

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

ANIL SAWANT, et al.,

Plaintiffs,

v.

GEOFFREY W. RAMSEY, et al.,

Defendants.

CIVIL ACTION NO.
3:07-cv-00980 (VLB)

AMENDED REPORT OF ANTICIPATED TESTIMONY

R. ALAN MILLER

1. This report amends my Report of Anticipated Testimony dated October 5, 2009. Subsequent to this date, we were furnished with corrected transaction data from one Plaintiff, Boune Ome Rahanavong. All the analyses herein are updated to reflect the corrected data.

2. I have been asked by counsel for the Plaintiffs in this matter for my opinions as to:

A. [REDACTED]

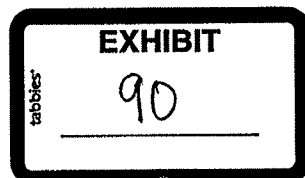
[REDACTED]

[REDACTED];

B. [REDACTED]

[REDACTED]

[REDACTED]



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[REDACTED]

C. Damage analyses, including insider trading claims;

D. A description of the workings of the stock market, the functions of various market and investment community participants, how the market and its participants evaluate securities, and related issues.

3. I am President of Philadelphia Investment Banking Company ("PIBC") and am submitting this report summarizing my opinions in this matter. A copy of my résumé is attached as Exhibit A hereto to outline my education, professional experience and expertise. I have testified at trial or hearings thirty-one times; I have been qualified or accepted as an expert on the operations of the securities market, damages, materiality issues, investment banking practices, valuations and related corporate finance matters in numerous federal and state courts nationwide beginning in 1977. I have provided many depositions and submitted numerous Declarations, Affidavits, and Reports on matters in these areas, including many dealing with materiality and damage questions and/or the factors relevant to such studies.

4. PIBC has provided a wide range of corporate finance services to clients. These services include raising capital through private placements of debt and equity financings; advisory services re: public offerings of securities; merger, acquisition and divestiture services; evaluation and economic analysis services; consulting and litigation support; and other advisory services.

5. PIBC and its staff perform a considerable amount of work in the area of evaluation of businesses and securities and the factors involved in such evaluation. These are done on a formal basis for a wide variety of purposes, as well as continuously on an informal

basis in the process of performing our corporate finance functions such as raising capital, assisting in mergers and acquisitions, and providing advisory services. The factors used in such evaluations and their importance and materiality to the investment community are areas in which I have developed expertise and had substantial experience over the last thirty-six years. Additionally, we have prepared a substantial number of analyses of market impact and damages in connection with numerous shareholder litigations.

6. I will be prepared to present at trial a description of common stocks and the options associated with them; the markets for such securities; the participants in such markets including, among others, issuers, brokerage firms, traders and specialists, research analysts, retail customers, institutions and regulators; and how these parties interact to evaluate and trade securities at price levels. Such information may include the following:

- A. A description of common stock as a share of ownership in a company which entitles the holder to a share of its earnings – either paid out as a dividend or reinvested in the company.
- B. How stock in a company becomes publicly traded, including the roles of underwriters, brokers, attorneys, accountants, regulators, and others.
- C. How information is transmitted to market participants, including through filings with the Securities and Exchange Commission (the “SEC”), newspaper articles, financial and trade press articles, press releases, articles on internet information services, and brokerage firm analyst reports and conference calls.
- D. How the investment community prices securities and how the information described above causes investors and potential investors to analyze information and decide to buy or sell, creating supply and demand pressures.

E. A description of options, their relationship to the associated common stock, and factors affecting their pricing.

7. PIBC is being compensated for the time spent by its personnel on this matter at its normal hourly rates on a non-contingent basis. Currently my rate is \$495 per hour. Others in the firm are billed at rates from \$75 to \$435 per hour.

8. We have familiarized ourselves with the market conditions which existed for Host America stock during the Analysis Period, as well as stock market and economic factors pertaining to this industry, and in general. The following is among the information we have reviewed to date:

- Plaintiffs' Complaint
- Data on Host America daily common stock prices and trading volumes
- Data on Host America daily warrant prices and trading volumes
- Press releases, news articles, and brokerage firm analyst reports on Host America
- Data on various stock price indices including the S&P 500 Index, the S&P 600 Smallcap Index, the Russell 2000 Index, and an index of peer group companies¹
- Host America's Proxy Statement filed on March 30, 2005
- Host America's Reports on Forms 10-K for the fiscal years ended June 30, 2004 and 2005
- Memorandum of Decision Denying Defendants' Motions To Dismiss

