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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2021

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)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, par value $0.0001 per share	CSLT	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Not applicable

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ 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 ☒	Non-accelerated filer ☐	Smaller reporting company ☒	Emerging growth company ☐

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. ☐

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

As of July 31, 2021, there were 28,397,210 shares of the Registrant's Class A common stock outstanding and 131,854,658 shares of the Registrant's Class B common stock outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CASTLIGHT HEALTH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(unaudited)

	As of	
	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 60,706	$ 49,242
Accounts receivable and other, net	21,735	31,740
Prepaid expenses and other current assets	8,716	3,800
Total current assets	91,157	84,782
Property and equipment, net	4,485	5,321
Restricted cash, non-current	—	1,144
Deferred commissions	7,181	9,556
Deferred professional service costs	3,874	4,462
Intangible assets, net	5,814	7,930
Goodwill	41,485	41,485
Operating lease right-of-use assets, net	8,006	10,238
Other assets	106	1,855
Total assets	$ 162,108	$ 166,773
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,729	$ 5,145
Accrued expenses and other current liabilities	5,175	7,898
Accrued compensation	7,104	8,633
Deferred revenue	9,993	6,848
Operating lease liabilities	6,092	5,789
Total current liabilities	32,093	34,313
Deferred revenue, non-current	87	663
Operating lease liabilities, non-current	4,338	7,446
Other liabilities, non-current	335	485
Total liabilities	36,853	42,907
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, $0.0001 par value; 200,000,000 shares authorized as of June 30, 2021 and December 31, 2020; 28,397,210 shares and 34,998,171 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	3	4
Class B common stock, $0.0001 par value; 800,000,000 shares authorized as of June 30, 2021 and December 31, 2020; 131,584,908 shares and 120,768,900 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	13	12
Additional paid-in capital	647,849	641,075
Accumulated deficit	(522,610)	(517,225)
Total stockholders' equity	125,255	123,866
Total liabilities and stockholders' equity	$ 162,108	$ 166,773

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue:				
Subscription	$ 31,128	$ 34,289	$ 63,238	$ 72,672
Professional services and other	4,475	1,211	7,424	1,873
Total revenue, net	35,603	35,500	70,662	74,545
Cost of revenue:				
Cost of subscription (1)	7,977	8,819	16,076	19,051
Cost of professional services and other (1)	4,181	3,942	8,838	8,183
Total cost of revenue	12,158	12,761	24,914	27,234
Gross profit	23,445	22,739	45,748	47,311
Operating expenses:				
Sales and marketing (1)	7,208	7,683	14,121	18,155
Research and development (1)	12,316	13,043	24,429	26,865
General and administrative (1)	6,366	6,340	12,732	12,916
Goodwill impairment	—	—	—	50,300
Total operating expenses	25,890	27,066	51,282	108,236
Operating loss	(2,445)	(4,327)	(5,534)	(60,925)
Other income, net	56	123	149	386
Net loss	$ (2,389)	$ (4,204)	$ (5,385)	$ (60,539)
Net loss per share, basic and diluted	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.41)
Weighted-average shares used to compute basic and diluted net loss per share	158,951	150,078	157,872	149,475

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of revenue:				
Cost of subscription	$ 222	$ 205	$ 479	$ 374
Cost of professional services and other	184	144	420	260
Sales and marketing	442	748	792	1,420
Research and development	1,060	1,314	2,129	2,477
General and administrative	1,262	858	2,457	1,924

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (2,389)	$ (4,204)	$ (5,385)	$ (60,539)
Other comprehensive loss:				
Net change in unrealized loss on available-for-sale marketable securities	—	(13)	—	(2)
Other comprehensive loss	—	(13)	—	(2)
Comprehensive loss	$ (2,389)	$ (4,217)	$ (5,385)	$ (60,541)

See Notes to Condensed Consolidated Financial Statements.

CASTLIGHT HEALTH, INC
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(unaudited)

	Class A and B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances as of March 31, 2021	157,918,739	$ 16	$ 644,566	$ —	$ (520,221)	$ 124,361
Vesting of restricted stock units	1,979,813	—	—	—	—	—
Issuance of common stock upon exercise of stock options	83,566	—	99	—	—	99
Stock-based compensation	—	—	3,184	—	—	3,184
Comprehensive loss	—	—	—	—	(2,389)	(2,389)
Balances as of June 30, 2021	159,982,118	$ 16	$ 647,849	$ —	$ (522,610)	$ 125,255
Balances as of March 31, 2020	149,517,644	$ 15	$ 631,445	$ 13	$ (511,377)	$ 120,096
Vesting of restricted stock units	1,108,783	—	—	—	—	—
Stock-based compensation	—	—	3,285	—	—	3,285
Comprehensive loss	—	—	—	(13)	(4,204)	(4,217)
Balances as of June 30, 2020	150,626,427	$ 15	$ 634,730	$ —	$ (515,581)	$ 119,164
Balances as of December 31, 2020	155,767,071	$ 16	$ 641,075	$ —	$ (517,225)	$ 123,866
Vesting of restricted stock units	3,823,580	—	—	—	—	—
Issuance of common stock upon exercise of stock options	177,527	—	226	—	—	226
Issuance of common stock under the ESPP	213,940	—	233	—	—	233
Stock-based compensation		—	6,315	—	—	6,315
Comprehensive loss	—	—	—	—	(5,385)	(5,385)
Balances as of June 30, 2021	159,982,118	$ 16	$ 647,849	$ —	$ (522,610)	$ 125,255
Balances as of December 31, 2019	148,209,215	$ 15	$ 627,899	$ 2	$ (455,042)	$ 172,874
Vesting of restricted stock units	2,032,476	—	—	—	—	—
Issuance of common stock upon exercise of stock options	142,729	—	155	—	—	155
Issuance of common stock under the ESPP	242,007	—	186	—	—	186
Stock-based compensation	—	—	6,490	—	—	6,490
Comprehensive loss	—	—	—	(2)	(60,539)	(60,541)
Balances as of June 30, 2020	150,626,427	$ 15	$ 634,730	$ —	$ (515,581)	$ 119,164

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2021	**2020**
Operating activities:		
Net loss	$ (5,385)	$ (60,539)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,239	3,144
Goodwill impairment	—	50,300
Stock-based compensation	6,277	6,455
Amortization and impairment of deferred commissions	2,568	3,919
Amortization and impairment of deferred professional service costs	1,147	1,657
Non-cash operating lease expense	2,232	2,631
Other	19	2
Changes in operating assets and liabilities:		
Accounts receivable and other, net	10,005	(1,778)
Deferred commissions	(193)	(920)
Deferred professional service costs	(521)	(629)
Prepaid expenses and other assets	(2,023)	(824)
Accounts payable	(1,458)	(10,201)
Operating lease liabilities	(2,805)	(2,616)
Accrued expenses and other liabilities	(1,943)	(1,511)
Deferred revenue	2,569	2,762
Accrued compensation	(1,529)	(3,114)
Net cash provided by (used in) operating activities	12,199	(11,262)
Investing activities:		
Purchase of property and equipment	(245)	(3,299)
Purchase of marketable securities	—	(2,994)
Sales of marketable securities	—	2,001
Maturities of marketable securities	—	17,400
Net cash (used in) provided by investing activities	(245)	13,108
Financing activities:		
Proceeds from exercise of stock options	226	155
Proceeds from ESPP offering	233	186
Principal payments on debt	(930)	(930)
Net cash used in financing activities	(471)	(589)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(19)	—
Net increase in cash, cash equivalents and restricted cash	11,464	1,257
Cash, cash equivalents and restricted cash at beginning of period	50,386	44,342
Cash, cash equivalents and restricted cash at end of period	$ 61,850	$ 45,599
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 60,706	$ 44,274
Restricted cash included in Prepaid expenses and other current assets	1,144	181
Restricted cash, non-current	—	1,144
Total cash, cash equivalents and restricted cash	$ 61,850	$ 45,599

See Notes to Condensed Consolidated Financial Statements.

