.122 (0.046)***
Other GAAP (0/1)	0.012 (0.025)	0.088 (0.066)	0.080 (0.043)*
Suit Settled (0/1)	0.057 (0.022)***	0.136 (0.060)**	0.097 (0.038)**
Outcome interactions	Included	Included	Included
Number of Observations	2136	290	704
Pseudo- R^2	0.073	0.125	0.088

Table 9a: **Sensitivity of Pr[Departure] to Case Outcome**

Panel A: Outside directors			
	Gindex	dPrdSettled	P-value
p10	6.000	0.060	0.081
p25	7.000	0.059	0.038
p50	9.000	0.057	0.009
p75	11.000	0.056	0.039
p90	12.000	0.055	0.091
Panel B: Inside directors			
	Gindex	dPrdSettled	P-value
p10	6.000	0.168	0.003
p25	7.000	0.141	0.002
p50	8.000	0.114	0.004
p75	10.000	0.061	0.156
p90	12.000	0.008	0.895
Panel C: CEOs			
	Gindex	dPrdSettled	P-value
p10	6.000	0.232	0.009
p25	7.000	0.199	0.008
p50	8.000	0.165	0.011
p75	10.000	0.096	0.140
p90	12.000	0.027	0.766

Estimates from a binary probit model of the sensitivity of turnover probability ($dPrdSettled$) to case outcome ($Suit\ Settled$) for varying levels of Gindex. Gindex is evaluated at its 10, 25, 50, 75 and 90th percentiles in the estimation samples of Table 9. Panel A, for outside directors, corresponds to model [1] of Table 9. Panel B, for inside directors, corresponds to model [2] of Table 9. Panel C, for CEOs, corresponds to model [3] of Table 9. The P-value tests the null hypothesis that the derivative $\partial Pr[departure]/\partial Settled$ is zero for a firm with that level of Gindex).

Table 10: Director Turnover Probability with Additional Indicators of Seriousness of Wrongdoing

Estimates from a binary probit model of the average marginal effect on turnover probability between T=0 and T=4 of outside directors, inside directors and CEOs. Models includes alternate measures of the seriousness of the underlying wrongdoing. The sample consists of directors seated on the board of directors as of the last annual meeting preceding the filing of a lawsuit. T=0 is the date of the annual meeting that immediately precedes the filing of a lawsuit for alleged violation of SEC Rule 10(b)-5. T=4 is the date of the fourth annual meeting after the suit is filed. The dependent variable, *departed*, is set to 1 if a director does not serve on the board through T=4, and 0 if the director continues to serve on the board at T=4. The *suit settled* variable is set to 1 if a lawsuit is settled and 0 if it is dismissed. Variable *overlapping SEC action* is set to 1 if the violation period of an SEC enforcement action overlaps with the class period of a private lawsuit and 0 otherwise. Variable *abnormal return at the end of the class period [-2,+2]* is the abnormal return, net of the CRSP value-weighted index with dividend reinvestment, of the common stock of the defendant firm in a five-day window centered on the date of the end of the class period. All models include a set of year indicators. Cluster-robust standard errors are in parentheses. Superscripts ***, ** and * indicate significance at the 0.10, 0.05 and 0.01 levels.