¹ Source for indexes: Host America's March 30, 2005 Proxy Statement. See Exhibit E for graphical presentation. The peer group consisted of Buca, Inc., Worldwide Restaurant Concepts, Inc. ("Sizzler"), Champps Entertainment, Inc., Back Yard Burgers, Inc., Main Street Restaurant Group, Cosi, Inc., and Luby's Inc. Quality Dining, Inc. was also included in the Proxy Statement, but it was acquired on April 14, 2005. We have constructed a peer group index of these stocks (without Quality Dining, Inc.) for 2005, weighed on each company's market capitalization. This peer group consists of food service companies. At the issuance of the Proxy Statement, Host America's "business dining" and "unitized meals" divisions provided the bulk of the company's revenues but future earnings were portrayed as shifting to the "energy management" division.

- Data on Plaintiffs' trade activity and client statements

9. The investing public and the investment community, with respect to companies like Host America, are most concerned with the Company's ability to generate revenues, the likely future growth of earnings, and cash flows. Factors which affect earnings and the likely future stream of earnings become important to investment decisions. Obviously, such factors include any information relating to the recent past and likely future levels of revenues and operating results of the Company, as well as factors affecting the financial condition of the Company and its assets. [REDACTED]

[REDACTED]

[REDACTED]

10. [REDACTED]

[REDACTED]

[REDACTED]

DAMAGES TO PLAINTIFFS' COMMON STOCK PURCHASES

11. On July 12, 2005, Host America announced the existence of a business arrangement with Wal-Mart and the market inferred the opportunity for significant increases in future sales and earnings. On July 22, 2005, the Company announced in fact that no such arrangement was made with Wal-Mart and no such reason existed for expectations of future increases in sales and earnings. The stock was then suspended from trading on NASDAQ. When Host America resumed trading on September 1, 2005, the market's view of the Company was similar, at best, to pre-July 12, 2005 levels and, in fact, shortly thereafter the shares declined markedly. Therefore, it is in my opinion clear had the July 12

misrepresentation not been made, the stock would have traded at approximately \$3.12 per share throughout the Analysis Period.

12. The true value was produced by assuming the omissions and misstatements described in the Complaint (and as summarized herein) did not occur. We identified the proper valuation methodology to fit the true value scenario based upon the investment community's typical reaction to conditions like the true condition of the company. That is, stocks in normal earnings situations—with fairly level, consistent or growing earnings profiles and expectations—are generally valued based on a multiple of the stock's normal or expected earnings ability as often expressed in a price to earnings (or P/E) ratio. P/E ratios generally reflect the investment community's expectation of the likely future compound annual growth rate ("CAGR") in earnings; that is, if earnings are expected to grow at 10% per year, the P/E ratio will likely be about 10 or higher. If earnings are expected to grow at 20% per year, the P/E ratio will likely be about 20 or higher. Over the last ten or so years, perceived high growth stocks have often traded at a P/E multiple greater than the growth rate, which results in a P/E to growth rate multiple. As a growth company continues to meet or exceed its earning expectations, the P/E ratios will continue to equal or exceed the growth rate. If a company does not meet earnings expectations or if the market has concerns about a company's management, financial controls, or similar problems, the P/E ratio will most likely be at or below its growth rate. Often, therefore, stocks which are perceived as "growth" stocks, where there is an expected trend of significant year-to-year revenues and earnings increases, trade at a higher than "normal" P/E ratio (calculated on the basis of recent historical and short-term projected earnings). When expectations change to reflect an expected substantial slowdown, or cessation, of the growth trend, the stock price falls to a lower P/E ratio. If the company

reports or expects losses or the financial condition cannot reliably be assessed, the stock can then become valued on a price-to-book value ratio or price-to-tangible book value² basis. Book value is the amount the shareholders have "invested" in the company; that is the value of the assets less the amount of liabilities. Due to the accounting conventions used in reporting these values, it is generally the best shorthand approximation available to the public of what the company may expect to receive from a theoretical liquidation of assets and retirement of liabilities. If short-term losses are expected, the book value provides the best alternative, reasonable method of estimating what a proportionate share of the assets is currently worth. If longer periods of losses are expected, not only will this reduce book value as assets are consumed to finance the losses, but also liquidation becomes an increasingly possible alternative. Liquidation values are generally lower than "orderly sale" or "in use, in place" values for assets; therefore, shareholders would expect to receive less if this occurred. For rapidly growing companies transitioning from losses to earnings, price-to-sales ratios are often used.

13. This valuation methodology, and the investment community's use of it, is widely known and used in the securities field.

