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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN FRANCISCO

BEAVER COUNTY EMPLOYEES RETIREMENT FUND, et al., Individually and on Behalf of All Others Similarly Situated, Plaintiffs, vs. CYAN, INC., et al., Defendants.	Lead Case No. CGC-14-538355 (Consolidated with No. CGC-14-539008) <u>CLASS ACTION</u> Assigned to: Judge Curtis E.A. Karnow DECLARATION OF BJORN I. STEINHOLT, CFA – DECEMBER 5, 2018 DATE: December 27, 2018 TIME: 2:00 p.m. DEPT: 304 DATE ACTION FILED: 04/01/14

Table of Contents

I. INTRODUCTION AND QUALIFICATIONS 1

II. OVERVIEW OF ASSIGNMENT 2

III. STATUTORY §11 DAMAGES 4

IV. STATUTORY §12 DAMAGES 6

V. ANALYSIS OF CYAN'S PRICE DECLINE 8

1. Event analyses show that Cyan's quarterly financial releases caused statistically significant price declines 9

2. 2Q2013 Results and 3Q2013 Guidance 11

3. 3Q2013 Results and 4Q2013 Guidance 12

4. Preliminary 4Q2013 Results 15

5. 4Q2013 Results and 2014 Guidance 16

VI. QUANTIFICATION OF AGGREGATE RECOVERABLE §11 DAMAGES 16

I. INTRODUCTION AND QUALIFICATIONS

1. I am a Managing Director at Caliber Advisors, Inc. (Caliber), a full-service valuation and economic consulting firm with offices in San Diego, California and Chicago, Illinois. Prior to joining Caliber, I was a founding Principal of Financial Markets Analysis (FMA), an economic consulting, valuation and litigation support firm focusing on securities litigation consulting. Prior to FMA, I was a Vice President and then Principal at Business Valuation Services (BVS), a national full-service financial valuation firm that was part of publicly-traded CBIZ, Inc. (NYSE: CBIZ). Prior to BVS, I was a Financial Analyst, Vice President and Senior Vice President in the San Diego office of Princeton Venture Research, Inc. (PVR), a national investment banking, venture capital and litigation support firm. Prior to PVR, I was a Graduate Fellow performing investment research at the University of San Diego.

2. I have more than 25 years of experience providing capital markets consulting, including analyzing and valuing investments. Over the past 15 years, I have been retained on numerous occasions to provide expert opinions relating to market efficiency, materiality, loss causation and damages in large and complex securities class actions similar to this litigation. In *China Intelligent Lighting and Electronics, Inc.*, No. 11-cv-02768 (C.D. Cal.), the Court entered its judgment based on my aggregate damages estimate. In *Jaffe v. Household Intl Inc, et al.*, No. 02-cv-05893 (N.D. Ill.), the Court adopted my guidance and applied the prime rate when calculating pre-judgment interest following a jury verdict. In *Alan Willis, et al. v. Big Lots, Inc.*, 12-cv-00604 (S.D. Ohio) the Court concluded that I was "qualified and that [my] opinions [were] both relevant and reliable." In *Novatel Wireless Sec. Litig.*, No. 08-cv-01689 (S.D. Cal.), the Court undertook a rigorous *Daubert* analysis of every element of my comprehensive loss causation and damages methodology, concluding that all of my testimony was admissible. Other Courts have similarly found my testimony admissible, including in *New England Health, et al v.*

Qwest Comm Intl Inc, et al., No. 01-cv-01451 (D. Col.), *Employer-Teamsters Joint Council Pension Trust Fund v. America West Holding, et al.*, No. 99-CV-399 (D. Ariz.), *Nursing Home Pension Fund et al v. Oracle Corporation et al.*, No. 01-cv-00988 (N.D Cal.) and *Carson, et al v. Neopharm Inc, et al.*, No. 02-cv-02976 (N.D. Ill.). Furthermore, several other Courts have cited my testimony in support of their own decisions, including in *Healthsouth Corp. Sec. Litig.*, No. 03-cv-01501 (N.D. Ala.), *Luman v. Anderson, et al.*, No. 08-cv-00514 (W.D. Mo.), *Abu Dhabi Commercial Bank v. Morgan Stanley & Co.*, 08-CV-7508 (S.D. NY) and *Marcus v. J.C. Penney Co.*, No. 13-cv-736 (E.D. Tex.).

3. I received a Master of International Business degree from the University of San Diego and a Bachelor of Science degree in Computer Science and Engineering from California State University, Long Beach. I have also earned the professional designation Chartered Financial Analyst awarded by the CFA Institute. A summary of my background and qualifications is attached as Exhibit A to this declaration.

II. OVERVIEW OF ASSIGNMENT

4. I was retained by Plaintiffs' counsel to analyze the recoverable damages suffered by investors who purchased Cyan, Inc. ("Cyan" or the "Company") common stock from May 9, 2013 to November 4, 2013 ("Class Period"), except for purchases or acquisitions of non-registered shares in a private transaction, pursuant to §§11 and 12 of the Securities Act of 1933 ("1933 Act") in connection with the Company's May 9, 2013 initial public offering ("IPO").[1]

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[1] The Class is defined as: "All persons who purchased or otherwise acquired Cyan common stock from May 9, 2013 to November 4, 2013, except for purchases or acquisitions of non-registered shares in a private transaction. The following persons are excluded from the Class: the Defendants and their respective successors and assigns; past and current officers and directors of Cyan and the Underwriter Defendants; members of the immediate families of the Individual Defendants; the legal representatives, heirs, successors or assigns of the Individual Defendants; any entity in which any of the above excluded persons have or had a majority

On August 26, 2016, I submitted an expert report explaining my opinions and findings with respect to recoverable damages in this case. My analysis assumed that Plaintiffs' factual allegations, as summarized in their Consolidated Complaint for Violations of: (1) §11 of the Securities Act of 1933; (2) §12(A)(2) of the Securities Act of 1933; and §15 of the Securities Act of 1933 (the "Complaint") were true.

