UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from______ to ______

Commission File Number: 001-36330

CASTLIGHT HEALTH, INC.
(Exact name of registrant as specified in its charter)

Delaware	**26-1989091**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

150 Spear Street, Suite 400
San Francisco, CA 94105
(Address of principal executive offices)
(415) 829-1400
(Registrant's telephone number, including area code)

Indicate by check-mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [x] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]	Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]	Emerging growth company [X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes[ ] No [x]

As of April 24, 2017 , there were 54,288,009 shares of the Company's Class A common stock outstanding and 76,226,187 shares of the Company's Class B common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CASTLIGHT HEALTH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	As of	
	March 31, 2017	December 31, 2016
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 56,198	$ 48,722
Marketable securities	47,007	65,882
Accounts receivable, net	16,497	14,806
Deferred commissions	7,861	8,218
Prepaid expenses and other current assets	4,578	3,382
Total current assets	132,141	141,010
Property and equipment, net	5,106	5,285
Restricted cash, noncurrent	1,144	1,144
Deferred commissions, noncurrent	3,734	5,050
Other assets	5,276	4,677
Total assets	$ 147,401	$ 157,166
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,462	$ 2,288
Accrued expenses and other current liabilities	5,344	6,369
Accrued compensation	6,111	9,443
Deferred revenue	33,576	30,623
Total current liabilities	47,493	48,723
Deferred revenue, noncurrent	5,379	5,245
Other liabilities, noncurrent	1,193	1,236
Total liabilities	54,065	55,204
Commitments and contingencies		
Stockholders' equity:		
Class A and Class B common stock	10	10
Additional paid-in capital	464,151	457,596
Accumulated other comprehensive loss	(19)	—
Accumulated deficit	(370,806)	(355,644)
Total stockholders' equity	93,336	101,962
Total liabilities and stockholders' equity	$ 147,401	$ 157,166

See Notes to Condensed Consolidated Financial Statements.

CASTLIGHT HEALTH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Revenue:		
Subscription	$ 25,766	$ 21,037
Professional services	1,979	1,680
Total revenue	27,745	22,717
Cost of revenue:		
Cost of subscription (1)	4,246	4,136
Cost of professional services (1)	3,988	5,113
Total cost of revenue	8,234	9,249
Gross profit	19,511	13,468
Operating expenses:		
Sales and marketing (1)	14,443	16,282
Research and development (1)	11,071	10,085
General and administrative (1)	8,998	8,545
Total operating expenses	34,512	34,912
Operating loss	(15,001)	(21,444)
Other income, net	192	89
Net loss	$ (14,809)	$ (21,355)
Net loss per Class A and B share, basic and diluted	$ (0.14)	$ (0.22)
Weighted-average shares used to compute basic and diluted net loss per Class A and B share	104,935	96,291

(1) Includes stock-based compensation expense as follows:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cost of revenue:		
Cost of subscription	$ 127	$ 108
Cost of professional services	461	477
Sales and marketing	2,154	2,235
Research and development	1,790	1,405
General and administrative	1,295	1,269

See Notes to Condensed Consolidated Financial Statements.

CASTLIGHT HEALTH, INC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Net loss	$ (14,809)	$ (21,355)
Other comprehensive income:		
Net change in unrealized (loss) gain on available-for-sale marketable securities	(19)	103
Other comprehensive (loss) income	(19)	103
Comprehensive loss	$ (14,828)	$ (21,252)

See Notes to Condensed Consolidated Financial Statements.

CASTLIGHT HEALTH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Operating activities:		
Net loss	$ (14,809)	$ (21,355)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	698	783
Stock-based compensation	5,827	5,494
Amortization of deferred commissions	2,089	1,162
Accretion and amortization of marketable securities	64	176
Changes in operating assets and liabilities:		
Accounts receivable	(1,691)	(1,282)
Deferred commissions	(416)	(289)
Prepaid expenses and other assets	(1,183)	36
Accounts payable	177	605
Accrued expenses and other liabilities	(4,755)	(3,732)
Deferred revenue	3,087	4,412
Net cash used in operating activities	(10,912)	(13,990)
Investing activities:		
Purchase of property and equipment	(166)	(466)
Purchase of marketable securities	(16,007)	(29,486)
Maturities of marketable securities	34,799	58,637
Net cash provided by investing activities	18,626	28,685
Financing activities:		
Proceeds from the exercise of stock options	374	1,266
Payments of issuance costs related to equity	(612)	—
Net cash (used in) provided by financing activities	(238)	1,266
Net increase in cash and cash equivalents	7,476	15,961
Cash and cash equivalents at beginning of period	48,722	19,150
Cash and cash equivalents at end of period	$ 56,198	$ 35,111

See Notes to Condensed Consolidated Financial Statements .

CASTLIGHT HEALTH, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Organization and Description of Business

Description of Business

Castlight Health Inc. ("the Company") offers a health benefits platform that engages employees to make better health care decisions and enables employers to communicate and measure their benefit programs. The Company provides a simple, personalized, and powerful way for employees to shop for and manage their health care. At the same time, the Company enables employers to understand their employees' needs and guide them to the right care, right providers and right programs at the right time. On April 3, 2017, the Company completed its acquisition of Jiff, Inc. The acquisition enables the Company to provide the full spectrum of wellbeing, healthcare decision support and benefits hub all in one complete package. The Company's comprehensive technology offering aggregates complex, large-scale data and applies sophisticated analytics to make health care data actionable and useful. The Company was incorporated in the State of Delaware in January 2008. The Company's principal executive offices are located in San Francisco, California.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), for interim financial information and with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission ("SEC"), Regulation S-X. In the opinion of management, the information herein reflects all adjustments, consisting only of normal recurring adjustments except as otherwise noted, considered necessary for a fair statement of results of operations, financial position and cash flows. The condensed consolidated financial statements include the results of Castlight and its wholly owned U.S. subsidiary. The results for the interim periods presented are not necessarily indicative of the results expected for any future period.

The condensed consolidated balance sheet as of December 31, 2016 included herein was derived from the audited financial statements as of that date. The following information should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 . There have been no changes to the Company's significant accounting policies described in the Company's Annual Report on Form 10-K that have had a material impact on its condensed consolidated financial statements and related notes.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires the Company to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. These estimates include, but are not limited to, the determination of the relative selling prices for the Company's products and services , certain assumptions used in the valuation of the Company's equity awards, annual bonus attainment and the capitalization and estimated useful life of internal-use software development costs. Actual results could differ from those estimates, and such differences could be material to the Company's consolidated financial position and results of operations.

Recently Issued and Adopted Accounting Pronouncements

Stock-based Compensation

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation: Improvements to Employee Share-Based Payment." The guidance will change how companies account for certain aspects of share-based payments to employees. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The Company adopted this guidance on January 1, 2017 and accordingly recorded a cumulative-effect adjustment charge of approximately $0.4 million to the beginning accumulated deficit for the impact of electing to account for forfeiture as it occurs. The adoption of this standard did not have any impact to the Statement of Operations or the Statement of Cash Flows. The Company is subject to full valuation allowance and thus has not utilized any excess tax benefits or realized any cash tax benefit related to stock compensation expense.

Goodwill

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-4, "Intangibles—Goodwill and Other." The standard eliminates Step 2 from the goodwill impairment test, under which an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities, instead requiring an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The standard will become effective for the Company beginning January 1, 2020, and early adoption is permitted. At this point in time, the Company does not intend to adopt the standard early. Based on the Company's evaluation, the standard will not have a material impact on its consolidated financial statements.

Business Combinations

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-1, "Business Combinations." The standard clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard will become effective for the Company beginning January 1, 2018, and early adoption is permitted. At this point in time, the Company does not intend to adopt the standard early. Based on the Company's evaluation, the standard will not have a material impact on its consolidated financial statements.

Consolidation

In October 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-17, "Consolidation." The standard addresses how companies evaluate whether a reporting entity is the primary beneficiary of a VIE by changing how the reporting entity that is a single decision maker of a VIE treats indirect interests in the entity held through related parties that are under common control with the reporting entity. The standard became effective for the Company beginning January 1, 2017. Based on the Company's evaluation, the standard did not have a material impact on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases." The guidance will require lessees to put all leases on their balance sheets, whether operating or financing, while continuing to recognize the expenses on their income statements in a manner similar to current practice. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The guidance will be effective for the Company beginning January 1, 2019 and early adoption is permitted. At this point in time, the Company does not intend to adopt the standard early. The Company is evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

Financial Instruments

In January 2016, the FASB issued ASU 2016-1, "Financial Instruments." The guidance provides a new measurement alternative for equity investments that don't have readily determinable fair values and don't qualify for the net asset value practical expedient. Under this alternative, these investments can be measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment if the same issuer. This guidance will be effective for the Company beginning January 1, 2018 and earlier adoption is not permitted. The Company is evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption at this point in time.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, and has since updated the ASU. This ASU replaces existing revenue recognition standards with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. The new standard will be effective for the Company beginning January 1, 2018 with early adoption permitted beginning January 1, 2017. The Company has elected not to early adopt the new standard.

The new standard permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company currently plans to adopt under the full retrospective method. However, a final decision regarding the adoption method has not been finalized at this time.

The Company is currently assessing the impact of the new standard on its accounting policies, processes, and controls, including system requirements and has assigned internal resources and has also engaged a third party service provider to assist in its assessment.

Based on its assessment to date, the Company currently believes a significant impact from the adoption of the new standard will be related to the Company's costs to fulfill as well as its costs to obtain contracts with customers. For fulfillment costs, the new standard states that an entity shall recognize an asset from the costs incurred to fulfill a contract if certain criteria are met. The Company believes these criteria will be met and these costs will be recognized as an asset under the new standard. The costs to fulfill a contract that are recognized as an asset are then amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The Company currently expenses costs to fulfill a contract when they are incurred. Similar to fulfillment costs, for costs to obtain a contract (which are primarily sales commissions), the standard states that costs to obtain a contract shall be amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The Company currently capitalizes certain sales commissions and amortizes those costs over the non-cancelable portion of its subscription contracts. Under the new standard, the amortization period for the Company's costs to obtain a contract could be longer. Lastly, based on its assessment, the Company currently believes areas of impact related to the Company's revenue recognition will be related to the estimation of variable consideration, the accounting for contract modifications, and the allocation of the transaction price to the Company's multiple performance obligations.

While the Company continues to assess the potential impacts of the new standard, including the areas described above, and anticipates the standard could have a material impact on its consolidated financial statements, the Company does not know or cannot reasonably estimate quantitative information related to the impact of the new standard on the Company's financial statements at this time.

Note 3. Marketable Securities

All of the Company's cash equivalents and marketable securities are classified as "available-for-sale" securities. These securities are reported at fair value, with the related unrealized gains and losses included in accumulated other comprehensive income, a component of shareholders' equity.

At March 31, 2017 and December 31, 2016 , respectively, marketable securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2017				
U.S. agency obligations	$ 44,999	$ —	$ (16)	$ 44,983
U.S. treasury securities	12,503	—	(3)	12,500
Money market mutual funds	16,430	—	—	16,430
	73,932	—	(19)	73,913
Included in cash and cash equivalents	26,906	—	—	26,906
Included in marketable securities	$ 47,026	$ —	$ (19)	$ 47,007

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2016				
U.S. agency obligations	$ 33,019	$ 5	$ (3)	$ 33,021
U.S. treasury securities	37,864	—	(2)	37,862
Money market mutual funds	7,965	—	—	7,965
	78,848	5	(5)	78,848
Included in cash and cash equivalents	12,966	—	—	12,966
Included in marketable securities	$ 65,882	$ 5	$ (5)	$ 65,882

Note 4. Fair Value Measurements

The Company measures its financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires that the Company maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activity.

The fair value of marketable securities included in the Level 2 category is based on observable inputs, such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. These values were obtained from a third-party pricing service and were evaluated using pricing models that vary by asset class and may incorporate available trade, bid and other market information and price quotes from well-established third party pricing vendors and broker-dealers. There have been no changes in valuation techniques in the periods presented. The Company has no financial assets or liabilities measured using Level 3 inputs. There were no significant transfers between Levels 1 and 2 assets as of March 31, 2017 and December 31, 2016 . The following tables present information about the Company's assets that are measured at fair value on a recurring basis using the above input categories (in thousands):

	Level 1	Level 2	Total
March 31, 2017			
Cash equivalents:			
Money market mutual funds	$ 16,430	$ —	$ 16,430
U.S. agency obligations	—	10,476	10,476
Marketable securities:			
U.S. agency obligations	—	34,507	34,507
U.S. treasury securities	—	12,500	12,500
	$ 16,430	$ 57,483	$ 73,913

	Level 1	Level 2	Total
December 31, 2016			
Cash equivalents:			
Money market mutual funds	$ 7,965	$ —	$ 7,965
U.S. treasury securities	—	5,000	5,000
Marketable securities:			
U.S. agency obligations	—	33,021	33,021
U.S. treasury securities	—	32,862	32,862
	$ 7,965	$ 70,883	$ 78,848

Gross unrealized gains and losses for cash equivalents and marketable securities as of March 31, 2017 and December 31, 2016 were not material. The Company does not believe the unrealized losses represent other-than-temporary impairments based on the Company's evaluation of available evidence as of March 31, 2017 and December 31, 2016 .

There were no realized gains or losses during the three months ended March 31, 2017 . All of the Company's marketable securities at March 31, 2017 and December 31, 2016 mature within one year . Marketable securities on the balance sheets consist of securities with original or remaining maturities at the time of purchase of greater than three months, and the remainder of the securities is reflected in cash and cash equivalents.

Note 5. Property and Equipment

Property and equipment consisted of the following (in thousands):

CASTLIGHT HEALTH, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(unaudited)

	As of	
	March 31, 2017	December 31, 2016
Leasehold improvements	$ 2,482	$ 2,061
Computer equipment	5,443	5,487
Software	1,079	1,099
Capitalization of internal-use software	2,925	2,925
Furniture and equipment	1,047	931
Total	12,976	12,503
Accumulated depreciation	(7,870)	(7,218)
Property and equipment, net	$ 5,106	$ 5,285

Depreciation and amortization expense for the three months ended March 31, 2017 and 2016 , was $0.7 million and $0.8 million , respectively . Depreciation and amortization are recorded on a straight-line basis.

Note 6. Related Party Transactions and Variable Interest Entity

Lyra Health

In 2015, the Company made a preferred stock investment in Lyra Health (”Lyra”) of $4.1 million , associated with a strategic alliance with Lyra. Lyra is considered a related party to the Company because two of the Company’s directors, Dr. Roberts and Mr. Ebersman, serve on the Lyra board of directors and Mr. Ebersman is the Lyra chief executive officer. The Company has evaluated all its transactions with Lyra and has determined that Lyra is a variable interest entity (“VIE”) for the Company but that it is not required to consolidate the operations of the VIE. The Company’s maximum exposure to loss as a result of its involvement with this unconsolidated VIE is limited to its investment of $4.1 million and it is not obligated to provide incremental financial support to Lyra.

The investment in Lyra is accounted for under the cost method and is included under other assets in the Company’s consolidated financial statements. The Company has not estimated the fair value of its investment because there have been no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. The Company assesses its investment for impairment on a quarterly basis or based on facts or circumstances that may require it to reassess the fair value of its investment. Based on the facts and circumstances as of March 31, 2017 , the Company concluded that its investment was appropriately valued.

Jiff Acquisition

On April 3, 2017, the Company acquired Jiff, Inc. for approximately 27 million in shares and options. Bryan Roberts, Chairman of the board of directors of the Company prior to the completion of the merger, is a Partner at Venrock, which beneficially owns 16,825,301 shares of the Company's Class A and Class B common stock, or approximately 16% of Castlight’s total issued and outstanding capital stock. Venrock also owns 8,040,910 shares of Jiff capital stock, or approximately 18% of the total issued and outstanding Jiff capital stock. Accordingly, this is a related party transaction.

Note 7. Commitments and Contingencies

Legal Matters

From time to time, the Company may become subject to other legal proceedings, claims or litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patents or other intellectual property rights. If an unfavorable outcome were to occur in litigation, the impact could be material to the Company’s business, financial condition, cash flow or results of operations, depending on the specific circumstances of the outcome. The Company accrues for loss contingencies when it is both probable that it will incur the loss and when it can reasonably estimate the amount of the loss or range of loss.

Leases and Contractual Obligations

The Company's principal commitments primarily consist of obligations under leases for office space and co-location facilities for data center capacity. The Company's existing lease agreements provide it with the option to renew and generally provide for rental payments on a graduated basis. The Company's future operating lease obligations would change if it entered into additional operating lease agreements as the Company expands its operations and if it exercised these options.

There were no material changes in the Company's contractual obligations from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2016. Please see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in the Company's Annual Report on Form 10-K for a description of its contractual obligations.

Note 8. Stock Compensation

Stock Options Activity

A summary of stock option activity for the three months ended March 31, 2017 is as follows (in thousands, except share and per share amounts):

	Options Outstanding	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2016	7,642,953	$ 3.71	$ 18,537
Stock option grants	—	$ —	
Stock options exercised	(273,769)	$ 1.37	
Stock options canceled	(176,980)	$ 3.23	
Balance at March 31, 2017	7,192,204	$ 3.81	$ 9,232

The total grant-date fair value of stock options granted during the three months ended March 31, 2017 and 2016 was $0.0 million and $2.5 million , respectively.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-valuation model with the following assumptions and fair value per share:

	Three Months Ended March 31,	
	2017	2016
Volatility	—%	45%
Expected life (in years)	—	6.0
Risk-free interest rate	—%	1.37%
Dividend yield	—%	—%

As of March 31, 2017 , the Company had $8.6 million in unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of approximately 2.0 years.

Restricted Stock Units

A summary of restricted stock unit activity for the three months ended March 31, 2017 is as follows:

CASTLIGHT HEALTH, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(unaudited)

	Number of Shares Outstanding	Weighted-Average Grant Date Fair Value
Balance at December 31, 2016	10,541,666	$ 4.82
Restricted Stock Units granted (1)	1,420,200	$ 3.22
Restricted Stock Units vested	(832,288)	$ 3.63
Restricted Stock Units forfeited/canceled (2)	(1,388,897)	$ 3.94
Balance at March 31, 2017	9,740,681	$ 4.71

(1) Includes performance stock units ("PSUs") that were granted in the three months ended March 31, 2017.
(2) Includes PSUs that were granted in the prior year, which were canceled because performance targets were not achieved.

As of March 31, 2017 , there was a total of $41.1 million in unrecognized compensation cost related to restricted stock units and performance stock units, which is expected to be recognized over a weighted-average period of approximately 2.73 years.

During 2017, the Company awarded PSUs to certain employees. The number of shares that will eventually vest depends on achievement of performance targets for 2017, as determined by the compensation committee of the Company's board of directors, and may range from 0 to 150% of the targeted award amount. Once the performance is determined and a targeted award amount is fixed, the target number of PSUs, if any, will vest in eight quarterly installments , subject to recipients' continued service, beginning on February 15, 2018. The compensation expense associated with the PSUs is recognized using the accelerated method. For the period ended March 31, 2017 , the Company has recognized approximately $0.3 million related to all performance awards.

Note 9. Stockholders' Equity

Common Stock

As of March 31, 2017 , the Company had 54,288,009 shares of Class A common stock and 51,128,971 shares of Class B common stock outstanding.

Transactions with SAP Technologies, Inc.

In May 2016, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with SAP Technologies, Inc. ("SAP") pursuant to which it sold and issued to SAP approximately 4.7 million shares ("Shares") of its Class B Common Stock and a warrant ("Warrant") to purchase up to approximately 1.9 million shares of its Class B Common Stock. The net proceeds from this transaction were $17.8 million and will be used for working capital and other general corporate purposes.

The exercise price of the Warrant remains at $4.91 per share and will expire four years from the date the Company enters into an agreement with SAP related to the distribution and the reselling of the Company's solutions (the "Alliance Agreement"). The Alliance Agreement will be focused on a strategic, multi-pronged business relationship aimed at delivering integrated healthcare technologies that can help lower healthcare costs, improve outcomes and increase benefits satisfaction for customers.

The Shares and Warrant are considered freestanding instruments from each other and are classified within stockholders' equity. The Company preliminarily allocated the net proceeds to the Shares and Warrant and also to a customer prepayment liability classified within accrued expenses and other current liabilities that represents the future benefits of the Alliance Agreement. Additional accounting for the Warrants and the customer prepayment liability is dependent on, if and when, the Alliance Agreement is executed.

