

**ENDORSED FILED
SAN MATEO COUNTY**

SEP 23 2016

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

13 In re CASTLIGHT HEALTH, INC.)
SHAREHOLDER LITIGATION)

Lead Case No. CIV533203

14 _____)

CLASS ACTION

15 This Document Relates To:)

JOINT DECLARATION OF JAMES I.
JACONETTE AND JONATHAN GARDNER
IN SUPPORT OF MOTION FOR: (1) FINAL
APPROVAL OF CLASS ACTION
SETTLEMENT AND PLAN OF
ALLOCATION OF SETTLEMENT
PROCEEDS; AND (2) AN AWARD OF
ATTORNEYS' FEES AND EXPENSES

16 ALL ACTIONS.)

17 _____)

Assigned for All Purposes to the
Honorable Marie S. Weiner

21 DATE: October 28, 2016

TIME: 9:00 a.m.

22 DEPT: 2

DATE ACTION FILED: 04/02/15

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FILED BY FAX

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1 JAMES I. JACONETTE and JONATHAN GARDNER, each declare as follows:

2 1. James I. Jaconette is an attorney duly licensed to practice before all of the courts of the
3 State of California, and a partner at the law firm of Robbins Geller Rudman & Dowd LLP (“Robbins
4 Geller”). Jonathan Gardner is an attorney duly licensed to practice law in the State of New York and is
5 admitted *pro hac vice* before the Court. Mr. Gardner is a partner at Labaton Sucharow LLP (“Labaton
6 Sucharow”). Robbins Geller and Labaton Sucharow are Court-appointed Class Counsel and counsel for
7 Plaintiffs Firerock Global Opportunity Fund LP, Oklahoma Firefighters Pension and Retirement
8 System, Robert Spencer Wright, and Robert Kromphold (collectively, “Plaintiffs”) and the certified
9 Class.¹ We have personal knowledge of the matters set forth herein based on our active participation in
10 all aspects of the prosecution and resolution of the above-captioned action (the “Litigation”) and, if
11 called upon, could and would competently testify thereto.

12 2. We submit this declaration in support of Plaintiffs’ application for: (a) final approval of
13 the proposed Settlement of this class action; (b) approval of the proposed Plan of Allocation for
14 distribution of the Settlement proceeds; (c) an award of attorneys’ fees and litigation expenses; and (d)
15 payment of Plaintiffs’ expenses.

16 **I. INTRODUCTION**

17 3. After extensive investigation, multiple detailed complaints, motion practice and hearing,
18 discovery, and vigorous arm’s-length settlement negotiations, including mediation with the Hon. Layn
19 R. Phillips (Ret.), Plaintiffs have achieved a substantial and valuable settlement of the Litigation. On
20 July 13, 2016, the Court entered the Order Preliminarily Approving Settlement and Providing for Notice
21 (“Preliminary Approval Order”). For the reasons set forth below, we respectfully submit that approval
22 of the proposed Settlement and Plan of Allocation is warranted and that the motion for an award of
23 attorneys’ fees and expenses should be granted.

24 4. Plaintiffs believe that the Settlement represents a highly favorable result for the Class.
25 The Settlement, which is the product of hard-fought litigation and arm’s-length bargaining, provides a

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27 ¹ All capitalized terms not otherwise defined herein shall have the same meanings as set forth in
28 the Stipulation of Settlement dated June 2, 2016 (“Stipulation” or “Settlement”), previously filed with
the Court.

1 significant monetary benefit to the Class of \$9,500,000, plus accrued interest. In determining to settle,
2 Plaintiffs and their counsel weighed the evidence and legal authority supporting the allegations against
3 the evidence and legal authority that Defendants argued undercut Plaintiffs' claims. On balance,
4 considering the circumstances and the risks Plaintiffs faced, Plaintiffs and their counsel concluded that
5 settlement on the terms agreed upon was in the best interests of the Class. The Settlement has been very
6 well-received; although the October 7, 2016 objection deadline has not yet passed, to date not a single
7 Class Member has objected to any aspect of the Settlement.

8 5. The Plan of Allocation which was developed by Class Counsel, with the assistance of
9 their in-house damage consultant, reflects the theory of damages asserted by Plaintiffs and thus also
10 merits final approval as it equitably distributes the proceeds of the Settlement among Class Members by
11 taking into account the timing of Class Members' purchases and sales (if any) of Castlight Health, Inc.
12 ("Castlight" or the "Company") common stock during the Class Period. To date, no Class Member has
13 objected to the Plan of Allocation.

14 6. The requested attorneys' fee, 30% of the Settlement Fund, and expenses in the amount of
15 \$116,476.01, are reasonable and appropriate under California precedent. This fee request is within the
16 range of fees frequently awarded in these types of actions, and is entirely justified in light of the
17 substantial benefits conferred on the Class, the risks undertaken, the quality of the representation, and
18 the nature and extent of the legal services performed. Plaintiffs' Counsel have expended considerable
19 time and effort prosecuting the Litigation on a fully contingent basis and have advanced litigation,
20 expert, and investigative expenses in the expectation that, as is customary, they will be paid a
21 percentage of the common fund created by their efforts as their attorneys' fees and receive payment of
22 their expenses. To date, no Class Member has objected to the requested fees and expenses.

23 7. Finally, certain Plaintiffs request payment of no more than \$2,500 each for their time and
24 expenses in discharging their fiduciary duty to represent the Class. *See* Declarations of Robert E. Jones
25 on Behalf of Oklahoma Firefighters Pension and Retirement System, Robert Kromphold, and Robert
26 Spencer Wright, attached as Exhibits 13-15 hereto.