14. Plaintiff's damages on shares purchased during the Analysis Period were calculated as follows:

- For each share of Host America purchased and sold during the Analysis Period, the losses were calculated as the purchase price per share less the sales price per share.

² Tangible book value is defined as the company's stockholders' equity less its reported intangible assets.

- For each share of Host America purchased during the Analysis Period and held-through the end of the period, the losses were the excess of the purchase price per share less \$3.12 per share³. If the held-through shares were sold at prices higher than \$3.12 per share, the actual selling price was used to calculate damages.
- For Plaintiffs who engaged in multiple transactions with respect to Host America shares during the Analysis Period, such transactions were matched to the Plaintiffs earlier transactions and chronologically thereafter to determine damages. In other words, purchases and sales were matched on a first-in, first-out (“FIFO”) basis.
- For multiple transactions, any shares that were sold for a profit were “offset” from shares that were sold for a loss.

The total losses to all Plaintiffs who purchased shares of common stock of Host America during the Analysis Period were \$2,876,185.56. See Exhibit B.

DAMAGES TO PLAINTIFFS’ WARRANT PURCHASES

15. Plaintiff’s damages on warrants purchased during the Analysis Period were calculated as follows:

- For each warrant of Host America purchased and sold during the Analysis Period, the losses were calculated as the purchase price per warrant less the sales price per warrant.

³ This was Host America’s stock price on July 11, 2005, the closing price immediately before the start of the Analysis Period. We believe this is a fair proxy for the true value of Host America during the Analysis Period. This price represents approximately 2.0x of the Company’s reported book value per share of \$1.55 on March 31, 2005. This true value is no higher than \$3.12 as when the Company issued its restatements in 2006, the restated book value per share for March 31, 2005 was \$0.25 per share, thus justifying a lower true value.

- For each warrant of Host America purchased during the Analysis Period and held-through the end of the period, the losses were the excess of the purchase price per warrant less \$0.81 per warrant⁴. If the held-through warrants were sold at prices higher than \$0.81 per warrant, the actual selling price was used to calculate damages.
- For Plaintiffs who engaged in multiple transactions with respect to Host America warrants during the Analysis Period, such transactions were matched on a FIFO basis.
- Profits from the sale or exercise of warrants were subtracted from the losses on warrants for each applicable Plaintiff

The total losses to all Plaintiffs who purchased warrants underlying the common stock of Host America during the Analysis Period were \$206,772.15. See Exhibit B.

SUMMARY OF DAMAGES

16. The following table summarizes the individual damages for all Plaintiffs:

Plaintiff	Damages to Common Stock Purchased	Damages to Warrants Purchased	Total
Melvin J. Arrandt	\$90,083.00	N/A	\$90,083.00
Daniel G.R. Caris	\$54,930.00	N/A	\$54,930.00
Cilantro Partners, LP	\$10,690.99	\$108,421.63	\$119,112.62
Enrique Jose Contreras	\$237,135.85	N/A	\$237,135.85
Hermant Desai	\$131,423.80	N/A	\$131,423.80
Lawrence Edward Dombrowski	\$23,580.00	N/A	\$23,580.00
Jonathan Eggena	\$30,650.00	N/A	\$30,650.00
William I. Fender	(\$1,533.00)	\$19,631.12	\$18,098.12
Per F. Fjortoft	\$121,346.00	N/A	\$121,346.00

⁴ This was Host America's closing price on July 11, 2005 for the warrants. See Footnote 3. This value may also be conservative as the Black-Scholes model for valuing these warrants during the Analysis Period justify lower valuations when using the true value of the common stock (\$3.12 per share) and the Company's own estimations for volatility (72%), risk-free rate (4.2%), and dividend yield (0%) for valuing options in its June 30, 2005 10-K. Using these inputs, the value for the warrants range from \$0.79 to \$0.78 during the Analysis Period.