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

Note 1. Organization and Description of Business

Castlight Health, Inc. (“Castlight” or “the Company”) provides health navigation solutions for large U.S. employers and health plans (“customers”) and their respective employees and members (“users”). Castlight’s offerings help individuals connect and engage with the right provider, benefit, or virtual care solution, at the right time, leveraging a combination of sophisticated technology and an expert team. Castlight’s navigation offerings have demonstrated measurable results, driving high engagement and user satisfaction, increased program utilization, steerage to the right care and provider, and lower healthcare costs for its customers and millions of users. The Company was incorporated in the State of Delaware in January 2008. The Company's principal executive offices are located in San Francisco, California, and its Customer Center of Excellence is located in Sandy, Utah. In the second quarter of 2021, Castlight formed a wholly owned subsidiary in India, Castlight Health India Private Limited ("Castlight India").

Note 2. Accounting Standards and Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include Castlight and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. 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, stockholders’ equity and cash flows. The results for the interim periods presented are not necessarily indicative of the results expected for any future period. 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, 2020.

Other than as described below, there have been no changes to the Company's significant accounting policies described in the Company's Annual Report that have had a material impact on the Company's 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:

- Variable consideration included in the transaction price of the Company’s contracts with customers;
- The standalone selling price of the performance obligations in the Company’s contracts with customers;
- Assumptions used in the valuation of certain equity awards;
- Assumptions used in the calculation of goodwill impairment, including the forecast of future cash flows and discount rate; and
- Assumptions used in the calculation of right-of-use assets ("ROU") and lease liabilities for operating leases, including lease terms and the Company’s incremental borrowing rate.

Actual results could differ from those estimates, and such differences could be material to the Company’s consolidated financial position and results of operations.

Concentrations of Risk and Significant Customers

Anthem Inc. ("Anthem") accounted for approximately 49% of total revenue during the three and six months ended June 30, 2021. One other customer accounted for approximately 11% of total revenue during the three months ended June 30, 2021. Anthem also accounted for approximately 11% of accounts receivable, excluding contract assets, as of June 30, 2021.

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

Additionally, three other customers accounted for approximately 19%, 14% and 12%, respectively, of accounts receivable, excluding contract assets, as of June 30, 2021.

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of all ASUs issued by the FASB. The Company determined that the ASUs issued by the FASB during the six months ended June 30, 2021 are either not applicable or are expected to have minimal impact on the Company's condensed consolidated financial results.

Note 3. Revenue, Deferred Revenue, Contract Balances and Performance Obligations

The Company sells to customers based in the United States.

Deferred revenue as of June 30, 2021 and December 31, 2020 was $10.1 million and $7.5 million, respectively. Contract assets as of June 30, 2021 and December 31, 2020 were $5.9 million and $9.4 million, respectively. The decrease in contract assets is primarily due to the Anthem enterprise license agreement that results in invoicing ahead of revenue recognition beginning in the second year of that agreement.

Revenue of $6.8 million and $6.6 million was recognized during the three months ended June 30, 2021 and 2020, respectively, that was included in the Company’s deferred revenue balances at the beginning of the respective periods. Revenue of $6.7 million and $8.8 million was recognized during the six months ended June 30, 2021 and 2020, respectively, that was included in the Company’s deferred revenue balances at the beginning of the respective periods.

The Company recorded favorable cumulative catch-up adjustments to revenue of $0.2 million and $0.4 million during the three months ended June 30, 2021 and 2020, respectively, arising from changes in variable consideration. The Company recorded favorable cumulative catch-up adjustments to revenue of $1.4 million and $2.1 million during the six months ended June 30, 2021 and 2020, respectively, arising from changes in variable consideration.

The aggregate balance of remaining performance obligations from non-cancelable contracts with customers as of June 30, 2021 was $118.4 million. The Company expects to recognize approximately 90% of this balance over the next 12 months, with the remaining balance recognized thereafter. Remaining performance obligations are defined as deferred revenue and amounts yet to be billed for the non-cancelable portion of contracts.

Note 4. Deferred Costs

Changes in the balance of total deferred commissions and total deferred professional service costs during the six months ended June 30, 2021 are as follows (in thousands):

	As of December 31, 2020	Additions	Adjustment to prior year additions	Expense recognized	As of June 3 2021
Deferred commissions	$ 9,556	$ 394	$ (201)	$ (2,568)	$ 7,[illegible]
Deferred professional service costs	4,462	559	—	(1,147)	3,[illegible]
Total deferred commissions and professional service costs	$ 14,018	$ 953	$ (201)	$ (3,715)	$ 11,[illegible]

These costs are reviewed for impairment quarterly. Impairment charges were $0.2 million for the three months ended June 30, 2021 and 2020. Impairment charges were $0.5 million and $1.3 million for the six months ended June 30, 2021 and 2020, respectively.

Note 5. Goodwill and Intangible Assets

Impairment

During the first quarter of 2020, the Company determined that the significant decline in the U.S. economy as a result of the COVID-19 pandemic, together with the decline in the Company's stock price, constituted a triggering event which required the Company to perform interim impairment analyses related to its long-lived assets and goodwill. The impairment analysis for long-lived assets indicated that the assets were recoverable; therefore, no impairment was recorded. After assessing long-lived assets, the Company performed a goodwill impairment analysis and determined that the carrying value of its only reporting unit exceeded its fair value by approximately $50.3 million. The fair value was determined using the income approach. The Company believes that the income approach is the most reliable indication of fair value since it incorporates future estimated revenues and expenses for the reporting unit that the market approach may not directly incorporate. In addition to future estimated revenue and expenses, the determination of fair value included assumptions related to a discount rate.

As of June 30, 2021, the Company determined that there were no indicators present to suggest that it was more likely than not that the fair value of the reporting unit was less than its carrying amount. The Company will continue to monitor its goodwill on a quarterly basis for indicators of impairment, including, but not limited to, future declines in the stock price. Accordingly, there may be future impairments.

Goodwill

The Company's goodwill relates entirely to the acquisition of Jiff in 2017. As of June 30, 2021, the gross amount of goodwill was $91.8 million and accumulated goodwill impairment was $50.3 million, all of which was recorded in the first quarter of 2020. The goodwill impairment did not involve any cash expenditures.

Intangible assets, net

Identified intangible assets are recorded at their estimated fair values at the date of acquisition and are amortized over their respective estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are used.

The following tables set forth the fair value components of identifiable acquired intangible assets (dollars in thousands):

	As of June 30, 2021			
	Useful Life	Gross	Accumulated Amortization	Net
Customer relationships	6	$ 10,900	$ (6,676)	$ 4,224
Developed technology	5	10,600	(9,010)	1,590
Total identifiable intangible assets		$ 21,500	$ (15,686)	$ 5,814

	As of December 31, 2020			
	Useful Life	Gross	Accumulated Amortization	Net
Customer relationships	6	$ 10,900	$ (5,620)	$ 5,280
Developed technology	5	10,600	(7,950)	2,650
Total identifiable intangible assets		$ 21,500	$ (13,570)	$ 7,930

Amortization expense from acquired intangible assets for the three months ended June 30, 2021 and 2020 was $1.1 million. Amortization expense from acquired intangible assets for the six months ended June 30, 2021 and 2020 was $2.1 million. Amortization expense is included in cost of subscription, sales and marketing, and general and administrative expenses.

Future estimated amortization expense for acquired intangible assets is as follows (in thousands):

Remainder of 2021	$ 2,116
2022	2,642
2023	1,056
Total estimated amortization expense	$ 5,814

Note 6. Property and Equipment

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

	As of	
	June 30, 2021	December 31, 2020
Leasehold improvements	$ 4,606	$ 4,606
Computer equipment	8,034	7,655
Software	844	908
Internal-use software	3,878	3,878
Furniture and equipment	1,492	1,492
Construction in progress	31	128
Total	18,885	18,667
Accumulated depreciation/amortization	(14,400)	(13,346)
Property and equipment, net	$ 4,485	$ 5,321

Depreciation and amortization expense for the three months ended June 30, 2021 and 2020 was $0.6 million. Depreciation and amortization expense for the six months ended June 30, 2021 and 2020 was $1.1 million and $1.0 million, respectively. Depreciation and amortization expense is recorded on a straight-line basis.