27 8. Because this declaration is submitted in support of a settlement, it is inadmissible in any
28 subsequent proceedings, other than in connection with the Settlement. In the event that the Settlement

1 is not approved by the Court, this declaration and the statements contained herein are without prejudice
2 to Plaintiffs' position on the merits of this Litigation.

3 **II. PROCEDURAL HISTORY OF THE LITIGATION**

4 **A. Commencement of the Litigation**

5 9. On April 2, 2015, Plaintiff Firerock Global Opportunity Fund LP ("Firerock") filed a
6 complaint in the San Mateo County Superior Court (the "Court"), alleging violations of §11 of the
7 Securities Act of 1933 (the "Securities Act") against Castlight and certain of the Company's present and
8 former officers and directors, specifically Giovanni M. Colella, John C. Doyle, Bryan Roberts, David
9 Ebersman, and Robert P. Kocher (collectively, the "Castlight Defendants"); Goldman, Sachs & Co. and
10 Morgan Stanley & Co. LLC (the "Underwriter Defendants"); and Venrock Partners V, L.P.
11 ("Venrock"). The complaint also alleged violations of §12(a)(2) of the Securities Act against Castlight,
12 certain of the individual defendants, and the Underwriter Defendants, and violations of §15 of the
13 Securities Act against the Castlight Defendants and Venrock ("*Firerock* action").

14 10. On April 16, 2015, Plaintiff Robert Spencer Wright ("Wright") filed a complaint in this
15 Court in which he alleged violations of §§11, 12(a)(2) and 15 of the Securities Act against the same
16 Defendants ("*Wright* action"). On April 29, 2015, Plaintiff Robert Kromphold ("Kromphold") filed a
17 complaint in this Court in which he alleged violations of §§11, 12(a)(2) and 15 of the Securities Act
18 against the same Defendants ("*Kromphold* action"). On May 4, 2015, Plaintiff Oklahoma Firefighters
19 Pension and Retirement System ("Oklahoma Firefighters Pension Fund") filed a complaint in this
20 Court in which it alleged violations of §§11, 12(a)(2) and 15 of the Securities Act against the same
21 Defendants, as well as additional underwriters of the Company's IPO (Allen & Company LLC, Stifel,
22 Nicolaus & Company, Incorporated, Canaccord Genuity Inc., and Raymond James & Associates, Inc.)
23 ("*Oklahoma Firefighters Pension Fund* action").

24 11. On May 13, 2015, by stipulation, the Hon. John L. Grandsaert consolidated the *Firerock*,
25 *Wright*, *Kromphold*, and *Oklahoma Firefighters Pension Fund* actions and appointed Robbins Geller
26 and Labaton Sucharow as lead counsel. On May 21, 2015, the matter was designated complex and
27 assigned for all purposes to the Honorable Marie S. Weiner.

28

1 **B. The Consolidated Complaint**

2 12. On July 22, 2015, Plaintiffs filed their Consolidated Complaint for Violations of §§11,
3 12(a)(2), and 15 of the Securities Act of 1933, naming as defendants the Castlight Defendants and the
4 Underwriter Defendants. Venrock, Allen & Company LLC, Stifel, Nicolaus & Company, Incorporated,
5 Canaccord Genuity Inc. and Raymond James & Associates, Inc. were not named as defendants in the
6 Consolidated Complaint. But Plaintiffs reserved their rights to proceed against those defendants with
7 tolling agreements that the parties entered into after considerable arm’s-length negotiations.

8 13. Plaintiffs brought the Litigation on behalf of all persons or entities who purchased
9 Castlight Class B common stock pursuant or traceable to the Company’s Registration Statement and
10 Prospectus (collectively, the “Registration Statement”) issued in connection with the Company’s IPO.
11 Castlight is a provider of cloud-based software designed to give companies control over their rapidly
12 escalating health care costs. The Registration Statement was declared effective on March 13, 2014, and
13 Castlight and the Underwriter Defendants priced the IPO at \$16 per share. The Company sold 12.765
14 million shares in the IPO, including shares sold pursuant to the underwriters’ overallotment. The IPO
15 raised \$204.2 million in gross proceeds. As of the filing of the Litigation, Castlight’s stock was trading
16 in the range of \$7-\$8 per share – a decline of over 50% from the IPO’s price.

17 14. Plaintiffs allege that the Castlight Defendants and the Underwriter Defendants violated
18 §11 of the Securities Act; that Castlight, certain of the individual defendants, and the Underwriter
19 Defendants violated §12(a)(2) of the Securities Act; and that the Castlight Defendants violated §15 of
20 the Securities Act. Plaintiffs allege that, in the Registration Statement, the Company characterized
21 Castlight as having an “early mover advantage” with “a significant opportunity to offer a
22 comprehensive, technology-based solution” to profit by reducing “waste and inefficiencies” with
23 respect to its principal product. Plaintiffs further allege, however, that at the time of the IPO, there were
24 multiple undisclosed uncertainties and trends that were affecting Castlight that were reasonably likely to
25 have a negative material impact on Castlight’s revenues and profitability and, pursuant to U.S.
26 Securities and Exchange Commission Regulation S-K, 17 C.F.R. §229.303 (“Item 303”), were required
27 to be, but were not, disclosed to investors. Specifically, Plaintiffs allege that Defendants failed to
28 disclose implementation delays, increased expenses, and an inability to maintain pricing consistent with

1 the expected revenue growth on the Company’s principal product, and that those alleged omissions
2 rendered the Registration Statement misleading.