5. Damages pursuant to §11(e) of the 1933 Act ("§11 Damages") are calculated using a statutory formula based on the decline in the stock price below the offering price. It is my understanding that, while plaintiffs do not have to prove loss causation (*i.e.*, that the alleged misrepresentations caused the price decline), defendants have an opportunity to reduce the damages based on the statutory formula to the extent they can prove so-called negative causation (*i.e.*, that some other unrelated factor(s) – such as market or industry factors – caused the price decline). In this case, however, almost all (99%) of the price decline from the IPO to the filing of the first suit (April 1, 2014) occurred on four specific days following disclosures of the alleged truth. Consequently, it is unlikely that Defendants, in this case, would have been able to show that a substantial portion of Cyan's price decline was attributable to unrelated factors.

6. My opinions are based on my professional experience, as well as a review of the available evidence, including: (a) the Complaint; (b) the Court Order on Plaintiffs' Motion for Class Certification, dated May 19, 2015; (c) public filings by Cyan with the United States Securities and Exchange Commission ("SEC"), including the Cyan Prospectus dated May 8, 2013 ("Prospectus") and filings on Forms 10-K, 10-Q, and 8-K; (d) Company press releases and conference call transcripts; (e) Securities analyst reports regarding Cyan and its industry; (f) contemporaneous media reports regarding Cyan and its industry; (g) price and volume data for

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ownership interest; and any person who validly requests exclusion from the Class." Order on Plaintiffs' Motion for Class Certification, dated May 19, 2015, page 1.

Cyan, market and industry indices, as well as other market data such as float, institutional ownership and short interest from Bloomberg; (h) internal documents, (i) articles, court decisions and other relevant information cited in the text, or in footnotes to the text, of this declaration.

7. Based on my analysis of the available evidence, discussed further below, I calculated §11 Damages in this case of approximately $67 million.

III. STATUTORY §11 DAMAGES

8. On May 9, 2013, Cyan went public by issuing 8,899,022 shares of common stock at $11.00 per share, for a total of $97.9 million, and Company's shares were thereafter listed and began trading on the New York Stock Exchange under the ticker symbol "CYNI." It is my understanding that Plaintiffs brought this action pursuant to §11 of the 1933 Act on behalf of purchasers of Cyan common stock from May 9, 2013 through November 4, 2013, or the Class Period.

9. The 1933 Act provides specific guidance on how to calculate the statutory damages that plaintiffs may seek to recover. It is my understanding that the relevant portion of §11(e) when calculating the statutory measure of damages is as follows:

> The suit authorized under subsection (a) may be to recover such damages as shall represent the difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and (1) the value thereof as of the time such suit was brought, or (2) the price at which such security shall have been disposed of in the market before suit, or (3) the price at which such security shall have been disposed of after suit but before judgment if such damages shall be less than the damages representing the difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and the value thereof as of the time such suit was brought[.]

10. In this case, the price of Cyan's common stock in the May 9, 2013 IPO was $11.00 per share, and the closing price at the time the suit was brought on April 1, 2014 was

$4.31 per share, a difference of $6.69 per share.[2] Consequently, the above statutory formula for the damages that may be recoverable simply translates into the difference between the purchase price (not exceeding the Offer price of $11.00 per share), and:

(a) $4.31 per share, the closing price at the time the suit was brought;

(b) the sales price per Cyan share if sold on or prior to April 1, 2014, when the first suit was brought; or

(c) the greater of: (i) the sales price per Cyan share, or (ii) $4.31 per share, if sold after April 1, 2014.[3]

11. Furthermore, §11(e) of the 1933 Act specifically provides defendants with an opportunity to reduce (or eliminate) the statutory §11 Damages calculated using the above formula by proving that a portion (or all) of the decline in Cyan's stock price was caused by factors unrelated to the alleged misrepresentations and/or omissions. It states:

> Provided, That if the defendant proves that any portion or all of such damages represents other than the depreciation in value of such security resulting from such part of the registration statement, with respect to which his liability is asserted, not being true or omitting to state a material fact required to be stated therein or necessary to make the statements therein not misleading, such portion of or all such damages shall not be recoverable.

12. In other words, recoverable §11 Damages can be reduced (or eliminated) if defendants prove that factors other than the alleged misrepresentations caused some (or all) of the decline in the stock price following the offering,[4] *i.e.*, prove negative causation.[5] In this case,

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2 For the purpose of this report, I will assume that the value of Cyan's common stock on April 1, 2014 was equal to its closing price on that day.

3 This measure of damages appears to be largely based on the loss causation rationale that, had investors been informed about the alleged misrepresentations, they would not have purchased Cyan shares in the Offering, and, thus, not suffered any losses as a result of the decline in the Company's stock price.

4 Negative causation is in many respects the flip side of the legal concept of loss causation, or proof that a misrepresentation caused an economic loss. Generally, to establish loss causation, the disclosed information must "reflect part of the 'relevant truth' – the truth obscured" by the

however, I determined that approximately 99% (or \$6.60 per share) of the \$6.69 per share price decline from Cyan's IPO to the filing of the first suit (April 1, 2014) occurred on days following disclosures of the alleged truth (discussed below). Consequently, in this case, I will base my estimate of §11 Damages on the statutory formula cited above.

IV. STATUTORY §12 DAMAGES

13. Damages under §12 of the 1933 Act are similar to damages under §11(e). According to §12(a), damages equal "the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security." Similar to the negative causation section in §11(e), §12(b) also provides defendants with an opportunity to reduce damages for price declines/losses caused by unrelated factors, stating: "In an action described in subsection (a)(2), if the person who offered or sold such security proves that any portion or all of the amount recoverable under subsection (a)(2) represents other than the depreciation in value of the subject security resulting from such part of the prospectus or oral communication, with respect to which the liability of that person is asserted, not being true or omitting to state a material fact required to be stated therein or necessary to make the statement not misleading, then such portion or amount, as the case may be, shall not be recoverable." While the two measures are similar, particularly in this case, there are two important differences. I will explain those two differences and their impact below.

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misrepresentations. *Alaska Elec. Pension Fund v. Flowserve Corp.*, 572 F.3d 221, No. 07-11303 c/w 08-10071, 2009 U.S. App. LEXIS 13280, at *21 (5th Cir. June 19, 2009).