Note 7. Debt

Term Loan

The Company has a term loan facility (the “Loan Agreement”) with Silicon Valley Bank (the “Bank”) that provided for a term loan of approximately $5.6 million (the “Term Loan”). Obligations under the Term Loan accrue interest at a floating per annum rate equal to the greater of (A) the prime rate as published in the money rates section of *The Wall Street Journal* (“Prime Rate”) minus 1% or (B) 0%. Interest and principal on the Term Loan are payable monthly. The maturity date of the Term Loan is September 1, 2021, and the outstanding principal balance of $0.5 million, as well as the final payment discussed below, are classified within accrued expenses and other current liabilities on the condensed consolidated balance sheet as of June 30, 2021.

In addition to principal and interest payments, the Company is also required to pay $0.5 million as final payment on the earlier of maturity, termination or prepayment of the Term Loan. The Company accrues for the final payment over the life of the Term Loan using the effective interest method.

In accordance with the Loan Agreement, the Company is subject to certain reporting covenants, and the debt obligations are secured by a security interest in the assets of the Company, excluding intellectual property and certain other exceptions. The Company was in compliance with all reporting covenants in the Loan Agreement related to the outstanding principal balance as of June 30, 2021.

Revolving Line of Credit

On May 5, 2020, the Company entered into the Third Amended and Restated Loan and Security Agreement (the "Amended Loan Agreement") with the Bank. The Amended Loan Agreement amended and restated its existing Loan Agreement. Under the Amended Loan Agreement, the Bank agreed to extend a $25.0 million revolving credit facility to the Company (the “Revolving Line”). Borrowings under the Revolving Line accrue interest at a floating per annum rate equal to the Prime Rate plus 1%, and such interest is payable monthly. The Company may request borrowings under the Revolving Line prior to May 4, 2023, on which date the Revolving Line terminates. In relation to the Revolving Line, the Company is subject to certain financial and reporting covenants. As of June 30, 2021, no borrowings have been made under the Revolving Line, and the Company was in compliance with all financial and reporting covenants.

Note 8. Contingencies

Legal Matters

From time to time, the Company may become subject to legal proceedings, claims or litigation arising in the ordinary course of business. In addition, the Company may receive notices 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 the Company will incur the loss and when it can reasonably estimate the amount of the loss or range of loss.

Note 9. Stock Compensation

Restricted Stock Units ("RSUs") Activity

A summary of unvested restricted stock unit activity for the six months ended June 30, 2021 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Balance as of December 31, 2020	15,152,043	$ 1.31
Granted	6,247,606	$ 1.90
Vested	(3,823,580)	$ 1.31
Forfeited and canceled	(891,337)	$ 1.21
Balance as of June 30, 2021	16,684,732	$ 1.53

As of June 30, 2021, the Company had $22.8 million of unrecognized compensation cost related to restricted stock units, which is expected to be recognized over a weighted-average period of approximately 2.8 years.

The Company granted approximately 1.1 million performance-based RSUs ("PSUs") to certain employees during the first quarter of 2021. The number of shares that will eventually vest depends on achievement of the performance target for 2021, as determined by the Compensation and Talent Committee of the Company's board of directors, and may range from 0% to 125% of the award amount. Once performance is determined, one third of the PSUs, if any, will vest one year after the grant date, and the remainder will vest in eight quarterly installments thereafter, subject to recipients' continued service. For the three and six months ended June 30, 2021, the Company recognized compensation expense of approximately $0.3 million and $0.4 million, respectively, related to PSUs.

Stock Option Activity

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

A summary of stock option activity for the six months ended June 30, 2021 is as follows:

	Options Outstanding	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Balance as of December 31, 2020	5,987,243	$ 1.82	$ 568
Granted	300,000	$ 1.79	
Exercised	(177,527)	$ 1.29	
Forfeited and canceled	(98,452)	$ 1.76	
Balance as of June 30, 2021	6,011,264	$ 1.84	$ 6,685

The weighted-average grant-date fair value of stock options granted during the six months ended June 30, 2021 and 2020 was $1.19 and $0.75, 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:

	Six Months Ended June 30,	
	2021	2020
Volatility	76%	73%
Expected life (in years)	6.1	6.1
Risk-free interest rate	1.11%	0.84% - 1.47%
Dividend yield	—%	—%

As of June 30, 2021, the Company had $2.5 million of unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of approximately 2.7 years.

Employee Stock Purchase Plan

The Company used the following Black-Scholes assumptions in estimating the fair value of the shares under the 2014 Employee Stock Purchase Plan (the “ESPP”):

	Six Months Ended June 30,	
	2021	**2020**
Volatility	71%	71%
Expected life equals length of offering period (in years)	0.5	0.5
Risk-free interest rate	0.07%	0.95%
Dividend yield	—%	—%

Stock-based compensation expense related to the ESPP was immaterial for the three and six months ended June 30, 2021 and 2020. As of June 30, 2021, the unrecognized stock-based compensation expense related to the ESPP was also immaterial, and is expected to be recognized over the remaining term of the current offering period.

Note 10. Income Taxes

The effective tax rate for the three and six months ended June 30, 2021 and 2020 was zero percent, primarily as a result of the estimated tax loss for the year and the change in valuation allowance. At June 30, 2021, 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 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 June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
	$ (427)	$ (1,962)	$ (981)	$ (3,223)	$ (1,046)	$ (4,339)	$ (14,188)	$ (46,351)
Weighted-average shares used to compute basic and diluted net loss per share	28,397	130,554	35,030	115,048	30,658	127,214	35,031	114,444
Basic and diluted net loss per share	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.41)	$ (0.41)

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options and RSUs	22,696	24,312	22,696	24,312
Shares issuable under the ESPP	292	297	292	297
Warrants	115	115	115	115
Total	23,103	24,724	23,103	24,724

Note 12. Restructuring Program

On May 4, 2020, the Company announced its intent to undertake a program to reduce its workforce as part of the Company's efforts to respond to the COVID-19 pandemic and ensure longer-term financial stability for the Company in light of the ongoing economic challenges resulting from COVID-19 and its impact on the Company's business (the "Program"). The Program involved the termination of approximately 60 employees, representing 13% of the Company's headcount. During the second quarter of 2020, the Company incurred charges of approximately $2.0 million related to employee severance and benefits costs under the Program, all of which are cash expenditures. As of September 30, 2020, all costs were fully paid out.

In addition, as part of its cost reductions in light of the COVID-19 pandemic, the Company implemented reductions in base salary for its employees, effective May 16, 2020, consisting of a 30% reduction for the Company's Chief Executive Officer, 25% reduction for the Company's Chief Financial Officer, 20% reduction for members of the Company's executive leadership team, and tiered reductions of 10-15% for other employees with salaries above $100,000, which the Company anticipated would last at least six months, and would be re-evaluated at that time. Members of the Company's Board of Directors also voluntarily agreed to forego 50% of their cash compensation for the duration of the employee salary reductions. In early November 2020, management, in consultation with the Board of Directors, determined that it would reinstate full salaries for those who were impacted by the salary reduction and restore the Board's cash compensation to its original levels, effective November 16, 2020.

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements. All statements, other than statements of historical fact, contained in this Quarterly Report on Form 10-Q, including statements regarding the impact our future results of operations, financial position and cash flows, our business strategy, expansion opportunities, results and outcomes for customers and users, plans and our objectives for future operations, and the impact of the coronavirus ("COVID-19") pandemic on our business and the U.S. and global economies, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "may," "can," "will," "would," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "forecasts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A "Risk Factors." Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We undertake no obligation to update any of these forward-looking statements after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or revised expectations, except as required by law.