3 **C. Defendants’ First Demurrer**

4 15. The Castlight Defendants filed a demurrer to the Consolidated Complaint on September
5 22, 2015, in which the Underwriter Defendants joined. Defendants principally argued that Plaintiffs
6 had failed to plead any misstated or omitted material facts, because the Registration Statement
7 contained detailed disclosures and information about the risks of investing in the Company. Defendants
8 also contended that Plaintiffs had no standing to pursue a §12(a)(2) claim because they did not buy in
9 the IPO and they did not allege that the Castlight Defendants are “sellers.”

10 16. Plaintiffs filed their opposition on October 6, 2015, countering that the Consolidated
11 Complaint sufficiently apprised Defendants of the factual bases of the claims, evidence-based pleading
12 requirements are not the standard, Defendants purported “disclosures” were off-point, loss causation is
13 not an element of Plaintiffs’ *prima facie* case under the Securities Act, and that the Individual
14 Defendants signed the Registration Statement and participated in the IPO roadshow, making them
15 sellers for purposes of §12(a)(2).

16 17. The Castlight Defendants filed a reply (in which the Underwriter Defendants joined) on
17 October 20, 2015.

18 18. The Court heard oral argument on October 26, 2015. From the bench, the Court
19 overruled Defendants’ demurrer as to Plaintiffs’ claims arising out of §§11 and 15 of the Securities Act,
20 and sustained Defendants’ demurrer as to Plaintiffs’ §12(a)(2) claim, with leave to amend.

21 **D. First Amended Consolidated Complaint and Defendants’ Second**
22 **Demurrer**

23 19. On November 10, 2015, Plaintiffs filed their First Amended Consolidated Complaint for
24 Violations of §§11, 12(a)(2), and 15 of the Securities Act of 1933. The Amended Complaint added
25 allegations concerning the §12(a)(2) claim and standing of Plaintiffs Oklahoma Firefighters Pension
26 Fund and Firerock.

27 20. On December 10, 2015, Defendants Castlight, Colella, and Doyle filed a demurrer to
28 Plaintiffs’ §12(a)(2) claims. The Underwriter Defendants joined the demurrer. Defendants contended

1 that the additional allegations were still insufficient to establish that either Plaintiff purchased in the
2 IPO, instead they were clearly aftermarket purchasers who had not established that they purchased from
3 any of the alleged sellers.

4 21. Plaintiffs filed their opposition to the demurrer on January 5, 2016, seeking to rebut the
5 contention that §12(a)(2) distinguishes between purchasers in the initial distribution and those in the
6 aftermarket and arguing that at least certain Defendants were statutory sellers.

7 22. The Castlight Defendants filed a reply (to which the Underwriter Defendants joined) on
8 January 15, 2016.

9 23. On January 27, 2016, the Court again sustained Defendants' demurrer as to the §12(a)(2)
10 claims, finding that Plaintiffs failed to allege standing, with leave to amend.

11 **E. Class Certification**

12 24. On March 9, 2016, by stipulation of the parties, the Court certified the consolidated
13 actions as a class action pursuant to Cal. Civ. Proc. Code §382 and Rule 3.765 of the California Rules
14 of Court on behalf of the following Class:

15 All persons who purchased Castlight Class B common stock pursuant to or traceable to
16 the registration statement issued in connection with Castlight's March 14, 2014 initial
public offering of common stock on or before September 10, 2014.

17 Excluded from the Class are each of the defendants, their directors and officers, members of their
18 immediate families, any entity in which a defendant has a controlling interest (but in the case of the
19 Underwriter Defendants, only such entities in which they have a majority ownership interest), and the
20 heirs, successors and assigns of any such excluded party. The Court further certified Plaintiffs as the
21 representatives of the Class, and designated Robbins Geller and Labaton Sucharow to act as Class
22 Counsel.

23 **III. PLAINTIFFS' INVESTIGATION AND DISCOVERY EFFORTS**

24 25. From the outset of the Litigation, Class Counsel, on behalf of Plaintiffs, have
25 aggressively and diligently prosecuted this Litigation. In connection with the Consolidated Complaint
26 and Amended Complaint, Class Counsel conducted an extensive investigation of Defendants' actions in
27 connection with Castlight's IPO and Defendants' preparation and filing of the Registration Statement,
28 including a thorough review and analysis of all relevant U.S. Securities and Exchange Commission

1 (“SEC”) filings, press releases, analyst reports, regulatory filings and reports, and other public
2 statements issued by the Company.

3 26. Class Counsel’s investigators also identified almost 200 potential witnesses, contacting
4 approximately 150 of them and interviewing approximately 25 former Company employees and others
5 with knowledge of the facts underlying the allegations.

6 27. On October 13, 2015, Plaintiffs served an initial set of requests for production of
7 documents on all Defendants and a set of special interrogatories on the Castlight Defendants. On
8 November 17, 2015, all of the Defendants served their responses and objections to the first set of
9 requests for production of documents, and the Castlight Defendants served their responses and
10 objections to Plaintiffs’ special interrogatories. On November 12, 2015, Plaintiffs served a second set
11 of requests for production of documents on the Castlight Defendants. The Castlight Defendants served
12 their responses and objections to the second set of requests for production of documents on December
13 17, 2015. The Castlight Defendants made their initial production of documents to Plaintiffs on January
14 8, 2016.

15 28. On November 13, 2015, Plaintiffs served the first set of requests for admissions and
16 special interrogatories on the Underwriter Defendants. The Underwriter Defendants’ responses and
17 objections to Plaintiffs’ first set of discovery requests were served on December 18, 2015.

