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**SAN MATEO COUNTY**  
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By M. MARLOWE  
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8 *Attorneys for Plaintiff*

9  
10 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 COUNTY OF SAN MATEO

12 ROBERT KROMPHOLD, individually )  
13 and on behalf of all others similarly )  
14 situated, )

15 Plaintiff, )

16 vs. )

17 CASTLIGHT HEALTH, INC., )  
18 GIOVANNI M. COLELLA, JOHN C. )  
19 DOYLE, BRYAN ROBERTS, DAVID )  
20 EBERSMAN, ROBERT P. KOCHER, )  
21 VENROCK PARTNERS V, L.P., )  
22 GOLDMAN, SACHS & CO., MORGAN )  
23 STANLEY & CO. LLC, and DOES 1-25, )  
24 inclusive, )

25 Defendants. )

Case No. \_\_\_\_\_

**CIV533580**

) CLASS ACTION

) **COMPLAINT FOR VIOLATIONS OF**  
) **THE SECURITIES ACT OF 1933**

BY FAX

) DEMAND FOR JURY TRIAL

1 Plaintiff alleges the following based upon the investigation of Plaintiff's counsel,  
2 which included a review of U.S. Securities and Exchange Commission ("SEC") filings  
3 by Castlight Health, Inc. ("Castlight" or the "Company"), as well as regulatory filings  
4 and reports, securities analysts' reports and advisories about the Company, press  
5 releases and other public statements issued by the Company, and media reports about  
6 the Company, and Plaintiff believes that substantial additional evidentiary support will  
7 exist for the allegations set forth herein after a reasonable opportunity for discovery.

### 8 **NATURE OF THE ACTION**

9 1. This is a securities class action on behalf of all purchasers of Castlight  
10 Class B common stock ("common stock") in and/or traceable to Castlight's March 14,  
11 2014 initial public stock offering (the "IPO"), seeking to pursue remedies under the  
12 Securities Act of 1933 (the "Securities Act").

### 13 **JURISDICTION AND VENUE**

14 2. The claims alleged herein arise under §§ 11, 12(a)(2) and 15 of the  
15 Securities Act, 15 U.S.C. §§77k, 77l(a)(2) and 770. Jurisdiction is conferred by §22 of  
16 the Securities Act and venue is proper pursuant to §22 of the Securities Act. Section 22  
17 of the Securities Act explicitly states that "[e]xcept as provided in section 16(c), no case  
18 arising under this title and brought in any State court of competent jurisdiction shall  
19 be removed to any court in the United States." Section 16(c) refers to "covered class  
20 actions," which are defined as lawsuits brought as class actions or brought on behalf of  
21 more than 50 persons asserting claims under state or common law. This is an action  
22 asserting federal law claims. Thus, it does not fall within the definition of "covered  
23 class action" under §16(b)-(c) and therefore is not removable to federal court.

24 3. This Court has personal jurisdiction over each of the defendants named  
25 herein because they conducted business in and/or were citizens of California at the  
26 time of the IPO. Castlight is a citizen of California. Each of the Individual Defendants  
27 (defined below) is either a citizen of this State or served as a director of a  
28 California-based corporation at the time of the IPO and conducted the IPO and IPO

1 roadshow in this State. Each of the Underwriter Defendants (defined below) has  
2 offices in and/or conducts significant business in this State as well. The violations of  
3 law complained of herein also occurred in California, including the preparation and  
4 dissemination of the materially false and misleading Registration Statement  
5 complained of herein, which statements were disseminated into this State.

6 4. Venue is proper in this Court because defendants' wrongful acts arose in  
7 and emanated from this County. Each of the defendants has an office or residence in  
8 this County and/or conducts significant business in this County. At least one of the  
9 Underwriter Defendants has offices in this County and did business related to the IPO  
10 from those offices. Three of the five Individual Defendants reside in this County, and  
11 one Individual Defendant resides near the border of this County. More defendants  
12 reside, or have offices in, this County than any other nearby County.

### 13 **PARTIES**

14 5. Plaintiff Robert Kromphold purchased 1,000 shares of Castlight common  
15 stock on March 26, 2014 pursuant and/or traceable to the IPO, and was damaged  
16 thereby.