Overview

Castlight Health, Inc. ("Castlight", "the Company" or "we") provides health navigation solutions for large U.S. employers and health plans ("customers") and their respective employees and members ("users"). Castlight's offerings help individuals connect and engage with the right provider, benefit, or virtual care solution, at the right time, leveraging a combination of sophisticated technology and an expert team. Castlight's navigation offerings have demonstrated measurable results, driving high engagement and user satisfaction, increased program utilization, steerage to the right care and provider, and lower healthcare costs for our customers and millions of users.

The foundation of Castlight's solutions is our proprietary software-as-a-service platform, which delivers the digital user experience and enables our high-touch services. We believe our platform is unique in its:

- Breadth and depth of data and partner integrations across the healthcare ecosystem;
- Ability to engage a user through digital self-service (mobile app, web) and human-powered modes (telephonic, chat), which are supported by the same underlying technology for a consistent, fluid experience;
- Personalization engine that leverages data from these integrations and user inputs to customize each user experience and guide users to the right benefits and providers;
- Comprehensive engagement across a user's health, wellbeing, and condition management needs; and
- Broad ecosystem of third-party solutions, which facilitates streamlined procurement and management of a pre-vetted set of condition and wellbeing programs with turnkey integration.

Our platform's services-oriented architecture enables us to extend our technology for use beyond our own applications. This enables us to serve health plans and other entities seeking to leverage our technology within their own member-facing applications or user touch points, including through white-labeling for our health plan customers.

We sell our platform as a suite of branded and white-labeled digital health navigation applications to large U.S. employers and health plans. We also sell product offerings through partnerships with large benefits consultants and health plans, with a focus on serving large U.S. employers.

In July 2019, we expanded our strategy to include health plans as potential customers and to package our products to support user experiences beyond those of Castlight-powered websites and applications. In addition, we expanded our offerings to incorporate high-touch, human support, enabled by our technology platform, in addition to the mobile and web experience for users, which we call Castlight Care Guides.

Since this strategic expansion, we demonstrated proof points for our expanded strategy, including:

- In October 2019, we announced an enterprise license agreement with Anthem, Inc. (“Anthem”), the largest for-profit managed health care company in the Blue Cross Blue Shield Association, that provides Anthem with access to key components of our platform and expands Engage, a white-labeled version of our digital solutions.

- In July 2020, we entered into an agreement with Cigna Corporation (“Cigna”), a global health services company, to support a portion of Cigna’s Taft-Hartley and Federal Business segment with our healthcare navigation technology.

- In the third quarter of 2020, our Castlight Care Guides offering became generally available as a supplemental service for our customers. From Castlight’s launch, we have offered users both digital applications and telephonic support. In parallel with the roadmap for our digital platform, we have invested in and expanded our phone- and chat-based support services. Care Guides clinicians, trained to offer administrative and clinical support, will help our users with their health navigation using Castlight’s core technology. We believe Castlight Care Guides will generate incremental user engagement and healthcare cost savings for our customers and users over time.

- In December 2020, we entered into an agreement with Blue Cross Blue Shield of Alabama (“BCBSAL”), a regional Blue Cross Blue Shield licensee, to offer a complete health navigation solution for BCBSAL's largest employer clients. This agreement represents a third health plan partnership, and we believe it validates our health plan growth strategy. In February 2021, we expanded our relationship with BCBSAL to add Castlight Care Guides support for these large employers.

Castlight was incorporated in the State of Delaware in January 2008. Our Class B common stock began trading publicly on the New York Stock Exchange in March 2014 under the trading symbol “CSLT.” Our principal executive offices are located in San Francisco, California, and our Customer Center of Excellence is located in Sandy, Utah.

Castlight Health India Private Limited. In the second quarter of 2021, Castlight formed a wholly-owned subsidiary in India, Castlight Health India Private Limited ("Castlight India"), and made offers of employment to and hired approximately 100 former employees of a third-party vendor we had previously retained to support our product development efforts.

COVID-19 Update. During the second quarter of 2021, the global economy continued to experience the impact of the COVID-19 pandemic which initially caused us to curtail or modify employee travel; cancel physical participation in meetings, events, and conferences; and move to full remote work. Given the availability of vaccines and the substantial percentage of our employees who have been fully vaccinated against COVID-19, we implemented a return to work office protocol for employees located in our Utah Customer Center of Excellence and have re-opened our San Francisco and Sunnyvale, California offices to fully vaccinated employees. Our re-opening process remains subject to local health orders.

Although the COVID-19 pandemic has caused minor disruptions to our business operations, it has had a limited impact on our operating results overall and these minor disruptions did not impact the delivery of our products to our customers or users. During these uncertain times, we have used our core technology to help users, customers, and the community navigate through the COVID-19 pandemic, including, among other things, supporting our customers with COVID-19 education and communication of healthcare coverage changes; providing our symptom checker and COVID-19 testing site finder to the community at no charge; making our behavioral health solution available to all customers on the Castlight Complete platform for no additional cost; launching the Working Well and Working Well for Higher Education solutions which are aimed at helping employers and academic institutions manage safe workforce re-entry and campus openings, respectively; and supporting the work of Boston Children’s Hospital and the Centers for Disease Control and Prevention to manage inventory and data related to COVID-19 vaccines through vaccinefinder.org. Our initial agreement with Boston Children's Hospital, which was entered into in the fourth quarter of 2020, provides for payments to the Company totaling $8.5 million. In April 2021, our engagement with Boston Children's Hospital was extended to mid-2022 to include additional development and ongoing support.

The amended agreement provides for additional payments of $9.0 million. We recognize revenue from this agreement as revenue from professional services.

The potential duration, and extent of the impact, of the COVID-19 pandemic on our future liquidity and operational performance will depend on certain developments, including the duration and spread of the outbreak, the continued impact on our customers' operations and the global economy generally, and the continued impact to our sales and renewal cycles. We continue to consider the potential impact of the COVID-19 pandemic on our business operations. The uncertainty of the COVID-19 pandemic affects our management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions as additional events and information become known.

For further discussion of the possible impact of the COVID-19 pandemic on our business, financial condition, and results of operations, see the risk factor entitled "*The COVID-19 pandemic has had a material adverse impact on the U.S. and global economies and could have a material adverse impact on our employees, suppliers, customers and users, which has negatively impacted our business, financial condition and results of operations and which could materially impact us in the future*" in Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q.

Key Factors Affecting Our Performance

Sales of Products. Our revenue growth rate and long-term profitability are affected by our ability to sell products to new and existing customers, directly and through our channel partners. Additionally, we believe that there is a significant opportunity to sell subscriptions to add-on 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.

Ecosystem Partnerships. We have relationships with digital health partners that integrate with our platform to provide a more streamlined experience for our customers and users. We also have many third-party benefit solutions integrated with our products to enable simplified procurement and effortless access to these programs to our users. We believe these partnerships enable a single user experience that is essential to drive engagement and increase user satisfaction.

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 product offerings are typically three to 12 months after entering into an agreement with a customer.

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 concluded that our implementation services are not distinct for accounting purposes. Accordingly, we recognize implementation services revenue in the same manner as the associated subscription revenue, which is recognized on a straight-line basis, ratably over the contract term.

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 second half of the year, compared to the first half of the year. 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 ("ARR")

	As of	
	June 30, 2021	**December 31, 2020**
	(in millions)	
Signed Annual Recurring Revenue	$ 128.2	$ 126.7

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 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 12 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 services. ARR is not determined in reference to GAAP.

As of June 30, 2021, ARR totaled $128.2 million compared to $126.7 million as of December 31, 2020. The net increase of approximately 1% is primarily attributable to upsells and renewals, partially offset by churn.

Components of Results of Operations

Revenue

We generate revenue from subscription fees from customers for access to the products they select. We also earn revenue from professional services primarily related to the implementation of our offering, products sold through our online marketplace and add-on subscription products made available from our ecosystem partners.

Our subscription fees are based primarily on the number of users that employers identify as eligible to use our offering, which typically includes all of our customers' employees and adult dependents that receive health benefits.