18 29. Class Counsel also prepared third-party discovery requests, including serving numerous
19 subpoenas.

20 30. Defendants also propounded discovery requests directed at Plaintiffs, which Plaintiffs
21 responded to, including through the production of documents. Specifically, the Castlight Defendants
22 served their first set of requests for production of documents on Plaintiffs on November 6, 2015. On
23 December 7, 2015, Plaintiffs replied with their responses and objections to the Castlight Defendants’
24 first set of requests for production of documents.

25 31. Plaintiffs’ Counsel spent hundreds of hours reviewing the documents produced by
26 Defendants and informed Defendants that the review indicated additional documents needed to be
27 produced. As a result, Defendants produced additional documents. As discussed below, some of these
28 documents were included as exhibits to Plaintiffs’ mediation statement, and Plaintiffs believe they

1 support the allegations in the Amended Complaint. In all, Defendants produced more than 55,000
2 pages of documents (representing more than 6,000 documents).

3 32. In addition, Class Counsel consulted with a damages expert concerning potential class
4 wide damages in the case under the Securities Act. Plaintiffs' expert conservatively estimated that
5 potential damages for the claims in the case were between approximately \$92 and 96 million, assuming
6 complete success by Plaintiffs. The damages estimated by both sides, however, assuming success by
7 Plaintiffs in establishing liability only found common ground at less than half of the estimates of
8 Plaintiffs' expert. Class Counsel performed extensive analysis comparing, contrasting, and reconciling
9 the various analyses, assumptions underlying the competing analyses and the different models entailed
10 within the damages analyses.

11 **IV. MEDIATION AND THE SETTLEMENT**

12 33. In early 2016, the parties began to discuss the possibility of settlement. On January 28,
13 2016, the parties retained Hon. Layn R. Phillips (Ret.), a highly respected former federal judge and
14 mediator with substantial knowledge and experience in the mediation of complex litigation, including
15 securities class actions, and agreed to participate in a mediation before him. In March, 2016, the parties
16 exchanged comprehensive mediation statements and submitted them to Judge Phillips.

17 34. Plaintiffs' mediation statement included numerous exhibits, nearly all of which were
18 nonpublic documents produced by Defendants that Plaintiffs believe supported the allegations in the
19 Amended Complaint.

20 35. The formal mediation occurred on March 21, 2016, and the parties discussed the claims
21 and defenses raised by both sides. No agreement was reached, but Judge Phillips continued his efforts
22 to bridge the gap separating the parties and additional discussions continued. Ultimately, Judge Phillips
23 made a "mediator's proposal" recommending that the parties settle the case for \$9,500,000, giving each
24 side time to consider the proposal. On March 28, 2016, the Settling Parties separately agreed to the
25 mediator's proposal to settle the case for \$9,500,000.

26 36. Thereafter, Class Counsel drafted the Stipulation and its supporting documents,
27 including the Notice of Proposed Settlement of Class Action ("Notice") incorporating the Plan of
28 Allocation of Settlement proceeds, and spent more than a month negotiating with counsel for

1 Defendants all of the terms of the Stipulation and supporting documents. The Stipulation was fully
2 executed on June 2, 2016, and the Plaintiffs filed the Notice of Motion and Motion for Preliminary
3 Approval of Class Action Settlement on June 21, 2016.

4 37. On July 13, 2016, after hearing argument, the Court signed the Preliminary Approval
5 Order, pursuant to which the Settlement was preliminarily approved as sufficiently fair, reasonable, and
6 adequate to warrant providing notice of the Settlement to the Class. The Preliminary Approval Order
7 appointed Gilardi & Co. LLC to serve as the Claims Administrator, approved the form and manner of
8 notice to be given to the Class, and set a final settlement approval hearing date of October 28, 2016 (the
9 “Settlement Fairness Hearing”). The Court also set October 7, 2016, as the deadline for Class Members
10 to object to any aspect of the Settlement and to opt out of the Class.

11 **V. INVESTIGATION AND LITIGATION EFFORTS**

12 38. In the course of investigating and prosecuting the case, Plaintiffs’ Counsel have, among
13 other things: (i) reviewed and analyzed stock trading data; (ii) consulted with an expert regarding
14 causation and damages; (iii) reviewed and analyzed Castlight’s Class Period and post-Class Period
15 public filings, annual reports, press releases, conference call transcripts, and other public statements;
16 (iv) collected and reviewed a comprehensive compilation of analyst reports and major financial news
17 service reports on Castlight; (v) interviewed approximately 25 potential witnesses, including former
18 employees with the assistance of private investigators; (vi) drafted initial and amended complaints; (vii)
19 opposed Defendants’ two demurrers; (viii) researched the applicable law with respect to the claims
20 asserted in the Litigation and the potential defenses thereto; (ix) attended Court hearings and
21 conferences; (x) prepared and entered into a protective order; (xi) prepared and served numerous
22 detailed document requests on the Defendants; (xii) conferred with counsel for Defendants regarding
23 the scope and manner of production of documents; (xiii) reviewed documents produced by Defendants;
24 (xiv) responded to Defendants’ discovery requests; (xv) drafted a comprehensive mediation brief; (xvi)
25 engaged in hard-fought settlement negotiations; (xvii) exchanged mediation submissions with
26 Defendants; (xviii) participated in an all-day mediation session with Judge Phillips; and (xix) drafted
27 the Stipulation and other settlement documents with Defendants.