Plaintiff	Damages to Common Stock Purchased	Damages to Warrants Purchased	Total
Mostafa M. Gamali	\$68,374.27	N/A	\$68,374.27
Anita B. Gomberg	\$24,343.01	N/A	\$24,343.01
Larry D. Gregory	\$7,688.66	N/A	\$7,688.66
Louis Holcomb	N/A	\$34,139.60	\$34,139.60
Brooks L. Hurst	\$22,508.97	N/A	\$22,508.97
Michael Louis Kramer	\$62,395.20	N/A	\$62,395.20
Kouk S. Lee	\$40,527.40	N/A	\$40,527.40
Shashank Mathur	\$24,176.65	N/A	\$24,176.65
Constance T. McCune	\$27,450.00	N/A	\$27,450.00
Roger Menezes	\$38,469.50	N/A	\$38,469.50
Anastasia Michos	\$86,958.60	N/A	\$86,958.60
Diana L. Nassaney	\$41,708.39	N/A	\$41,708.39
Kevin D. Nguyen	\$22,890.54	N/A	\$22,890.54
Jason Novonty	\$31,744.72	N/A	\$31,744.72
Radar Devices, Inc.	\$518,244.85	N/A	\$518,244.85
Balaji Raghunath	\$142,956.87	N/A	\$142,956.87
Boune Ome Rahanavong	(\$2,662.50)	\$17,597.29	\$14,934.79
Richard M. Ruan	\$47,949.50	N/A	\$47,949.50
Matthew P. Samuel	\$63,234.60	N/A	\$63,234.60
Anil Sawant	\$29,764.85	N/A	\$29,764.85
Michael Schoeman	\$21,344.80	N/A	\$21,344.80
James M. Semler	\$64,400.00	N/A	\$64,400.00
Hareesh S. Shah	\$55,900.00	N/A	\$55,900.00
Chen-Wai Shih	\$19,370.34	N/A	\$19,370.34
Mostafa Showraki	\$115,830.00	N/A	\$115,830.00
Laura M. Sodano	\$64,948.20	N/A	\$64,948.20
James Strobe	\$23,716.56	N/A	\$23,716.56
Joseph Su	\$150,980.00	N/A	\$150,980.00
Jose Suarez	\$188,848.46	N/A	\$188,848.46
David Taiwo	N/A	\$26,982.51	\$26,982.51
Kip Teamey	\$30,528.42	N/A	\$30,528.42
John N. Tessoroff	\$16,525.00	N/A	\$16,525.00
Thien B. Tran	\$20,254.65	N/A	\$20,254.65
Douglas M. Yelin	\$14,757.70	N/A	\$14,757.70
Aiman Youssif	\$20,800.00	N/A	\$20,800.00
James Russell Yowell	\$37,235.00	N/A	\$37,235.00
Gezim Zeko	\$13,830.70	N/A	\$13,830.70
Joyce Zu	\$19,885.00	N/A	\$19,885.00
TOTAL ALL PLAINTIFFS:	\$2,876,185.56	\$206,772.15	\$3,082,957.70
Less: Damages Attributable to S. Mathur, K. Nguyen, C-W Shih, M. Showraki, & J. Suarez	\$371,115.99	N/A	\$371,115.99
TOTAL:	\$2,505,069.57	\$206,772.15	\$2,711,841.71

INSIDER TRADING DAMAGES

17. It is our understanding that insider-trading damages can be claimed for Plaintiff purchases within five trading days after an insider sale. On July 12, 2005, insider Peter Sarmanian sold 40,000 shares of Host America stock, for proceeds of \$255,995. On July 18, 2005, insider Roger Lockhart sold 392,330 shares of Host America common stock for proceeds of approximately \$5.4 million. Total insider-trading damages for all Plaintiffs for purchases after Sarmanian's sale (i.e. for the period from July 12, 2005 to July 19, 2005) are \$1,110,251.34, including stock and warrants. Total insider-trading damages for all Plaintiffs for purchases after Lockhart's sale (i.e. for the period from July 18, 2005 to July 22, 2005) are \$3,017,111.96, including stock and warrants. Damages were calculated in the same manner as set forth previously herein. See Exhibit G.

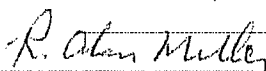
18. Attached are the following exhibits:

<u>Exhibit</u>	<u>Description</u>
A	R. Alan Miller Resume
B	Damages to Common Stock and Warrant Purchases
C	Host America Corp. Actual Price and Trading Volume for the Period January 1, 2005 through December 31, 2005 — Graph and Data
D	Host America Corp. Warrants: Actual Price and Trading Volume for the Period January 1, 2005 through December 31, 2005 — Graph and Data
E	Host America Corp. vs. S&P 500 Index, S&P 600 Small Cap Index, Russell 2000 Index and Host America's Peer Group Index for the Period January 1, 2005 through December 31, 2005, Indexed to 1.0 on January 1, 2005 — Graph and Data

F Chronology of News Events: January 1, 2005 through December 31, 2005

G Insider Trading Damages

19. As discovery has not been completed, our analysis and results may be modified or amended. The information contained herein may be presented in different formats.



R. Alan Miller, President
Philadelphia Investment Banking Company
November 13, 2009