Typically, we recognize subscription fees on a straight-line basis ratably over the contract term beginning when our products are implemented and ready for launch. 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 where revenue has been recognized are reflected as contract assets and recorded as accounts receivable and other in our condensed consolidated balance sheets.

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, bonuses, benefits and stock-based compensation), hosting costs of our cloud-based subscription service, cost of subcontractors, expenses for service delivery (which includes call center support), amortization of internal-use software, depreciation of owned computer equipment and software, amortization of certain intangibles, and allocated overhead.

Cost of professional services and other revenue consists primarily of employee-related expenses (including salaries, bonuses, benefits and stock-based compensation) associated with these services, the cost of subcontractors, 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 subscription revenue is expensed as we incur the costs. The cost of professional services and other revenue, to the extent they are incurred and are directly attributable to fulfillment of performance obligations under a customer contract, are deferred and amortized over the benefit period of five years.

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, amortization of certain intangibles and allocated overhead. Commissions earned by our sales force and third-party referral fees are deferred and amortized generally over a period of five years.

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 IT, 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue:				
Subscription	87 %	97 %	89 %	97 %
Professional services and other	13 %	3 %	11 %	3 %
Total revenue, net	100 %	100 %	100 %	100 %
Cost of revenue:				
Cost of subscription	22 %	25 %	23 %	26 %
Cost of professional services and other	12 %	11 %	13 %	11 %
Total cost of revenue	34 %	36 %	36 %	37 %
Gross margin	66 %	64 %	64 %	63 %
Operating expenses:				
Sales and marketing	20 %	22 %	20 %	24 %
Research and development	35 %	37 %	35 %	36 %
General and administrative	18 %	18 %	18 %	17 %
Goodwill impairment	— %	— %	— %	67 %
Total operating expenses	73 %	77 %	73 %	144 %
Operating loss	(7) %	(13) %	(9) %	(81) %
Other income, net	— %	— %	— %	1 %
Net loss	(7) %	(13) %	(9) %	(80) %

Revenue

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	% Change	$ Change	2021	2020	% Change	$ Change
	(In thousands, except percentages)							
Revenue:								
Subscription	$ 31,128	$ 34,289	(9)%	$ (3,161)	$ 63,238	$ 72,672	(13)%	$ (9,434)
Professional services and other	4,475	1,211	270%	3,264	7,424	1,873	296%	5,551
Total revenue, net	$ 35,603	$ 35,500	—%	$ 103	$ 70,662	$ 74,545	(5)%	$ (3,883)

Subscription revenue for the three months ended June 30, 2021 decreased by $3.2 million, or 9%, primarily due to customer terminations, partially offset by customer launches. Professional services and other revenue increased primarily due to revenue from Boston Children's Hospital in the three months ended June 30, 2021.

Subscription revenue for the six months ended June 30, 2021 decreased by $9.4 million, or 13%, primarily due to customer terminations and a significant cancellation fee for one customer in the first quarter of 2020, partially offset by customer launches. Professional services and other revenue increased primarily due to revenue from Boston Children's Hospital in the six months ended June 30, 2021.

Costs of Revenue and Operating Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	% Change	$ Change	2021	2020	% Change	$ Change
	(In thousands, except percentages)							
Cost of revenue:								
Subscription	$ 7,977	$ 8,819	(10) %	$ (842)	$16,076	$ 19,051	(16) %	$ (2,975)
Professional services and other	4,181	3,942	6 %	239	8,838	8,183	8 %	655
Total cost of revenue	$ 12,158	$ 12,761	(5) %	$ (603)	$ 24,914	$ 27,234	(9) %	$ (2,320)
Gross margin (loss) percentage:								
Subscription	74 %	74 %			75 %	74 %		
Professional services and other	7 %	(226)%			(19)%	(337)%		
Total gross margin	66 %	64 %			65 %	63 %		
Gross profit	$ 23,445	$ 22,739	3 %	$ 706	$ 45,748	$ 47,311	(3) %	$ (1,563)

Cost of subscription revenue for the three months ended June 30, 2021 decreased by $0.8 million, or 10%, primarily due to decreases of $0.7 million of third-party contractor and professional service fees.

Cost of subscription revenue for the six months ended June 30, 2021 decreased by $3.0 million, or 16%, primarily due to decreases of $2.0 million of third-party contractor and professional service fees, $0.4 million of hosting costs, and $0.3 million of data fees.

Cost of professional services revenue for the three months ended June 30, 2021 increased by $0.2 million, or 6%, primarily due to an increase of $0.9 million of employee-related expenses, partially offset by decreases of $0.3 million of severance-related costs and $0.2 million of third-party contractor and professional service fees.

Cost of professional services revenue for the six months ended June 30, 2021 increased by $0.7 million, or 8%, primarily due to an increase of $1.5 million of employee-related expenses, partially offset by decreases of $0.4 million of third-party contractor and professional service fees and $0.3 million of severance-related costs.

Gross margin for the three months ended June 30, 2021 increased primarily due to a 5% decrease in costs of revenue.

Gross margin for the six months ended June 30, 2021 increased primarily due to a 9% decrease in costs of revenue, partially offset by a 5% decrease in revenue.

Sales and Marketing

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	% Change	$ Change	2021	2020	% Change	$ Change
	(In thousands, except percentages)							
Sales and marketing	$ 7,208	$ 7,683	(6) %	$ (475)	$ 14,121	$ 18,155	(22) %	$ (4,034)

Sales and marketing expense for the three months ended June 30, 2021 decreased by $0.5 million, or 6%, primarily due to decreases of $0.3 million of severance-related costs and $0.2 million of third-party contractor and professional service fees.

Sales and marketing expense for the six months ended June 30, 2021 decreased by $4.0 million, or 22%, primarily due to decreases of $2.0 million of employee-related expenses, $0.5 million of third-party contractor and professional service fees, $0.3 million of travel-related expenses, $0.3 million of marketing costs and $0.3 million of severance-related costs.

Research and Development

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	% Change	$ Change	2021	2020	% Change	$ Change
	(In thousands, except percentages)							
Research and development	$ 12,316	$ 13,043	(6) %	$ (727)	$ 24,429	$ 26,865	(9) %	$ (2,436)

Research and development expense for the three months ended June 30, 2021 decreased by $0.7 million, or 6%, primarily due to decreases of $0.7 million of severance-related costs and $0.6 million of third-party contractor and professional service fees, partially offset by an increase of $0.7 million of employee-related expenses. The decrease in third-party contractor and professional service fees and the increase in employee-related expenses are primarily attributable to the hiring by our newly-formed subsidiary, Castlight India, of an engineering development team in India which had been employed previously by a third-party vendor.

Research and development expense for the six months ended June 30, 2021 decreased by $2.4 million, or 9%, primarily due to decreases of $1.1 million of third-party contractor and professional service fees, $0.7 million of severance-related costs and $0.6 million of employee-related expenses.

General and Administrative

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	% Change	$ Change	2021	2020	% Change	$ Change
	(In thousands, except percentages)							
General and administrative	$ 6,366	$ 6,340	— %	$ 26	$ 12,732	$ 12,916	(1) %	$ (184)

General and administrative expense for the three months ended June 30, 2021 remained relatively flat, primarily due to an increase of $1.5 million of employee-related expenses, offset by decreases of $0.7 million of third-party contractor and professional service fees, $0.5 million of severance-related costs, and $0.3 million of insurance, taxes and fees.

General and administrative expense for the six months ended June 30, 2021 decreased by $0.2 million, or 1%, primarily due to decreases of $1.3 million of third-party contractor and professional service fees and $0.5 million of severance-related costs, partially offset by an increase of $1.7 million of employee-related expenses.

Liquidity and Capital Resources

	Six Months Ended June 30,	
	2021	2020
	(In thousands)	
Net cash provided by (used in) operating activities	$ 12,199	$ (11,262)
Net cash (used in) provided by investing activities	(245)	13,108
Net cash used in financing activities	(471)	(589)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(19)	—
Net increase in cash, cash equivalents and restricted cash	$ 11,464	$ 1,257

As of June 30, 2021, our principal source of liquidity was cash totaling $60.7 million, which was held for working capital purposes.