28

1 39. The cash settlement is the product of diligent litigation and hard-fought negotiations and,
2 as discussed below, fully takes into consideration the risks specific to this Litigation. The Settlement
3 was negotiated by experienced counsel for both Plaintiffs and Defendants with each having a solid
4 understanding of both the strengths and weaknesses of their respective positions. Plaintiffs were well-
5 informed and had a strong foundation to determine the propriety of the Settlement.

6 **VI. SUMMARY OF THE SETTLEMENT AND PLAN OF ALLOCATION**

7 40. The Settlement consists of \$9,500,000 in cash, plus accrued interest. The Class is the
8 same as that previously certified by the Court and is defined as: “all Persons who purchased Castlight
9 Class B common stock pursuant or traceable to the Registration Statement issued in connection with
10 Castlight’s March 14, 2014 initial public offering on or before September 10, 2014. Excluded from the
11 Class are each of the Defendants and Previously Named Defendants,² their directors and officers;
12 members of their immediate families; any entity in which a Defendant or Previously Named Defendant
13 has a controlling interest (but in the case of the Underwriter Defendants and the Previously Named
14 Defendants, only such entities in which they have a majority ownership interest); any Person who
15 validly requests exclusion from the Class; and the heirs, successors, and assigns of any such excluded
16 party.” *See* Stipulation, ¶1.5.

17 41. The Net Settlement Fund³ is to be distributed pursuant to the Plan of Allocation to those
18 Class Members submitting valid claims (the “Authorized Claimants”). As set forth in the Notice, the
19 Claims Administrator shall determine each Authorized Claimant’s share of the Net Settlement Fund
20 based upon the percentage of the Net Settlement Fund that each Authorized Claimant’s claim bears to
21 the total of the claims of all Authorized Claimants, and is thus fair, reasonable, and adequate.

22 42. The Plan of Allocation was formulated with the assistance of Class Counsel’s damages
23 consultant after discussions with Class Counsel, concerning, among other things, an estimate of the

24 _____
25 ² “Previously Named Defendants” means Venrock Partners V, L.P., Allen & Company LLC,
26 Stifel, Nicolaus & Company, Incorporated, Canaccord Genuity Inc., and Raymond James & Associates,
27 Inc. *See* Stipulation, ¶1.20.

27 ³ The term “Net Settlement Fund” means the Settlement Fund, less payment of expenses of notice
28 and administration of the Settlement, Taxes and Tax Expenses, and such attorneys’ fees, costs,
expenses, and interest as may be awarded by the Court. *See* Stipulation, ¶5.1.

1 damages suffered by Class Members, the likelihood of establishing liability and damages for various
2 periods of the Class Period, and the relative strengths and weaknesses of their respective claims.

3 43. The Plan of Allocation is based on Plaintiffs' claim that the price of Castlight Class B
4 common stock was artificially inflated at the time the Registration Statement became effective and that
5 the Members of the Class purchased Castlight Class B common stock at artificially high prices due to
6 Defendants' alleged material misrepresentations and omissions.

7 44. The Plan of Allocation is based on the premise that the decrease in the price of Castlight
8 Class B common stock that occurred after the IPO may be used to measure the alleged artificial
9 inflation in the price of Castlight Class B common stock prior to such disclosures. The Plan of
10 Allocation is also based on the closing price of Castlight Class B common stock on the date the initial
11 complaint was filed, which are the statutory damages provided for in the Securities Act.

12 45. Pursuant to the Court's Preliminary Approval Order, Class Counsel, through the Claims
13 Administrator, implemented a comprehensive notice program whereby notice was given to the
14 Members of the Class by mail and by publication. The Notice disclosed, among other things, the
15 following information necessary to evaluate the benefits of the Settlement to Class Members: (i) the
16 amount of the Settlement; (ii) the Plan of Allocation; (iii) that Class Counsel would apply for a fee
17 award of 30% of the Settlement Fund and would ask the Court for expenses in an amount not to exceed
18 \$150,000; (iv) that each of the Plaintiffs may request payment for their time and expenses in
19 representing the Class in an amount not to exceed \$2,500; (v) that any Class Member could object to the
20 Settlement, Plan of Allocation, Class Counsel's fee and expense request or Plaintiffs' request for time
21 and expenses in representing the Class; (vi) a detailed explanation of the reasons for the Settlement;
22 (vii) that objections to the Settlement must be filed with the Court and served on Class Counsel by
23 October 7, 2016; (viii) that requests for exclusion from the Class must be submitted to the Claims
24 Administrator no later than October 7, 2016; and (ix) that November 1, 2016, would be the deadline for
25 filing Proofs of Claim. Copies of the Notice and Proof of Claim form (collectively, the "Notice
26 Packet") were mailed to all record transferees of Castlight Class B common stock during the Class
27 Period as shown in the transfer records obtained from Castlight's transfer agent.

28

1 46. Copies of the Notice Packet were also mailed to major brokerage houses, which act as
2 nominees for many security holders, together with a letter requesting them to forward copies of the
3 Notice to their beneficiaries or to provide the Claims Administrator with lists of their beneficiaries so
4 that the Claims Administrator could forward copies to the beneficiaries. Pursuant to this procedure, as
5 of September 20, 2016, the Claims Administrator has disseminated more than 29,400 Notice Packets to
6 potential Class Members and their nominees. *See* paragraphs 4 through 11 of the Declaration of Carole
7 K. Sylvester Regarding Notice Dissemination, Publication, and Requests for Exclusion Received to
8 Date (“Sylvester Decl.”), attached as Exhibit 12 hereto.