[5] Reducing recoverable damages by the portion of Cyan's price decline attributable to factors other than the alleged misrepresentations, or negative causation, appears to be based on the rationale that investors assumed the risks of such other factors (including market and industry factors), and that even if the representations in Cyan's Prospectus had been true, the investors would have suffered these losses.

14. Purchase Price: Under §12, the purchase price is not limited to the IPO price. In this case, Cyan's stock price periodically traded above the $11.00 per share IPO price during the first three months of the Class Period, reaching a high of $13.92 per share on May 20, 2013. However, by the time of the first disclosure of the alleged truth (discussed below), Cyan's stock price had already declined back down to $11.03 per share (August 6, 2013 closing price), which is roughly the same as Cyan's IPO price of $11.00 per share. *See* price graph below. Despite an extensive review of the publicly available information, I am not aware of any disclosure(s) of the alleged truth that could have explained the price decline from $13.92 per share down to $11.03 per share. Consequently, in my opinion, only the $0.03 per share decline from $11.03 to $11.00 represents additional recoverable damages under §12 versus §11, or an addition of less than $100,000 in aggregate damages.

15. Sales Price: Under §12, the sales price used in the damages calculation is not limited by the value at the time the suit was filed. However, any additional §12 damages from this difference would only relate to sales after April 1, 2014, when the first Complaint was filed, at prices below the $4.31 per share (April 1, 2014 closing price). Consequently, if the damages analysis is simply run through the filing of the first complaint, then this difference does not add any new §12 damages not already included in the §11 calculation. Such an analysis would be consistent with the assumption that the value of Cyan's stock price on April 1, 2014 was equal to its closing price, given that all of the disclosures of the alleged truth occurred prior to this date and thus, would be expected to be fully reflected in Cyan's stock price. As a result, in my opinion, there are no additional recoverable §12 damages from any post-April 12, 2014 price declines.

16. As discussed above, the calculation of recoverable damages under §11 and §12 are similar. In this case, it is my opinion that additional recoverable damages from using the §12 methodology, versus the §11 methodology, would be immaterial (less than $100,000).

V. ANALYSIS OF CYAN'S PRICE DECLINE

17. For the purpose of my analysis, I have, as is customary, assumed that Plaintiffs will be able to prove their factual allegations at trial.[6] Generally, it is my understanding that Plaintiffs allege that Defendants made statements in the Prospectus that were false as they omitted to disclose material information concerning, for example, Cyan's dependence on Windstream's fiber-to-the-tower initiatives, thereby misleading investors with respect to future revenues, in particular past and future revenues from Windstream. Specifically, Plaintiffs allege that Defendants made positive statements in the Prospectus about the Company's future growth prospects that failed to disclose "(a) that Windstream would dramatically reduce its purchases from Cyan due to the expected completion of Windstream's fiber-to-the-tower and broadband stimulus programs in the second half of 2013; and (b) that Cyan was not successfully expanding and diversifying its customer base at the time of the IPO."[7]

18. Based on my review of the publicly available of information from the IPO through the date the first suit was filed (April 1, 2014), it is my opinion that a substantial portion of the post-IPO decline in Cyan's stock price can be tied to the Company's lower Windstream revenues and its failure to replace these revenues with other sales at similar margins, information that Plaintiffs allege were misrepresented or omitted in the Prospectus. More specifically,

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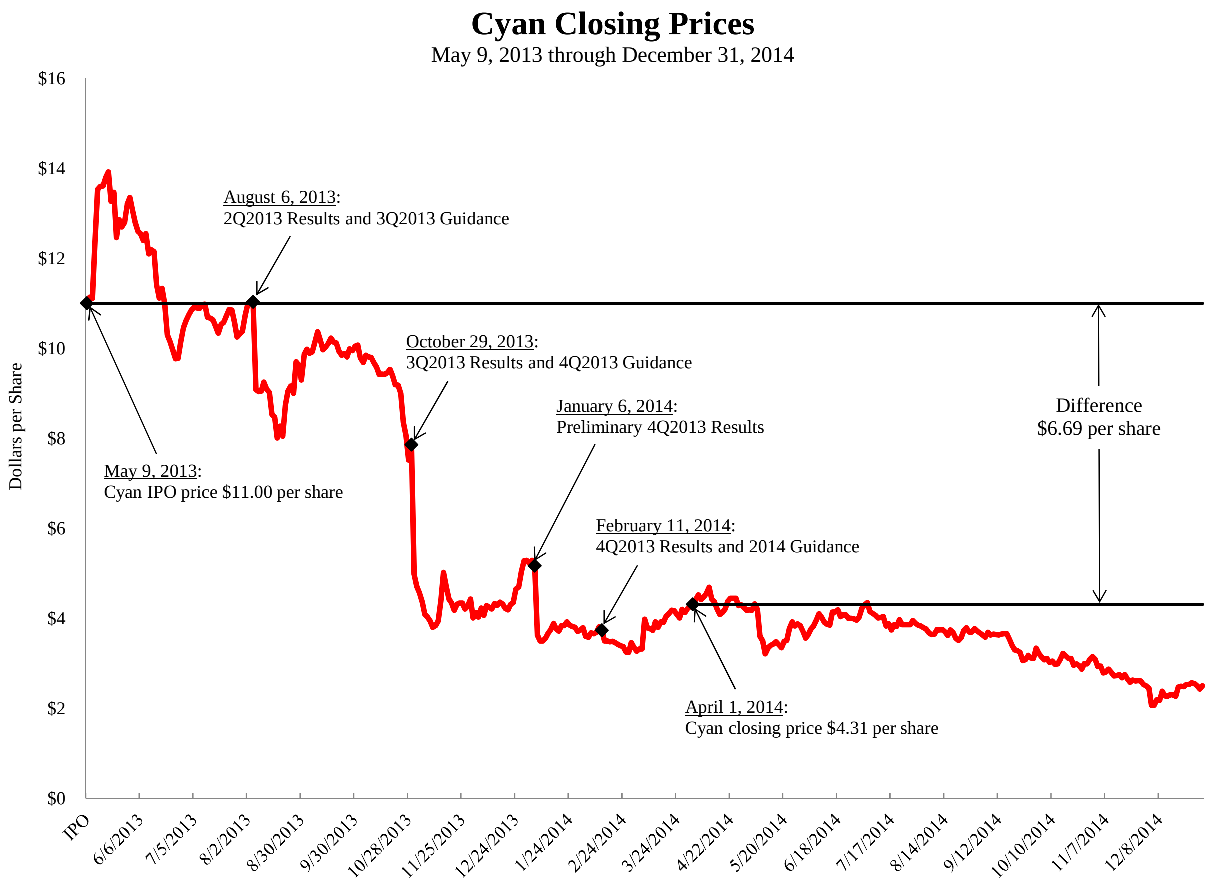
[6] This is consistent with the traditional role of a damages expert. *Reference Manual on Scientific Evidence: Reference Guide on Estimation of Economic Damages*, 3rd. ed. at 432. ("In almost all cases, the damages expert proceeds on the hypothesis that the defendant committed the harmful act and that it was unlawful.")