In the second quarter of 2017, the Company and SAP modified the Warrant to extend the time period allowed to execute the Alliance Agreement from May 17, 2017 to November 17, 2017 . If the Company does not enter into the Alliance Agreement with SAP by that time, then the Warrant will become void. The warrant is not exercisable until the Alliance Agreement is signed. The Company will update its preliminary allocation of the net proceeds in the second quarter as a result of this modification.

Note 10. Income Taxes

The effective tax rate for the three months ended March 31, 2017 and 2016 was zero percent, primarily as a result of the estimated tax loss for the year and the change in valuation allowance. At March 31, 2017 , all unrecognized tax benefits are subject to a full valuation allowance and, if recognized, will not affect the effective tax rate.

Note 11. Net Loss per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period . Diluted net loss per share is computed by giving effect to all potential shares of common stock, including Preferred Stock and outstanding stock options and warrants, to the extent dilutive. Basic and diluted net loss per share was the same for each period presented as the inclusion of all potential shares of common stock outstanding would have been anti-dilutive.

Net loss is allocated based on the contractual participation rights of the Class A and Class B common stock as if the earnings for the year have been distributed. As the liquidation and dividend rights are identical, the net loss is allocated on a proportionate basis.

The following table presents the calculation of basic and diluted net loss per share for the Company's common stock (in thousands, except per share data):

	Three Months Ended March 31,			
	2017		2016	
	Class A	Class B	Class A	Class B
Net loss	$ (7,661)	$ (7,148)	$ (12,091)	$ (9,264)
Weighted-average shares used to compute basic and diluted net loss per share	54,288	50,647	54,518	41,773
Basic and diluted net loss per share	$ (0.14)	$ (0.14)	$ (0.22)	$ (0.22)

The following securities were excluded from the calculation of diluted net loss per share for common stock because their effect would have been anti-dilutive for the periods presented (in thousands):

	Three Months Ended March 31,	
	2017	2016
Stock options and restricted stock units	16,933	20,172
Warrants*	2,020	115
Total	18,953	20,287

*includes 1.9 million warrants issued to SAP that are exercisable upon execution of the Alliance Agreements as described in Note 9.

Note 12. Subsequent Events

Jiff Acquisition

On April 3, 2017, the Company acquired Jiff, Inc. for approximately 27 million in shares and options. Jiff is an enterprise health benefits platform provider that serves as a central hub for wellbeing and other benefit programs, with a single point of access for employees. The acquisition enables the Company to provide the full spectrum of wellbeing, healthcare decision support and benefits hub all in one complete package. The close date of this acquisition occurred subsequent to our fiscal quarter-end, therefore purchase price allocation to the underlying assets acquired and liabilities assumed or consolidated pro forma financial information for this transaction has not yet been finalized. Although the Company has not completed the acquisition accounting for this transaction, it expects a substantial majority of the purchase price will be allocated to goodwill and intangible assets.

Term loan and Revolving Line of Credit

CASTLIGHT HEALTH, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(unaudited)

In connection with the Company's acquisition of Jiff, on April 3, 2017, the Company, Jiff and Silicon Valley Bank ("Bank") agreed to refinance the existing term loan facility owed by Jiff to the Bank ("The Loan Agreement") for an approximately $5.6 million term loan (the "Term Loan").

Also, the Loan Agreement provides for up to a $25 million revolving credit facility (the "Revolving Line"). The Company may request borrowings under the Revolving Line prior to April 3, 2019, on which date the Revolving Line terminates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "intend," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Quarterly Report on Form 10-Q in greater detail under the section titled "Risk Factors" set forth in Part II, Item 1A in this Quarterly Report on Form 10-Q. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Quarterly Report on Form 10-Q completely and with the *understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

All references to "Castlight," "Castlight Health," "we," "us," "our" or the "Company" mean Castlight Health, Inc. and its subsidiaries, except where it is made clear that the term means only the parent company.

Castlight Health, Castlight, Castlight Medical, Castlight Essentials, Castlight Pharmacy, Castlight Rewards, Castlight Reference-Based Pricing, Castlight Protect, Castlight Insights, Castlight Controls, Castlight Connect, Castlight Care, Castlight Dental, Castlight Elevate and Castlight Action are trademarks and/or registered trademarks of Castlight Health, Inc. in the United States and other countries. Other company and product names may be trademarks of the respective companies with which they are associated.

Overview

Castlight offers a health benefits platform that engages employees to make better health care decisions and enables employers to communicate and measure their benefit programs. We provide a simple, personalized, and powerful way for employees to shop for and manage their health care. At the same time, we enable employers to understand their employees' needs and guide them to the right care, right providers and right programs at the right time. Furthermore, on April 3, 2017, the we completed our acquisition of Jiff, Inc. The acquisition enables us to provide the full spectrum of wellbeing, healthcare decision support and benefits hub all in one complete package. Our comprehensive technology offering aggregates complex, large-scale data and applies sophisticated analytics to make health care data transparent and useful. Our products are designed to deliver strong employee engagement and can be used to enable employers to integrate disparate benefit programs into a single platform available to employees and their families. Ultimately, we help enable organizations and their employees to improve outcomes, lower health care costs, and increase benefits satisfaction.

Since our inception in 2008, we have been committed to improving the efficiency of the U.S. health care industry. From 2008 to 2010, we focused our efforts on research and development to build our consumer health care database, our analytic capabilities and the initial version of our cloud-based product which constitutes our core Castlight platform. After its release in 2010, we have continued to enhance that product, as well as release new products, including Castlight Pharmacy, Castlight Dental, Castlight Action, Castlight Elevate, Castlight Protect, and Castlight Rewards, as well as the suite of products acquired in connection with our acquisition of Jiff. These products are delivered to our customers, and their employees and families, via our cloud-based offering and leverage consumer-oriented design principles that drive engagement and ease of use.

We market and sell our health benefits platform to self-insured companies in a broad range of industries and to governmental entities. We sell our offering to customers in the United States. We market to our collective customers and potential customers through our direct sales force, as well as through relationships with health plans, benefits consultants, technology companies and other channel partners. We intend to continue to invest aggressively in the success of our customers, expand our commercial operations and further develop our offering.

Key Factors Affecting Our Performance

Sales of New and Additional Products. Our revenue growth rate and long-term profitability are affected by our ability to sell new and additional products directly to our customer base and through our channel partners. Additionally, we believe that there is a significant opportunity to sell subscriptions to other products as our customers become more familiar with our offering and seek to address additional needs.

Renewals of Customer Contracts. We believe that our ability to retain our customers and expand their subscription revenue growth over time will be an indicator of the stability of our revenue base and the long-term value of our customer relationships.

Implementation Timelines. Our ability to convert backlog into revenue and improve our gross margin depends on how quickly we complete customer implementations. Our implementation timelines vary from customer to customer based on the source and condition of the data we receive from third parties, the configurations that we agree to provide and the size of the customer. Our implementation timelines for our core Castlight platform are typically three to nine months after entering into an agreement with a customer. Our implementation timelines for our other products currently range from approximately three to twelve months.

Professional Services Model. We believe our professional services capabilities support the adoption of our subscription offerings. As a result, our sales efforts have been focused primarily on our subscription offering, rather than the profitability of our professional services business. Our professional services are generally priced on a fixed-fee basis and the costs incurred to complete these services, which consist mainly of personnel-related costs, have been greater than the amount charged to the customer. We also do not have standalone value for our implementation services for accounting purposes. Accordingly, we recognize implementation services revenue in the same manner as the associated subscription revenue. Prior to launching an individual customer, we incur significant costs associated with implementation activities, which we record as cost of revenue. Since we do not recognize significant revenues from an individual customer until it launches, we generate a negative gross margin at the customer level during the implementation period.

Seasonality. We have historically observed seasonality related to employee benefits cycles as a significantly higher proportion of our customers enter into new subscription agreements with us in the third and fourth quarters of the year, compared to the first and second quarters. As we continue to leverage our channel relationships and expand our business, there is no assurance this seasonality will continue. The impact from any seasonality in our new customer agreements is not immediately apparent in our revenue because we do not begin recognizing revenue from new customer agreements until we have implemented our offering, based on the implementation timelines discussed above.

Revenue recognized in any quarter is primarily from customer agreements entered into in prior quarters. In addition, the mix of customers paying monthly, quarterly, or annually varies from quarter to quarter and impacts our deferred revenue balance. As a result of variability in our billing and implementation timelines, the deferred revenue balance does not represent the total value of our customer contracts, nor do changes in deferred revenue serve as a reliable indicator of our future subscription revenue.

Key Business Metrics

We review a number of operating metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, and make strategic decisions.

Signed Annual Recurring Revenue

	As of March 31,	
	2017	2016
	(in millions)	
Signed Annual Recurring Revenue (ARR)	$ 121.5	$ 111.2

Revenue recognized in any quarter is largely derived from customer agreements signed in prior quarters. Accordingly, management measures sales performance and forecasts future subscription revenue based on signed Annual Recurring Revenue (“ARR”). ARR is a forward-looking metric based on contractual terms in existence as of the applicable ARR measurement date and is subject to change resulting from a number of factors including, but not limited to, addition of new customers, changes in user counts, terminations or non-renewals, renewal terms as well as upsells and cross-sells. As discussed above, we begin recognizing revenue from new customer agreements when we have implemented our offering, which can take from approximately three to twelve months after entering into an agreement with a customer.

ARR represents the annualized value of subscription revenue under contract with customers at the end of a quarter, which we refer to for this purpose as a measurement date. To calculate ARR, we first calculate the annualized subscription value for each signed customer (whether implemented or not), as of the applicable measurement date, by multiplying the monthly contract value of the subscription services under contract by 12. We exclude from this calculation any customers that have provided us with formal notice of termination or non-renewal as of the measurement date. ARR does not take into account the (i) potential for customers to terminate, or decline to renew, their agreements with us, (ii) achievement of non-recurring or yet-to-be-earned performance guarantees, (iii) one-time engagement bonuses included within our customer contracts or (iv) revenues related to professional services, such as implementation and communications services. ARR is not determined in reference to GAAP.

Our ARR at March 31, 2017 was $121.5 million , compared to $111.2 million at March 31, 2016 , representing an increase of approximately 9% . We expect ARR to increase as we sign additional customers and cross-sell to existing customers.

Annual Net Dollar Retention Rate

	Twelve Months Ended December 31,	
	2016	**2015**
Annual Net Dollar Retention Rate (NDR)	94%	116%

We assess our performance on customer retention by measuring our Annual Net Dollar Retention rate (“NDR”). We believe that our ability to retain our customers and expand their subscription revenue growth over time will be an indicator of the stability of our revenue base and the long-term value of our customer relationships. Our NDR provides a measurement of our ability to increase revenue across our existing customer base through expansion of our additional products to existing customers, increases in user count for existing customers and customer renewals, as offset by terminations or pricing changes. We observed an annual net dollar retention rate of 94% and 116% for our signed customer base, for the years ended December 31, 2016 and 2015 , respectively. We calculate NDR for a given period as the aggregate annualized subscription contract value as of the last day of that year from those customers that were also customers as of the last day of the prior year, divided by the aggregate annualized subscription contract value from all customers as of the last day of the prior year. In calculating NDR, we exclude one-time fees. NDR does not include subscriptions by new customers contracted since the end of the most recently completed year.

Components of Results of Operations

Revenue

We generate revenue from subscription fees from customers for access to the products they select, including basic customer service support. We also earn revenue from professional services primarily related to the implementation of our offering, including extensive communications support to drive adoption by our customers’ employees and their dependents. Historically, we have derived a substantial majority of our subscription revenue from our core Castlight platform. Our subscription fees are based primarily on the number of employees and adult dependents that employers identify as eligible to use our offering, which typically includes all of our customers’ U.S. employees and adult dependents that receive health benefits.

We recognize subscription fees on a straight-line basis ratably over the contract term beginning when our products are implemented and ready for launch, which is based on the implementation timelines discussed above. Our customer agreements generally have a term of three years. We generally invoice our customers in advance on a monthly, quarterly or annual basis. Amounts that have been invoiced are initially recorded as deferred revenue. Amounts that have not been invoiced are not reflected in our condensed consolidated financial statements. We generally invoice our implementation services upon contract signing on a fixed-fee basis, which is generally when we commence work.

As a result of variability in our billing terms, the deferred revenue balance does not represent the total value of our customer contracts, nor do changes in deferred revenue serve as a reliable indicator of our future subscription revenue in a given period.

Costs of Revenue

Cost of revenue consists of the cost of subscription revenue and cost of professional services revenue.

Cost of subscription revenue primarily consists of data fees, employee-related expenses (including salaries, benefits and stock-based compensation), hosting costs of our cloud-based service, cost of subcontractors, expenses for service delivery (which includes call center support), allocated overhead, amortization of internal-use software and depreciation of owned computer equipment and software.

Cost of professional services revenue consists primarily of employee-related expenses (including salaries, bonuses, benefits and stock-based compensation) associated with these services, the cost of subcontractors and travel costs and allocated overhead. The time and costs of our customer implementations vary based on the source and condition of the data we receive from third parties, the configurations that we agree to provide and the size of the customer.

Our cost of revenue is expensed as we incur the costs. However, the related revenue is deferred until our products are ready for use by the customer and then recognized as revenue ratably over the related contract term. Therefore, we expense the cost incurred to provide our products and services prior to the recognition of the corresponding revenue.

Operating Expenses. Operating expenses consist of sales and marketing, research and development and general and administrative expenses.

Sales and Marketing. Sales and marketing expenses consist primarily of employee-related expenses (including salaries, sales commissions and bonuses, benefits and stock-based compensation), travel-related expenses, marketing programs and allocated overhead. Commissions earned by our sales force and broker fees that can be associated specifically with the noncancelable portion of a subscription contract are deferred and amortized over the noncancelable period. Accordingly, commission expense can be materially impacted by changes in the termination provisions of customer contracts that we execute in a given period compared with previous periods.

Research and Development. Research and development expenses consist primarily of employee-related expenses (including salaries, bonuses, benefits and stock-based compensation), costs associated with subcontractors and allocated overhead.

General and Administrative. General and administrative expenses consist primarily of employee-related expenses (including salaries, bonuses, benefits and stock-based compensation) for finance and accounting, legal, human resources and management information systems personnel, legal costs, professional fees, other corporate expenses and allocated overhead.

Overhead Allocation. Expenses associated with our facilities and IT costs are allocated between cost of revenues and operating expenses based on employee headcount determined by the nature of work performed.

Results of Operations

The following tables set forth selected consolidated statements of operations data and such data as a percentage of total revenue for each of the periods indicated:

	Three Months Ended March 31,	
	2017	2016
	(percentages of revenue)	
Revenue:		
Subscription	93 %	93 %
Professional services	7 %	7 %
Total revenue	100 %	100 %
Cost of revenue:		
Cost of subscription	15 %	18 %
Cost of professional services	15 %	23 %
Total cost of revenue	30 %	41 %
Gross margin percentage	70 %	59 %
Operating expenses:		
Sales and marketing	52 %	72 %
Research and development	40 %	44 %
General and administrative	32 %	38 %
Total operating expenses	124 %	154 %
Operating loss	(54)%	(95)%
Other income, net	1 %	— %
Net loss	(53)%	(95)%

Revenue

	Three Months Ended March 31,			
	2017	2016	% Change	$ Change
	(dollars in thousands)			
Revenue:				
Subscription	$ 25,766	$ 21,037	22%	$ 4,729
Professional services	1,979	1,680	18%	299
Total revenue	$ 27,745	$ 22,717	22%	$ 5,028

Total revenue for the three months ended March 31, 2017 increased $5.0 million , or 22% , attributable to new customer launches that occurred in the trailing twelve months ended March 31, 2017 that contributed $5.4 million of the increase in total revenue year over year. The increase was partially offset by churn. Our launched customer base grew more than 10% year over year.

Costs and Operating Expenses

	Three Months Ended March 31,			
	2017	2016	% Change	$ Change
	(dollars in thousands)			
Cost of revenue:				
Subscription	$ 4,246	$ 4,136	3 %	$ 110
Professional services	3,988	5,113	(22)%	(1,125)
Total cost of revenue	$ 8,234	$ 9,249	(11)%	$ (1,015)
Gross margin (loss) percentage				
Subscription	83.5 %	80.3 %		
Professional services	(102)%	(204)%		
Total gross margin percentage	70.3 %	59.3 %		
Gross profit	$ 19,511	$ 13,468	45 %	$ 6,043

Cost of subscription revenue for the three months ended March 31, 2017 increased $0.1 million , or 3% , primarily due to an increase in third party service fees related to the expansion of our call center.

Cost of professional services revenue for the three months ended March 31, 2017 decreased $1.1 million , or 22% , primarily due to a decrease in employee-related expenses as a result of the reduction in workforce that took place in the second quarter of 2016.

Gross margin for the three months ended March 31, 2017 improved primarily due to a 22% increase in revenue and a corresponding decrease in associated costs by 11% . In the short term, we expect an initial decline in gross margin due to the acquisition of Jiff, as Jiff is in an early stage of launching clients during their rapid growth phase. However, in the long term, w e expect to continue to see favorable overall gross margin trends as we continue to increase the number of launched customers relative to customers who are in the implementation phase.

Sales and Marketing

	Three Months Ended March 31,			
	2017	2016	% Change	$ Change
	(dollars in thousands)			
Sales and marketing	$ 14,443	$ 16,282	(11)%	$ (1,839)

Sales and marketing expense for the three months ended March 31, 2017 decreased $1.8 million , or 11% , primarily due to a $1.2 million decrease in employee-related expenses as a result of the reduction in force that took place in the second quarter of 2016 and a $0.8 million reduction in marketing spend as we leveraged our channel relationships.

Research and Development

	Three Months Ended March 31,			
	2017	2015	% Change	$ Change
	(dollars in thousands)			
Research and development	$ 11,071	$ 10,085	10%	$ 986

Research and development expense for the three months ended March 31, 2017 increased $1.0 million , or 10% , primarily attributable to a $0.9 million increase in employee-related expenses as we continue to invest in R&D resources to drive innovation.

General and Administrative

	Three Months Ended March 31,			
	2017	2016	% Change	$ Change
	(dollars in thousands)			
General and administrative	$ 8,998	$ 8,545	5%	$ 453

General and administrative expense for the three months ended March 31, 2017 increased $0.5 million , or 5% , primarily attributable to a $2.3 million increase in acquisition costs related to the acquisition of Jiff, Inc., a $0.5 million increase in employee-related expenses and a $0.2 million increase in contractor expenses, partially offset by a $2.4 million decrease in litigation expenses related to the settlement of a class action lawsuit recorded in 2016.

Liquidity and Capital Resources

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Net cash used in operating activities	$ (10,912)	$ (13,990)
Net cash provided by investing activities	18,626	28,685
Net cash (used in) provided by financing activities	(238)	1,266
Net increase in cash and cash equivalents	$ 7,476	$ 15,961

As of March 31, 2017 , our principal sources of liquidity were cash, cash equivalents and marketable securities totaling $103.2 million , which were held for working capital purposes. Our cash, cash equivalents and marketable securities are comprised primarily of U.S. agency obligations, U.S. treasury securities and money market funds.

Since our inception, we have financed our operations primarily through sales of equity securities and, to a lesser extent, payments from our customers. We believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of spending to support development efforts, integration costs related to the acqusition of Jiff, our expansion of sales and marketing activities, the introduction of new and enhanced services offerings and the continuing market acceptance of our cloud-based products. Although we currently are not a party to any agreement and do not have any understanding with any third parties with respect to potential investments in, or acquisitions of, businesses or technologies, w e may in the future enter into these types of arrangements.

On April 3, 2017, Castlight, Jiff and Silicon Valley Bank ("Bank") agreed to refinance the existing term loan facility owed by Jiff to the Bank ("The Loan Agreement"). The Loan Agreement provides for an approximately $5.6 million term loan (the "Term Loan") and up to a $25 million revolving credit facility (the "Revolving Line"). Refer to Note 12 for further information on debt.

We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

Operating Activities

Cash used in operating activities for the three months ended March 31, 2017 and 2016 was $10.9 million and $14.0 million , respectively. The decrease in cash used is primarily as a result of a decrease in net loss from $21.4 million for the three months ended March 31, 2016 to $14.8 million for the three months ended March 31, 2017 . The net loss for the three months ended March 31, 2017 was adjusted for $8.7 million in non-cash expenses that included stock-based compensation of $5.8 million and amortization of deferred commissions of $2.1 million . Working capital uses of cash included a decrease in accrued expenses, primarily as a result of $3.3 million payout of annual bonuses and $2.8 million payout of commission to our employees in the first quarter of 2017. These decreases were offset by an increase in accounts receivable of $1.7 million , as a result of timing of billings and collections. Additionally, deferred revenue increased by $3.1 million , primarily as a result of an increase in the amount billed year over year due to an increase in launched customers.