9 47. In addition, on August 11, 2016, the Summary Notice was transmitted over the *PR*
10 *Newswire* and published in the *Wall Street Journal* (*Id.*, ¶14), and the Notice, Proof of Claim,
11 Stipulation and Preliminary Approval Order were posted to a website dedicated to the Settlement
12 (www.castlightshareholderlitigation.com), which became operational on August 3, 2016. *Id.*, ¶13.
13 Furthermore, the Claims Administrator established a toll-free telephone number to accommodate
14 potential Class Member inquiries which became operational on August 3, 2016. *Id.*, ¶12. As set forth
15 in the Preliminary Approval Order, the deadline for Class Members to object to the Settlement, the Plan
16 of Allocation, or the motion for an award of attorneys’ fees and expenses is October 7, 2016. The
17 deadline for Class Members to exclude themselves from the Class is also October 7, 2016. To date,
18 Class Counsel are not aware of a single Class Member that has objected to the Settlement, the Plan of
19 Allocation, or the requested fees and expenses. Nor has any Class Member requested exclusion from
20 the Class. *Id.*, ¶15.

21 **VII. THE STRENGTHS AND WEAKNESSES OF THE CASE**

22 48. Based on publicly available documents, discovery obtained from Defendants and third
23 parties, their own investigation, and their consultation with an expert, Plaintiffs believe that they had
24 received, and would continue to receive, substantial evidence to support their claims, Defendants were
25 equally confident that the Class would fail. Plaintiffs also realize that they faced considerable risks and
26 defenses as the case proceeded. Plaintiffs carefully considered these risks during their settlement
27 discussions with Defendants.

28

1 49. Defendants have vigorously argued that Plaintiffs cannot demonstrate the falsity and
2 materiality of the challenged statements made in connection with the Company’s IPO, because all of the
3 allegedly omitted information was purportedly the subject of detailed and ample disclosures and
4 warnings in Defendants’ offering documents. However, Plaintiffs believed they could marshal evidence
5 sufficient to establish that Castlight’s disclosures were far from sufficient.

6 50. Defendants also would likely present a “negative causation” defense, arguing that the
7 alleged materially misleading statements in the Registration Statement did not cause a substantial
8 portion of the damages Plaintiffs claimed, asserting the lack of any statistically significant drop in the
9 Company’s stock price following the IPO, as a result of any public disclosure or event. Although
10 Plaintiffs were confident they could prove statutory damages, Defendants’ argument constituted a risk
11 that Plaintiffs might not be able to prove damages. There is no doubt that both sides would present at
12 trial highly qualified loss causation and damage experts whose testimony would be both complex and
13 nuanced. Thus, at trial, issues of loss causation and damages would result in a “battle of the experts.”

14 51. Moreover, assuming Plaintiffs survived the inevitable motions for summary judgment
15 after completion of discovery and presented their case to a jury and prevailed, the results of a trial
16 would almost certainly not end the litigation, as one side (and potentially both if the jury found for
17 Plaintiffs but substantially reduced the damages sought) would likely appeal. In the absence of a
18 settlement, Class Members would have to wait several more years before they obtained any relief, even
19 assuming they were successful and overcame every obstacle.

20 52. Class Counsel are actively engaged in complex civil litigation, particularly the litigation
21 of securities class actions. See www.rgrdlaw.com and www.labaton.com. Notable settlements handled
22 by Robbins Geller include: *In re Enron Corp. Sec. Litig.*, No. H-01-3624 (S.D. Tex.) (representing The
23 Regents of the University of California and recovering in excess of \$7.2 billion for investors); *In re*
24 *UnitedHealth Group, Inc. PSLRA Litig.*, No. 06-CV-1691 (D. Minn.) (recovering over \$925 million and
25 representing the California Public Employees’ Retirement System); *In re Cardinal Health, Inc. Sec.*
26 *Litig.*, No. C2-04-575 (S.D. Ohio) (representing Amalgamated Bank and others and recovering
27 \$600 million for investors); *In re HealthSouth Corp. Sec. Litig.*, No. CV-03-BE-1500-S (N.D. Ala.)
28 (representing Central States SE and SW Areas Pension Fund and others, and obtaining a combined

1 recovery of \$671 million); and *In re Dynege, Inc. Sec. Litig.*, No. H-02-1571 (S.D. Tex.) (representing
2 The Regents of the University of California and recovering \$474 million).

3 53. Labaton Sucharow has served as lead or co-lead counsel in a number of high profile
4 matters, for example: *In re Am. Int'l Grp, Inc. Sec. Litig.*, No. 04-8141 (S.D.N.Y.) (representing the
5 Ohio Public Employees Retirement System, State Teachers Retirement System of Ohio, and Ohio
6 Police & Fire Pension Fund and reaching settlements of \$1 billion); *In re HealthSouth Corp. Sec. Litig.*,
7 No. CV-03-BE-1500-S (N.D. Ala.) (representing the State of Michigan Retirement System, New
8 Mexico State Investment Council, and the New Mexico Educational Retirement Board); *In re*
9 *Countrywide Sec. Litig.*, No. 07-5295 (C.D. Cal.) (representing the New York State and New York City
10 Pension Funds and reaching settlements of more than \$600 million); and *In re Schering-Plough*
11 *Corp./ENHANCE Sec. Litig.*, No. 08-397 (D.N.J.) (representing Massachusetts PRIT and reaching a
12 settlement of \$473 million – the largest securities fraud settlement with a pharmaceutical company).