[7] Complaint, ¶27.

Cyan's post-IPO price decline can be understood by focusing on the financial releases relating to the Company's 2Q2013, 3Q2013, 4Q2013 results/guidance and 2014 guidance.



19. Below I will first conduct an event analysis to analyze the stock price decline on each of the above event dates, and then discuss each of these events individually.

1. Event analyses show that Cyan's quarterly financial releases caused statistically significant price declines

20. In an efficient market, securities prices quickly incorporate new, material information. Consequently, the price movement following a disclosure of new information can be analyzed to: (a) assess statistical significance; and (b) quantify the portion of the price movement not explained by market and industry factors, *i.e.*, the company-specific portion of the

price movement.[8] This analysis is generally performed using the event study methodology. The event study methodology generally involves the following steps: define the event(s); adjust for market and/or industry factors; select control period(s); calculate predicted returns, abnormal returns and t-statistics; and interpret results.[9]

21. In this case, I defined the events as the days following Cyan's quarterly financial releases during the one year period following the IPO.[10] As a proxy for market and industry factors, I used the NASDAQ Composite index and the NASDAQ Telecommunications index, respectively, consistent with Cyan's selection of market and industry indices in their annual filings. Based on these analyses, I found that every Cyan financial release during this one year period was followed by a statistically significant price decline. In other words, Cyan had a pattern of failing to meet investors' expectations when reporting and discussing their actual results. Below I will discuss these financial releases in more detail.

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8 A statistically significant price movement is one that is unlikely to have occurred simply by chance, and is therefore a price movement likely caused by the event.

9 For a more detailed explanation of the event study methodology, *see* John Campbell, Andrew Lo & Craig MacKinley, *The Econometrics of Financial Markets*, Chapter 4, Princeton University Press, 151 (2007); and Mark Mitchell & Jeffry Netter, "The Role of Financial Economics in Securities Fraud Cases: Applications at the Securities and Exchange Commission," *49 Bus. Law* 545, (Feb. 1994).

10 Specifically, I analyzed the following five event days: August 7, 2013 (trading day after the 2Q2013 announcement), October 30, 2013 (trading day following the 2Q2013 announcement), January 7, 2014 (trading day after the 4Q2013 pre-announcement), February 12, 2014 (trading day after the 4Q2014 official announcement), and May 7, 2014 (trading day after the 1Q2014 disclosure). The May 7, 2014 announcement occurred after the filing of the first suit and is not included in the damages analysis.

2. 2Q2013 Results and 3Q2013 Guidance

22. On August 6, 2013, after the market closed, Cyan announced its 2Q2013 results, including revenues of $31.7 million that were in-line with analysts' expectations.[11] The Company also provided guidance for 3Q2013, stating that it expected "revenue to be in the range of $36 million to $38 million," and net loss (non-GAAP) "to range between $6.7 million and $8.1 million, or a net loss per share of $0.14 to $0.17."[12] The 3Q2013 guidance was viewed negatively by analysts. Below are some selected quotes:

<u>J.P Morgan (8/6/2013):</u>

> [G]uidance was a touch light driven mainly by slightly weak gross margins expected in Q3. We believe that this is due to a better sales growth than expected which is resulting in that classic telecom equipment problem of more low margin chassis mixing short term margins lower. Longer term we would expect this to result in both higher margins and revenues for the company.
>
> * * *
>
> **Guidance a touch light.** Q3 guidance was below our forecasts with EPS loss expectations now ($0.14) – ($0.17) vs. our prior ($0.11) forecast. The miss was a combination of revenue guidance a small 1.9% below our estimate combined with lower gross margin and a rebound in opex after lower opex in Q2.
>
> **Gross margins impacted by growth.** Cyan is guiding for gross margins below the 43.5% they just reported vs. our 43.9% forecast for Q3. However, we believe this is due to higher expected chassis sales than we had forecast which suggests that Cyan is growing their footprint more rapidly than we had originally modeled.

<u>Goldman Sachs (8/6/2013):</u>

> 3Q guidance was a touch lower than expected at the midpoint, as the company's international opportunities are taking a bit longer to take hold, and some of the opex ramp shifted from 2Q to 3Q.

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[11] Cyan Form 8-K, filed with the SEC on August 6, 2013.

[12] Cyan Form 8-K, filed with the SEC on August 6, 2013.

23. Following Cyan's 2Q2013 financial release, the Company's stock price declined significantly from a closing price of $11.03 per share on August 6, 2013 to a closing price of $9.08 per share on August 7, 2013, a decline of 17.7% or $1.95 per share. This decline was highly statistically significant at the 1% level. In other words, this price decline was unlikely to have occurred simply by chance. Instead, it was almost certainly a result of the new information disclosed about Cyan. In my opinion, the adverse information that caused this price decline related to the Company's 3Q2013 guidance, as discussed by analysts. The disappointing 3Q2013 guidance related to international sales "taking a little bit longer to take hold," and lower than expected gross margins.