Investing Activities

Cash provided by investing activities for the three months ended March 31, 2017 and 2016 was $18.6 million and $28.7 million , respectively. This decrease was primarily attributable to the timing of purchases, sales and maturities of marketable securities, the net result of which was $18.8 million , and $29.2 million , for the three months ended March 31, 2017 , and 2016 , respectively.

Financing Activities

Cash (used in) provided by financing activities for the three months ended March 31, 2017 and 2016 was $(0.2) million and $1.3 million , respectively. This decrease was primarily related to the $0.6 million payment of deferred financing costs incurred for filing Form S-4 for Jiff acquisition, which was partially offset by $0.4 million in proceeds from the issuance of common stock upon the exercise of employee stock options.

Contractual Obligations and Commitments

Our principal commitments primarily consist of obligations under leases for office space and co-location facilities for data center capacity. Our existing lease agreements provide us with the option to renew and generally provide for rental payments on a graduated basis. Our future operating lease obligations would change if we entered into additional operating lease agreements as we expand our operations and if we exercised these options.

Other than matters discussed above there were no material changes in our contractual obligations from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016. Please see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” in our Annual Report on Form 10-K for a description of our contractual obligations.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to the financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

Critical Accounting Policies and Estimates

On January 1, 2017, t he Company adopted ASU 2016-09, “Compensation-Stock Compensation: Improvements to Employee Share-Based Payment.” Refer to Note 2 for detailed information on how adoption of this standard impacted the Company.

Other than the above, during the three months ended March 31, 2017 , there were no significant changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2016 .

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

We had cash, cash equivalents and marketable securities totaling $103.2 million at March 31, 2017 and $ 114.6 million as of December 31, 2016 . This amount was invested primarily in U.S. agency obligations, U.S. treasury securities and money market funds. The cash, cash equivalents and short-term marketable securities are held for working capital and other general corporate purposes. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes. All our investments are denominated in U.S. dollars.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our marketable securities as “available for sale”, no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. Our fixed-income portfolio is subject to interest rate risk.

An immediate increase of 100-basis points in interest rates would have resulted in a $ 0.1 million market value reduction in our investment portfolio as of March 31, 2017 . All of our investments earn less than 100-basis points and as a result, an immediate decrease of 100-basis points in interest rates would have increased the market value by $ 0.1 million as of March 31, 2017 . This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income, and are realized only if we sell the underlying securities.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the supervision and participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our management’s evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2017 , our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company may become subject to other legal proceedings, claims or litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patents or other intellectual property rights. If an unfavorable outcome were to occur in litigation, the impact could be material to the Company’s business, financial condition, cash flow or results of operations, depending on the specific circumstances of the outcome. The Company accrues for loss contingencies when it is both probable that it will incur the loss and when it can reasonably estimate the amount of the loss or range of loss.

Item 1A. Risk Factors

The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event the market price of our Class B common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business

We have a history of significant losses, which we expect to continue for the foreseeable future, and we may never achieve or sustain profitability in the future.

We have incurred significant net losses in each year since our incorporation in 2008 and expect to continue to incur net losses for the foreseeable future. We experienced net losses of $79.9 million , $85.9 million and $62.2 million , during the years ended December 31, 2016 , 2015 and 2014 , respectively and $14.8 million for the three months ended March 31, 2017 . As of March 31, 2017 , we had an accumulated deficit of $370.8 million . The losses and accumulated deficit were primarily due to the substantial investments we made to grow our business, enhance our technology and offering through research and development and acquire and support customers. We anticipate that cost of revenue and operating expenses will increase substantially in the foreseeable future as we seek to continue to grow our business, enhance our offering and acquire customers. In addition, as a result of our recently-completed acquisition of Jiff, we have incurred substantial transaction costs and expect to incur further increases in our cost of revenue and operating expenses in connection with the operation and integration of the Jiff business. Our efforts to grow our business, enhance our offering and acquire customers, and to operate and integrate the Jiff business, may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. Many of our efforts to generate revenue from our business are new and unproven, and any failure to increase our revenue or generate revenue from new products and services could prevent us from achieving or maintaining profitability. Furthermore, to the extent we are successful in increasing our customer base, we could also incur increased losses because costs associated with entering into customer agreements are generally incurred up front, while customers are generally billed over the term of the agreement. Our prior losses, combined with our expected future losses, have had and will continue to have an adverse effect on our stockholders’ equity and working capital. We expect to continue to incur operating losses for the foreseeable future and may never become profitable on a quarterly or annual basis, or if we do, we may not be able to sustain profitability in subsequent periods. As a result of these factors, we may need to raise additional capital through debt or equity financings in order to fund our operations, which could be dilutive to stockholders, and such capital may not be available on reasonable terms, if at all.

Our limited operating history makes it difficult to evaluate our current business and future prospects.

We were founded in 2008, began building the first version of our core Castlight platform in 2009, did not complete our first customer sale and implementation until 2010 and did not make substantial investments in sales and marketing until 2012. Jiff was founded in 2010 and had its first customer sale in 2016. Our limited operating history limits our ability to forecast our future operating results and such forecasts are subject to a number of uncertainties, including our ability to plan for and model future growth.

We have encountered and will continue to encounter risks and uncertainties frequently experienced by new and growing companies in rapidly changing industries, such as determining appropriate investments of our limited resources, market adoption of our existing and future offerings, competition from other companies, acquiring and retaining customers, managing customer deployments, hiring, integrating, training and retaining skilled personnel, developing new products and services, determining prices for our products, handling unforeseen expenses and managing challenges in forecasting accuracy. If our assumptions regarding these and other similar risks and uncertainties, which we use to plan our business, are incorrect or change as we gain more experience operating our business or due to changes in our industry, or if we do not address these risks and uncertainties successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

In addition, we may need to change our current operations infrastructure in order for us to achieve profitability and scale our operations efficiently, which makes our future prospects even more difficult to evaluate. For example, in order to grow sales of our health benefits platform to smaller customers in a financially sustainable manner, we may need to further automate implementations, tailor our offering and modify our go-to-market approaches to reduce our service delivery and customer acquisition costs. If we fail to implement these changes on a timely basis or are unable to implement them effectively, our business may suffer.

Following our acquisition of Jiff, we may be unable to integrate successfully the businesses of Castlight and Jiff and realize the anticipated benefits of the transaction .

Following the acquisition, as a combined company we will be required to devote significant management attention and resources to integrating its business practices and operations. As a combined company we may fail to realize some or all of the anticipated benefits of the acquisition if the integration process takes longer than expected or is more costly than expected. As a combined company we may encounter difficulties in the integration process that include the following:

- the inability to successfully combine the businesses of Castlight and Jiff in a manner that permits the combined company to achieve the synergies anticipated to result from the acquisition, which would result in the anticipated benefits of the acquisition not being realized partly or wholly in the time frame currently anticipated or at all;
- lost sales and customers as a result of certain customers of either of the two companies deciding not to do business with the combined company;
- complexities associated with managing the combined businesses;
- integrating personnel from the two companies;
- creation of uniform standards, controls, procedures, policies and information systems;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the combination;
- performance shortfalls at one or both of the two companies as a result of the diversion of management’s attention caused by completing the acquisition and integrating the companies’ operations; and
- potential loss of brand awareness or confusion as a result of our rebranding activities.

It is possible that the integration process could result in the diversion of management’s attention, the disruption or interruption of, or the loss of momentum in, the ongoing business or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect our ability as a combined company to maintain relationships with customers, partners and employees or its ability to achieve the anticipated benefits of the acquisition, or could reduce the earnings or otherwise adversely affect the business and financial results of the combined company. Moreover, in addition to the possible failure to realize the anticipated benefits of any acquisition, including revenues or return on investment assumptions, we may be exposed to unknown liabilities or impairment charges as a result of such acquisitions.

The market for our offering is immature and volatile, and if it does not develop, if it develops more slowly than we expect, or if our offering does not drive employee engagement, the growth of our business will be harmed.

Our market is new and unproven, and it is uncertain whether we will achieve and sustain high levels of demand and market adoption. Our success depends to a substantial extent on the willingness of employers to increase their use of our health benefits platform, the ability of our products to increase employee engagement, as well as on our ability to demonstrate the value of our offering to customers and their employees and to develop new products that provide value to customers and users. If employers do not perceive the benefits of our offering or our offering does not drive employee engagement, then our market might develop more slowly than we expect or even shrink, which could significantly adversely affect our operating results. In addition, we have limited insight into trends that might develop and affect our business. We might make errors in predicting and reacting to relevant business, legal and regulatory trends, which could harm our business. If any of these events occur, it could materially adversely affect our business, financial condition or results of operations.

In addition, we have devoted substantial efforts to our recently-completed acquisition of Jiff, and expect to continue to devote substantial efforts to the operation and integration of the Jiff business. We have undertaken these efforts based on our belief that our customers are interested in a combined suite of offerings that address both health care management and wellness needs. However, if customer demand for a combined suite of offerings is lower than expected, or takes longer than we expect to develop, then our business will be harmed and our operating results will suffer.

If our security measures are breached and unauthorized access to a customer's data are obtained, our offering may be perceived as insecure, we may incur significant liabilities, our reputation may be harmed and we could lose sales and customers.

Our offering involves the storage and transmission of customers' proprietary information, personally identifiable information, and protected health information of our customers' employees and their dependents, which is regulated under the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, collectively HIPAA. Because of the extreme sensitivity of this information, the security features of our offering are very important. If our security measures, some of which are managed by third parties, are breached or fail, unauthorized persons may be able to obtain access to sensitive customer or employee data, including HIPAA-regulated protected health information. A security breach or failure could result from a variety of circumstances and events, including third-party action, employee negligence or error, malfeasance, computer viruses, attacks by computer hackers, failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, telecommunication failures, user errors, and catastrophic events.

If our security measures were to be breached or fail, our reputation could be severely damaged, adversely affecting customer or investor confidence, customers may curtail their use of or stop using our offering and our business may suffer. In addition, we could face litigation, damages for contract breach, penalties and regulatory actions for violation of HIPAA and other laws or regulations applicable to data protection and significant costs for remediation and for measures to prevent future occurrences. In addition, any potential security breach could result in increased costs associated with liability for stolen assets or information, repairing system damage that may have been caused by such breaches, incentives offered to customers or other business partners in an effort to maintain the business relationships after a breach and implementing measures to prevent future occurrences, including organizational changes, deploying additional personnel and protection technologies, training employees and engaging third-party experts and consultants. While we maintain insurance covering certain security and privacy damages and claim expenses we may not carry insurance or maintain coverage sufficient to compensate for all liability and in any event, insurance coverage would not address the reputational damage that could result from a security incident.

We outsource important aspects of the storage and transmission of customer information, and thus rely on third parties to manage functions that have material cyber-security risks. These outsourced functions include services such as software design and product development, software engineering, database consulting, call center operations, co-location data centers, data-center security, IT, network security and Web application firewall services. We attempt to address these risks by requiring outsourcing subcontractors who handle customer information to sign business associate agreements contractually requiring those subcontractors to adequately safeguard personal health data and in some cases by requiring such outsourcing subcontractors to undergo third-party security examinations. However, we cannot assure you that these contractual measures and other safeguards will adequately protect us from the risks associated with the storage and transmission of customers proprietary and protected health information.

We may experience cyber-security and other breach incidents that may remain undetected for an extended period. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against us, we may be unable to anticipate these techniques or to implement adequate preventive measures. In addition, in the event that our customers authorize or enable third parties to access their data or the data of their employees on our systems, we cannot ensure the complete integrity or security of such data in our systems as we would not control that access. If an actual or perceived breach of our security occurs, or if we are unable to effectively resolve such breaches in a timely manner, the market perception of the effectiveness of our security measures could be harmed and we could lose sales and customers or suffer other reputational harm.

Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention from leading our business.

Our quarterly results may fluctuate significantly, which could adversely impact the value of our Class B common stock.

Our quarterly results of operations, including our revenue, gross margin, net loss and cash flows, may vary significantly in the future, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, our quarterly results should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, including, without limitation, those listed elsewhere in this "Risk Factors" section and those listed below:

- the addition or loss of large customers, including through acquisitions or consolidations of such customers;
- seasonal and other variations in the timing of the sales of our offering, as a significantly higher proportion of our customers enter into new subscription agreements with us or renew previous agreements in the third and fourth quarters of the year compared to the first and second quarters;
- the timing of recognition of revenue, including possible delays in the recognition of revenue due to lengthy and sometimes unpredictable implementation timelines;
- failure to meet our contractual commitments under service-level agreements with our customers;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- our access to pricing and claims data managed by health plans and other third parties, or changes to the fees we pay for that data;
- the timing and success of introductions of new products, services and pricing by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic partners;
- our ability to attract new customers;
- customer renewal rates and the timing and terms of customer renewals;
- network outages or security breaches;
- the mix of products and services sold or renewed during a period;
- general economic, industry and market conditions;
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies; and
- impact of new accounting pronouncements.

We are particularly subject to fluctuations in our quarterly results of operations since the costs associated with entering into customer agreements and implementing our offerings are generally incurred prior to launch, while we generally recognize revenue over the term of the agreement beginning at launch. In addition, some of our contracts with customers provide for one-time bonus payments if our offering achieves certain metrics, such as a certain rate of employee engagement, which may lead to additional fluctuations in our quarterly operating results. In certain contracts, employee engagement may refer to the number of first time registrations by employees of our customers and in other cases it may refer to return usage of our products by employees. Any fluctuations in our quarterly results may not accurately reflect the underlying performance of our business and could cause a decline in the trading price of our Class B common stock.

If we fail to manage our growth effectively, our expenses could increase more than expected, our revenue may not increase and we may be unable to implement our business strategy.

We have experienced rapid growth in recent periods, which puts strain on our business, operations and employees. For example, our revenue has increased from $22.7 million for the three months ended March 31, 2016 to $27.7 million for the three months ended March 31, 2017 . To manage our current and anticipated future growth effectively, we must continue to maintain and enhance our IT infrastructure, financial and accounting systems and controls. Moreover, we may from time to time decide to undertake cost savings initiatives, such as the reduction in workforce we implemented in 2016, or disposing of, or otherwise discontinuing certain products, in an effort to focus our resources on key strategic initiatives and streamline our business. We must also attract, train and retain a significant number of qualified personnel in key areas such as, sales and marketing, customer support, professional services, engineering and management, and the availability of such personnel, in particular software engineers, may be constrained. These and similar challenges, and the related costs, may be exacerbated by the fact that our headquarters are located in the San Francisco Bay Area.

A key aspect to managing our growth is our ability to scale our capabilities to implement our offering satisfactorily with respect to both large and demanding enterprise customers, who currently comprise the substantial majority of our customer base, as well as smaller customers. Large customers often require specific features or functions unique to their particular business processes, which at a time of rapid growth or during periods of high demand, may strain our implementation capacity and hinder our ability to successfully implement our offering to our customers in a timely manner. We may also need to make further investments in our technology and automate portions of our offering or services to decrease our costs, particularly as we grow sales of our health benefits platform to smaller customers. If we are unable to address the needs of our customers or their employees, or our customers or their employees are unsatisfied with the quality of our offering or services, they may not renew their agreements, seek to cancel or terminate their relationship with us or renew on less favorable terms. In addition, many of our customers adjust their benefit plan designs, benefits providers and eligibility criteria at the start of each new benefits plan year, requiring additional configurations for those customers. As our customer base grows, the complexity of these activities can increase. If we fail to automate these operations sufficiently and implement these changes on a timely basis or are unable to implement them effectively, our business may suffer.

We may experience additional challenges with managing our growth relating to our recently-completed acquisition of Jiff. We expect that the operation and integration of the Jiff business will require substantial financial costs and substantial management attention. If we fail to effectively manage the integration process, our business and financial results may suffer.

Failure to effectively manage our growth could also lead us to over-invest or under-invest in development and operations, result in weaknesses in our infrastructure, systems or controls, give rise to operational mistakes, financial losses, loss of productivity or business opportunities and result in loss of employees and reduced productivity of remaining employees. Our growth is expected to require significant capital expenditures and might divert financial resources from other projects such as the development of new products and services. In addition, data and content fees, which are one of our primary operational costs, are not fixed as they vary based on the source and condition of the data we receive from third parties, and if they remain variable or increase over time, we would not be able to realize the economies of scale that we expect as we grow renewals and implementation of new customers, which would negatively impact our gross margin. If our management is unable to effectively manage our growth, our expenses might increase more than expected, our revenue may not increase or might grow more slowly than expected and we might be unable to implement our business strategy. The quality of our offering might also suffer, which could negatively affect our reputation and harm our ability to retain and attract customers.

We incur significant upfront costs in our customer relationships, and if we are unable to maintain and grow these customer relationships over time, we are likely to fail to recover these costs and our operating results will suffer.

We devote significant resources and incur significant upfront costs to establish relationships with our customers and implement our offering and related services, particularly in the case of large enterprises that, often request or require specific features or functions unique to their particular business processes. Accordingly, our operating results will depend in substantial part on our ability to deliver a successful customer experience and persuade our customers to maintain and grow their relationship with us over time. For example, if we are not successful in implementing our offering or delivering a successful customer experience, a customer could terminate or fail to renew their agreement with us, we would lose or be unable to recoup the significant upfront costs that we had expended on such customer and our operating results would suffer. As we grow, our customer acquisition costs could outpace our build-up of recurring revenue, and we may be unable to reduce our total operating costs through economies of scale such that we are unable to achieve profitability.

Our ability to deliver our full offering to customers depends in substantial part on our ability to access pricing and claims data managed by a limited number of health plans and other third parties.

In order to deliver the full functionality offered by our health benefits platform, we need continued access, on behalf of our customers, to sources of pricing and claims data, much of which is managed by a limited number of health plans and other third parties. We have developed various long-term and short-term processes to obtain data from certain health plans and other third parties. We are limited in our ability to offer the full functionality of our offering to customers of health plans with whom we do not have a data-sharing or joint customer support process or arrangement.

The terms of the arrangements under which we have access to data managed by health plans and other third parties vary, which can impact the offering we are able to deliver. Many of our arrangements with health plans and third parties have terms that limit our access to and permitted uses of claims or pricing data to the data associated with our mutual customers. Also, some agreements, processes, or arrangements may be terminated if the underlying customer contracts do not continue, or may otherwise be subject to termination or non-renewal in whole or in part.

The health plans and other third parties that we currently work with may, in the future, change their position and limit or eliminate our access to pricing and claims data, increase the costs for access to data, provide data to us in more limited or less useful formats, or restrict our permitted uses of data. Furthermore, some health plans have developed or are developing their own proprietary price and quality estimation tools and may perceive continued cooperation with us as a competitive disadvantage and choose to limit or discontinue our access to pricing and claims data. Failure to continue to maintain and expand our access to pricing and claims data may adversely impact our ability to continue to serve existing customers and expand our offering to new customers.

If our access to pricing and claims data is reduced or becomes more costly to us, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results would suffer.

We rely on channel partners for a substantial portion of our sales, and if our channel partner relationships are unsuccessful then our sales results will be adversely affected and the growth of our business will be harmed.

Our sales strategy relies in part on relationships we have developed with health plans, benefits consultants, brokers and other industry participants, and we are continuing to invest in, and expect to continue to increase our reliance on, these relationships with channel partners to access customers and grow our overall sales. In addition, we have expanded the range of our channel partner relationships, and the degree to which we rely on channel partners as part of our sales strategy, as a result of our recently-completed acquisition of Jiff. However, there can be no assurance that our channel partner relationships will be successful, or will result in access to additional customers or growth in sales. Our channel partnerships could fail for a variety of reasons, including changes in our partners' business priorities, insufficient or misaligned incentives for our partners' to assist us with sales, competition, or other factors.

In addition, our reliance on sales through channel partners could put downward pressure on the total revenue we are able to generate, and could result in existing customers electing to use alternative or lower-functionality versions of our products that we may elect to provide through channel partners. The concentration of a material portion of business with any given channel partner could also create tensions with other companies we do business with, including health plans on whom we rely to receive data and offer our services.

Certain relationships we will enter or have entered into with channel partners will require substantial investments of our resources to support these initiatives. There can be no assurance that the investments we make to develop and support these channel relationships, or the effort required to do so, will provide a positive return on our investment in the near term, or at all. If any of these events materialize, our business and results of operations could be materially adversely affected.

If our existing customers do not continue or renew their agreements with us, renew at lower fee levels or decline to purchase additional products and services from us, our business and operating results will suffer.

We expect to derive a significant portion of our revenue from renewal of existing customer agreements and sales of additional products and services to existing customers. Revenue recognized in any quarter is largely derived from customer agreements signed in prior quarters. As a result, achieving a high renewal rate of our customer agreements and selling additional products and services is critical to our future operating results.