Since our inception, we have financed our operations primarily through sales of equity securities and receipts from our customers. We believe that our existing cash 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, new customer acquisitions, subscription renewal activity, the timing and extent of spending to support development efforts, the introduction of new and enhanced service offerings and the continuing market acceptance of our cloud-based subscription services. 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, we may in the future enter into these types of arrangements.

We process certain vendor payments using a financial institution's credit card program, which carries a $20.0 million limit. We pay the financial institution monthly based on the terms of the credit card program.

On May 5, 2020, we entered into the Third Amended and Restated Loan and Security Agreement (the "Amended Loan Agreement") with Silicon Valley Bank (the "Bank"). Under the Amended Loan Agreement, the Bank agreed to extend a $25.0 million revolving credit facility (the “Revolving Line”) to us. We may request borrowings under the Revolving Line prior to May 4, 2023, on which date the Revolving Line terminates. Refer to Note 7 - Debt to the condensed consolidated financial statements for additional information on debt.

We may be required to seek additional equity or debt financing in the future. 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. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. For additional information regarding risks related to debt or equity financings, see the risk factor entitled "*We may require additional capital to support business growth, and this capital might not be available to us on acceptable terms, or at all*" in Part II, Item 1A, “Risk Factors” of this Quarterly Report on Form 10-Q.

Operating Activities

Cash provided by operating activities for the six months ended June 30, 2021 was $12.2 million and cash used in operating activities for the six months ended June 30, 2020 was $11.3 million. Cash provided by operations reflected our net loss of $5.4 million for the six months ended June 30, 2021, adjusted by $15.5 million in non-cash expenses, including:

- Stock-based compensation expense of $6.3 million;
- Amortization and impairment of deferred costs of $3.7 million;
- Depreciation and amortization of $3.2 million; and
- Non-cash operating lease expense of $2.2 million.

Changes in assets and liabilities for the six months ended June 30, 2021 resulted in a net source of cash of $2.1 million, which included the following:

Sources of Cash

- Accounts receivable decreased $10.0 million, primarily as a result of the timing of billings and collections;
- Deferred revenue increased $2.6 million.

Uses of Cash

- Accrued compensation decreased $1.5 million;
- Payments of operating lease liabilities of $2.8 million;
- Accounts payable decreased $1.5 million, primarily due to timing of payments and vendor invoicing;
- Accrued expenses and other liabilities decreased $1.9 million;
- Prepaid expenses and other assets increased $2.0 million; and
- Deferred costs increased $0.7 million.

Investing Activities

Cash used in investing activities for the six months ended June 30, 2021 was $0.2 million and cash provided by investing activities for the six months ended June 30, 2020 was $13.1 million, respectively. Cash used in investing activities during the six months ended June 30, 2021 was attributable to $0.2 million of purchase of property and equipment.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2021 and 2020 was $0.5 million and $0.6 million, respectively. Cash used in financing activities during the six months ended June 30, 2021 was due to principal payments on debt of $0.9 million, partially offset by proceeds from exercises of employee stock options of $0.2 million and ESPP offering of $0.2 million.

Contractual Obligations and Commitments

Our principal commitments primarily consist of debt obligations and lease obligations for office space and data centers. 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. Contractual agreements represent future cash commitments and liabilities under agreements with third parties and exclude purchase orders for goods and services. See Note 7 – Debt to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of our borrowings. Other than our borrowings described in Note 7 – Debt and lease obligations, we do not have any other debt arrangements. We do not have any material non-cancelable purchase commitments as of June 30, 2021.

Critical Accounting Policies and Estimates

There were no significant changes to our critical accounting policies and estimates during the six months ended June 30, 2021, from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, SEC rules do not require us to provide the information required by this Item.

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. Our management recognizes that there are inherent limitations in the effectiveness of any internal control and that effective internal control over financial reporting may not prevent or detect misstatements. In addition, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Based on our management's evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2021, 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. We are continually monitoring the COVID-19 pandemic to minimize any impact of the situation on the design and operating effectiveness of our internal controls.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, see Note 8 - Contingencies of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

From time to time, we may become subject to legal proceedings, claims or litigation arising in the ordinary course of business. We are not presently a party to any other legal proceedings that in the opinion of our management, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows.

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.

Summary of Risk Factors

The following is a list of our material risks and uncertainties. Please refer to the full text of the risk factors that appear below this summary for an explanation of how these risks and uncertainties may affect our business.

Risks Related to Our Business

- We rely on Anthem for a substantial portion of our revenue.
- 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.
- If our existing customers, including health plan 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 be harmed.
- Our growth depends in part on the success of our strategic relationships with third parties.
- We operate in a competitive industry. If we are not able to compete effectively, our business and operating results will be harmed.
- Our business depends, in part, on sales, direct or indirect, to government organizations, and significant changes in the contracting or fiscal policies of such government organizations could have an adverse effect on our business and operating results.
- 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.
- Any failure by us to offer high-quality technical support services may adversely affect our relationships with our customers and harm our reputation and financial results.
- If we cannot implement our offerings for customers in a timely manner, we may lose customers and our reputation and financial results may be harmed.
- Our marketing efforts depend significantly on our ability to receive positive references from our existing customers.
- If our security measures are breached and customers' data are compromised, our offerings may be perceived as insecure, we may incur significant liabilities, our reputation may be harmed and we could lose sales and customers.
- We have a history of significant GAAP losses, which we expect to continue for the foreseeable future, and we may never achieve or sustain profitability in the future.
- The market for our offerings is immature and volatile, and if it does not further develop, if it develops more slowly than we expect, or if our offerings do not drive employee engagement, the growth of our business will be harmed.
- 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.

- Our ability to deliver our full offerings to customers depends in substantial part on our ability to access data and other resources that are managed by a limited number of health plans and other third parties.
- A significant portion of our revenue comes from a limited number of customers, the loss of which would adversely affect our financial results.
- 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.
- 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 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.
- 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.
- 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 offerings obsolete or require us to expend significant resources in order to remain competitive.
- 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 use of and reliance upon technology and development resources in India may expose us to unanticipated costs and liabilities.
- We depend on data centers operated by third parties for our offerings, and any disruption in the operation of these facilities could adversely affect our business.
- 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.
- 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, as a result, our business may be harmed.
- If we fail to develop widespread brand awareness cost-effectively, our business may suffer.
- 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.
- Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.
- We could incur substantial costs as a result of any claim of infringement of another party’s intellectual property rights.
- Our use of open source technology could impose limitations on our ability to commercialize our software platform.
- 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.
- We are a smaller reporting company and may elect to comply with reduced public company reporting requirements applicable to smaller reporting companies, which could make our common stock less attractive to investors.

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.
- If we are unable to meet the continued listing requirements of the NYSE, the NYSE may delist our Class B common stock.
- If there are substantial sales of shares of our Class B common stock, the price of our Class B common stock could decline.
- The dual class structure of our Class A and Class B common stock will have the effect of concentrating significant voting influence or control with our directors and their affiliates; this will limit or preclude a stockholder's ability to influence corporate matters.
- 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.
- 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.

General Risks

- The COVID-19 pandemic has had a material adverse impact on the U.S. and global economies and could have a material adverse impact on our employees, suppliers, customers and users, which has negatively impacted our business, financial condition and results of operations and which could materially impact us in the future.
- Our quarterly results may fluctuate significantly, which could adversely impact the value of our Class B common stock.
- 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.
- 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.
- 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.
- We may face risks related to securities litigation that could result in significant legal expenses and settlement or damage awards.
- The development and expansion of our business through acquisitions of other companies or technologies or other strategic transactions could divert our management’s attention, result in dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.
- Changes in accounting principles may cause previously unanticipated fluctuations in our financial results, and the implementation of such changes may impact our ability to meet our financial reporting obligations.
- We incur significantly increased costs and devote substantial management time as a result of operating as a public company.
- Natural or man-made disasters and other similar events may significantly disrupt our business and negatively impact our results of operations and financial condition.