17 6. Defendant Castlight has its principal executive offices in San Francisco.  
18 The Company is a provider of cloud-based software purportedly designed to enable  
19 enterprises to control their health care costs. Castlight has two classes of common  
20 stock. Class A common stock is entitled to ten votes to every one vote that the Class B  
21 shares get on significant corporate transactions and can be converted into a single  
22 share of Class B common stock at any time. At the time of the IPO, approximately half  
23 of the Class A shares were held by senior Castlight executives and half were held by  
24 pre-IPO venture capital financiers. Conversely, the Class B common stock sold in the  
25 IPO is only entitled to one vote per share and was listed and has traded on the New  
26 York Stock Exchange ("NYSE") under the ticker symbol "CSLT" since the IPO.

27 7. Defendant Giovanni M. Colella ("Colella") is a co-founder of Castlight  
28 and is and at the time of the IPO was its Chief Executive Officer ("CEO") and a member

1 of its Board of Directors. At the time of the IPO, defendant Colella owned 6,216,023,  
2 or 8.2%, of the Company's Class A common stock, providing him with 8.2% voting  
3 control just prior to the IPO, and well over \$100 million in marketable securities as of  
4 the IPO. Colella also held fully vested options for 46,500 shares and 48,000 shares of  
5 Class A common stock exercisable at \$1.09 and \$1.12 per share, respectively. These  
6 options became immediately in the money as of the IPO with an intrinsic value of more  
7 than \$1.4 million. Colella is a resident of San Francisco County.

8 8. Defendant John C. Doyle ("Doyle") is, and was at the time of the IPO, the  
9 Chief Financial Officer ("CFO") of Castlight. Doyle held options for 870,000 shares of  
10 Class A common stock exercisable at \$1.12 per share. As of the IPO, these options  
11 immediately became in the money with an intrinsic value of over \$12.9 million. Doyle  
12 is a resident of San Mateo County.

13 9. Defendant Bryan Roberts ("Roberts") is a co-founder of Castlight and is  
14 and at the time of the IPO was the Chairman of its Board of Directors. At the time of  
15 the IPO, defendant Roberts beneficially owned 15,568,571 shares, or 20.6%, of the  
16 Company's Class A common stock, providing him with 20.6% voting control just prior  
17 to the IPO, and well over \$249 million in marketable securities as of the IPO. Roberts  
18 is a resident of San Mateo County.

19 10. Defendant David Ebersman ("Ebersman") is, and was at the time of the  
20 IPO, a member of the Castlight Board of Directors. Ebersman held 28,571 shares of  
21 Class A common stock convertible at \$0 per share and therefore bearing an intrinsic  
22 value of over \$450,000 at the time of the IPO. He also held stock options for 260,973  
23 shares of Class A common stock exercisable at \$0.84 per share. As of the IPO, these  
24 options immediately became in the money with an intrinsic value of over \$3.9 million.  
25 Ebersman is a resident of San Mateo County.

26 11. Defendant Robert P. Kocher ("Kocher") was a director of Castlight at the  
27 time of the IPO but no longer serves in that capacity as of the filing of this complaint.  
28 Kocher held over 40,000 shares of Class A common stock convertible at \$0 per share

1 and therefore bearing an intrinsic value of over \$640,000 at the time of the IPO. He  
2 also held stock options for 260,973 shares of Class A common stock exercisable at  
3 \$0.84 per share. As of the IPO, these options immediately became in the money with  
4 an intrinsic value of over \$3.9 million. Kocher is a resident of Santa Clara County.

5 12. The defendants named in ¶¶ 8-12 are referred to herein as the “Individual  
6 Defendants.” The Individual Defendants each signed the Registration Statement  
7 and/or authorized the signature on their behalf. The defendants referenced above in  
8 ¶¶ 8-9 are executives of Castlight, participated in the roadshow to sell the IPO and are  
9 sometimes referred to herein as the “Executive Defendants.” Castlight and the  
10 Individual Defendants who signed the Registration Statement are strictly liable for the  
11 false and misleading statements incorporated into the Registration Statement.