3. 3Q2013 Results and 4Q2013 Guidance

24. On October 29, 2013, after the market closed, Cyan announced its 3Q2013 results, including revenues of $37.7 million that were in-line with analysts' expectations.[13] The Company also provided guidance for 4Q2013, stating that it expected "revenue to be in the range of $30 million to $33 million," "revenue for 2014 to grow approximately 33 percent from 2013," and net loss (non-GAAP) "to range between $9.0 million and $11.3 million, or a net loss per share of $0.19 to $0.24."[14] The 4Q2013 guidance was viewed negatively by analysts. Below are some selected quotes:

<u>J.P. Morgan (10/30/2013):</u>

> Cyan managed a slight beat against our numbers in Q3 and then proceeded to provide weak guidance for Q4 and 2014. We believe the intention for 2014 was to reassure the Street but the outcome is significantly lower revenue expectations in our model for 2014 and EBIT breakeven pushed out to late 2015. We believe a lot of the problem is typical low visibility and lumpiness in carrier spending, which should be relatively short term. On the positive side we saw Blue Planet

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13 Cyan Form 8-K, filed with the SEC on October 29, 2013.

14 Cyan Form 8-K, filed with the SEC on October 29, 2013.

commentary as constructive and believe that the stock now prices in a lot of bad news while growth prospects remain relatively good in 2014. Reiterate Overweight.

* **Weak Q4 and 2014 guidance.** Cyan's Q4 revenue guidance of $30m - $33m was 32% below our $47m estimate at midpoint and implies only 5.6% Y/Y growth in revenue for the quarter. Management also indicated that they see revenues growing by 33% in 2014. This implies revenues that are around 18% below our 2014 forecast though we believe Cyan sees this as conservative.

* **Windstream and International.** Management flagged both lower expected Windstream spending in Q4 due to budget exhaustion and weak international revenues as main drivers for the guidance. We believe that a later start for COLT revenue was a key part of the international comment though international growth has developed more slowly than the company expected, in our opinion.

<u>Pacific Crest (8/30/2013):</u>

Weak outlook overshadows in-line quarter. Cyan reported 31% growth, achieving high consensus expectations on 19% sequential growth. However, the vast majority of upside was driven by its largest customer, Windstream, at 50% of revenue. This upside was overshadowed by the expectation of a material decline in the December quarter.

<u>Jefferies 8/30/2013):</u>

Cyan reported an in-line September quarter result and followed with dismal Q4 guidance. Our forward-looking revenue and margin expectations are falling dramatically. We're cutting our rating on the shares to a Hold.

We're Blue on Cyan… Cutting our Rating from Buy to Hold… This quarter's EPS conference call was a small disaster in our view. While the organization hit Q3 expectations, we're surprised by the size of the reduction in expectations for Q4. At this point, it's much more difficult to assign industry-premium valuations here – even in light of Cyan's stillbetter-than-average growth rate. As such, we're cutting our price target from $15.50 to $6.00, or 1.5x EV/2014 sales.

* * *

Q4 Guidance is Way Down…Time to Reset Expectations… December-quarter guidance calls for revenues of $30-33 million (versus our $45.5 million expectation). Consensus is $46.0 million. Windstream is a big part of Cyan's lower expectations. International, similarly, is going slower as sales cycles have been longer-than-expected.

* * *

> **Windstream Customer Concentration Increase… Vendor Financing Was a Surprise**… Windstream accounted for a sizable 50% of Cyan's revenue for the quarter (or $18.9 million in dollar terms). That's up from $11.7 million (37% of sales in Q2). The company, of course, sells into a multitude of applications with the carrier customer (Wireless Backhaul, Business Ethernet service delivery, and Broadband Backhaul).
>
> Cyan had anticipated Windstream to be flat to slightly-down in 2013 but business YTD has been much better-than-expected. Looking forward, Windstream is expected to be down significantly in Q4 (more that below). As a surprise on the conference call, Cyan noted that they provided $10 million vendor financing to Windstream during Q3 ($9.8 million was drawn in the form of lease receivables). While Cyan is selling off the carrier's paper to third party organizations, that's still a surprising relationship in our mind. Operators that are Windstream's size don't typically create vendor financing programs with smaller players like Cyan. We'd guess that the deal was a precursor to getting business done in the quarter – particularly in light of the capex budget pressure there. Moreover, the arrangement makes the Q3 results look incrementally worse in our minds. Looking at non-Windstream customers, business declined modestly on a Q/Q basis -- $18.9 million versus $20.0 million in Q2.

<u>Goldman Sachs (10/30/2013):</u>

> Cyan's significant guide-down was primarily driven by much lower than expected revenues at top customer Windstream, which contributed 50% of revenues in 3Q (up about 60% qoq and 50% yoy); YTD, Windstream represented 45% of revenues, similar to the 47% level of the first 9 months of 2012. Cyan noted that its customers had exhausted much of their full year budget through 3Q, negating the typical year-end budget flush — echoing comments by peers Adtran and Calix which also guided 4Q down on weakness in tier-2/3 carrier spending, and consistent with our preview. However, the magnitude of the impact was greater than expected, and was potentially magnified by the economic uncertainty and government shutdown. Guidance was also negatively impacted by a slower than expected ramp in international revenues. We are cutting our FY13/14/15 non-GAAP EPS estimates to ($1.00)/($0.34)/$0.06 from ($0.82)/($0.15)$0.39 on lower revenues and margins.

25. Following Cyan's 3Q2013 financial release, the Company's stock price declined significantly from a closing price of $7.86 per share on October 29, 2013 to a closing price of $4.98 per share on October 30, 2013, a decline of 36.6% or $2.88 per share. This decline was highly statistically significant at the 1% level. In other words, this price decline was unlikely to have occurred simply by chance. Instead, it was almost certainly a result of the new information disclosed about Cyan. In my opinion, the adverse information that caused this price decline

primarily related lower than expected 4Q2013 guidance, and also to some extent that Cyan possibly had to finance some of the product sold to Windstream in 3Q2013. The disappointing guidance primarily related to sales to Windstream being substantially down from prior quarters, as well as also possibly the continuation of slow international sales (also discussed in the 2Q2013 announcement).