	[1]	[2]	[3]	[4]	[5]	[6]
<i>Director characteristics:</i>						
Age 61-65 (0/1)	-0.007 (0.027)	-0.004 (0.027)	0.004 (0.057)	0.011 (0.056)	-0.014 (0.094)	0.009 (0.092)
Age 66-70 (0/1)	0.273 (0.029)***	0.272 (0.029)***	-0.021 (0.084)	-0.018 (0.083)	0.107 (0.258)	0.160 (0.262)
Age >70 (0/1)	0.412 (0.041)***	0.412 (0.040)***	0.155 (0.110)	0.165 (0.109)	-0.169 (0.268)	-0.162 (0.283)
Log(Board Tenure)	-0.017 (0.014)	-0.016 (0.014)	-0.017 (0.023)	-0.021 (0.023)	0.003 (0.040)	-0.007 (0.040)
Voting Share (%)	0.002 (0.003)	0.002 (0.003)	-0.014 (0.003)***	-0.014 (0.003)***	-0.017 (0.005)***	-0.017 (0.005)***
<i>Firm characteristics:</i>						
Log(Total Assets)	0.011 (0.006)*	0.019 (0.007)***	0.001 (0.013)	0.020 (0.011)*	-0.009 (0.018)	0.010 (0.017)
Firm Performance	-0.015 (0.014)	-0.016 (0.014)	-0.051 (0.021)**	-0.053 (0.020)***	-0.056 (0.030)*	-0.057 (0.030)*
Institutional Holdings	-0.002 (0.001)***	-0.002 (0.001)***	-0.002 (0.001)*	-0.002 (0.001)**	-0.000 (0.002)	-0.001 (0.002)
Outside Blockholdings	0.002 (0.001)**	0.002 (0.001)**	0.001 (0.002)	0.001 (0.002)	-0.003 (0.002)	-0.004 (0.002)
Gindex	-0.001 (0.004)	-0.001 (0.004)	0.003 (0.008)	-0.000 (0.008)	0.013 (0.012)	0.011 (0.012)
<i>Case characteristics:</i>						
Restatement of financials (0/1)	0.019 (0.029)	0.024 (0.028)	0.123 (0.050)**	0.151 (0.049)***	0.212 (0.073)***	0.243 (0.070)***
Other GAAP (0/1)	0.007 (0.025)	0.008 (0.025)	0.084 (0.044)*	0.094 (0.044)**	0.087 (0.068)	0.090 (0.067)
Overlapping SEC action (0/1)	0.023 (0.025)	0.013 (0.025)	-0.003 (0.046)	-0.036 (0.046)	0.010 (0.068)	-0.016 (0.067)
Ab.Ret. End Cls Per [-2,+2]	-0.118 (0.053)**	-0.132 (0.052)**	0.103 (0.092)	0.071 (0.088)	-0.014 (0.139)	-0.037 (0.136)
Suit Settled (0/1)	0.040 (0.022)*		0.098 (0.038)**		0.123 (0.059)**	
Scaled settlement in Q4 (0/1)		0.120 (0.034)***		0.283 (0.058)***		0.298 (0.085)***
Number of Observations	2105	2105	688	688	284	284
Pseudo- R^2	0.078	0.081	0.089	0.107	0.117	0.137

Table 11: **Change in Board Structure**

Mean values of board structure variables as of T=0, the annual meeting preceding the filing of the lawsuit, and T=4, the fourth annual meeting following the filing of the lawsuit. Panel A partitions the sample of SFCAs into those that are settled and those that are dismissed. Panel B partitions the sample of SFCAs into those settled actions for which the ratio of settlement amount to total assets is in the top quartile and all other actions. The change in number of directors and percentage of outside directors is the difference in the mean value of these two board structure variables between T=0 and T=4. P-value is the significance of a two sided t-test for difference in the mean values of board structure variables between T=0 and T=4. *P-value of equal change* is the significance of a test for differences in the difference between T=0 and T=4 between the two sample partitions in Panels A and B.

	T=0	T=4	Change	P-value: Change=0	P-value: Equal change
Panel A					
Number of Directors					
Settled	9.399	9.130	-0.269	0.094	0.917
Dismissed	9.643	9.400	-0.243	0.218	
Percentage of Outside Directors					
Settled	72.859	78.416	5.557	0.000	0.735
Dismissed	73.927	79.056	5.129	0.000	
Percentage of New Directors					
Settled		48.908	9.460	0.000	
Dismissed		39.449			
Panel B					
Number of Directors					
Q4 Scaled Settlement	8.020	8.102	0.082	0.773	0.201
Other	9.757	9.440	-0.317	0.021	
Percentage of Outside Directors					
Q4 Scaled Settlement	69.353	78.010	8.657	0.000	0.054
Other	73.990	78.802	4.811	0.000	
Percentage of New Directors					
Q4 Scaled Settlement		59.160	16.683	0.000	
Other		42.476			