However, we have a limited operating history and do not yet have enough experience with customer renewals to predict our customer renewal rate. We may experience significantly more difficulty than we anticipate in renewing existing customer agreements or in renewing them upon favorable terms. Factors that may affect the renewal rate for our offering, terms of those renewals and our ability to sell additional products and services include:

- the price, performance and functionality of our offering;
- our customers' user counts and benefit design features;
- the availability, price, performance and functionality of competing or alternative solutions;
- the potential for customers that are able to access lower-functionality versions of our offering that we provide through health plans or other channel partners to opt to use the lower-functionality versions of our offering;
- our ability to develop complementary products and services;
- our continued ability to access the pricing and claims data necessary to enable us to deliver reliable data in our cost estimation and price transparency offering to customers;
- the stability, performance and security of our hosting infrastructure and hosting services;
- changes in health care laws, regulations or trends; and
- the business environment of our customers, in particular, headcount reductions by our customers.

We enter into master services agreements with our customers. These agreements generally have stated terms of three years. Our customers have no obligation to renew their subscriptions for our offering after the term expires. In addition, our customers may negotiate terms less advantageous to us upon renewal, which may reduce our revenue from these customers. Factors that are not within our control may contribute to a reduction in our contract revenue. For instance, our customers may reduce their number of employees, which would result in a corresponding reduction in the number of employee users eligible for our offering and thus a lower aggregate monthly services fee. Our future operating results also depend, in part, on our ability to sell new products and services to our existing customers. If our customers fail to renew their agreements, renew their agreements upon less favorable terms or at lower fee levels, or fail to purchase new products and services from us, our revenue may decline or our future revenue may be constrained.

In addition, a significant number of our customer agreements allow customers to terminate such agreements for convenience at certain times, typically with one to three months advance notice. We typically incur the expenses associated with integrating a customer's data into our health care database and related training and support prior to recognizing meaningful revenue from such customer. Customer subscription revenue is not recognized until our products are implemented for launch, which is generally from three to twelve months from contract signing. If a customer terminates its agreement early and revenue and cash flows expected from a customer are not realized in the time period expected or not realized at all, our business, operating results and financial condition could be adversely affected.

A significant portion of our revenue comes from a limited number of customers, the loss of which would adversely affect our financial results.

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. For the year ended December 31, 2016 , our top 10 customers by revenue accounted for 33% of our total revenue and the Administrative Committee of the Wal-Mart Stores, Inc., Associates' Health and Welfare Plan represented approximately 10% of our total revenue. We rely on our reputation and recommendations from key customers in order to promote our offering to potential customers. The loss of any of our key customers, or a failure of some of them to renew or expand user subscriptions, could have a significant impact on the growth rate of our revenue, reputation and our ability to obtain new customers. In addition, mergers and acquisitions involving our customers could lead to cancellation or non-renewal of our agreements with those customers or by the acquiring or combining companies, thereby reducing the number of our existing and potential customers.

Because we generally bill our customers and recognize revenue over the term of the contract, near term declines in new or renewed agreements may not be reflected immediately in our operating results and may be difficult to discern.

Most of our revenue in each quarter is derived from agreements entered into with our customers during previous quarters. Consequently, a decline in new or renewed agreements in any one quarter may not be fully reflected in our revenue for that quarter. Such declines, however, would negatively affect our revenue in future periods and the effect of significant downturns in sales of and market demand for our offering, and potential changes in our rate of renewals or renewal terms, may not be fully reflected in our results of operations until future periods. Accordingly, management measures sales performance and forecasts future subscription revenue based on signed annual recurring revenue, or ARR. ARR is a forward-looking metric based on contractual terms in existence as of the end of a reporting period and is subject to change resulting from a number of factors including, but not limited to, addition of new customers, changes in user counts, terminations or non-renewals, as well as upsells and cross-sells. For all of these reasons, the amount of subscription revenue we actually recognize may be different from ARR at the end of a period in which it was recorded. In addition, we may be unable to adjust our cost structure rapidly, or at all, to take account of reduced revenue. Our subscription model also makes it difficult for us to rapidly increase our total revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable term of the agreement. Accordingly, the effect of changes in the industry impacting our business or changes we experience in our new sales may not be reflected in our short-term results of operations.

Our sales and implementation cycle can be long and unpredictable and require considerable time and expense, which may cause our operating results to fluctuate.

The sales cycle for our health benefits platform, from initial contact with a potential lead to contract execution and implementation, varies widely by customer, ranging from three to 24 months. Some of our customers undertake a significant and prolonged evaluation process, including whether our offering meets a customer's unique benefits program needs, that frequently involves not only the review of our offering but also of our competitors, which has in the past resulted in extended sales cycles. Our sales efforts involve educating our customers about the use, technical capabilities and benefits of our offering. Moreover, our large enterprise customers often begin to deploy our service on a limited basis, but nevertheless demand extensive configuration, integration services and pricing concessions, which increase our upfront investment in the sales effort with no guarantee that these customers will deploy our offering widely enough across their organization to justify our substantial upfront investment. It is possible that in the future we may experience even longer sales cycles, more complex customer needs, higher upfront sales costs and less predictability in completing some of our sales as we continue to expand our direct sales force and thereby increase the percentage of our sales personnel with less experience in selling our service, expand into new territories and add additional products and services. In addition, even after contracts are signed, our implementation timelines can delay recognition of related revenue for several periods. If our sales cycle lengthens or our substantial upfront sales and implementation investments do not result in sufficient sales or revenue to justify our investments, our operating results may be harmed.

The health care industry is heavily regulated. Our failure to comply with regulatory requirements could create liability for us, result in adverse publicity and otherwise negatively affect our business.

The health care industry is heavily regulated and is constantly evolving due to the changing political, legislative and regulatory landscape and other factors. Many health care laws are complex, and their application to specific services and relationships may not be clear. Further, some health care laws differ from state to state and it is difficult to ensure our business complies with evolving laws in all states. Our operations may be adversely affected by enforcement initiatives. Our failure to accurately anticipate the application of these laws and regulations to our business, or any other failure to comply with regulatory requirements, could create liability for us, result in adverse publicity and negatively affect our business. For example, failure to comply with these requirements could result in the unwillingness of current and potential customers to work with us. Federal and state legislatures and agencies periodically consider proposals to revise aspects of the legal rules applicable to the health care industry, or to revise or create additional statutory and regulatory requirements. Such proposals, if implemented, could impact our operations, the use of our offering and our ability to market new products and services, or could create unexpected liabilities for us. We cannot predict what changes to laws or regulations might be made in the future or how those changes could affect our business or our operating costs.

If we fail to comply with applicable health information privacy and security laws and other applicable state, federal and international privacy and security laws, we may be subject to significant liabilities, reputational harm and other negative consequences, including decreasing the willingness of current and potential customers to work with us.

We are subject to data privacy and security regulation within the jurisdictions where our users reside; these regulations address matters central to our business, including privacy and data protection, personal information, content, data security, data retention and deletion, and user communications. For example, we are subject to the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, collectively HIPAA, which established uniform federal standards for certain “covered entities,” which include health care providers and health plans, governing the conduct of specified electronic health care transactions and protecting the security and privacy of protected health information, or PHI. The Health Information Technology for Economic and Clinical Health Act, or HITECH, which became effective on February 17, 2010, makes HIPAA’s privacy and security standards directly applicable to “business associates,” which are independent contractors or agents of covered entities that create, receive, maintain, or transmit PHI in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA’s requirements and seek attorney’s fees and costs associated with pursuing federal civil actions.

A portion of the data that we obtain and handle for or on behalf of our customers is considered PHI, subject to HIPAA as well as other regulations. Under HIPAA and our contractual agreements with our HIPAA covered entity health plan customers, we are considered a “business associate” to those customers, and are required to maintain the privacy and security of PHI in accordance with HIPAA and the terms of our business associate agreements with customers, including by implementing HIPAA-required administrative, technical and physical safeguards. We have incurred, and will continue to incur, significant costs to establish and maintain these safeguards and, if additional safeguards are required to comply with HIPAA regulations or our customers’ requirements, our costs could increase further, which would negatively affect our operating results. Furthermore, if we fail to maintain adequate safeguards, or we or our agents and subcontractors use or disclose PHI in a manner prohibited or not permitted by HIPAA or our business associate agreements with our customers, or if the privacy or security of PHI that we obtain and handle is otherwise compromised, we could be subject to significant liabilities and consequences, including, without limitation:

- breach of our contractual obligations to customers, which may cause our customers to terminate their relationship with us and may result in potentially significant financial obligations to our customers;
- investigation by regulatory authorities empowered to enforce HIPAA and other applicable regulations, including but not limited to the U.S. Department of Health and Human Services and state attorneys general, and the possible imposition of civil penalties;
- private litigation by individuals adversely affected by any violation of HIPAA, HITECH or comparable laws for which we are responsible; and

- negative publicity, which may decrease the willingness of current and potential future customers to work with us and negatively affect our sales and operating results.

The introduction of new products or expansion of our activities may subject us to additional laws and regulations. We have incurred, and will continue to incur, significant costs to establish and maintain compliance with new regulations that may apply to us, which would negatively affect our operating results.

Further, we publish statements to end users of our services that describe how we handle and protect personal information. If federal or state regulatory authorities or private litigants consider any portion of these statements to be untrue, we may be subject to claims of deceptive practices, which could lead to significant liabilities and consequences, including, without limitation, costs of responding to investigations, defending against litigation, settling claims and complying with regulatory or court orders.

We also send SMS text messages to potential end users who are eligible to use our service through certain customers and partners. While we get consent from or on behalf of these individuals to send text messages, federal or state regulatory authorities or private litigants may claim that the notices and disclosures we provide, form of consents we obtain or our SMS texting practices are not adequate. These SMS texting campaigns are potential sources of risk for class action lawsuits and liability for our company. Numerous class-action suits under federal and state laws have been filed in recent years against companies who conduct SMS texting programs. Many of those suits have resulted in multi-million dollar settlements to the plaintiffs.

If our new products and services are not adopted by our customers, or if we fail to continue to innovate and develop new products and services that are adopted by customers, then our revenue and operating results will be adversely affected.

To date we have derived a substantial majority of our revenue from sales of our core Castlight platform, and our longer-term operating results and continued growth depend in part on our ability to successfully develop and sell new products and services that our new and existing customers want and are willing to purchase. In addition to our core Castlight platform, we have introduced a number of product cross-sells, such as our Castlight Pharmacy, Castlight Dental, Castlight Action, Castlight Elevate, Castlight Protect, and Castlight Rewards, as well as the suite of products acquired in connection with our acquisition of Jiff, but it is uncertain whether these products and services will result in significant revenue or comprise a significant portion of our total revenue. In addition, based on our belief that our customers are interested in acquiring wellness-related products, we have devoted substantial efforts to our acquisition of Jiff, and expect to continue to devote substantial efforts to the integration and expansion of the Jiff business. We have also invested, and will continue to invest, significant resources in research and development to enhance our existing offering and introduce new high quality products and services. If existing customers are not willing to make additional payments for such new products, or if new customers do not value such new products, our business and operating results will be harmed. If we are unable to predict user preferences or our industry changes, or if we are unable to modify our offering and services on a timely basis, we might lose customers. Our operating results would also suffer if our innovations are not responsive to the needs of our customers, appropriately timed with market opportunity or effectively communicated and brought to market.

We operate in a competitive industry, and if we are not able to compete effectively, our business and operating results will be harmed.

The market for our products and services is competitive, and we expect the market to attract increased competition, which could make it hard for us to succeed. We currently face competition for sub-components of our offering from a range of companies, including specialized software and solution providers that offer similar solutions, often at substantially lower prices, and that are continuing to develop additional products and becoming more sophisticated and effective. These competitors include but are not limited to Change Healthcare Corporation, Healthcare Bluebook, HealthSparq Inc., MDX Medical, Limeade and Virgin Pulse. In addition to traditional competitors, we are also beginning to encounter competitive pressure during sales opportunities in which a single platform, high touch concierge services, or employee communications is the primary focus for the customer as well as vendors selling primarily to health plans. Vendors in these categories include Evive Health, Compass, Health Advocate, Welltok and Rally Health. In addition, large, well-financed health plans, with whom we cooperate and on whom we depend in order to obtain the pricing and claims data we need to deliver our offering to customers, have in some cases developed their own cost and quality estimation tools and provide these solutions to their customers at discounted prices or often for free. These health plans include, for example, Aetna Inc., Cigna Corporation, and UnitedHealth Group, Inc. Competition from specialized software and solution providers, health plans and other parties may result in pricing pressure, which may lead to price decline in certain product segments, which could negatively impact our sales, profitability and market share. In add ition, if health plans perceive continued cooperation with us as a threat to their business interests, they may take steps that impair our access to pricing and claims data, or that otherwise make it more difficult or costly for us to deliver our offering to customers.

Some of our competitors, in particular health plans, have greater name recognition, longer operating histories and significantly greater resources than we do. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources. As a result, our competitors might be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements and may have the ability to initiate or withstand substantial price competition. In addition, current and potential competitors have established, and might in the future establish, cooperative relationships with vendors of complementary products, technologies or services to increase the availability of their solutions in the marketplace. Accordingly, new competitors or alliances might emerge that have greater market share, a larger customer base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources and larger sales forces than we have, which could put us at a competitive disadvantage. Our competitors could also be better positioned to serve certain segments of our market, such as customers that desire a more narrow solution, which could create additional price pressure. In light of these factors, even if our offering is more effective than those of our competitors, current or potential customers might accept competitive offerings in lieu of purchasing our offerings.

Shifts in health care benefits trends, including any potential decline in the number of self-insured employers, or the emergence of new technologies may render our offering obsolete or require us to expend significant resources in order to remain competitive.

The U.S. health care industry is massive, with a number of large market participants with conflicting agendas, is subject to significant government regulation and is currently undergoing significant change. Changes in our industry, for example, towards private health care exchanges or away from high deductible health plans, or the emergence of new technologies as more competitors enter our market, could result in our offering being less desirable or relevant.

For example, we currently derive substantially all of our revenue from sales to customers that are self-insured employers. The demand for significant portions of our offering depends on the need of self-insured employers to manage the costs of health care services that they pay on behalf of their employees. While the percentage of employers who are self-insured has been increasing over the past decade, there is no assurance that this trend will continue. Various factors, including changes in the health care insurance market or in government regulation of the health care industry, could cause the percentage of self-insured employers to decline, which would adversely affect the market for our offering and would negatively affect our business and operating results. Furthermore, such trends and our business could be affected by changes in health care spending resulting from the Patient Protection and Affordable Care Act, or the ACA, which was enacted in March 2010 and is currently being implemented. For example, under the ACA the federal government and several state governments established public exchanges in which consumers can purchase health insurance. In the event that the implementation of the ACA causes our customers to change their health care benefits plans or move to use of exchanges such that it reduces the need for our offering, or if the number of self-insured employers otherwise declines, we would be forced to compete on additional product and service attributes or to expend significant resources in order to alter our offering to remain competitive.

If health care benefits trends shift or entirely new technologies are developed that replace existing offerings, our existing or future offerings could be rendered obsolete and our business could be adversely affected. In addition, we may experience difficulties with software development, industry standards, design or marketing that could delay or prevent our development, introduction or implementation of new products and enhancements

We may require additional capital to support business growth, and this capital might not be available to us on acceptable terms or at all.

Our operations have consumed substantial amounts of cash since inception and we intend to continue to make significant investments to support our business growth, respond to business challenges or opportunities, develop new products and services, enhance our existing offering and services, enhance our operating infrastructure and potentially acquire complementary businesses and technologies. For the three months ended March 31, 2017 and 2016 , our net cash used in operating activities was $10.9 million and $14.0 million , respectively. Our future capital requirements may be significantly different from our current estimates and will depend on many factors including our growth rate, new customer acquisitions, subscription renewal activity, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced services offerings and the continuing market acceptance of our cloud-based subscription services. Accordingly, we might need to engage in equity or debt financings or collaborative arrangements to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class B common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which might make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We might have to obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to our technologies or offering that we otherwise would not relinquish. In addition, during the recent economic instability, it has been difficult for many companies to obtain financing in the public markets or to obtain debt financing, and we might not be able to obtain additional financing on commercially reasonable terms, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

Our proprietary software may not operate properly, which could damage our reputation, give rise to claims against us or divert application of our resources from other purposes, any of which could harm our business and operating results.

Proprietary software development is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we will discover additional problems that prevent our proprietary products from operating properly. In addition to our core Castlight platform, we are currently implementing software with respect to a number of new products and services, including our Castlight Pharmacy, Castlight Dental, Castlight Action, Castlight Elevate, Castlight Protect and Castlight Rewards, as well as the suite of products acquired in connection with our acquisition of Jiff. If our offering does not function reliably or fails to achieve customer expectations in terms of performance, customers could assert liability claims against us or attempt to cancel their contracts with us. This could damage our reputation and impair our ability to attract or maintain clients which would adversely affect our operating results

Moreover, data services that are as complex as those we offer have in the past contained, and may in the future develop or contain, undetected defects or errors. Material performance problems, defects or errors in our existing or new software and products and services may arise in the future and may result from interface of our offering with systems and data that we did not develop and the function of which is outside of our control or undetected in our testing. These defects and errors and any failure by us to identify and address them could result in loss of revenue or market share, diversion of development resources, injury to our reputation and increased service and maintenance costs. Defects or errors in our health benefits platform might discourage existing or potential customers from purchasing our offering from us. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could adversely affect our operating results.

If we cannot implement our offering for customers in a timely manner, we may lose customers and our reputation may be harmed.

Our customers have a variety of different data formats, enterprise applications and infrastructure and our offering must support our customers' data formats and integrate with complex enterprise applications and infrastructures. If our platform does not currently support a customer's required data format or appropriately integrate with a customer's applications and infrastructure, or if an existing customer switches to unsupported infrastructure, then we must configure our platform to do so, which increases our expenses. Additionally, we do not control our customers' implementation schedules. As a result, if our customers do not allocate internal resources necessary to meet their implementation responsibilities or if we face unanticipated implementation difficulties, the implementation may be delayed. Further, our implementation capacity has at times constrained our ability to successfully implement our offering for our customers in a timely manner, particularly during periods of high demand. If the customer implementation process is not executed successfully or if execution is delayed, we could incur significant costs, customers could become dissatisfied and decide not to increase usage of our offering, or not to use our offering beyond an initial period prior to their term commitment or, in some cases, revenue recognition could be delayed. Our data dependencies and implementation procedures differ for each new product that we launch. Accordingly, our ability to convert sales of new products into billings and revenue depends on our ability to create a scalable launch infrastructure in each case. In addition, competitors with more efficient operating models with lower implementation costs could penetrate our customer relationships.

Additionally, large and demanding enterprise customers, who currently comprise the majority of our customer base, may request or require specific features or functions unique to their particular business processes, which increase our upfront investment in sales and deployment efforts and the revenue resulting from the customers under our typical contract length may not cover the upfront investments. If prospective large customers require specific features or functions that we do not offer, then the market for our offering will be more limited and our business could suffer.

In addition, supporting large customers could require us to devote significant development services and support personnel and strain our personnel resources and infrastructure. Furthermore, if we are unable to address the needs of these customers in a timely fashion or further develop and enhance our offering, or if a customer or its employees are not satisfied with our quality of work, our offering or professional services then we could incur additional costs to address the situation. In addition, we may be required to issue credits or refunds for pre-paid amounts related to unused services, the timing of recognition of revenue for, and the profitability of, that work might be impaired and the customer’s dissatisfaction with our offering could damage our ability to expand the number of products and services purchased by that customer. These customers may not renew their agreements, seek to terminate their relationship with us or renew on less favorable terms. Moreover, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to retain or compete for new business with current and prospective customers. If any of these were to occur, our revenue may fail to grow at historical rates or at all, or may even decline, and our operating results could be adversely affected.

Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and harm our financial results.

Our customers depend on our support organization to resolve any technical issues relating to our offering. In addition, our sales process is highly dependent on the quality of our offering, our business reputation and on strong recommendations from our existing customers. Any failure to maintain high-quality and highly-responsive technical support, or a market perception that we do not maintain high-quality and highly-responsive support, could harm our reputation, adversely affect our ability to sell our offering to existing and prospective customers, and harm our business, operating results and financial condition.

We offer technical support services with our offering and may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services, particularly as we increase the size of our customer base. We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors. It is difficult to predict customer demand for technical support services and if customer demand increases significantly, we may be unable to provide satisfactory support services to our customers and their employees. Additionally, increased customer demand for these services, without corresponding revenue, could increase costs and adversely affect our operating results.