4. Preliminary 4Q2013 Results

26. On January 6, 2014, after the market closed, Cyan made a preliminary announcement that 4Q2013 revenues would come in between $20 million to $21 million versus prior guidance of $30 million to $33 million, largely as a result of "revenue from [Windstream] decreasing by approximately 88% from $19 million in our third fiscal quarter to $2 million in the fourth quarter."[15] In other words, the quarter over quarter decline in revenues from Windstream was $17 million ($19 million minus $2 million). This is roughly the same as the quarter over quarter decline in total revenues from $37.7 million in 3Q2013 to $20.9 million in 4Q2013, or $16.8 million.[16] No updated guidance was provided for 2014.

27. Following Cyan's 4Q2013 preliminary announcement, the Company's stock price declined significantly from a closing price of $5.17 per share on January 6, 2014 to a closing price of $3.63 per share on January 7, 2014, a decline of 29.8% or $1.54 per share. This decline was highly statistically significant at the 1% level. In other words, this price decline was unlikely to have occurred simply by chance. Instead, it was almost certainly a result of the new information disclosed about Cyan. In my opinion, the adverse information that caused this price

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[15] Cyan Form 8-K, filed with the SEC on January 6, 2014.

[16] Final 4Q2013 revenues were reportedly $20.9 million, as announced on February 11, 2014. Cyan Form 8-K, filed with the SEC on February 11, 2014.

decline related to the lower than expected 4Q2013 revenues as a result of an 88% quarter over quarter decrease in sales to Windstream.

5. 4Q2013 Results and 2014 Guidance

28. On February 11, 2014, after the market closed, Cyan reported its full 4Q2013 results, including revenues of $20.9 million.[17] Also on February 11, on the conference call, Defendant Mark Floyd provided disappointing 1Q2014 revenue guidance of $16 million to $18 million, but declined to state how much of that would come from Windstream.[18] In 3Q2013 alone, Windstream contributed $19 million to revenues.

29. Following Cyan's 4Q2013 announcement, the Company's stock price declined significantly from a closing price of $3.73 per share on February 11, 2014 to a closing price of $3.50 per share on February 12, 2014, a decline of 6.2% or $0.23 per share. This decline was statistically significant at the 5% level.

VI. QUANTIFICATION OF AGGREGATE RECOVERABLE §11 DAMAGES

30. The aggregate §11 Damages in this case depend on when Class members purchased and sold their Cyan shares. This information is not publicly available. However, we can estimate Class members' purchases and sales using trading models. In this case, I used a two-trader model assuming that 20% of the public float made up 80% of the trading volume (high-activity traders), while the remaining 80% of the float made up 20% of the trading volume

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[17] Cyan Form 8-K, filed with the SEC on February 11, 2014.

[18] Cyan February 11, 2014 Conference Call. A February 12, 2014 J.P. Morgan analyst report stated that Cyan "expects revenue for Q1'14 to be between $16m and $18m – this was 10% below our Q1'14 estimate of $18.9m and significantly below the consensus estimate of $22.3m."

(low activity traders) to estimate aggregate damages.[19] Based on the above trading model, it was estimated that out of a total volume of 34.9 million shares purchased during the Class Period (including shares acquired in the IPO), there were 13.37 million damaged shares.[20] Furthermore, also based on the trading model, aggregate §11 Damages were estimated to be $67 million. Given that the settlement in this case is $15 million, estimated average recovery per damaged share is $1.12. ($15 million / 13.37 million damaged shares).

I declare under penalty of perjury that the foregoing is true and correct. Executed this 5th day of December 2018, in San Diego, California.

Respectfully submitted,

Bjorn Steinholt

BJORN I. STEINHOLT

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19 For a more full explanation and comparison of different trading models, *see* Michael Barclay & Frank Torchio, "A Comparison of Trading Models used for Calculating Aggregate Damages in Securities Litigation," *Law and Contemporary Problems*, (Spring/Summer 2001). Using the alternative single trader model that assumes that all shares have an equal likelihood of trading, would not materially change the aggregate damages estimate in this case.

20 Damaged shares refer to the number of shares that are damaged and may thereby result in a claim. Note that one share can be damaged more than once (and thereby result in more than one damaged share and more than one claim) as shares are traded amongst different investors.

Exhibit A

Bjorn I. Steinholt, CFA

Caliber Advisors, Inc.
10620 Treena Street, Suite 230, San Diego, CA 92131
Telephone: (858) 549-4900 • Facsimile: (858) 549-9317
Bjorn@CaliberAdvisors.com

Employment History

Caliber Advisors, Inc.
Managing Director (2014 to present)

Caliber Advisors is a full-service valuation and economic consulting firm. Mr. Steinholt provides a broad range of capital markets consulting, including financial and economic analyses relating to mergers and acquisitions, initial public offerings, fairness opinions, structured finance, portfolio risk management, market structure, securities analysis and financial valuations, including litigation consulting and expert testimony relating to the economic issues that arise in large complex securities fraud cases.

Financial Markets Analysis, LLC
Principal (2000 to 2014)

Financial Markets Analysis was a financial valuation and economic consulting firm that primarily focused on providing economic analyses and expert testimony relating to securities analysis and financial economics. Mr. Steinholt provided capital markets consulting, financial valuation services, and various litigation consulting and expert testimony in large complex securities fraud cases.

Business Valuation Services, Inc. (subsidiary of CBIZ, Inc.)
Principal (1999 -2000)
Vice President (1998-1999)

Business Valuation Services was a national full-service financial valuation firm. Mr. Steinholt provided valuations of businesses and financial securities, including common stock, warrants, options, preferred stock, debt instruments and partnership interests, as well as intangible assets such as patents, trademarks, software, customer lists, work-force and licensing agreements. Mr. Steinholt also provided litigation support in shareholder disputes.

Princeton Venture Research, Inc.
Senior Vice President (1996-1998)
Vice President (1993-1996)
Financial Analyst (1990-1993)

Princeton Venture Research was a venture capital, investment banking and economic consulting firm. Mr. Steinholt provided various financial and economic analyses for venture capital, investment banking and consulting assignments, including shareholder disputes. Among other things, he helped identify and evaluate prospective emerging technology companies in need of venture capital funding.