13 54. Having considered all of the foregoing, and evaluating the Defendants' likely defenses
14 throughout the litigation and at trial, it is the informed judgment of Class Counsel, based upon all
15 proceedings to date and their extensive experience in litigating shareholder class actions, that the
16 proposed Settlement of this matter before this Court provides a very favorable result for the Class and is
17 fair, reasonable and adequate, and in the best interests of the Class.

18 **VIII. THE FEE AND EXPENSE APPLICATION**

19 55. The Notice informed Class Members that Class Counsel would move, on behalf of all
20 Plaintiffs' Counsel, for an award of attorneys' fees of 30% of the Settlement Fund and for payment of
21 expenses not to exceed \$150,000.

22 56. The details of Plaintiffs' Counsel's fees and expenses are set forth in the accompanying
23 Declarations of James I. Jaconette, Jonathan Gardner, Francis A. Bottini, Jr. and Ex Kano S. Sams II in
24 Support of the Application for Award of Attorneys' Fees and Expenses ("Plaintiffs' Counsel's
25 Declarations"), filed herewith. Plaintiffs' Counsel and their paraprofessionals in the aggregate devoted
26 over 2,300 hours to the litigation of this case, generating a lodestar of \$1,408,943.75. If the Court
27 awards the requested 30% fee, or \$2,850,000, the award would equate to an approximate multiplier of
28 2.02.

1 57. Plaintiffs’ Counsel achieved a very favorable result for the Class at great risk and
2 expense. Throughout this Litigation, Plaintiffs’ Counsel were committed to the interests of the Class,
3 and invested the time and resources necessary to resolve the Class’ claims. Moreover, Plaintiffs’
4 Counsel took the case on a contingency basis, with no assurance of success, and vigorously litigated this
5 case against Defendants for over a year, without any compensation at all.

6 **A. Plaintiffs’ Counsel’s Work and Experience**

7 58. Plaintiffs’ Counsel are national law firms that specialize in shareholder class and other
8 complex class representation. The record in this case, along with the matters described in this
9 declaration, demonstrate the enormous effort and expense that went into successfully resolving this
10 Litigation. Plaintiffs’ Counsel’s Declarations outline the amount of time spent by each attorney and
11 paraprofessional employed by Plaintiffs’ Counsel and the lodestar calculations based on current billing
12 rates, demonstrating that a 30% fee is reasonable for the extraordinary results achieved in this case.

13 **B. Standing and Caliber of Opposing Counsel**

14 59. The quality of work performed by Plaintiffs’ Counsel in attaining the Settlement should
15 also be evaluated in light of the quality of their adversaries. Defendants were represented by Fenwick
16 & West LLP, and Gibson, Dunn & Crutcher LLP, law firms with well-deserved reputations for
17 providing excellent defenses for their clients in securities class action litigation and other complex
18 actions. In the face of this knowledgeable, formidable, and well-financed opposition, Plaintiffs’
19 Counsel were able to develop a case that was sufficiently strong to persuade Defendants to settle the
20 case on terms that are highly favorable to the Class.

21 **C. The Risks of Litigation and Need to Ensure the Availability of**
22 **Competent Counsel in High-Risk, Contingent Securities Cases**

23 60. The prosecution of this Litigation was undertaken by Plaintiffs’ Counsel entirely on a
24 contingent-fee basis. The risks assumed by Plaintiffs’ Counsel in bringing these claims to a successful
25 conclusion (including financial risks) are described herein, in Plaintiffs’ Counsel’s Declarations, and in
26 the accompanying Plaintiffs’ Memorandum of Points and Authorities in Support of Motion for Final
27 Approval of Class Action Settlement and Plan of Allocation of Settlement Proceeds (“Settlement
28 Memorandum”). Those risks are also relevant to an award of attorneys’ fees.

1 61. From the outset, Plaintiffs' Counsel understood that they were embarking on a complex
2 and expensive litigation with no guarantee of ever being compensated for the investment of time and
3 money the case would require. In undertaking the responsibility, Plaintiffs' Counsel were obliged to
4 ensure that sufficient resources were dedicated to the prosecution of this Litigation, and that funds were
5 available to compensate staff and to cover the considerable costs that a case such as this requires. With
6 an average lag time of several years for these cases to conclude, the financial burden on contingent-fee
7 counsel is far greater than on a firm that is paid on an ongoing basis.

8 62. Plaintiffs' Counsel also bore the risk that no recovery would be achieved. As discussed
9 herein and in the Settlement Memorandum, from the outset, this case presented a number of significant
10 risks and uncertainties that could have prevented any recovery whatsoever. As discussed in the
11 accompanying Plaintiffs' Counsel's Memorandum of Points and Authorities in Support of Motion for
12 an Award of Attorneys' Fees and Expenses, despite the most vigorous and competent of efforts, success
13 in contingent-fee litigation, such as this, is never assured.

14 63. Plaintiffs' Counsel firmly believe that the commencement of a class action does not
15 guarantee a settlement. To the contrary, it takes hard work and diligence by skilled counsel to develop
16 the facts and theories that are needed to sustain a complaint or win at trial, or to induce sophisticated
17 defendants to engage in serious settlement negotiations at meaningful levels.

18 64. Moreover, courts have repeatedly recognized that it is in the public interest to have
19 experienced and able counsel enforce the securities laws and regulations pertaining to the duties of
20 officers and directors of public companies. Vigorous private enforcement of the federal securities laws
21 can only occur if private plaintiffs take an active role in protecting the interest of shareholders.