We depend on data centers operated by third parties for our offering, and any disruption in the operation of these facilities could adversely affect our business.

We provide our Castlight health benefits platform through computer hardware that is currently located in two third-party data centers in Colorado and Arizona, each of which are operated by the same IT hosting company. Our Jiff services are hosted on Amazon Web Services hardware through virtual private clouds. Primary hosting is located at the US-West availability zone in Oregon with disaster recovery/business continuity plan hosting located at the US-East availability zone in Virginia. While we control and have access to our owned servers and all of the components of our network that are located in these external data centers, we do not control the operation of these facilities. The owners of our data centers and hosting services have no obligation to renew the agreements with us on commercially reasonable terms, or at all. If we are unable to renew these types of agreements on commercially reasonable terms, or if our data center operators are acquired or cease operations, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Problems faced by our third-party data center and hosting locations could adversely affect the experience of our customers. The operators of the data centers and hosting services could decide to close the facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by the operators of the data centers or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers and hosting facilities are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. For example, a rapid expansion of our business could affect the service levels at our data centers or cause such data centers and systems to fail. Any changes in third-party service levels at our data centers or any disruptions or other performance problems with our product offering could adversely affect our reputation and may damage our customers' stored files or result in lengthy interruptions in our services. Interruptions in our services might reduce our revenue, increase our costs associated with remediation or cause us to issue refunds to customers for prepaid and unused subscriptions, subject us to potential liability or adversely affect our renewal rates

The information that we provide to our customers, and their employees and families, could be inaccurate or incomplete, which could harm our business, financial condition and results of operations.

We provide price, quality and other health care-related information for use by our customers, and their employees and families, to search and compare options for health care services. Third-party health plans and our customers provide us with most of these data. Because data in the health care industry is fragmented in origin, inconsistent in format and often incomplete, the overall quality of data in the health care industry is poor, and we frequently discover data issues and errors. If the data that we provide to our customers are incorrect or incomplete or if we make mistakes in the capture or input of these data, our reputation may suffer and our ability to attract and retain customers may be harmed.

In addition, a court or government agency may take the position that our storage and display of health information exposes us to personal injury liability or other liability for wrongful delivery or handling of health care services or erroneous health information. While we maintain insurance coverage, this coverage may prove to be inadequate or could cease to be available to us on acceptable terms, if at all. Even unsuccessful claims could result in substantial costs, harm to our reputation and diversion of management resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

We depend on our senior management team, and the loss of one or more of our executive officers or key employees or an inability to attract and retain highly skilled employees or key subcontractor services could adversely affect our business.

Our success depends largely upon the continued services of our key executive officers. These executive officers are at-will employees and therefore may terminate employment with us at any time with no advance notice. We do not maintain "key person" insurance for any of these executive officers or any of our other key employees. We also rely on our leadership team in the areas of research and development, marketing, services and general and administrative functions. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. The replacement of one or more of our executive officers or other key employees would likely involve significant time and costs and may significantly delay or prevent the achievement of our business objectives.

To continue to execute our growth strategy, we also must attract and retain highly skilled personnel. Competition is intense for engineers with high levels of experience in designing and developing software and Internet-related services, particularly in the San Francisco Bay Area where we are located. We might not be successful in maintaining our unique culture and continuing to attract and retain qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled personnel with appropriate qualifications. The pool of qualified personnel with Software-as-a-Service, or SaaS, experience or experience working with the health care market is limited overall. In addition, many of the companies with which we compete for experienced personnel have greater resources than we have. We supplement our hired skilled personnel through the use of subcontractors, particularly in the area of research and development, a significant portion of which perform services outside of the United States. If these subcontractors cease to perform services for us for any reason, our ability to meet our development goals may be impaired, and our business and future growth prospects could be severely harmed.

In addition, in making employment decisions, particularly in the Internet and high-technology industries, job candidates often consider the value of the stock options or other equity instruments they are to receive in connection with their employment. Volatility or performance trends in the price of our stock might, therefore, adversely affect our ability to attract or retain highly skilled personnel. Furthermore, the requirement to expense stock options and other equity instruments might discourage us from granting the size or type of stock option or equity awards that job candidates require to join our company. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

If we cannot maintain our corporate culture as we grow, we could lose the elements of our culture that we believe contribute to our success and our business may be harmed.

We believe that a critical asset for our business, and a source of our competitive strength, is our unique company culture, which we believe fosters a high level of cross-functional collaboration and desire for excellence in our performance and product. As we grow and change, we may find it difficult to maintain these important aspects of our corporate culture. Our recently-completed acquisition of Jiff, and the integration of Jiff's business and personnel into our company, may present additional challenges to our ability to maintain our corporate culture. Any failure to preserve our culture could also negatively affect our ability to attract and retain personnel, our reputation and our ability to continue to build and advance our offering and may otherwise adversely affect our future success.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread adoption of our offering and attracting new customers. Brand promotion activities may not generate customer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our offering.

Our marketing efforts depend significantly on our ability to receive positive references from our existing customers.

Our marketing efforts depend significantly on our ability to call on our current customers to provide positive references to new, potential customers. Given our limited number of long-term customers, the loss or dissatisfaction of any customer could substantially harm our brand and reputation, inhibit the market adoption of our offering and impair our ability to attract new customers and maintain existing customers. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success depends in part on our ability to enforce our intellectual property and other proprietary rights. We rely upon a combination of patent, trademark, copyright and trade secret laws, as well as license and access agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. In addition, we attempt to protect our intellectual property and proprietary information by requiring certain of our employees, consultants and contractors to enter into confidentiality, noncompetition and assignment of inventions agreements. These laws, procedures and restrictions provide only limited protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. While we have three U.S. patent applications pending, and we currently have one issued U.S. patent, we cannot ensure that any of our pending patent applications will be granted or that our issued patent will adequately protect our intellectual property. In addition, if any patents are issued in the future, they may not provide us with any competitive advantages, or may be successfully challenged by third parties. To the extent that our intellectual property and other proprietary rights are not adequately protected, third parties might gain access to our proprietary information, develop and market solutions similar to ours, or use trademarks similar to ours, each of which could materially harm our business. Further, unauthorized parties may attempt to copy or obtain and use our technology to develop products with the same functionality as our offering, and policing unauthorized use of our technology and intellectual property rights is difficult and may not be effective. The failure to adequately protect our intellectual property and other proprietary rights could materially harm our business.

We could incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. Companies in the Internet and technology industries are increasingly bringing and becoming subject to suits alleging infringement of proprietary rights, particularly patent rights, and our competitors and other third parties may hold patents or have pending patent applications, which could be related to our business. These risks have been amplified by the increase in third parties, which we refer to as non-practicing entities, whose sole primary business is to assert such claims. We expect that we may receive in the future notices that claim we or our customers using our offering have misappropriated or misused other parties' intellectual property rights, particularly as the number of competitors in our market grows and the functionality of products amongst competitors overlaps. If we are sued by a third party that claims that our technology infringes its rights, the litigation, whether or not successful, could be extremely costly to defend, divert our management's time, attention and resources, damage our reputation and brand and substantially harm our business. We do not currently have an extensive patent portfolio of our own, which may limit the defenses available to us in any such litigation.

In addition, in most instances, we have agreed to indemnify our customers against certain third-party claims, which may include claims that our offering infringes the intellectual property rights of such third parties. Our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them. The results of any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease offering or using technologies that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or
- incur substantial costs and reallocate resources to redesign our technology to avoid infringement.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us or any obligation to indemnify our customers for such claims, such payments or costs could have a material adverse effect upon our business and financial results.

Our use of open source technology could impose limitations on our ability to commercialize our software platform.

Our offering incorporates open source software components that are licensed to us under various public domain licenses. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavorable terms or at no cost. There is little or no legal precedent governing the interpretation of many of the terms of these licenses and therefore the potential impact of such terms on our business is somewhat unknown. There is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our software platform. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our offering, discontinue sales of our offering in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could cause us to breach customer contracts, harm our reputation, result in customer losses or claims, increase our costs or otherwise adversely affect our business and operating results.

We may face risks related to securities litigation that could result in significant legal expenses and settlement or damage awards.

We have been in the past and may in the future become subject to claims and litigation alleging violations of the securities laws or other related claims, which could harm our business and require us to incur significant costs. For example, during the second quarter of 2015, four purported securities class action lawsuits, which were later consolidated into a single action, were filed in the Superior Court of the State of California, County of San Mateo, against the Company, certain of its current and former directors, executive officers, significant stockholders and underwriters associated with its initial public offering (“IPO”). The lawsuits were brought by purported stockholders of the Company seeking to represent a class consisting of all those who purchased the Company’s stock pursuant or traceable to the Registration Statement and Prospectus issued in connection with its IPO, alleging claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933. We are generally obliged, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these types of lawsuits. On March 28, 2016, the parties to the consolidated actions reached a mutually acceptable resolution by way of a mediated cash settlement for an aggregate amount of $9.5 million and the Court entered final approval of the settlement on October 28, 2016. As a result of the settlement Castlight recorded a net charge of $2.9 million to general and administrative expense in 2016. This amount represents the portion of settlement that was not covered by insurance and legal fees incurred in 2016 regarding this matter. Future litigation may require significant attention from management and could result in significant legal expenses, settlement costs or damage awards that could have a material impact on our financial position, results of operations and cash flows.

Acquisitions of other companies or technologies could divert our management's attention, result in dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.

On April 3, 2017, we completed our acquisition of Jiff, and issued approximately 27 million shares and options to former Jiff equity holders, representing approximately 20 percent of the combined company on a fully-diluted basis. In addition, we may issue up to an additional 4 million shares contingent on the achievement of specific growth objectives for the Jiff business in 2017. The process of integrating the Jiff business, team and technology has created, and will continue to create, unforeseen operating difficulties and expenditure requirements.

In addition, we may in the future seek to acquire or invest in businesses, products and services or technologies that we believe could complement or expand our offering, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

We have limited experience in acquiring other businesses. We may not be able to effectively manage the combined Castlight and Jiff business, or effectively integrate the personnel, operations and technologies of Jiff. In addition, if we acquire additional businesses in the future, we may experience similar challenges relating to the operation and integration of the acquired business. We may not achieve the anticipated benefits from the Jiff acquisition, or from acquisitions of other business, due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our platform and contract terms, including disparities in the revenue, licensing, support or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of Jiff, and other companies we acquire, may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

The acquisition of Jiff will result, and other acquisitions could also result, in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class B common stock may be negatively affected.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, provide a management report on the internal control over financial reporting. Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an "emerging growth company", as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We are in the process of designing and implementing the internal control over financial reporting required to comply with this obligation, which process will be time consuming, costly and complicated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm concludes we have a material weakness in our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our Class B common stock could be negatively affected and we could become subject to investigations by the New York Stock Exchange, on which our securities are listed, the SEC or other regulatory authorities, which could require us to obtain additional financial and management resources.

We incur significantly increased costs and devote substantial management time as a result of operating as a public company.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Exchange Act and are required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC and the New York Stock Exchange, including the establishment and maintenance of effective disclosure and financial controls, changes in corporate governance practices and required filing of annual, quarterly and current reports with respect to our business and operating results. Compliance with these requirements increases our legal and financial compliance costs and makes some activities more time consuming and costly. In addition, our management and other personnel divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which will increase when we are no longer an emerging growth company, as defined by the JOBS Act.

Operating as a public company makes it more expensive for us to obtain director and officer liability insurance, and in the future we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. This could also make it more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees or as executive officers.

We are an emerging growth company and the reduced disclosure requirements applicable to emerging growth companies may make our Class B common stock less attractive to investors.

We are an emerging growth company, as defined under the JOBS Act. For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Class B common stock less attractive because we will rely on these exemptions. If some investors find our Class B common stock less attractive as a result, there may be a less active trading market for our Class B common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the end of the year in which the market value of our Class B common stock that is held by non-affiliates exceeds $700 million as of June 30, (ii) the end of the year in which we have total annual gross revenue of $1 billion or more during such year, (iii) the date on which we issue more than $1 billion in non-convertible debt in a three-year period or (iv) December 31, 2019.

We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our profitability.

Our primary tax jurisdiction is the United States. All of our tax years are open to examination by U.S. federal and state tax authorities due to our history of tax losses. We have provided a full valuation allowance for our deferred tax assets due to the uncertainty surrounding the future realization of such assets. Therefore, no benefit has been recognized for the net operating loss carryforwards and other deferred tax assets. The net operating loss could expire unused and be unavailable to reduce future income tax liabilities, which could adversely affect our profitability.

Economic uncertainties or downturns in the general economy or the industries in which our customers operate could disproportionately affect the demand for our offering and negatively impact our results of operations.

General worldwide economic conditions have experienced a significant downturn, and market volatility and uncertainty remain widespread, making it extremely difficult for our customers and us to accurately forecast and plan future business activities. For example, in June 2016, the decision by referendum to withdraw the United Kingdom (U.K.) from the European Union caused significant volatility in global stock markets, including those in the U.S., and fluctuations in currency exchange rates. The results of this referendum, or other global events, may continue to create global economic uncertainty not only in the U.K., but in other regions, including where we do business. In addition, these conditions could cause our customers or prospective customers to decrease headcount, benefits or human resources budgets, which could decrease corporate spending on our products and services, resulting in delayed and lengthened sales cycles, a decrease in new customer acquisition and loss of customers. Furthermore, during challenging economic times, our customers may have difficulty gaining timely access to sufficient credit or obtaining credit on reasonable terms, which could impair their ability to make timely payments to us and adversely affect our revenue. If that were to occur, our financial results could be harmed. Further, challenging economic conditions might impair the ability of our customers to pay for the products and services they already have purchased from us and, as a result, our write-offs of accounts receivable could increase. We cannot predict the timing, strength, or duration of any economic slowdown or recovery. If the condition of the general economy or markets in which we operate worsens, our business could be harmed.

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Our estimates and forecasts relating to the size and expected growth of the market for our products and services may prove to be inaccurate. Even if the market in which we compete meets our size estimates and forecasted growth, our business could fail to grow at similar rates, if at all.

Natural or man-made disasters and other similar events may significantly disrupt our business and negatively impact our results of operations and financial condition.

Our offices may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, power outages, fires, floods, nuclear disasters and acts of terrorism or other criminal activities, which may render it difficult or impossible for us to operate our business for some period of time. For example, our headquarters are located in the San Francisco Bay Area, a region known for seismic activity. Any disruptions in our operations related to the repair or replacement of our office could negatively impact our business and results of operations and harm our reputation. In addition, we may not carry business insurance sufficient to compensate for losses that may occur. Any such losses or damages could have a material adverse effect on our business, results of operations and financial condition. In addition, the facilities of significant customers, health plans or major strategic partners may be harmed or rendered inoperable by such natural or man-made disasters, which may cause disruptions, difficulties or material adverse effects on our business.

Risks Related to Our Class B Common Stock

The stock price of our Class B common stock may be volatile or may decline regardless of our operating performance.

The market price of our Class B common stock has fluctuated significantly since our public offering and may continue to fluctuate. These fluctuations could cause you to lose all or part of your investment in our Class B common stock. Factors, many of which are beyond our control, that could cause additional fluctuations in the market price of our Class B common stock include the following:

- overall performance of the equity markets;
- our operating performance and the performance of other similar companies;
- changes in the estimates of our operating results that we provide to the public or our failure to meet these projections;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company or our failure to meet these estimates or the expectations of investors or changes in recommendations by securities analysts that elect to follow our Class B common stock;

- sales of shares of our Class B common stock by us or our stockholders;
- announcements of technological innovations, new products or enhancements to services, acquisitions, strategic alliances or significant agreements by us or by our competitors;
- disruptions in our services due to computer hardware, software or network problems;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- the economy as a whole, market conditions in our industry and the industries of our customers;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business; and
- the size of our market float.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in new securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

If there are substantial sales of shares of our Class B common stock, the price of our Class B common stock could decline.

The price of our Class B common stock could decline if there are substantial sales of our Class B common stock, particularly sales by our directors, executive officers and significant stockholders, or the perception in the market that the holders of a large number of shares of our Class B common stock intend to sell their shares, and may make it more difficult for stockholders to sell Class B common stock at a time and price that they deem appropriate. We are unable to predict the effect that sales may have on the prevailing market price of our Class B common stock.

In addition, certain of our stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares and to include their shares in registration statements that we may file for ourselves or our stockholders. Registration of the resale of these shares under the Securities Act would generally result in the shares becoming freely tradable without restriction. Any sales of securities by existing stockholders could adversely affect the trading price of our Class B common stock. We also registered shares of Class B common stock that we have issued and may issue under our employee equity incentive and employee stock purchase plans. These shares may be sold freely in the public market upon issuance.

The dual class structure of our Class A and Class B common stock will have the effect of concentrating voting control with our executive officers (including our Executive Chairman), directors and their affiliates; this will limit or preclude a stockholder's ability to influence corporate matters.

Each share of Class A common stock and each share of Class B common stock has one vote per share, except on the following matters (in which each share of Class A common stock has ten votes per share and each share of Class B common stock has one vote per share):

- adoption of a merger or consolidation agreement involving our company;
- a sale, lease or exchange of all or substantially all of our property and assets;
- a dissolution or liquidation of our company; or
- every matter, if and when any individual, entity or "group" (as such term is used in Regulation 13D of the Exchange Act) has, or has publicly disclosed (through a press release or a filing with the SEC) an intent to have, beneficial ownership of 30% or more of the number of outstanding shares of Class A common stock and Class B common stock, combined.

Because of our dual class common stock structure, the holders of our Class A common stock, who consist of our founders, directors, executives, employees, will continue to be able to control the corporate matters listed above if any such matter is submitted to our stockholders for approval even if they come to own less than 50% of the outstanding shares of our Class A and Class B common stock. As of March 31, 2017 , our executive officers and directors and their affiliates own approximately 32% of our outstanding Class A and Class B common stock, combined. However, because of our dual class common stock structure our executive officers and directors and their affiliates have approximately 57% of the total votes in each of the matters identified in the list above. This concentrated control by holders of our Class A common stock will limit or preclude the ability of a holder of our Class B common stock to influence those corporate matters for the foreseeable future and, as a result, we may take actions that our stockholders do not view as beneficial. The market price of our Class B common stock could be adversely affected by the structure. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for capital stock that a stockholder may feel are in its best interests.

Transfers by holders of our Class A common stock will generally result in those shares converting to our Class B common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of our Class A common stock to our Class B common stock will have the effect, over time, of increasing the relative voting power of those holders of Class A common stock who retain their shares in the long term. If, for example, our executive officers (including our Chief Executive Officer), directors and their affiliates retain a significant portion of their holdings of our Class A common stock for an extended period of time, they could continue to control a majority of the combined voting power of our Class A and Class B common stock with respect to each of the matters identified in the list above.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our Class B common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Class B common stock or publish inaccurate or unfavorable research about our business, our Class B common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class B common stock could decrease, which might cause our Class B common stock price and trading volume to decline.

Anti-takeover provisions under Delaware law and in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, limit attempts by our stockholders to replace or remove members of our board of directors or current management and depress the trading price of our Class B common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders.

In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our company or changes in our board of directors or management more difficult, including the following:

- our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause, which may delay the replacement of a majority of our board of directors or impede an acquirer from rapidly replacing our existing directors with its own slate of directors;

- subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, only our board of directors has the right to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

- our stockholders may not act by written consent or call special stockholders’ meetings; as a result, a holder, or holders, controlling a majority of our Class A and Class B common stock are not be able to take certain actions other than at annual stockholders’ meetings or special stockholders’ meetings, which special meetings may only be called by the chairman of our board, our chief executive officer, our president, or a majority of our board of directors;

- certain litigation against us can only be brought in Delaware;

- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, by our board of directors without the approval of the holders of Class B common stock, which makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us;
- advance notice procedures and additional disclosure requirements apply for stockholders to nominate candidates for election as directors or to bring matters before a meeting of stockholders, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company;
- our restated certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- amendment of the anti-takeover provisions of our restated certificate of incorporation require super majority approval by holders of at least two-thirds of our outstanding Class A and Class B common stock, combined; and
- in certain circumstances pertaining to change in control, the sale of all or substantially all of our assets and liquidation matters, and on all matters if and when any individual, entity or group has, or has publicly disclosed an intent to have, beneficial ownership of 30% or more of the number of outstanding shares of our Class A and Class B common stock, combined, holders of our Class A common stock are entitled to ten votes per share and holders of our Class B common stock are entitled to one vote per share. As of March 31, 2017 , holders of our Class A common stock owned 51.5% and holders of our Class B common stock owned 48.5% of the outstanding shares of our Class A and Class B common stock, combined. However, because of our dual class common stock structure these holders of our Class A common stock have 91.4% and holders of our Class B common stock have 8.6% of the total votes with respect to the matters specified above. In all other circumstances, holders of our Class A and Class B common stock are each entitled to one vote per share, and in these other circumstances the holders of our Class A common stock have 51.5% and holders of our Class B common stock have 48.5% of the total votes.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) ***Unregistered Sales of Equity Securities***

None

(b) ***Use of Proceeds from Public Offering of Common Stock***

On March 19, 2014, we closed our IPO, in which we sold 12.8 million shares of Class B common stock at a price to the public of $16.00 per share pursuant to a registration statement on Form S-1 (File No. 333-193840), which was declared effective by the SEC on March 13, 2014. We raised approximately $185.6 million in net proceeds from the offering, after deducting underwriter discounts and commissions of approximately $14.3 million and other offering expenses of approximately $4.3 million.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on March 14, 2014 pursuant to Rule 424(b).