12 13. Defendant Venrock Partners V, L.P. (“Venrock”) is a venture capital firm  
13 that invested in Castlight prior to its IPO and held, along with related entities, 20.6% of  
14 the Company’s Class A common stock at the time of the IPO. Venrock’s shares all  
15 became immediately transferrable into the now publicly traded Class B shares. These  
16 shares represented 20.6% of Castlight’s voting power just prior to the IPO. Defendant  
17 Roberts, who co-founded Castlight in 2008 and was serving as the Chairman of its  
18 Board at the time of the IPO, has also served as a partner at Venrock since 1997. At the  
19 time of the IPO, defendant Kocher was also a partner of Venrock and, like defendant  
20 Roberts, sat on the Castlight Board of Directors at the discretion of Venrock. By virtue  
21 of various pre-IPO shareholder agreements, its stock holdings (combined with those of  
22 defendant Colella), and having designees on the Castlight Board of Directors at the  
23 time of the IPO, Venrock effectively controlled Castlight and caused it to conduct the  
24 IPO. Venrock’s offices are located in Santa Clara County.

25 14. Defendants Goldman, Sachs & Co. (“Goldman”) and Morgan Stanley &  
26 Co. LLC (“Morgan Stanley”) are each financial services firms that acted as the lead and  
27 representative underwriters of Castlight’s IPO from their California-based offices,  
28 helping to draft and disseminate the offering documents. Goldman has offices in San

1 Francisco, and Morgan Stanley's offices are located in San Mateo County. These  
2 defendants are referred to herein collectively as the "Underwriter Defendants."

3 Pursuant to the Securities Act, the Underwriter Defendants are liable for the false and  
4 misleading statements in the Registration Statement as follows:

5 a) The Underwriter Defendants are investment banking houses that  
6 specialize, *inter alia*, in underwriting public offerings of securities. They served as the  
7 underwriters of the IPO and received a significant part of the \$14.3 million in fees  
8 received collectively by the underwriters of the IPO. The Underwriter Defendants  
9 determined that in return for their share of the IPO proceeds, they were willing to  
10 merchandize Castlight common stock in the IPO. The Underwriter Defendants  
11 arranged a multi-city roadshow prior to the IPO during which they, and  
12 representatives from Castlight, met with potential investors and presented highly  
13 favorable information about the Company, its operation, and its financial prospects.

14 b) The Underwriter Defendants also demanded and obtained an  
15 agreement from Castlight that Castlight would indemnify and hold the Underwriter  
16 Defendants harmless from any liability under the federal securities laws. They also  
17 made certain that Castlight had purchased millions of dollars in directors' and officers'  
18 liability insurance.

19 c) Representatives of the Underwriter Defendants also assisted  
20 Castlight and the Individual Defendants in planning the IPO, and purportedly  
21 conducted an adequate and reasonable investigation into the business and operations  
22 of Castlight, an undertaking known as a "due diligence" investigation. The due  
23 diligence investigation was required of the Underwriter Defendants in order to engage  
24 in the IPO. During the course of their "due diligence," the Underwriter Defendants  
25 had continual access to confidential corporate information concerning Castlight's  
26 operations and financial prospects.

27 d) In addition to availing themselves of virtually unbridled access to  
28 internal corporate documents, agents of the Underwriter Defendants met with

1 Castlight’s lawyers, management and top executives and engaged in “drafting sessions”  
2 between at least December 2013 and March 2014. During these sessions,  
3 understandings were reached as to: (i) the strategy to best accomplish the IPO; (ii) the  
4 terms of the IPO, including the price at which Castlight stock would be sold; (iii) the  
5 language to be used in the Registration Statement; (iv) what disclosures about  
6 Castlight would be made in the Registration Statement; and (v) what responses would  
7 be made to the SEC in connection with its review of the Registration Statement. As a  
8 result of those constant contacts and communications between the Underwriter  
9 Defendants’ representatives and Castlight management and top executives, the  
10 Underwriter Defendants knew, or should have known, of Castlight’s existing problems  
11 as detailed herein.

12 e) The Underwriter Defendants caused the Registration Statement to  
13 be filed with the SEC and declared effective in connection with offers and sales thereof,  
14 including to plaintiff(s) and the Class.