Risks Related to Our Business

We rely on Anthem for a substantial portion of our revenue.

Our sales strategy relies on relationships we have developed with Anthem, Inc. ("Anthem") as well as relationships we have built or are working to build with other health plans, including Cigna Corporation and Blue Cross Blue Shield Alabama. In October 2019, we entered into new agreements with Anthem whereby various services previously provided to Anthem’s customers on a disaggregated basis under separate service order forms were consolidated under a Software-as-a-Service Agreement (the “SaaS Agreement”). Under the SaaS Agreement, Anthem is committed to paying us significant annual license fees for calendar years 2020 and 2021 and the first six months of 2022, which is likely to constitute a substantial amount of our revenue for such periods. Revenue from Anthem, under our agreement, constituted approximately 47% of our total revenue for the year ended December 31, 2020. If the SaaS Agreement were to be terminated by Anthem under its terms, or if Anthem breaches the terms of the SaaS Agreement, our business would be materially harmed.

While our current growth strategy includes investing resources in pursuing relationships with other health plans to leverage what we have experienced with Anthem, developing these relationships will take time, require significant upfront investment, and divert our attention from other opportunities. In addition, the concentration of a material portion of business with any given partner such as Anthem could create tensions with other companies with which we do business, including health plans upon which we rely to receive data and offer our services. If we are unable to successfully enter into new business relationships and diversify our revenue stream, our business would be materially adversely affected.

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.

In prior years, we derived a substantial majority of our revenue from sales of our legacy care guidance platform, and our continued growth depends in part on our ability to successfully develop and sell new products and services to new and existing customers. We continue to introduce a number of products and cross-sells, such as our recent offerings of Castlight Complete, Care Guidance Navigator, Wellbeing Navigator, Castlight Care Guides and Working Well, as well as health plan solutions. We have also invested, and will continue to invest, significant resources in research and development to enhance our existing offerings 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 employer preferences or our industry changes, or if we are unable to modify our offerings 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.

If our existing customers, including health plan 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 be harmed.

We expect to derive a significant portion of our revenue from renewal of existing customer agreements, including existing and future agreements with health plan customers or prospective customers, 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.

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 offerings, terms of those renewals, and our ability to sell additional products and services include:

- the price, performance and functionality of our offerings;
- 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 offerings that we provide through health plans or other channel partners to opt to use the lower-functionality versions of our offerings;
- the potential for customers to use competing solutions developed by health plans themselves;
- 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 care guidance offerings 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 (which may be further implicated by the current COVID-19 pandemic), which affect subscription fees we are able to bill for.

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 offerings 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 offerings 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 direct or indirect customers fail to renew their agreements, renew their agreements upon less favorable terms or at lower fee levels, or decline 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 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 12 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.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on our relationships with third parties. Apart from health plan customers or potential customers, channel partners such as benefit consultants and data partners, our offerings also include the integration of products supplied by strategic partners who offer complementary products and services. We rely on these strategic partners to timely and successful deploy our offerings to our customers. If the products provided by these partners have defects or do not operate as expected, the services provided by these partners are not completed in a timely manner, our partners have organizational or supply issues, or we do not effectively integrate and support products supplied by these strategic partners, we may have difficulty deploying our offerings which could result in loss of, or delay in, revenues, increased service and support costs, and a diversion of development resources. In addition, our reliance on sales through, or facilitated by, third parties 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 such relationships.

We also may compete in some areas with these same strategic partners. If these strategic partners fail to perform or choose not to cooperate with us on certain projects, in addition to the effects described above, we could experience loss of customers and market share, and failure to attract new customers or achieve and maintain market acceptance for our products. Identifying partners, negotiating and documenting relationships, and building integrations with them requires significant time and resources. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results may suffer. Even if we are successful, we can provide no assurance that these relationships will result in increased customer use of our platform or increased revenue.

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

The health navigation market is evolving and highly competitive. We face competitive pressure from a number of traditional digital health categories, as specialists in navigation, wellbeing, concierge, care guidance, and member engagement converge to compete in this market. Our most common and significant competitors include Accolade, Quantum, Grand Rounds, Evive, Alight, and Virgin Pulse. In addition to competitive pressure in our core category, we continue to experience competitive pressures from a number of vendors who remain more narrowly focused on just one area of historical demand for Castlight, including:

- *Care Guidance competitors*: ClearCost Health, Sapphire Digital (formerly Vitals), Healthcare Bluebook, HealthAdvocate, HealthSparq; and

- *Wellbeing competitors*: Limeade, Sharecare, Welltok, and Vitality.

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 offerings to customers, have in some cases developed or acquired their own wellbeing and care guidance 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, Anthem, Inc., and UnitedHealth Group, Inc. (Rally and Health Care Services Corporation). 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 addition, 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 offerings 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 may in the future establish, cooperative relationships with vendors of complementary products, technologies or services to increase the availability of their solutions in the marketplace.

The field of healthcare and healthcare related services is subject to change, and there has been consolidation in the industry. 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 narrower solution, which could create additional price pressure. In light of these factors, even if our offerings are more effective than those of our competitors, current or potential customers might accept competitive offerings in lieu of purchasing our offerings.

Our business depends, in part, on sales, direct or indirect, to government organizations, and significant changes in the contracting or fiscal policies of such government organizations could have an adverse effect on our business and operating results.

We currently derive a portion of our revenue from a subcontract with Boston Children's Hospital under its master contract with the Centers for Disease Control and Prevention, a U.S. government agency, and we may seek opportunities to contract, directly or indirectly, with additional public sector customers in the future. However, demand from government organizations is often unpredictable, and we cannot assure you that we will be able to maintain or grow our revenue from the public sector. Sales to government entities are subject to substantial risks, including, but not limited to, the following:

- Highly competitive, expensive, and time-consuming sales cycles that often require significant upfront time and financial investment without any assurance of success;
- U.S. or other government certification requirements applicable to our platform, including the Federal Risk and Authorization Management Program, are often difficult and costly to obtain and maintain, and failure to do so will restrict our ability to sell to government customers;
- Impacts on government demand and payment for our services by changes in administration, public sector budgetary cycles, and funding authorizations; and
- Routine investigations and audits by governments of its contractors' administrative processes and any unfavorable results of such investigations or audits that may result in fines, civil or criminal liability, further investigations, damage to our reputation, or debarment from further government business.

The occurrence of any of the foregoing factors could cause governments and governmental agencies to delay or refrain from purchasing our services in the future or otherwise have an adverse effect on our business and operating results. In addition, our current subcontract with Boston Children's Hospital is specific to the COVID-19 pandemic, and will not continue once the pandemic is mitigated.

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 issues that prevent our proprietary products from operating properly. We are currently developing new features and services in our proprietary software for all of our offerings. If any of our offerings fail to function reliably or fail 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. This includes products we develop ourselves, as well as those we integrate into our platform ecosystem and resell. 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 offerings 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 navigation platform might discourage existing or potential customers from purchasing our offerings 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.

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

Our customers depend on our support organization to resolve any technical issues relating to our offerings. In addition, our sales process is highly dependent on the quality of our offerings, 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, would harm our reputation, adversely affect our ability to sell our offerings to existing and prospective customers, and harm our business, operating results and financial condition.

We offer technical support services with our offerings 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.

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

Our customers have a variety of different data formats, enterprise applications and infrastructure and our offerings 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 may have to 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 offerings 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 offerings, or not to use our offerings 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 and lower implementation costs could penetrate our customer relationships.

Additionally, large and demanding 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 offerings 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 offerings, or if a customer or its employees are not satisfied with our quality of work, our offerings 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 prepaid 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 offerings 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.

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 offerings 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.

If our security measures are breached and customers' data are compromised, our offerings may be perceived as insecure, we may incur significant liabilities, our reputation may be harmed and we could lose sales and customers.