(c) ***Is suer Purchases of Equity Securities***

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits and Financial Statement Schedules.

(a) Exhibits.

The Exhibits listed below are filed as part of this Form 10-Q

		Incorporate by Reference				
Exhibit Number	**Description of Document**	**Form**	**File No.**	**Filing Date**	**Exhibit**	**Filed Herewith**
2.1	Agreement and Plan of Merger and Reorganization, dated as of January 4, 2017, by and among Castlight Health, Inc., Neptune Acquisition Subsidiary, Inc. and Jiff, Inc.	8-K	001-36330	January 4, 2017	2.1	
10.16	Amendment to warrant issued to SAP Technologies, Inc.	8-K	001-36330	April 26, 2017	99.2	
10.17**	Job Offer Letter, dated as of January 4, 2017, by and between the Registrant and Derek Newell.					X
10.18	Second Amended and Restated Loan and Security Agreement, as of April 3, 2017, by and among Silicon Valley Bank, Jiff Inc., and Castlight Health, Inc.	8-K	001-36330	April 3, 2017	10.1	
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.					X
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.					X
32.1*	Certification of Chief Executive Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.					X
32.2*	Certification of Chief Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Labels Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X

* The certifications on Exhibit 32 hereto are deemed not “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liability of that Section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

** Indicates a management contract, compensatory plan or arrangement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		C ASTLIGHT H EALTH , I NC .
Date: April 28, 2017	By:	/s/ Siobhan Nolan Mangini
		Siobhan Nolan Mangini
		Chief Financial Officer *(Principal Financial Officer)*

EXHIBIT INDEX

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** Indicates a management contract, compensatory plan or arrangement

CASTLIGHT HEALTH, INC.

January 3, 2017

Derek Newell
96 Hiller Drive
Oakland, California 94618

Dear Derek:

Castlight Health, Inc. (the " ***Company*** ") is pleased to offer you employment on the terms set forth below. This employment offer is contingent on the closing (the " ***Closing*** ") of the Company's acquisition of Jiff, Inc. (" ***Target*** " and such acquisition, the " ***Transaction*** ") pursuant to an Agreement and Plan of Merger expected to be entered into on or about January 4, 2017 by and among the Company, Target and certain other parties (the " ***Merger Agreement*** "). Subject to your satisfying the conditions set forth below, your employment will be effective and commence as of the Closing. If the Transaction is not consummated for any reason (or the Merger Agreement is terminated in accordance with its terms), this offer will immediately and automatically be withdrawn and be of no further force or effect.

1. **Position** . Your title will be President, and you will have responsibility for Sales & Marketing, Research & Development and Professional Services, as they are generally defined in the Company's organizational structure as of the date of this Agreement. You will report to the Company's Chief Executive Officer. This is a full-time position. While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part- time) that would create a conflict of interest with the Company or that is in any way competitive with the business or proposed business of the Company, nor will you assist any other person or organization in competing with the Company or in preparing to engage in competition with the business or proposed business of the Company. By signing this letter agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company. It is acknowledged that you currently serve on the board of directors of Wanda and that you are a co-founder and advisor to HT3. In the event that your employment with the Company is terminated for any reason, you agree to resign, unless otherwise requested by the Board of Directors, from all other positions you hold at that time, including as a member of the Board of Directors.

2. **Cash Compensation** .

(a) **Base Salary** . The Company will pay you a starting salary at the rate of $367,000 per year, payable in accordance with the Company's standard payroll schedule. This salary will be subject to increase pursuant to the Company's employee compensation policies in effect from time to time.

(b) **Annual Incentive Compensation** . In addition, you will be eligible for incentive compensation with an annual target of 75% of your base salary, based on the achievement of performance objectives to be determined by the Company's Board of Directors or a committee thereof (the " ***Board*** ") as well as the achievement of individual objectives set by the Board in the first 30 days of your employment. For the period in which Section 5 (Compensation Equivalency) is applicable, you and John Doyle will have the same Annual Incentive Compensation objectives. Regardless of the actual Closing date, you will be eligible for an annual bonus covering the entire 2017 calendar year, but the total amount of bonus you receive from Target and the Company shall not exceed 75% of your base salary paid by the Company. Thereafter, you will be eligible to receive annual incentive compensation with a target amount and upon such terms as shall be determined by the Board. Any incentive compensation for a fiscal year will be paid within 2½ months after the close of that fiscal year, but only if you are still employed by the Company at the time of payment. The determinations of the Board with respect to your incentive compensation will be final and binding.

3. **Employee Benefits** . Except as otherwise provided for in this letter agreement, you will be eligible to receive employee benefits and perquisites commensurate with those provided to the Company's senior executives. A list of current employee benefits will be provided in the Benefits Information Guide. Eligibility for benefits begins on the first (1st) day of the month following your first day of employment, with the exception of participating in our 401(k) Plan which you will be eligible on the first day of your employment.

4. **Equity** .

(a) Subject to the approval of the Board, you will be granted restricted stock units (" ***RSUs*** ") under the Company's 2014 Equity Incentive Plan (" ***Plan*** ") in connection with your commencement of employment for a number of shares to be determined by the Board after consultation with Radford and designed to equalize your go forward equity ownership with the go forward equity ownership of Mr. Doyle, measured as of your commencement of employment. Go forward equity ownership is the value of the unvested portion of the equity ownership as well as the timing of the vesting of such ownership. For avoidance of doubt, the objective is to have both executives vest the same dollar value each month post Closing and through the timeframe covered by Section 5: Compensation Equivalency.

(b) Subject to the approval of the Board, you will be granted restricted stock units (" ***RSUs*** ") and/or performance stock units (***"PSUs"***) under the Company's 2014 Equity Incentive Plan (" ***Plan*** ") in connection with your commencement of employment for a number of shares to be determined by the Board after consultation with Radford to provide a market-based long-term incentive for 2017 that is equivalent to any such grant made to the then Company's Chief Executive Officer John Doyle in 2017.

(c) The RSUs will vest in four equal annual installments of 25% each based on your continuous service unless adjustments to the vesting schedule to meet the objectives above are required. PSUs will vest according to the performance vesting scheduled as established by the Board for the PSU grant. RSUs and PSUs that vest will be settled in the Company's Common Stock following vesting. The RSUs and PSUs shall be subject to the terms and conditions set forth in the Plan and in the Restricted Stock Unit Agreement between you and the Company. You will be responsible for applicable withholding taxes that become due upon settlement of the RSUs and PSUs. The RSUs and PSUs will permit payment of taxes through sell-to-cover transactions.

(d) Your current equity will be handled according to the Merger Agreement, however, with your written consent, adjustments in the vesting schedule of any unvested equity may be made to meet the objectives of Sections 4(a) and 4(b), provided that, the amount of unvested equity is not reduced and the vesting schedule of any unvested equity is not materially lengthened.

(e) Before Closing, you agree to exercise 190,000 of your Target options.

5. **Compensation Equivalency** . It is agreed that your total target cash compensation, that is, the sum of Section 2(a) and Section 2(b) above, shall be no less than the corresponding total target compensation of the Company's current Chief Executive Officer, Mr. Doyle, for the corresponding period. This Section 5 shall cease to apply on December 31 st , 2019. In addition, after the grants described in Sections 4(a) and 4(b) above, if equity is awarded to Mr. Doyle during the period described in the immediately preceding sentence, you will receive equity in the same amount and on the same terms.

6. **Severance** . Upon commencement of employment, you will also be entitled and subject to

the terms and conditions set out in the Executive Severance Agreement, a copy of which is attached hereto as **Exhibit A** . The Executive Severance Agreement will apply equally to equity awarded to you by Castlight, as well as your Target assumed options. Notwithstanding anything to the contrary in the Executive Severance Agreement, any portion of your equity awards that vest contingent upon achievement of the milestone earn-out metrics described in the Merger Agreement will not accelerate upon a Qualifying CIC Termination or Qualifying Non-CIC Termination, but shall instead be exclusively governed by their terms without regard to the Executive Severance Agreement. You agree to waive the single trigger vesting acceleration of your Target options for this Transaction. If any subsequent Corporate Transaction (as defined in the Plan) occurs, your existing single trigger benefit will apply under the same terms as your current agreement (50% of unvested options accelerate upon closing of that Corporate Transaction) with respect to your unvested Target options that are assumed by the Company and become options to purchase the Common Stock of the Company. For avoidance of doubt, the single trigger acceleration will not apply to any equity awarded to you by the Company, other than assumed Target options.

7. **Confidentiality; Proprietary Information and Inventions Agreement** . Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's standard At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement, a copy of which is attached hereto as **Exhibit B** . We wish to impress upon you that we do not want you to, and we hereby direct you not to, bring with you any confidential or proprietary material of any former employer or to violate any other obligations you may have to any former employer. You will disclose to the Company in writing any other gainful employment, business or activity that you are currently associated with or participate in that competes with the Company.

8. **Non-Competition** . As a condition of your employment with the Company, you shall execute the Non-Competition Agreement, a copy of which is attached hereto as **Exhibit C** .

9. **Employment Relationship** . Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you).

10. **Tax Matters** .

(a) **Withholding** . All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

(b) **Tax Advice** . You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or the Board related to tax liabilities arising from your compensation.

11. **Authorization to Work** . Please note that because of employer regulations adopted in the Immigration Reform and Control Act of 1986, within three (3) business days of starting your new position you will need to present documentation demonstrating that you have authorization to work in the United States. If you have questions about this requirement, which applies to U.S. citizens and non-U.S. citizens alike, please let us know.

12. **Interpretation, Amendment and Enforcement** . This letter agreement and the

exhibits attached hereto supersede and replace any prior agreements, representations or understandings (whether written, oral, implied or otherwise) between you and the Company and constitute the complete agreement between you and the Company regarding the subject matter set forth herein, except that the obligations under this letter agreement and its exhibits shall not supersede, but shall be additive to, any of your obligations under any confidentiality or invention assignment agreement(s) with Target. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company. The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the " ***Disputes*** ") will be governed by California law, excluding laws relating to conflicts or choice of law. You and the Company submit to the exclusive personal jurisdiction of the federal and state courts located in California in connection with any Dispute or any claim related to any Dispute.

* * * * *

We hope that you will accept our offer to join the Company. You may indicate your agreement with these terms and accept this offer by signing and dating both the enclosed duplicate original of this letter agreement, the enclosed Executive Severance Agreement, the enclosed At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement and the enclosed Non- Competition Agreement and returning them to me. This offer, if not accepted, will expire at the close of business on January 4, 2017. In the event that the Merger Agreement is terminated, or the Closing does not occur, this letter will automatically terminate and be of no force or effect.

If you have any questions, please call me at .

Very truly yours, C ASTLIGHT H EALTH , I NC .

/s/ John Doyle

John Doyle, President and COO

I have read and accept this employment offer.

/s/ Derek Newell

Dated: January 4, 2017

Attachment

Exhibit A: Executive Severance Agreement

Exhibit B: At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement

Exhibit C: Non-Competition Agreement

CASTLIGHT HEALTH, INC. EXECUTIVE SEVERANCE AGREEMENT

This Executive Severance Agreement (the " **Agreement** ") is made and entered into by and between [NAME] (the " **Executive** ") and Castlight Health, Inc. (the " **Company** "), effective as of [DATE] (the " **Effective Date** ").Terms not otherwise defined herein are defined in Section 5 below.

RECITALS

The purpose of the Agreement is to provide an eligible Executive with benefits in the event Executive's employment is involuntarily terminated under certain circumstances and as a source of incentive and encouragement to remain with the Company notwithstanding the possibility of a Corporate Transaction.

The Agreement is an unfunded welfare benefit plan for purposes of ERISA, a severance pay Agreement within the meaning of United States Department of Labor Regulation Section 2510.3-2(b) and an involuntary separation pay plan within the meaning of Treasury Regulation Section 1.409A-1(b)(9).

AGREEMENT

1. **ELIGIBILITY UNDER THIS AGREEMENT.**

(a) General Eligibility . Except as otherwise provided in this Agreement, Executive is entitled to the benefits described in Section 2(b) or (c) only if his or her employment is subject to a Qualifying Termination.

(b) Benefits . If Executive's employment is subject to a Qualifying Termination, Executive will receive his or her severance payment in a cash lump-sum in accordance with the Company's standard payroll procedures which will be made on the sixtieth (60 th) day following the Separation, provided that the following have already occurred:

(i) Executive's Qualifying Termination;

(ii) the Company's receipt of Executive's executed General Release (as described in Section 3); and

(iii) the expiration of any rescission period applicable to Executive's executed General Release.

2. **SEVERANCE BENEFITS** . If Executive is subject to a Qualifying Termination, then, subject to Section 3 below, the Company shall pay Executive the benefits set forth in Section 2(b) or (c) below.

(a) In addition to the benefits described below in Section 2(b) or (c), Executive will be entitled to receive payment for:

(i) Accrued Salary and Vacation . All salary and accrued vacation (if any) earned through the Termination Date.

(ii) Expense Reimbursement. Within thirty (30) days of submission of proper expense reports by Executive, the Company shall reimburse Executive for all expenses incurred by Executive, consistent with the Company's policy for expense reimbursement, in connection with the business of the Company prior to Executive's termination of employment.

(iii) Executive Benefits. Benefits, if any, under any 401(k) plan, nonqualified deferred compensation plan, employee stock purchase plan and other Company benefit plans under which Executive may be entitled to benefits, payable pursuant to the terms of such plans.

(b) Involuntary Termination Other than for Cause or Resignation for Good Reason During the Corporate Transaction Period. If Executive has a Qualifying CIC Termination, then subject to Section 3, Executive shall receive the following severance benefits from the Company based on the role held by such Executive on the Termination Date.

(i) Severance Payment. Executive shall receive, regardless of the Service Term, the severance payments set forth in the table below.

Chief Executive Officer; President	ExecutiveVicePresident; Chief Financial Officer	Senior Vice President
24 months Base Salary 24timestheapplicable COBRA Coverage	18 months Base Salary 18 times the applicable COBRA Coverage	12 months Base Salary 12 times the applicable COBRA Coverage

(ii) Equity Awards. Executive shall retain any rights to acceleration in any outstanding equity awards held by Executive and such rights shall be as set forth in the equity plan documents governing those awards. Notwithstanding the foregoing, regardless of the provisions of the equity plan documents, if Executive is subject to a Qualifying CIC Termination, then, subject to Section 3 below, each of Executive's then outstanding unvested Equity Awards, excluding awards that would otherwise vest only upon satisfaction of performance criteria, shall accelerate and become vested and exercisable with respect to 100% of the then unvested shares subject thereto and each of Executive's then outstanding unvested Equity Awards that would otherwise vest only upon satisfaction of performance criteria, shall accelerate and become vested and exercisable with respect to 100% of the then unvested shares subject thereto as if there had been achievement of at-target performance levels. " **Equity Awards** " means all options to purchase shares of Company common stock as well as any and all other stock-based awards granted to Executive, including but not limited to stock bonus awards, restricted stock, restricted stock units or stock appreciation rights. Subject to Section 3, the accelerated vesting described above shall be effective as of the Separation for a Qualifying Termination after the Corporate Transaction, and as of immediately prior to the Corporate Transaction for a Qualifying Termination occurring on or prior to the Corporate Transaction. For the avoidance of doubt, any rights to acceleration in any outstanding equity awards held by Executive that are triggered upon a termination without Cause or resignation for Good Reason, shall be based on the definitions set forth in this Agreement rather than the equity plan documents governing those awards. For the avoidance of doubt, if a Qualifying Termination occurs before the Corporate Transaction, then any unvested portion of the terminated Executive's Equity Awards will remain outstanding for three (3) months following the Qualifying Termination (provided that in no event will the terminated Executive's stock options or similar Equity Awards remain outstanding beyond the Equity Award's maximum term to expiration). In the event that the proposed Corporate Transaction is terminated without having been completed, any unvested portion of the terminated Executive's Equity Awards automatically will be forfeited permanently without having vested effective three (3) months following the Executive's Separation. Subject to Section 409A, all vested RSUs shall be settled in accordance with the terms of the applicable RSU agreement.

(c) Involuntary Termination Other than for Cause or Resignation for Good Reason *Not* During the Corporate Transaction Period . If Executive has a Qualifying Non-CIC Termination, then subject to Section 3, Executive shall receive the severance benefits set forth in the table below from the Company based on the role held by such Executive on the Termination Date and Executive's Service Term.

Service Term	ChiefExecutiveOfficer; President	Executive Vice President; Chief Financial Officer	Senior Vice President
Less than one year	12 months Base Salary 12 times the applicable COBRA Coverage	6 months Base Salary	3monthsBase Salary
More than one year	12 months Base Salary 12 times the applicable COBRA Coverage	9 months Base Salary 9 times the applicable COBRA Coverage	6 months Base Salary 6 times the applicable COBRA Coverage

(d) Special Timing Rule . If Executive has a Qualifying Non-CIC Termination, and, within three months of Executive's Separation, a Corporate Transaction occurs such that Executive has a Qualifying CIC Termination, then Executive shall become entitled to the additional severance benefits set forth in Section 2(b). Accordingly, Executive will receive a payment of severance calculated based on the difference in Base Salary and COBRA Coverage under Section 2(c) versus Section 2(b)(i). Solely for purposes of the preceding sentence of this Section 2(d), such amount shall become payable only if the event constituting a Corporate Transaction would also qualify as a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, each as defined within the meaning of Code Section 409A. The additional amount to be paid under this Section 2(d) shall be paid on the later of the consummation of the Corporate Transaction and the sixtieth (60 th) day following the Separation, subject to Section 3. In addition, if Executive has a Qualifying Non-CIC Termination, and, within three months of Executive's Separation, a Corporate Transaction occurs such that Executive has a Qualifying CIC Termination, Executive shall receive the accelerated vesting benefits of Section 2(b)(ii).

(e) Exclusive Remedy . Except as otherwise set forth herein, in the event of a termination of Executive's employment, the provisions of this Section 2 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, whether at law, tort or contract, or in equity. Except as otherwise set forth herein, Executive shall be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in this Section 2.

(f) Code Section 409A .

(i) Notwithstanding anything to the contrary in this Agreement, if Executive is a "specified employee" within the meaning of Section 409A of the Code and the final regulations and any guidance promulgated thereunder (" **Section 409A** ") at the time of Executive's termination (other than due to death) or resignation, then the severance payable to Executive, if any, pursuant to this Agreement, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the " **Deferred Compensation Separation Benefits** ") that are payable within the first six (6) months following Executive's termination of employment, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following his or her termination but prior to the six (6) month anniversary of his or her termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that do not exceed the Section 409A Limit shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above. " **Section 409A Limit** " will mean the lesser of two (2) times: (i) Executive's annualized compensation based upon the annual rate of pay paid to Executive during Executive's taxable year preceding Executive's taxable year of Executive's termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Executive's employment is terminated.

(iv) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

3. **GENERAL RELEASE** . Any other provision of this Agreement notwithstanding, Sections 2(b) and (c) above shall not apply unless Executive (i) has executed a general release (in a form prescribed by the Company) of all known and unknown claims that he or she may then have against the Company or persons affiliated with the Company and such release has become effective and (ii) has agreed not to prosecute any legal action or other proceeding based upon any of such claims (" **General Release** "). The General Release must be in the form prescribed by the Company, without alterations. The Company will deliver the form to Executive within thirty (30) days after Executive's Separation. Executive must execute and return the General Release within the time period specified in the form and if Executive fails to make the General Release effective before the sixtieth (60 th) day following the Separation, he or she will not be eligible for any of the benefits described in Section 2(b) or (c).