15 15. The true names and capacities of defendants sued herein under  
16 California Code of Civil Procedure §474 as Does I through 25, inclusive, are presently  
17 not known to plaintiff, who therefore sue these defendants by such fictitious names.  
18 Plaintiff will seek to amend this complaint and include these Doe defendants’ true  
19 names and capacities when they are ascertained. Each of the fictitiously-named  
20 defendants is responsible in some manner for the conduct alleged herein and for the  
21 injuries suffered by the Class.

## 22 **SUBSTANTIVE ALLEGATIONS**

23 16. Defendant Castlight describes itself in its SEC filings as a provider of  
24 “cloud-based software that enables enterprises to understand and manage health care  
25 spending as a strategic business investment, and help employees and their families  
26 make more informed medical decisions based on factors such as cost, quality and  
27 patient experience. Our Enterprise Healthcare Cloud allows our customers to conquer  
28 the complexity of the existing health care system by providing personalized, actionable

1 information to their employees, implementing technology-enabled benefit designs and  
2 integrating disparate systems and applications. Our comprehensive technology  
3 offering aggregates complex, large-scale data and applies sophisticated analytics to  
4 make health care data transparent and useful. We deploy consumer-oriented  
5 applications that deliver strong employee engagement and enable employers to  
6 integrate disparate benefit programs into one platform available to employees and  
7 their families.”

8 17. By requiring that large employers provide health care to all fulltime  
9 employees, or risk paying a fine, the Patient Protection and Affordable Care Act  
10 provided large companies with incentives to cut costs through benefits spending cuts,  
11 aggressive wellness programs, and increased reimbursement limits. Castlight claims  
12 to be able to help enterprises unlock that value. Specifically, Castlight’s Enterprise  
13 Healthcare Cloud employs risk reassessments, lower health care premiums, and cash  
14 kept through punitive premium reimbursement programs to lower its enterprise  
15 customers’ health care spending.

16 18. The Company markets and sells its Enterprise Healthcare Cloud offering  
17 to self-insured companies in a broad range of industries and governmental entities.  
18 Castlight’s software aggregates and analyzes complex, large-scale data in order to  
19 create usable information related to health care costs and quality. The software also  
20 purportedly allows companies to distribute personalized, usable information to their  
21 employees, integrate disparate systems and applications, and implement  
22 “technology-enabled” benefit designs.

23 19. The Company’s leading application is called Castlight Medical, which the  
24 Company claims “simplifies health care decision making for employees and their  
25 families by providing highly relevant, personalized information for medical services  
26 that enable informed choices before, during and after receiving health care,” and  
27 “enables employees and their families to intuitively search for robust and  
28 comprehensive information about medical providers, including personalized out-of-



1 pocket cost estimates, clinical quality, user experience and provider demographic  
2 information.”

3           20. On December 18, 2013, Castlight filed with the SEC a confidential  
4 Registration Statement on Form S-1, which would later be utilized for the IPO  
5 following several amendments in response to comments by the SEC. On March 13,  
6 2014, the SEC declared the Registration Statement effective and Castlight and the  
7 Underwriter Defendants priced the IPO at \$16 per share and filed the final Prospectus  
8 for the IPO, which forms part of the Registration Statement (collectively, the  
9 “Registration Statement”). The Company sold more than 12 million shares in the IPO,  
10 including shares sold pursuant to the underwriters’ overallotment. Even after raising  
11 its price range from the \$9-\$11 level to its eventual \$16 per share IPO price, Castlight  
12 stock skyrocketed 145% on its first day of trading, closing near \$40 per share and  
13 valuing the Company at more than \$4 billion.

14           21. The Registration Statement however, was negligently prepared and, as a  
15 result, contained untrue statements of material facts or omitted to state other facts  
16 necessary to make the statements made not misleading and was not prepared in  
17 accordance with the rules and regulations governing its preparation.