University of San Diego
Research Assistant, Graduate Fellow (1988-1989)

Mr. Steinholt assisted with research regarding the performance of international equity markets following the 1987 stock market crash. He also developed computer programs related to the portfolio theory, including risk minimization and portfolio optimization based on quadratic programming techniques.

Educational Background

- **Chartered Financial Analyst**
  CFA Institute, 1997

- **Master of International Business**
  University of San Diego, 1989

- **Sivilingeniør** - (Norwegian graduate level engineering designation)
  University of Trondheim, Norway, 1987

- **Bachelor of Science in Computer Science,**
  Computer Science and Engineering
  California State University, Long Beach, 1987

Professional Affiliations

- **Member, CFA Institute**

- **Member, Financial Analysts Society of San Diego**

Publications

"Price Impact Analysis – Where The Halliburton Court Erred," Expert Analysis Section, *Law360* (August 25, 2015).

Testimony

In re: New England Health, et al v. Qwest Comm Intl Inc, et al., Case No. 1:01-cv-01451 (United States District Court for the District of Colorado). QwestDex Hearing Testimony relating to Section 11 damages: January 28, 2003. Mr. Steinholt was retained to opine on potential Section 11 damages.

In re: King, et al v. CBT Group PLC, et al., Case No. 98-CV-21014 (United States District Court, Northern District of California, San Jose Division). Deposition Testimony: November 5, 2003. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

In re: Employer-Teamsters Joint Council Pension Trust Fund v. America West Holding, et al., Case No. 99-CV-399 (United States District Court, District of Arizona). Deposition Testimony: October 28, 2004. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

In re: Howard Yue vs. New Focus, Case No. CV808031 (Superior Court of the State of California, County of Santa Clara). Deposition Testimony: July 28, 2005. Mr. Steinholt was retained to opine on the potential damages and other economic issues relating to the defendants' acquisition of Globe Y.Technology, Inc.

In re: Howard Yue vs. New Focus, Case No. CV808031 (Superior Court of the State of California, County of Santa Clara). Deposition Testimony: August 9, 2005. Mr. Steinholt was retained to opine on the potential damages and other economic issues relating to the defendants' acquisition of Globe Y.Technology, Inc.

In re: AB Liquidating Corp., fka Adaptive Broadband Corporation v. Ernst & Young, LLP (American Arbitration Association). Arbitration, March 23, 2006. Mr. Steinholt was retained to analyze the share turnover in Adaptive Broadband Corporation in connection with the liquidation of the company's assets.

In re: AOL Time Warner, Inc. Securities and "ERISA" Litigation, Consolidated Opt-Out Action, Case No. 1:06-cv-00695 (United States District Court, Southern District of New York). Deposition Testimony: September 28, 2006. Mr. Steinholt was retained to opine on materiality and loss causation in a Section 11 context.

In re: Ohio Public Employees Retirement System vs. Richard Parsons, et al., Case No. 03-CVH07-7932 (Court of Common Pleas of Franklin County, Ohio). Deposition Testimony: March 22, 2007. Mr. Steinholt was retained to quantify Section 11 damages for various institutional investors.

In re: Ryan v. Flowserve Corporation et al., Case No. 3:03-cv-01769 (United States District Court, Northern District of Texas, Dallas Division). Deposition Testimony: June 15, 2007. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

In re: Nursing Home Pension Fund et al v. Oracle Corporation et al., Case No. 3:01-cv-00988 (United States District Court, Northern District of California). Deposition Testimony: July 2, 2007. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

In re: Carson, et al v. Neopharm Inc, et al., Case No. 1:02-cv-02976 (United States District Court, Northern District of Illinois, Eastern Division). Deposition Testimony: January 22, 2008. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

In re: HealthSouth Corporation Securities Litigation, Case No. 2:03-cv-01501-S (United States District Court, Northern District of Alabama, Southern Division). Deposition Testimony: February 1, 2008. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality and loss causation.

In re: Robert Kelleher, et al. v. ADVO, Inc., et al., Case No. 3:06-cv-01422 (United States District Court, District of Connecticut). Deposition Testimony: September 16, 2008. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality and loss causation in a class certification context.

In re: HealthSouth Corporation Securities Litigation, Case No. 2:03-cv-01501-S (United States District Court, Northern District of Alabama, Southern Division). Deposition Testimony: January 30, 2009. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality and loss causation.

In re: Huffy Corporation Securities Litigation, Case No. 3:05-cv-00028 (United States District Court, Southern District of Ohio, Western Division (at Dayton)). Deposition Testimony: November 12, 2009. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and potential damages for lead plaintiff.

Lori Weinrib v. The PMI Group, Inc. et al., Case No. 3:08-cv-01405, (United States District Court for the Northern District of California). Deposition Testimony: June 14, 2010. Mr. Steinholt was retained to opine on economic issues relating to market efficiency in a class certification context.

Kenneth McGuire, et al. v. Dendreon Corporation, et al., Case No. 2:07-cv-00800 (United States District Court, Western District of Washington at Seattle). Deposition Testimony: June 18, 2010. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

City of Livonia Employees' Retirement System v. The Boeing Company et al., Case No. 1:09-cv-07143, (United States District Court, Northern District of Illinois, Eastern Division). Deposition Testimony: November 5, 2010. Mr. Steinholt was retained to opine on economic issues relating to market efficiency in a class certification context.

Maureen Backe, et al. v. Novatel Wireless, Inc., et al., Case No.08-cv-1689 (United States District Court, Southern District of California). Deposition Testimony: February 1, 2011. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

Paul Luman, et al. v. Paul G. Anderson, et al. (*FCStone Group Securities Litigation*), Case No. 4:08-cv-00514 (United States District Court, Western District of Missouri, Western Division). Deposition Testimony: January 5, 2012. Mr. Steinholt was retained to opine on economic issues relating to market efficiency in a class certification context.

T Grocery & Food Employees Welfare Fund v. Regions Financial Corporation et al., Case No. 2:10-cv-02847 (United States District Court, Northern District of Alabama). Deposition Testimony: May 8, 2012. Mr. Steinholt was retained to opine on economic issues relating to market efficiency in a class certification context.