4. **GOLDEN PARACHUTE EXCISE TAX BEST RESULTS** . In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (X) constitute "parachute payments" within the meaning of Code Section 280G, and (Y) would be subject to the excise tax imposed by Section 4999 of the Code, then such benefits shall be either:

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Section 4999, results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Unless the Company and Executive otherwise agree in writing, the determination of Executive's excise tax liability and the amount required to be paid under this Section 4 shall be made in writing by a nationally-recognized independent accounting firm selected by the Company (the " **Accountants** "). For purposes of making the calculations required by this Section 4, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 4. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 4. Any reduction in payments and/or benefits required by this Section 4 shall occur in the following order: (1) reduction of cash payments; (2) reduction of acceleration of vesting of equity awards; and (3) reduction of other benefits paid to Executive. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant for Executive's equity awards.

5. **DEFINITION OF TERMS** . The following terms referred to in this Agreement shall have the following meanings:

(a) Base Salary . Base Salary means:

(i) with respect to payments set forth in Section 2(a) above, the rate of annual base salary paid to Executive immediately prior to Executive's Termination Date, provided that such amount shall in no event be less than the highest rate of annual base salary paid to Executive during the one (1) year period immediately prior to the Termination Date.

(ii) with respect to payments set forth in Sections 2(b) and (c) above, the rate of annual base salary paid to Executive immediately prior to a Corporate Transaction, provided that such amount shall in no event be less than the highest rate of annual base salary paid to Executive during the one (1) year period immediately prior to the Corporate Transaction; or

(b) Cause . Cause means:

(i) Executive is convicted of, or pleads guilty or nolo contendere to, a felony (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction);

(ii) Executive has engaged in acts of fraud, dishonesty or other acts of willful misconduct in the course of his duties hereunder;

(iii) Executive's gross misconduct in connection with the performance of his or her duties;

(iv) Executive's breach of his or her fiduciary duty to the Company;

(v) Executive's failure to cooperate with the Company in any investigation or formal proceeding or the Executive being found liable in a Securities and Exchange Commission enforcement action or otherwise being disqualified from serving in his or her role;

(vi) Executive willfully failing to comply with reasonable directives of the Company without a reasonable belief the failure to comply was in the best interest of the Company;

(vii) a material breach by Executive of any contract Executive is party to with the Company; provided, however, that if the breach is reasonably susceptible of cure, Executive shall be entitled to receive at least 30 days to cure the breach fully after receiving written notice from the Company; or

(viii) unauthorized use or disclosure by Executive of any proprietary information or trade secrets of the Company or any other party to whom Executive owes an obligation of nondisclosure as a result of his or her relationship with the Company.

The determination as to whether Executive is being terminated for Cause shall be made in good faith by the Company and shall be final and binding on Executive. The foregoing definition does not in any way limit the Company's ability to terminate Executive's employment or consulting relationship at any time as provided in Section 8.

(c) Cobra Coverage . Cobra Coverage means a dollar amount that is equal to the cost of a single month of COBRA coverage for the health plan that Executive was enrolled in on the Termination Date and at the rates in effect on the Termination Date. If such coverage included Executive's dependents immediately prior to the Termination Date, such amount shall also include the cost of COBRA coverage for Executive's dependents

(d) Code . Code means the Internal Revenue Code of 1986, as amended.

(e) Corporate Transaction . Corporate Transaction shall have the meaning set forth in the Plan.

(f) Corporate Transaction Date . Corporate Transaction Date means the date on which a Corporate Transaction occurs.

(g) Corporate Transaction Period . Corporate Transaction Period shall mean the period within twelve (12) months following a Corporate Transaction or within three (3) months preceding a Corporate Transaction.

(h) Corporate Transaction Period Good Reason . Corporate Transaction Period Good Reason means, during the Corporate Transaction Period, Good Reason means any of the following that occur without Executive's consent:

(i) any reduction in Executive's rate of Base Salary or the target bonus amount that Executive is eligible to receive;

(ii) a relocation of Executive's principal office with the Company of more than fifty (50) miles from its current location;

(iii) a material reduction in Executive's duties, authority, reporting relationship or responsibilities, including:

(1) the assignment of responsibilities, duties, reporting relationship or position that are not at least the substantial functional equivalent of Executive's position occupied immediately preceding the Corporate Transaction, including the assignment of responsibilities, duties, reporting relationship or position that are not in a substantive area that is consistent with Executive's experience and the position occupied prior to the Corporate Transaction; or

(2) a material diminution in the budget and number of subordinates over which Executive retains authority;

(iv) material violation by the Company of a material term of any employment, severance, or change of control agreement between Executive and the Company; or

(v) failure by a successor entity to assume this Agreement.

provided, however, that any such condition or conditions, as applicable, shall not constitute Good Reason unless both (X) Executive provides written notice to the Company of the condition claimed to constitute Good Reason within ninety (90) days of the initial existence of such condition(s), and (Y) the Company fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of Executive‘s employment with the Company shall not be treated as a termination for " **Good Reason** " unless such termination occurs not more than one hundred and twenty (120) days following the initial existence of the condition(s) claimed to constitute Good Reason. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time as provided in Section 8.

(i) Disability . Disability shall have the meaning ascribed to such term in the Plan.

(j) Good Reason . Other than during the Corporate Transaction Period (which is identified as a " **Corporate Transaction Period Good Reason** " herein), Good Reason means any of the following that occur without Executive's consent:

(i) any reduction in Executive's rate of base salary or the target bonus amount that Executive is eligible to receive, unless such reduction is consistent with a salary or bonus reduction implemented by the Company for other similarly situated employees of the Company;

(ii) a relocation of Executive's principal office with the Company of more than fifty (50) miles from its current location;

provided, however, that any such condition or conditions, as applicable, shall not constitute Good Reason unless both (X) Executive provides written notice to the Company of the condition claimed to constitute Good Reason within ninety (90) days of the initial existence of such condition(s), and (Y) the Company fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of Executive‘s employment with the Company shall not be treated as a termination for 'Good Reason‘ unless such termination occurs not more than one hundred and twenty (120) days following the initial existence of the condition claimed to constitute Good Reason. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time as provided in Section 8.

(k) Plan . Plan means the Company's 2014 Equity Incentive Plan, as amended.

(l) Qualifying CIC Termination . Qualifying CIC Termination means a Separation within the Corporate Transaction Period if (i) the Company terminates Executive's employment for any reason other than Cause, death or Disability, or (ii) Executive voluntarily resigns his or her employment for Corporate Transaction Period Good Reason. In the case of a termination before a Corporate Transaction, solely for purposes of benefits under Section 2(c) of this Plan, the Termination Date will be deemed the date the Corporate Transaction is consummated.

(m) Qualifying Non-CIC Termination . Qualifying Non-CIC Termination means a Separation not within the Corporate Transaction Period if (1) the Company terminates Executive's employment for any reason other than Cause, death or Disability or (2) Executive voluntarily resigns his or her employment for Good Reason.

(n) Qualifying Termination . Qualifying Termination means a Qualifying CIC Termination or a Qualifying non-CIC Termination.

(o) Separation. Separation means a "separation from service," as defined in the regulations under Section 409A of the Code.

(p) Service Term. Service Term means as of a particular date, the period of time that Executive has been continuously employed by the Company as Executive in any capacity, including approved leaves of absence.

(q) Termination Date. Termination Date means Executive's final day of employment with the Company which date shall be communicated by the Company to Executive.

6. **SUCCESSORS**.

(a) The Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise), shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term " **Company** " shall include any successor to the Company's business and/or assets which agrees to assume the obligations of this Agreement as described in this Section 6(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. **NOTICE**.

(a) General. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given upon receipt or, if earlier, (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by registered mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one (1) business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, (d) one (1) business day after the business day of facsimile transmission, if delivered by facsimile transmission with copy by first class mail, postage prepaid, or (e) one (1) business day after the business day of sending an email, if sent with return receipt and with copy by first class mail, postage prepaid, and shall be addressed (i) if to Executive, at his or her last known residential address, and (ii) if to the Company, at the address of its principal corporate offices (attention: General Counsel), or in any such case at such other address as a party may designate by ten (10) days' advance written notice to the other party pursuant to the provisions above.

(b) Notice of Termination. Any termination by the Company for Cause or resignation by Executive voluntarily or for Good Reason (whether or not during a Corporate Transaction Period) shall be communicated by a notice of termination to the other party hereto given in accordance with Section 7(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice, subject to such longer period of time permitted in the event of a termination for Good Reason). The failure by Executive to include in the notice any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his or her rights hereunder.

8. **AT-WILL EMPLOYMENT** . Executive's employment is and shall continue to be at- will, as defined under applicable law, except as otherwise may be provided specifically under the terms of any written formal employment agreement or offer letter between the Company and Executive.

9. **MISCELLANEOUS PROVISIONS** .

(a) Confidentiality .

(i) Executive shall retain in confidence any proprietary or other confidential information known to Executive concerning the Company and its business under the conditions of the At- Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement between the Company and Executive (the " **Confidentiality Agreement** ") and shall continue to comply with all other terms of the Confidentiality Agreement. Executive acknowledges and agrees that, to the extent he or she has not already done so, he or she shall immediately deliver to the Company when requested all property of the Company, including, but not limited to, equipment (e.g., laptop computer and cellular telephone), passwords, notebooks, electronic storage devices, credit cards, business cards, keys, parking or building access cards, documents, memoranda, reports, written and computer files and data, books, correspondence, lists, or other written or graphic records, and the like, relating to the Company's business, that are in Executive's possession or control, including but not limited to copies (including electronic copies) of any documents or files that contain the Company's Confidential Information (as defined in the Confidentiality Agreement).

(ii) Executive acknowledges that a breach of any of the covenants contained in this Section 9(a) may result in material irreparable injury to the Company for which there is no adequate remedy at law, that it may not be possible to measure damages for such injuries precisely and that, in the event of such a breach, any payments remaining under the terms of this Agreement shall cease and the Company may be entitled to obtain a restraining order and/or an injunction restraining Executive from engaging in activities prohibited by this Section 9(a) or such other relief as may be required to specifically enforce any of the covenants in this Section 9(a). This Section 9(a) shall survive any termination of this Agreement.

(b) Conflict in Benefits; Nonduplication of Benefits .

(i) No Limitation of Regular Benefit Agreements . Except as provided in Section 9(b)(ii) below, this Agreement is not intended to and shall not affect, limit or terminate any plans, programs, or arrangements of the Company that are regularly made available to a significant number of Executives or officers of the Company, including, without limitation, the Company's equity incentive plans.

(ii) Nonduplication of Benefits . Executive may not accumulate cash severance payments, and/or equity vesting under both this Agreement and another plan or policy of the Company. If Executive is entitled to any payments or benefits by operation of a statute or government regulations, any severance payable pursuant to this Agreement will be reduced by such payments or benefits.

(c) No Duty to Mitigate . Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that Executive may receive from any other source.

(d) Amendment and Waiver . No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) Entire Agreement. This Agreement together with the terms of any outstanding equity awards held by Executive as set forth in the equity plan documents governing those awards constitutes the entire agreement of the parties hereto and supersedes in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied) of the parties, and shall specifically supersede any severance payment provisions of any other offer letter or agreement entered into between Executive and the Company, and this Agreement with respect to the subject matter hereof.

(f) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(g) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California. The Superior Court of San Francisco County and/or the United States District Court for the Northern District of California shall have exclusive jurisdiction and venue over all controversies in connection with this Agreement. Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof in such jurisdiction, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(h) Arbitration. Any dispute, controversy or claim between the parties arising out of or relating to this Agreement (whether based in contract or tort, in law or equity), or any breach or asserted breach thereof, shall be determined and settled exclusively by arbitration in San Francisco, California, in accordance with the rules for dispute resolution of JAMS. Judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding this Section 9(h), the parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction or other interim or provisional relief as may be necessary, without breach of this Agreement and without abridgment of the powers of the arbitrator. The parties hereby submit themselves to the Superior Court of California in and for the County of San Francisco as the sole and exclusive venue for the purpose of enforcing this Agreement. This Section 9(h) shall survive any termination of this Agreement.

(i) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(j) Withholding; Lump Sum. All payments made pursuant to this Agreement will be in a lump sum and will be subject to withholding of applicable income and employment taxes.

(k) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

Castlight Health, Inc. **[NAME]**

By: Signature:

Title: Date:

CASTLIGHT HEALTH, INC. NON-COMPETITION AGREEMENT

This **NON-COMPETITION AGREEMENT** (this " **Agreement** "), dated January 4, 2017, is made by and between Derek Newell (the " **Stockholder** ") and Castlight Health, Inc., a Delaware corporation (" **Acquiror** "). For purposes of this Agreement, "Acquiror" shall be deemed to include Acquiror and its wholly and majority-owned direct and indirect subsidiaries and other affiliates, successors or assigns that operate the Business (as defined below) of the Company, including, but not limited to the Company (as defined below), after the closing of the Merger (as defined below).

BACKGROUND

A. Acquiror and [*Target*], a Delaware corporation (the " **Company** ") are parties to an Agreement and Plan of Merger dated on or about January 4th, 2017 (the " **Merger Agreement** "), pursuant to which Acquiror will acquire the Company (the " **Merger** "). Capitalized terms used, but not defined herein, shall have the meanings assigned to such terms in the Merger Agreement.

B. Stockholder beneficially holds a substantial amount of the Company's capital stock, and he will receive substantial consideration as a result of Stockholder's stock ownership in the Company in connection with the Acquisition.

C. Stockholder understands and agrees as a stockholder and a key and significant member of either the management and/or the technical workforce of the Company, Stockholder has obtained extensive and valuable knowledge, technical expertise and confidential information concerning the Business (as defined below).

D. Stockholder will be hired as an at-will employee of Acquiror (or the Company, as determined by Acquiror) after, and contingent upon, the closing of the Merger, and Stockholder will derive significant value from Acquiror's agreement to provide him with confidential and proprietary information relating to the business and operation of the Acquiror to enable him to optimize the performance of his duties to the Acquiror.

E. This Agreement is necessary to protect Acquiror's legitimate interests as a buyer of the stock and goodwill of the Company. Stockholder understands and acknowledges that the execution and delivery of this Agreement by Stockholder is a material inducement to the willingness of Acquiror to enter into the Merger Agreement, a material condition to Acquiror consummating the transactions contemplated by the Merger Agreement and a condition of Stockholder's employment by Acquiror for the purpose of protecting Acquiror's legitimate interests as a buyer of the Company and in protecting Acquiror's confidential information.

F. Acquiror and Stockholder both agree that, prior to the Merger, the Company's business consisted solely of the design, development, manufacture, production, marketing and sales of products and services related to the Business (as defined below) throughout each of the fifty states of the United States, Canada and the remainder of the entire world (the " **Restrictive Territory** "). Acquiror represents and Stockholder understands that, following the Merger, Acquiror will continue conducting the Business in the Restrictive Territory.

NOW, THEREFORE, in consideration of the foregoing premises and for good and valuable consideration, receipt of which is hereby acknowledged, Stockholder, intending to be legally bound, agrees as follows:

1. **Agreement Not to Compete** . During the Restrictive Period (as defined below) and except as otherwise provided herein or unless approved by Acquiror in writing, Stockholder agrees that Stockholder will not, as an employee, agent, consultant, advisor, independent contractor, general partner, officer, director, stockholder, investor, lender or guarantor of any corporation, partnership or other entity,

or in any other capacity, directly or indirectly for himself or on behalf of any other Person (other than Acquiror or any of its affiliates):

(a) (i) engage or participate in, or acquire any financial or beneficial interest in, any business that competes with the Business in the Restrictive Territory or (ii) take any action intended to, or that would reasonably be expected to, negatively affect any commercial relationship or prospective commercial relationship of Acquiror (or any of its affiliates, including the Company) related to the Business;

(b) permit Stockholder's name directly or indirectly to be used by or to become associated with any other Person in connection with such Business; or

(c) induce or assist any other Person to engage in any of the activities described in subparagraph (a) or (b).

" **Business** " means participating or engaging in, or rendering any services to any business engaged in, the design, research, development, manufacture, operation, production, marketing, sale or servicing of any product, or the provision of any service that directly relates to Company's current or planned business including, but not limited to, transparency tools and services (including but not limited to these specific companies or their successors: Healthcare Blue Book, Healthsparq Inc., and MDX Medical, Inc. doing business as Vitals), employee concierge and benefits communications tools and services (including but not limited to these specific companies or their successors: Evive Health, Compass, Quantum, Health Advocate, and Accolade) and wellbeing tools and services (including but not limited to these specific companies or their successors: Sharecare, Welltok, Rally, Limeade, Virgin Pulse, Redbrick, Keas, Viverae and Vitality).

" **Person** " means a natural person, corporation, partnership, or other entity, or a joint venture of two or more of the foregoing.

Notwithstanding the foregoing, Stockholder may own, directly or indirectly, solely as an investment, up to one percent (1%) of any class of "publicly traded securities" of any business that is competitive or substantially similar to the Business. The term "publicly traded securities" shall mean securities that are traded on a national securities exchange.

For purposes of this Agreement, the restrictive period (referred to herein as the " **Restrictive Period** ") shall commence on the Closing Date (as defined in the Merger Agreement) of the Merger and shall continue until the later of December 31 st , 2019; provided , however , that in the event that it is determined by a court of competent jurisdiction or an arbitrator, as the case may be, that Stockholder has breached any provision of this Section 1, then, in addition to any remedies set forth in Section 5 below and available under applicable law, the Restrictive Period shall be automatically extended by a number of days equal to the total number of days in the period from the date on which such breach shall have first occurred through the date as of which such breach shall have been fully cured.

For the avoidance of doubt, this Agreement shall terminate upon the date and time of the valid termination of the Merger Agreement in accordance with its terms.

2. **Agreement Not to Solicit** . Stockholder further agrees that during the Non-Solicitation Period (as defined below), Stockholder will not as an employee, agent, consultant, advisor, independent contractor, general partner, officer, director, stockholder, investor, lender or guarantor of any corporation, partnership or other entity, or in any other capacity, directly or indirectly for himself or on behalf of any other Person (other than Acquiror or any of its affiliates) without the prior written consent of Acquiror:

(a) interfere with the relationship between Acquiror and its employees or consultants or contractors by encouraging, inducing, soliciting or attempting to solicit any such employee or consultant or contractor to terminate his employment or end his or her relationship with Acquiror;

(b) solicit or attempt to solicit for employment on behalf of Stockholder or any other Person, any Person who is or was an employee or consultant of Acquiror; or

(c) induce or assist any other Person to engage in any of the activities described in subparagraphs (a) and (b).

Notwithstanding the foregoing, for purposes of this Agreement, the placement of general advertisements that may be targeted to a particular geographic or technical area but that are not specifically targeted toward employees of Acquiror or its successors or assigns, shall not be deemed to be a breach of this Section 2.

For purposes of this Agreement, the " **Non-Solicitation Period** " shall commence on the Closing Date and end on the later of (i) December 31, 2019, or (ii) twelve (12) months immediately following the termination of Stockholder's relationship with Acquiror, whether Stockholder resigns voluntarily or is terminated for any reason by Acquiror involuntarily (the " **Non-Solicitation Period** "); provided , however , that in the event that it is determined by a court of competent jurisdiction or an arbitrator, as the case may be, that Stockholder has breached any provision of this Section 2, then, in addition to any remedies set forth in Section 5 below and available under applicable law, the Non-Solicitation Period shall be automatically extended by a number of days equal to the total number of days in the period from the date on which such breach shall have first occurred through the date as of which such breach shall have been fully cured.

3. **Agreement Not to Disparage** . During the Non-Solicitation Period, Stockholder agrees that Stockholder will not directly or indirectly for himself or on behalf of any other Person (other than Acquiror or any of its affiliates) libel, slander or disparage Acquiror in any manner that is harmful to the business, business reputation or personal reputation of Acquiror.

4. **Acknowledgment** . Stockholder hereby acknowledges and agrees that:

(a) this Agreement is necessary for the protection of the legitimate business interests of Acquiror in acquiring the Company;

(b) the execution and delivery and continuation in force of this Agreement is a material inducement to Acquiror to execute the Merger Agreement and is a mandatory condition precedent to the closing of the Merger, without which Acquiror would not close the transactions contemplated by the Merger Agreement;

(c) the scope of this Agreement in time, geography and types and limitations of activities restricted is reasonable;

(d) Stockholder has no current intention of competing with the Business acquired by Acquiror within the area and the time limits set forth in this Agreement;

(e) Stockholder represents and warrants that neither the execution and delivery nor the performance of this Agreement will result directly or indirectly in a violation or breach of any agreement or obligation by which Stockholder is or may be bound, the violation of which would materially impair Stockholder's ability to perform Stockholder's obligations under this Agreement;

(f) breach of this Agreement will be such that Acquiror will not have an adequate remedy at law because of the unique nature of the operations and the assets being conveyed to Acquiror; and

(g) execution of this Agreement shall not limit Acquiror's employee policies, including without limitation the provisions set forth in Acquiror's At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement (the " **Proprietary Information and Inventions Agreement** ").