18           22. The Registration Statement stated that “[a]s of December 31, 2013, we  
19 had 106 signed customers, including 48 customers that had implemented our offering,  
20 which we refer to as launched customers.” Concerning “backlog,” the Registration  
21 Statement stated: “our total backlog, which we define as including cancellable and  
22 non-cancellable portions of our customer agreements for which we have not yet billed,  
23 was \$108.7 million as of December 31, 2013, compared to \$44.0 million as of  
24 December 31, 2012.” These statements were materially false and misleading because  
25 they failed to disclose that the Company’s backlog was growing because of  
26 implementation delays which reflected significant obstacles to scalability.

27           23. According to the Registration Statement, subscription revenue accounted  
28 for 82% and 90% of Castlight’s total revenue during the years ended December 31,

1 2012 and 2013, respectively. As a result, the Company's subscription renewals were  
2 the primary driver of the Company's total revenue and net dollar retention rate, which  
3 was also critical to the Company's total revenue. The Registration Statement stated  
4 that the Company's net dollar retention rate was "109%" and that "[i]f we are unable to  
5 achieve our revenue growth objectives, including a high rate of renewals of our  
6 customer agreements, we may not be able to achieve profitability." This statement was  
7 materially false and misleading because the Company was then experiencing  
8 significant churn, customers were not renewing at a high rate, let alone at an  
9 increasing rate, and upsells (such as Castlight Pharmacy) were not sufficient to offset  
10 the revenues lost from churn, as the Company's net dollar retention rate materially  
11 declined from the 109% reported as of December 31, 2013.

12 24. Castlight had to shoulder upfront the cost to launch its products for each  
13 customer and referred to this as "implementation services." The Registration  
14 Statement stated: "Our cost associated with providing implementation services has  
15 been significantly higher as a percentage of revenue than our cost of providing  
16 subscriptions due to the labor associated with providing implementation services." The  
17 Registration Statement also stated that "we expect to continue to generate negative gross  
18 margin on our professional services for the foreseeable future" and that "[a]s our  
19 implementation processes and technologies mature and our use of automation  
20 increases, we expect our gross margin on our professional services to improve."  
21 These statements were materially false and misleading for omitting material facts,  
22 including that implementation delays and expenses associated with the Company's  
23 inability to scale its products across customers was a significant factor negatively  
24 impacting the Company's gross margins and there was no technology or automation  
25 sufficient to adequately mitigate the Company's scalability issues.

26 25. The Registration Statement also stated: "Our implementation timelines  
27 can vary between three and 12 months, based on the source and condition of the data  
28 we receive from third parties, the configurations that we agree to provide and the size

1 of the customer and therefore, are subject to significant uncertainties, which can have  
2 a material impact on our total backlog and non-cancellable backlog that we fulfill in  
3 the current year.” This statement was materially false and misleading for omitting  
4 material facts, including that deployment of the Company’s technology was not  
5 adequately scalable to achieve the growth in revenues and reduction in costs to reach  
6 significant profitability. The Company was in fact providing customized products and  
7 even the scalable features of the Company’s technology such as data transmission were  
8 a costly part of the implementation process.

9       26. The Registration Statement repeatedly asserted the Company’s business  
10 model was “scalable.” For example, the Registration Statement stated: “We have  
11 developed a robust and scalable data architecture infrastructure, which allows for  
12 automated loading and normalization of numerous data sources, including more than  
13 a billion claim transactions in our data warehouse.”

14       27. The statements in ¶ 27, as well as the statements referenced in ¶¶ 23-26,  
15 were materially false and misleading because they omitted the following material facts  
16 that existed at the time of the IPO:

17           a) The Company’s backlog was growing because of implementation  
18 delays reflecting significant obstacles to scalability;

19           b) The Company was experiencing significant churn, customers were  
20 not renewing at a high rate, let alone at an increasing rate, and upsells were not  
21 sufficient to offset the revenues lost from churn, as the Company’s net dollar retention  
22 rate materially declined from the 109% reported as of December 31, 2013;

23           c) Implementation delays and expenses associated with the  
24 Company’s inability to scale its products across customers was a significant factor  
25 negatively impacting the Company’s gross margins and there was no technology or  
26 automation sufficient to adequately mitigate the Company’s material scalability issues;  
27 and  
28



1 or had a controlling interest.