City of Pontiac General Employee's Retirement System v. Lockheed Martin Corporation et al., Case No. 1:11-cv-05026, (United States District Court, Southern District of New York). Deposition Testimony: May 18, 2012. Mr. Steinholt was retained to opine on economic issues relating to market efficiency in a class certification context.

United Food and Commercial Workers Union et al v. Chesapeake Energy Corporation et al., Case No. 5:09-cv-01114 (United States District Court, Western District of Oklahoma). Deposition Testimony: August 14, 2012. Mr. Steinholt was retained to opine on loss causation in a Section 11 context.

City of Pontiac General Employee's Retirement System v. Lockheed Martin Corporation et al., Case No. 1:11-cv-05026, (United States District Court, Southern District of New York). Deposition Testimony: October 4, 2012. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

Western Pennsylvania Electrical Employees Pension Fund, et al. v. Dennis Alter, et al., (*Advanta International Inc. Securities Litigation*) Case No. 2:09-cv-04730 (United States District Court, Eastern District of Pennsylvania). Deposition Testimony: May 1, 2013. Mr. Steinholt was retained to opine on economic issues relating to market efficiency in a class certification context.

Southern Avenue Partners LP v. The Perot Family Trust et al., (*Parkcentral Global Litigation*) Case No. 3:09-cv-00765 (United States District Court, Northern District of Texas, Dallas Division). Deposition Testimony: May 6, 2013. Mr. Steinholt was retained to opine on the calculation of potential damages.

Maureen Backe, et al. v. Novatel Wireless, Inc., et al., Case No. 08-cv-1689 (United States District Court, Southern District of California). Deposition Testimony: June 25, 2013. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

Garden City Employees' Retirement System v. Psychiatric Solutions, Inc. et al., Civil Action No. 3:09-cv-00882 (United States District Court, Middle District of Tennessee, Nashville Division). Deposition Testimony: June 6, 2014. Mr. Steinholt was retained to opine on economic issues relating to market efficiency, materiality, loss causation and Section 10(b) damages.

City of Pontiac General Employees' Retirement System v. Wal-Mart Stores, Inc. et al., Case No. 12-cv-05162 (United States District Court, Western District of Arkansas (Fayetteville)). Deposition Testimony: November 9, 2015. Mr. Steinholt was retained to opine on economic issues relating to market efficiency and the calculation of class-wide damages in a class certification context.

Alan B. Marcus, et al. v. J.C. Penney Company, Inc., et al., Case No. 13-CV-00736 (United States District Court, Eastern District of Texas (Tyler Division)). Deposition Testimony: March 4, 2016. Mr. Steinholt was retained to opine on economic issues relating to market efficiency and the calculation of class-wide damages in a class certification context.

Basis Yield Alpha Fund (Master) v. Goldman Sachs Group, Inc., et al., Index No: 652996/2011 (Supreme Court of the State of New York, County of New York). Deposition Testimony: April 1, 2016. Mr. Steinholt was retained to analyze loss causation related to two CDO-squared securities purchased by Basis Yield Alpha Fund (Master) from Goldman Sachs.

John Sender v. Franklin Resources, Inc., Case No. 11-cv-03828 (United States District Court, Northern District of California). Deposition Testimony: June 17, 2016. Mr. Steinholt was retained to analyze ERISA damages related to plaintiff's participation in defendant's Employee Stock Ownership Plan.

Alan Willis, et al. v. Big Lots, Inc., et al., Case No. 12-CV-00604 (United States District Court, Southern District of Ohio (Columbus)). Deposition Testimony: July 21, 2016. Mr. Steinholt was retained to opine on economic issues relating to market efficiency and the calculation of class-wide damages in a class certification context.

In re: Beaver County Employees Retirement Fund vs. Cyan, Inc., et al., Lead Case No. CGC-14-538355 (Superior Court of the State of California, County of San Francisco). Deposition Testimony: October 14, 2016. Mr. Steinholt was retained to opine on potential damages pursuant to §§11 and 12 of the Securities Act of 1933.

In Re Willbros Group, Inc. Securities Litigation, Case No. 14-CV-3084 (United States District Court, Southern District of Texas, Houston Division). Deposition Testimony: April 14, 2017. Mr. Steinholt was retained to opine on economic issues relating to market efficiency and the calculation of class-wide damages in a class certification context.

Shankar v. Imperva, Inc. et al., Case No. 14-cv-01680 (United States District Court, Northern District of California (Oakland)). Deposition Testimony: May 5, 2017. Mr. Steinholt was retained to opine on economic issues relating to market efficiency and the calculation of class-wide damages in a class certification context.

Glitz et al. v. Sandridge Energy Inc et al., Case No. 12-cv-01341 (United States District Court, Western District of Oklahoma). Deposition Testimony: May 3, 2018. Mr. Steinholt was retained to opine on economic issues relating to market efficiency and the calculation of class-wide damages in a class certification context.

Gary Curran, et al. v. Freshpet, Inc., et al.. Case No. 16-cv-02263 (United States District Court, District of New Jersey). Deposition Testimony: July 25, 2018. Mr. Steinholt was retained to opine on economic issues relating to market efficiency and the calculation of class-wide damages in a class certification context.

Megan Villella , et al. v. Chemical & Mining Co. of Chile, Inc., et al., Case No. 15-cv-02106 (United States District Court, Southern District of New York). Deposition Testimony: November 9, 2018. Mr. Steinholt was retained to opine on economic issues relating to market efficiency and the calculation of class-wide damages in a class certification context.

DECLARATION OF SERVICE BY LEXIS FILE AND SERVE XPRESS

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and employed in the City and County of San Diego, over the age of 18 years, and not a party to or interested party in the within action; that declarant's business address is 655 West Broadway, Suite 1900, San Diego, California 92101.

2. That on December 6, 2018, declarant served the DECLARATION OF BJORN I. STEINHOLT, CFA by serving electronically via Lexis File & Serve Xpress to the parties listed on the attached Service List.

I declare under penalty of perjury that the foregoing is true and correct. Executed on December 6, 2018, at San Diego, California.

Jaclyn Stark

JACLYN STARK

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