22 65. As a result of Plaintiffs' Counsel's extensive and persistent efforts in the face of
23 substantial risks and formidable opposition, Plaintiffs' Counsel achieved a significant recovery for the
24 benefit of the Class. In circumstances such as these, and in consideration of Plaintiffs' Counsel's hard
25 work and the extraordinary result achieved, the requested 30% fee is reasonable and should be
26 approved.

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1 **IX. PAYMENT OF THE REQUESTED EXPENSES AND COSTS IS FAIR AND**
2 **REASONABLE**

3 66. Class Counsel are also moving for payment of \$116,476.01 in litigation expenses
4 reasonably incurred in connection with commencing and prosecuting the claims against Defendants.
5 *See* Plaintiffs' Counsel's Declarations. Plaintiffs' Counsel incurred all of the litigation expenses.

6 67. From the beginning of the case, Plaintiffs' Counsel were aware that they might not
7 recover any of their expenses, and, at the very least, would not recover anything until the Litigation was
8 successfully resolved. Plaintiffs' Counsel also understood that, even assuming that the case was
9 ultimately successful, payment for expenses would not compensate them for the lost use of funds
10 advanced by them to prosecute this Litigation. Thus, Plaintiffs' Counsel were motivated to, and did,
11 take steps to assure that only necessary expenses were incurred for the vigorous and efficient
12 prosecution of the case.

13 68. In view of the complex nature of the action, the litigation expenses incurred were
14 reasonable and necessary to pursue the interests of the Class. Accordingly, Class Counsel respectfully
15 submit that the request for expenses incurred by Plaintiffs' Counsel be granted.

16 69. Plaintiffs Oklahoma Firefighters Pension Fund, Robert Spencer Wright, and Robert
17 Kromphold each seek no more than \$2,500 reimbursement for the time they have expended on behalf of
18 the Class. *See* Exhibits 13-15 hereto. In our opinion, based on our knowledge of their activity in this
19 case and a review of the Declarations submitted herewith, the amounts requested are reasonable and
20 should be approved by the Court. Moreover, the Notice stated that each of the Plaintiffs may seek
21 payment for their time and expenses in an amount not to exceed \$2,500, and, to date, there have been no
22 objections to such a request.

23 **X. ADDITIONAL EXHIBITS**

24 70. Attached hereto are true and correct copies of the following exhibits:

25 Exhibit 1: *Plymouth Cnty. Ret. Sys. v. Model N, Inc.*, No. CIV530291, slip op. (San
Mateo Super. Ct. Apr. 4, 2016);

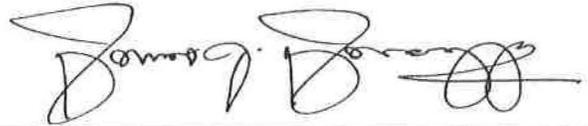
26 Exhibit 2: *In re CafePress Inc. S'holder Litig.*, No. CIV522744, slip op. (San
27 Mateo Super. Ct. Aug. 11, 2015);
28

- 1 Exhibit 3: *In re Pacific Biosciences of California, Inc. Sec. Litig.*, No. CIV509210,
slip op. (San Mateo Super. Ct. Oct. 31, 2013);
- 2 Exhibit 4: *Robinson v. Audience, Inc.*, No. 1:12-cv-232227, slip op. (Santa Clara
3 Super. Ct. June 10, 2016);
- 4 Exhibit 5: *In re Epicor Software Corp. S'holder Litig.*, No. 30-2011-00465495-
5 CU-BT-CXC, slip op. (Orange Super. Ct. Oct. 24, 2014);
- 6 Exhibit 6: *Paton v. Advanced Micro Devices, Inc.*, No. 1-07-CV-084838, slip op.
(Santa Clara Super. Ct. Aug. 22, 2014);
- 7 Exhibit 7: *West Palm Beach Police Pension Fund v. CardioNet, Inc.*, No. 37-2010-
8 00086836-CU-SL-CTL, slip op. (San Diego Super. Ct. June 28, 2012);
- 9 Exhibit 8: *Albert v. Walter Fletcher, Inc.*, No. BC136761, slip op. (Los Angeles
Super. Ct. Mar. 22, 2001);
- 10 Exhibit 9: *Ochoa v. Haralambos Beverage Co.*, No. BC319588, slip op. (Los
11 Angeles Super. Ct. Feb. 1, 2007);
- 12 Exhibit 10: *Adams v. Blockbuster, Inc.*, No. 809069, slip op. (Orange Super. Ct.
Feb. 28, 2002);
- 13 Exhibit 11: *Elkin v. Six Flags, Inc.*, No. BC342633, slip op. (Los Angeles Super. Ct.
14 Apr. 29, 2008);
- 15 Exhibit 12: Sylvester Declaration;
- 16 Exhibit 13: Declaration of Robert E. Jones on Behalf of Oklahoma Firefighters
Pension Fund;
- 17 Exhibit 14: Declaration of Robert Kromphold; and
- 18 Exhibit 15: Declaration of Robert Spencer Wright.
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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

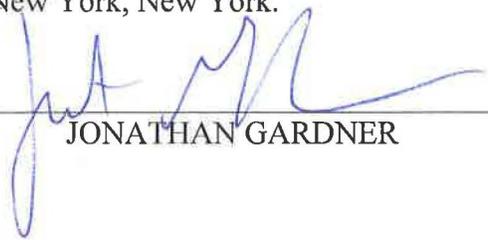
DATED this 23rd day of September, 2016, at San Diego, California.



JAMES I. JACONETTE

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

DATED this 23rd day of September, 2016, at New York, New York.



JONATHAN GARDNER