2 32. The members of the Class are so numerous that joinder of all members is  
3 impracticable. While the exact number of Class members is unknown to plaintiff at  
4 this time and can only be ascertained through appropriate discovery, plaintiff believes  
5 that there are hundreds of members in the proposed Class. Record owners and other  
6 members of the Class may be identified from records maintained by Castlight or its  
7 transfer agent and may be notified of the pendency of this action by mail, using the  
8 form of notice similar to that customarily used in securities class actions.

9 33. Plaintiff's claims are typical of the claims of the members of the Class as  
10 all members of the Class are similarly affected by defendants' wrongful conduct in  
11 violation of federal law that is complained of herein.

12 34. Plaintiff will fairly and adequately protect the interests of the members of  
13 the Class and have retained counsel competent and experienced in class and securities  
14 litigation.

15 35. Common questions of law and fact exist as to all members of the Class  
16 and predominate over any questions solely affecting individual members of the Class.  
17 Among the questions of law and fact common to the Class are:

- 18 a) whether defendants violated the Securities Act;  
19 b) whether the Registration Statement was negligently prepared and  
20 contained inaccurate statements of material facts and omitted material information  
21 required to be stated therein; and  
22 c) to what extent the members of the Class have sustained damages  
23 and the proper measure of damages.

24 36. A class action is superior to all other available methods for the fair and  
25 efficient adjudication of this controversy since joinder of all members is impracticable.  
26 Furthermore, as the damages suffered by individual Class members may be relatively  
27 small, the expense and burden of individual litigation make it impossible for members  
28 of the Class to individually redress the wrongs done to them. There will be no difficulty

1 in the management of this action as a class action.

2 **FIRST CAUSE OF ACTION**  
3 **For Violation of §11 of the Securities Act**  
4 **Against All Defendants**

5 37. Plaintiff incorporates each and every preceding paragraph by reference.

6 38. This Cause of Action is brought pursuant to §11 of the Securities Act,  
7 15 U.S.C. §77k, on behalf of the Class, against all defendants. This is a non-fraud cause  
8 of action. Plaintiff does not assert that defendants committed intentional or reckless  
9 misconduct or that defendants acted with scienter or fraudulent intent.

10 39. The Registration Statement for the IPO was inaccurate and misleading,  
11 contained untrue statements of material facts, omitted to state other facts necessary to  
12 make the statements made not misleading, and omitted to state material facts required  
13 to be stated therein.

14 40. Defendants are strictly liable to Plaintiff and the Class for the  
15 misstatements and omissions.

16 41. None of the defendants named herein made a reasonable investigation or  
17 possessed reasonable grounds for the belief that the statements contained in the  
18 Registration Statement were true and without omissions of any material facts and were  
19 not misleading.

20 42. By reason of the conduct herein alleged, each defendant violated, and/or  
21 controlled a person who violated, §11 of the Securities Act.

22 43. Plaintiff acquired Castlight common stock traceable to the IPO.

23 44. Plaintiff and the Class have sustained damages. The value of Castlight  
24 common stock has declined substantially due to defendants' wrongdoing.

25 45. At the time of their purchases of Castlight common stock, Plaintiff and  
26 other members of the Class were without knowledge of the facts concerning the  
27 wrongful conduct alleged herein and could not have reasonably discovered those facts  
28 prior to the disclosures herein. Less than one year has elapsed from the time that  
Plaintiff discovered or reasonably could have discovered the facts upon which this

1 Complaint is based to the time that Plaintiff commenced this action. Less than three  
2 years has elapsed between the time that the securities upon which this Cause of Action  
3 is brought were offered to the public and the time Plaintiff commenced this action.

4 **SECOND CAUSE OF ACTION**  
5 **For Violation of §12(a)(2) of the Securities Act**  
6 **Against Castlight, the Executive Defendants and the Underwriter**  
7 **Defendants**

8 46. Plaintiff incorporates each and every preceding paragraph by reference.

9 47. This Cause of Action is brought pursuant to §12(a)(2) of the Securities  
10 Act, 15 U.S.C. §77l(a)(2) against Castlight, the Executive Defendants and the  
11 Underwriter Defendants. This is a non-fraud cause of action. Plaintiff does not assert  
12 that defendants committed intentional or reckless misconduct or that defendants acted  
13 with scienter or fraudulent intent.