5. **Remedy** . Stockholder acknowledges and agrees that (a) the rights of Acquiror under this Agreement are of a specialized and unique character and that immediate and irreparable damage will result to Acquiror if Stockholder fails to or refuses to perform his obligations under this Agreement and
(b) Acquiror may, in addition to any other remedies and damages available, seek an injunction in a court of competent jurisdiction to restrain any such failure or refusal without posting bond or other security, and without the necessity of proving actual damages. No single exercise of the foregoing remedies shall be deemed to exhaust Acquiror's right to such remedies, but the right to such remedies shall continue undiminished and may be exercised from time to time as often as Acquiror may elect. Stockholder represents and warrants that his expertise and capabilities are such that his obligations under this Agreement (and the enforcement thereof by injunction or otherwise) will not prevent him from earning a livelihood.

6. **Severability** . If any provisions of this Agreement as applied to any part or to any circumstances shall be adjudged by a court to be invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of such provision in any other circumstances, or the validity or enforceability of this Agreement. Acquiror and Stockholder intend this Agreement to be enforced as written. If any provision, or part thereof, however, is held to be unenforceable because of the duration thereof or the area covered thereby, all parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases and in its reduced form such provision shall then be enforceable.

7. **Amendment** . This Agreement may not be amended except by an instrument in writing signed by Acquiror's duly authorized representative, or his designee, and Stockholder.

8. **Waiver** . No waiver of any nature, in any one or more instances, shall be deemed to be or construed as a further or continued waiver of any breach of any other term or agreement contained in this Agreement.

9. **Headings** . The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

10. **Governing Law** .

(a) This Agreement shall be construed and interpreted and its performance shall be governed by the laws of the state of California without regard to conflicts of law principles of any jurisdiction.

(b) The parties hereto agree that any proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any federal court located in San Francisco County in the State of California or any California state court located in San Francisco County, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such proceeding in any such court or that any such proceeding brought in any such court has been brought in an inconvenient forum. Process in any such proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court.

11. **Attorneys Fees** . In the event that either party engages the other party in litigation concerning the enforcement of this Agreement, the prevailing party shall be entitled to payment by the non-prevailing party of reasonable expenses, including reasonable attorneys' fees, which are incurred in connection therewith.

12. **Entire Agreement** . This Agreement constitutes the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter of this Agreement (but does not in any way merge or supersede any restrictions in the Stockholder's Confidential Information and Invention Assignment Agreement with the Company, the Merger Agreement or any other agreement executed in connection with the Merger Agreement, including the Stockholder's employment agreement with Acquiror, if any, and the Stockholder's Proprietary Information and Inventions Agreement).

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF , Acquiror and Stockholder have executed this Agreement on the day and year first above written.

DEREK NEWELL

/s/ Derek Newell

CASTLIGHT HEALTH, INC.
a Delaware corporation

By: /s/ John Doyle

Name: John Doyle

Title: President and Chief Operating Officer

B ENEFITS W AIVER

January 4, 2017

Derek Newell

Dear Derek:

As you know, Castlight Health, Inc., a Delaware corporation (inclusive of any subsidiary thereof, and the company after the Closing, " **Castlight** "), is acquiring your employer, Jiff, Inc., a company organized under the laws of Delaware (inclusive of any subsidiaries, " **Jiff** "), pursuant to the Agreement and Plan of Merger and Reorganization dated January 4, 2017 (as it may be amended from time to time in accordance with its terms, the " **Merger Agreement** ") by and among Castlight, Jiff and certain other parties named therein (the " **Merger** ").

Upon the closing of the Merger (the " **Closing** "), Castlight has agreed to convert your Jiff stock options and restricted stock units that are outstanding as of the Closing into stock options to purchase, and restricted stock units to settle in, Castlight Class B common stock, upon the terms and conditions set forth in the Merger Agreement (collectively, the " **Jiff Awards** " and, following the Merger, the " **Assumed Awards** ").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

I. **Acceleration Benefits**

It is a material element of the Merger that you waive, pursuant to this Benefits Waiver, any and all exercisability and vesting acceleration provisions currently in effect with respect to all of your Jiff stock options and restricted stock units, including in connection with Jiff's change of control and/or termination of your employment or other service, and including pursuant to any Jiff plan, stock purchase agreement, option agreement, employment agreement or any other agreement between you and Jiff or any Jiff policy (in each case, whether written or oral (collectively, the " **Acceleration Benefits** ")).

Upon and following the Closing, in lieu of the Acceleration Benefits that may currently apply to your Jiff Awards, the following provisions will apply to the Assumed Awards:

(i) the Acceleration Benefits shall not apply to any of the Assumed Awards or to any future equity awards from Castlight, and are irrevocably waived by you hereby;

(ii) as to your converted stock options, you will vest in, and be able to exercise, those converted stock options based on the same vesting schedule that you had for such Jiff stock options prior to the Closing, except as pursuant to the Equity Waiver, dated on or around the date hereof;

(iii) as to your converted restricted stock units, you will vest in, and settle in, those converted restricted stock units based on the same vesting schedule that you had for those restricted stock units prior to the Closing, except as pursuant to the Equity Waiver, dated on or around the date hereof;

(iv) notwithstanding this waiver, you shall vest in 50% of your then-unvested Jiff stock options upon a Corporate Transaction of Castlight, as defined in its 2014 Equity Incentive Plan, as amended, it being understood this acceleration shall apply only to those awards benefitting from single-trigger acceleration prior to the Closing;

(v) the New Acceleration Benefits (as defined on Schedule A hereto) will apply only to those

Assumed Awards that are converted stock options, and shall not apply to the converted restricted stock units, it being understood and agreed that the New Acceleration Benefits shall only apply to cause acceleration of service-based vesting conditions and shall not be construed to require that the converted stock options adjust at a maximum or other achievement level under the earn-outs described in the Merger Agreement (unless such earn-outs are in fact achieved according to the terms and conditions of the Merger Agreement).

You further confirm that you hold no other equity other than the Jiff stock options and restricted stock units actually granted to you by Jiff's board of directors and you hold no outstanding preemptive rights or other contractual rights to purchase or acquire additional equity from Jiff.

II. Jiff Severance Benefits

It is also a material element of the Merger that you waive, pursuant to this Benefits Waiver, any and all existing right or entitlement to severance or termination benefits you might have pursuant to any agreement, program, policy, or understanding between you and Jiff (in each case, whether written or oral), including in connection with Jiff's change of control and/or termination of your employment or other service (collectively, the " **Jiff Severance Benefits** "). For the avoidance of doubt, in the event of the New Acceleration Benefits are triggered, you will not receive any cash severance or other termination benefits other than those outlined in the Company's Executive Severance Agreement. You irrevocably hereby waive any and all claims to the Jiff Severance Benefits.

III. Miscellaneous

Notwithstanding anything to the contrary in this Benefits Waiver, you are not waiving any rights under that certain Offer Letter, by and between you and Castlight, dated on or about June 3, 2016 (including the Compensation Equivalency therein and the incorporation of the Executive Severance Agreement).

This letter may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

In the event that the Merger Agreement is terminated in accordance with its terms, this letter shall terminate and be of no further force or effect.

The validity, interpretation, construction and performance of this Benefits Waiver shall be governed by the laws of the State of California. The Superior Court of San Francisco County and/or the United States District Court for the Northern District of California shall have exclusive jurisdiction and venue over all controversies in connection with this Benefits Waiver. Any provision herein which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof in such jurisdiction, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[SIGNATURE PAGE TO BENEFITS WAIVER FOLLOWS]

To indicate your understanding and agreement with this Benefit Waiver, please sign below and return the entire Benefits Waiver to Jiff.

Very truly yours, CASTLIGHT HEALTH, INC.
a company organized under the laws of Delaware

By: /s/ John Doyle
Name: John Doyle
Title: President and Chief Operating Officer

Acknowledged and Agreed:

By: /s/ Derek Newell
Name: Derek Newell

SCHEDULE A

NEW ACCELERATION BENEFITS

New Acceleration Benefits

If, within 12 months of the Closing, you are terminated by Castlight without Cause (as defined below) or you resign for Good Reason (as defined below), then, provided you deliver to Castlight a signed release agreement in a form prescribed by Castlight (the " **Release** ") and satisfy all conditions to make the Release effective within 60 days following your termination, you will immediately vest in 100% of the converted stock options effective as of immediately prior to the effective time of such termination (the " **New Acceleration Benefits** ").

" ***Cause*** " shall mean (i) you are convicted of, or plead guilty or nolo contendere to, a felony (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (ii) you have engaged in acts of fraud, dishonesty or other acts of willful misconduct in the course of your duties hereunder; (iii) your gross misconduct in connection with the performance of your duties; (iv) your breach of your fiduciary duty to Castlight; (v) your failure to cooperate with Castlight in any investigation or formal proceeding or your being found liable in a Securities and Exchange Commission enforcement action or otherwise being disqualified from serving in your role; (vi) you willfully failing to comply with reasonable directives of Castlight without a reasonable belief the failure to comply was in the best interest of Castlight; (vii) a material breach by you of any contract you are party to with Castlight; provided, however, that if the breach is reasonably susceptible of cure, you shall be entitled to receive at least 30 days to cure the breach fully after receiving written notice from Castlight; or (viii) unauthorized use or disclosure by you of any proprietary information or trade secrets of Castlight or any other party to whom you owe an obligation of nondisclosure as a result of your relationship with Castlight. The determination as to whether you are terminated for Cause shall be made in good faith by Castlight and shall be final and binding on you.

" ***Good Reason*** " shall mean any of the following that occur without your consent: (i) any reduction in your rate of base salary or the target bonus amount that you are eligible to receive; (ii) a relocation of your principal office with Castlight of more than 50 miles from its current location; (iii) a material reduction in your duties, authority, reporting relationship or responsibilities, including: (1) the assignment of responsibilities, duties, reporting relationship or position that are not at least the substantial functional equivalent of your position occupied immediately preceding the Merger, including the assignment of responsibilities, duties, reporting relationship or position that are not in a substantive area that is consistent with your experience and the position occupied prior to the Merger; or (2) a material diminution in the budget and number of subordinates over which you retain authority; (iv) material violation by Castlight of a material term of any employment, severance, or change of control agreement between you and Castlight; or (v) failure by a successor entity to Castlight to assume these New Acceleration Benefits; provided that any such condition or conditions, as applicable, shall not constitute Good Reason unless both (X) you provide written notice to Castlight of the condition claimed to constitute Good Reason within 90 days of the initial existence of such condition(s), and (Y) Castlight fails to remedy such condition(s) within 30 days of receiving such written notice thereof; provided , further , that in all events the termination of your employment with Castlight shall not be treated as a termination for "Good Reason" unless such termination occurs not more than 120 days following the initial existence of the condition(s) claimed to constitute Good Reason; provided , further , that prong (v) of this definition shall only apply during the period that is three months preceding and 12 months following a Corporate Transaction of Castlight, as defined in its 2014 Equity Incentive Plan, as amended.

The New Acceleration Benefits will **not** apply to any equity you hold in Castlight, any affiliate thereof, or any of their successors, other than those stock options converted pursuant to the Merger.

BENEFITS WAIVER

January 4, 2017

Derek Newell

Dear Derek:

As you know, Castlight Health, Inc., a Delaware corporation (inclusive of any subsidiary thereof, and the company after the Closing, " **Castlight** "), is acquiring your employer, Jiff, Inc., a company organized under the laws of Delaware (inclusive of any subsidiaries, " **Jiff** "), pursuant to the Agreement and Plan of Merger and Reorganization dated January 4, 2017 (as it may be amended from time to time in accordance with its terms, the " **Merger Agreement** ") by and among Castlight, Jiff and certain other parties named therein (the " **Merger** ").

Upon the closing of the Merger (the " **Closing** "), Castlight has agreed to convert your Jiff stock options and restricted stock units that are outstanding as of the Closing into stock options to purchase, and restricted stock units to settle in, Castlight Class B common stock, upon the terms and conditions set forth in the Merger Agreement (collectively, the " **Jiff Awards** " and, following the Merger, the " **Assumed Awards** ").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

I. **Acceleration Benefits**

It is a material element of the Merger that you waive, pursuant to this Benefits Waiver, any and all exercisability and vesting acceleration provisions currently in effect with respect to all of your Jiff stock options and restricted stock units, including in connection with Jiff's change of control and/or termination of your employment or other service, and including pursuant to any Jiff plan, stock purchase agreement, option agreement, employment agreement or any other agreement between you and Jiff or any Jiff policy (in each case, whether written or oral (collectively, the " **Acceleration Benefits** ")).

Upon and following the Closing, in lieu of the Acceleration Benefits that may currently apply to your Jiff Awards, the following provisions will apply to the Assumed Awards:

(i) the Acceleration Benefits shall not apply to any of the Assumed Awards or to any future equity awards from Castlight, and are irrevocably waived by you hereby;

(ii) as to your converted stock options, you will vest in, and be able to exercise, those converted stock options based on the same vesting schedule that you had for such Jiff stock options prior to the Closing, except as pursuant to the Equity Waiver, dated on or around the date hereof;

(iii) as to your converted restricted stock units, you will vest in, and settle in, those converted restricted stock units based on the same vesting schedule that you had for those restricted stock units prior to the Closing, except as pursuant to the Equity Waiver, dated on or around the date hereof;

(iv) notwithstanding this waiver, you shall vest in 50% of your then-unvested Jiff stock options upon a Corporate Transaction of Castlight, as defined in its 2014 Equity Incentive Plan, as amended, it being understood this acceleration shall apply only to those awards benefitting from single-trigger acceleration prior to the Closing;

(v) the New Acceleration Benefits (as defined on Schedule A hereto) will apply only to those Assumed Awards that are converted stock options, and shall not apply to the converted restricted stock units, it being understood and agreed that the New Acceleration Benefits shall only apply to cause acceleration of service-based vesting conditions and shall not be construed to require that the converted stock options adjust at a maximum or other achievement level under the earn-outs described in the Merger Agreement (unless such earn-outs are in fact achieved according to the terms and conditions of the Merger Agreement).

You further confirm that you hold no other equity other than the Jiff stock options and restricted stock units actually granted to you by Jiff's board of directors and you hold no outstanding preemptive rights or other contractual rights to purchase or acquire additional equity from Jiff.

II. **Jiff Severance Benefits**

It is also a material element of the Merger that you waive, pursuant to this Benefits Waiver, any and all existing right or entitlement to severance or termination benefits you might have pursuant to any agreement, program, policy, or understanding between you and Jiff (in each case, whether written or oral), including in connection with Jiff's change of control and/or termination of your employment or other service (collectively, the " **Jiff Severance Benefits** "). For the avoidance of doubt, in the event of the New Acceleration Benefits are triggered, you will not receive any cash severance or other termination benefits other than those outlined in the Company's Executive Severance Agreement. You irrevocably hereby waive any and all claims to the Jiff Severance Benefits.

III. **Miscellaneous**

Notwithstanding anything to the contrary in this Benefits Waiver, you are not waiving any rights under that certain Offer Letter, by and between you and Castlight, dated on or about June 3, 2016 (including the Compensation Equivalency therein and the incorporation of the Executive Severance Agreement).

This letter may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

In the event that the Merger Agreement is terminated in accordance with its terms, this letter shall terminate and be of no further force or effect.

The validity, interpretation, construction and performance of this Benefits Waiver shall be governed by the laws of the State of California. The Superior Court of San Francisco County and/or the United States District Court for the Northern District of California shall have exclusive jurisdiction and venue over all controversies in connection with this Benefits Waiver. Any provision herein which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof in such jurisdiction, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[SIGNATURE PAGE TO BENEFITS WAIVER FOLLOWS]

To indicate your understanding and agreement with this Benefit Waiver, please sign below and return the entire Benefits Waiver to Jiff.

Very truly yours, CASTLIGHT HEALTH, INC.

a company organized under the laws of Delaware

By: /s/ John Doyle
Name: John Doyle
Title: President and Chief Operating Officer

Acknowledged and Agreed:

By: /s/ Derek Newell
Name: Derek Newell

SCHEDULE A

NEW ACCELERATION BENEFITS

New Acceleration Benefits

If, within 12 months of the Closing, you are terminated by Castlight without Cause (as defined below) or you resign for Good Reason (as defined below), then, provided you deliver to Castlight a signed release agreement in a form prescribed by Castlight (the " **Release** ") and satisfy all conditions to make the Release effective within 60 days following your termination, you will immediately vest in 100% of the converted stock options effective as of immediately prior to the effective time of such termination (the " **New Acceleration Benefits** ").

" ***Cause*** " shall mean (i) you are convicted of, or plead guilty or nolo contendere to, a felony (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (ii) you have engaged in acts of fraud, dishonesty or other acts of willful misconduct in the course of your duties hereunder; (iii) your gross misconduct in connection with the performance of your duties; (iv) your breach of your fiduciary duty to Castlight; (v) your failure to cooperate with Castlight in any investigation or formal proceeding or your being found liable in a Securities and Exchange Commission enforcement action or otherwise being disqualified from serving in your role; (vi) you willfully failing to comply with reasonable directives of Castlight without a reasonable belief the failure to comply was in the best interest of Castlight; (vii) a material breach by you of any contract you are party to with Castlight; provided, however, that if the breach is reasonably susceptible of cure, you shall be entitled to receive at least 30 days to cure the breach fully after receiving written notice from Castlight; or (viii) unauthorized use or disclosure by you of any proprietary information or trade secrets of Castlight or any other party to whom you owe an obligation of nondisclosure as a result of your relationship with Castlight. The determination as to whether you are terminated for Cause shall be made in good faith by Castlight and shall be final and binding on you.

" ***Good Reason*** " shall mean any of the following that occur without your consent: (i) any reduction in your rate of base salary or the target bonus amount that you are eligible to receive; (ii) a relocation of your principal office with Castlight of more than 50 miles from its current location; (iii) a material reduction in your duties, authority, reporting relationship or responsibilities, including: (1) the assignment of responsibilities, duties, reporting relationship or position that are not at least the substantial functional equivalent of your position occupied immediately preceding the Merger, including the assignment of responsibilities, duties, reporting relationship or position that are not in a substantive area that is consistent with your experience and the position occupied prior to the Merger; or (2) a material diminution in the budget and number of subordinates over which you retain authority; (iv) material violation by Castlight of a material term of any employment, severance, or change of control agreement between you and Castlight; or (v) failure by a successor entity to Castlight to assume these New Acceleration Benefits; provided that any such condition or conditions, as applicable, shall not constitute Good Reason unless both (X) you provide written notice to Castlight of the condition claimed to constitute Good Reason within 90 days of the initial existence of such condition(s), and (Y) Castlight fails to remedy such condition(s) within 30 days of receiving such written notice thereof; provided , further , that in all events the termination of your employment with Castlight shall not be treated as a termination for "Good Reason" unless such termination occurs not more than 120 days following the initial existence of the condition(s) claimed to constitute Good Reason; provided , further , that prong (v) of this definition shall only apply during the period that is three months preceding and 12 months following a Corporate Transaction of Castlight, as defined in its 2014 Equity Incentive Plan, as amended.

The New Acceleration Benefits will **not** apply to any equity you hold in Castlight, any affiliate thereof, or any of their successors, other than those stock options converted pursuant to the Merger.

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John C. Doyle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Castlight Health, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CASTLIGHT HEALTH, INC.

By: /s/ John C. Doyle

John C. Doyle

Chief Executive Officer *(Principal Executive Officer)*

Dated:

April 28, 2017

EXHIBIT 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Siobhan Nolan Mangini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Castlight Health, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CASTLIGHT HEALTH, INC.

By: /s/ Siobhan Nolan Mangini

Siobhan Nolan Mangini

Chief Financial Officer *(Principal Financial Officer)*

Dated:

April 28, 2017

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Based on my knowledge, I, John C. Doyle, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Castlight Health Inc. on Form 10-Q for the quarterly period ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Castlight Health, Inc.

CASTLIGHT HEALTH, INC.

By: /s/ John C. Doyle

John C. Doyle

Chief Executive Officer *(Principal Executive Officer)*

Dated:

April 28, 2017

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Based on my knowledge, I, Siobhan Nolan Mangini, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Castlight Health Inc. on Form 10-Q for the quarterly period ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Castlight Health, Inc.

CASTLIGHT HEALTH, INC.

By: /s/ Siobhan Nolan Mangini

Siobhan Nolan Mangini

Chief Financial Officer *(Principal Financial Officer)*

Dated:

April 28, 2017