14 48. By means of the defective Prospectus, defendants Castlight, the Executive  
15 Defendants and the Underwriter Defendants promoted and sold Castlight common  
16 stock to Plaintiff and other members of the Class.

17 49. The Prospectus contained untrue statements of material fact, and  
18 concealed and failed to disclose material facts, as detailed above. The defendants  
19 named in this Cause of Action owed Plaintiff and the other members of the Class who  
20 purchased Castlight common stock pursuant to the Prospectus the duty to make a  
21 reasonable and diligent investigation of the statements contained in the Prospectus to  
22 ensure that such statements were true and that there was no omission to state a  
23 material fact required to be stated in order to make the statements contained therein  
24 not misleading. The defendants, in the exercise of reasonable care, should have known  
25 of the misstatements and omissions contained in the Prospectus as set forth above.

26 50. Plaintiff did not know, nor in the exercise of reasonable diligence could  
27 have known, of the untruths and omissions contained in the Prospectus at the time  
28 they acquired Castlight common stock.

51. By reason of the conduct alleged herein, defendants violated §12(a)(2) of

1 the Securities Act. As a direct and proximate result of such violations, Plaintiff and the  
2 other members of the Class who purchased Castlight common stock pursuant to the  
3 Prospectus sustained substantial damages in connection with their purchases of the  
4 stock. Accordingly, Plaintiff and the other members of the Class who hold the common  
5 stock issued pursuant to the Prospectus have the right to rescind and recover the  
6 consideration paid for their shares, and hereby tender their common stock to  
7 defendants sued herein. Class members who have sold their common stock seek  
8 damages to the extent permitted by law.

9  
10 **THIRD CAUSE OF ACTION**  
11 **For Violation of §15 of the Securities Act**  
12 **Against Castlight, Venrock and the Individual Defendants**

13 52. Plaintiff incorporates each and every preceding paragraph by reference.

14 53. This claim is brought pursuant to §15 of the Securities Act, 15 U.S.C.  
15 §770, against the Company, Venrock and the Individual Defendants.

16 54. The Individual Defendants each were control persons of Castlight by  
17 virtue of their positions as directors and/or senior officers of Castlight. By virtue of  
18 pre-IPO shareholder agreements, its stock holdings, and having a designee on the  
19 Castlight Board of Directors at the time of the IPO, Venrock effectively controlled  
20 Castlight. The Individual Defendants each had a series of direct and/or indirect  
21 business and/or personal relationships with other directors and/or officers and/or  
22 major shareholders of Castlight. The Company controlled the Individual Defendants  
23 and all of Castlight's employees.

24 55. The Individual Defendants identified in the First and Second Causes of  
25 Action were culpable participants in the violations of §11 and §12(a)(2) of the Securities  
26 Act alleged in the Causes of Action above, based on the allegations herein, including  
27 but not limited to, their having signed or authorized the signing of the Registration  
28 Statement and having otherwise participated in the process which allowed the IPO to  
be successfully completed.



1 **PRAYER FOR RELIEF**

2 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

3 A. Determining that this action is a proper class action, certifying Plaintiff  
4 as Class representative under California Code of Civil Procedure §382 and Rule 3.764  
5 of the California Rules of Court and appointing Plaintiff's counsel as Class Counsel;

6 B. Awarding compensatory damages in favor of Plaintiff and the other Class  
7 members against all defendants, jointly and severally, for all damages sustained as a  
8 result of defendants' wrongdoing, in an amount to be proven at trial, including interest  
9 thereon;

10 C. Awarding Plaintiff and the Class their reasonable costs and expenses  
11 incurred in this action, including counsel fees and expert fees;

12 D. Awarding rescission or a rescissory measure of damages; and

13 E. Such equitable/injunctive or other relief as deemed appropriate by the  
14 Court.

15 **DEMAND FOR JURY TRIAL**

16 Plaintiff hereby demands a trial by jury of all triable issues.

17 Dated: April 28, 2015

18 Respectfully submitted,  
19 BOTTINI & BOTTINI, INC.  
Francis A. Bottini, Jr.  
Albert Y. Chang  
Yury A. Kolesnikov

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