Our offerings involve the storage and transmission of customers' proprietary information, personally identifiable information, and PHI of our customers' employees and their dependents, which is regulated under HIPAA. Because of the extreme sensitivity of this information, the security features of our offerings 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 PHI. 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. Additionally, many of our employees transitioned to remote working arrangements as a result of the COVID-19 pandemic, which has amplified our reliance on computer systems and on our continued need for unimpeded access to the Internet to use those systems. An extended period of remote work arrangements could strain our business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair our ability to manage our business.

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 offerings 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 such insurance may not be available for renewal on acceptable terms or at all, 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 PHI.

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. Third parties may also attempt to fraudulently induce our employees or customers and their employees into disclosing sensitive information such as user names, passwords or other information or otherwise compromise our security measures in order to gain access to customer information, which could result in significant legal and financial exposure, a loss of confidence in the security of our offerings, interruptions or malfunctions in our operations, and, ultimately, harm to our future business prospects and revenue. Because our offerings offer single sign-on capabilities for our customers and their employees to point solutions offered by our partners, unauthorized access to our offerings could also result in security breaches of customer information and data in offerings by our partners. We may be required to expend significant capital and financial resources to invest in security measures, protect against such threats or to alleviate problems caused by breaches in security. 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.

We have a history of significant GAAP 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 GAAP net losses in each year since our incorporation in 2008 and currently expect to continue to incur GAAP net losses for at least 2021. We experienced GAAP net losses of $5.4 million, $62.2 million (inclusive of a non-cash goodwill impairment charge of $50.3 million during the first quarter of 2020), $40.0 million and $39.7 million for the six months ended June 30, 2021 and the years ended December 31, 2020, 2019 and 2018, respectively. As of June 30, 2021, we had an accumulated deficit of $522.6 million. The GAAP losses and accumulated deficit were primarily due to the substantial investments we made to grow our business, enhance our technology and offerings through research and development and acquire and support customers. Many of our efforts to generate revenue from our business are new and unproven to us, 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 GAAP 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 GAAP losses, combined with our expected future GAAP losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital. We expect to continue to incur GAAP 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, or at all.

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

Our market is immature and volatile, 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 navigation platform, the ability of our products to increase user engagement, as well as on our ability to demonstrate the value of our offerings 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 offerings or our offerings do not drive employee engagement, then our market might develop more slowly than we expect, or even shrink, which could significantly and adversely affect our operating results. In addition, we have limited insight into trends that might develop and affect our business. If customer demand for a combined suite of offerings is lower than expected, our business will be harmed and our operating results will suffer. We might also 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 and adversely affect our business, financial condition or results of operations.

Moreover, we are making significant investments in building a team and strategy to allow us to sell our solution to health plans, to power services they provide to their own customers, such as we have with Anthem. We have undertaken these efforts and made these investments based on our belief that health plan customers would prefer to use our solution, rather than build one of their own, or use a solution offered by one of our competitors. However, if health plan demand for our solution is lower than expected, then our business will be harmed and our operating results will suffer.

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 offerings and related services, particularly in the case of large enterprises that in the past have requested or required 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 offerings or delivering a successful customer experience, a customer could terminate or decline 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.

Similarly, we will devote significant upfront costs to developing health plan relationships, through which we expect to our services to the health plans to power their own offerings. We expect these efforts to have long lead times and require significant upfront investment by us. As part of our sales efforts, these health plans may require specific features or functions unique to their own particular businesses. Our operating results will depend in substantial part also on our ability to deliver a successful experience and persuade health plans to maintain and grow our relationships over time. If we are unable to make meaningful sales to health plans, our business will be harmed and our operating results will suffer.

Our ability to deliver our full offerings to customers depends in substantial part on our ability to access data and other resources that are managed by a limited number of health plans and other third parties.

In order to deliver the full functionality offered by our health navigation 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 offerings 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 offerings 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.

In addition, in order to deliver current and potential future functionality of our full health navigation platform, including third-party integrated services, we need access to other resources and services that are largely or fully controlled by third-party integration partners. While we have developed, and expect to continue to develop, relationships with third parties in order to allow us and our customers to access these resources and services, we are exposed to the risk that third parties may limit or eliminate our access, which would hinder our ability to provide certain integrated health navigation functionality to our customers and harm our business.

The health plans and other third parties with which we currently work may, in the future, change their position and limit or eliminate our access to data and resources, increase the costs for access, provide data and resources to us in more limited or less useful formats, or restrict our permitted uses of data and resources. Furthermore, some health plans and third parties that we rely on to supply data and resources have developed or are developing their own proprietary products and services that may compete with aspects of our platform, and so may perceive continued cooperation with us as a competitive disadvantage and choose to limit or discontinue our access to these data and resources. Failure to continue to maintain and expand our access to suitable pricing and other data and resources may adversely impact our ability to continue to serve existing customers and expand our offerings to new customers.

If our access to the data and resources necessary to deliver health navigation functionality is eliminated, 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.

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 six months ended June 30, 2021, our top 10 customers by revenue accounted for approximately 78% of our total revenue. We expect the top 10 concentration to increase as we pursue our strategy of selling to health plans. 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, renewal terms 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 navigation 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 offerings meet a customer's unique benefits program needs, that frequently involves not only the review of our offerings 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 offerings. 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 offerings 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. 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 and wellness industries are heavily regulated and constantly evolving due to the changing political, legislative and regulatory landscape and other factors. Many health care and wellness 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. By offering third-party partner applications we may become subject to additional regulations that don't ordinarily apply to our own core business. 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 offerings 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 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 ("PHI"). The Health Information Technology for Economic and Clinical Health Act ("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 customers to work with us and negatively affect our sales and operating results.

In addition, we are subject to various state laws, including the California Consumer Privacy Act ("CCPA"), which recently was enacted by California. The CCPA requires, among other things, that covered companies to provide new disclosures to California consumers, and affords such consumers new abilities to opt-out of certain sales of personal information. It went into effect on January 1, 2020. Legislators may propose amendments to the CCPA, and it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted in practice. We cannot yet predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. In addition, the CCPA includes a private right of action related to security breaches. Less than one year after the CCPA became effective, California voters approved the California Privacy Rights Act ("CPRA"), a consumer privacy ballot initiative that amends and expands the CCPA. The CPRA affords California residents more control over their personal information, imposes heightened compliance requirements, and establishes a new enforcement agency dedicated to consumer privacy. The CPRA's substantive provisions become effective January 1, 2023.

We also have ongoing compliance obligations with respect to applicable portions of the EU General Data Protection Regulation ("GDPR"), which became effective on May 25, 2018, which we have to comply with to the extent we have applicable users in the European Union, and we cannot assure you that our compliance efforts will be effective. 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.

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 offerings obsolete or require us to expend significant resources in order to remain competitive.

The U.S. health care industry is extensive and complex, 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, away from high deductible health plans, or the emergence of new technologies as more competitors enter our market, could result in our offerings being less desirable or relevant.

For example, we currently derive the majority of our revenue from customers that are self-insured employers. The demand for significant portions of our offerings depend 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 offerings 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 changes in the law like we saw with the Patient Protection and Affordable Care Act. 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 ACA, any amendment or repeal of the ACA, or other changes to the legal landscape causes our customers to change their health care benefits plans or move to use of exchanges such that it reduces the need for our offerings, 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 offerings to remain competitive.

If health care benefits trends shift or entirely new technologies, services or programs are developed that replace or disrupt 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 six months ended June 30, 2021 and 2020, our net cash provided by and used in operating activities was $12.2 million and $11.3 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, operation of and improvement to our applications' functionalities, 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.

Our debt financing may expose us to risks that could adversely affect our business, operating results or financial condition, and could prevent us from fulfilling our obligations under such indebtedness. On May 5, 2020, we entered into the Amended Loan Agreement with the Bank. Under the Amended Loan Agreement, the Bank agreed to extend a $25.0 million revolving credit facility to us. The Amended Loan Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our ability to, among other things, take certain corporate actions such as incurring indebtedness, entering into acquisitions, or paying dividends. We are also required to maintain compliance with liquidity ratios. The occurrence of an event of default under the Amended Loan Agreement could result in the acceleration of all outstanding obligations under the Amended Loan Agreement. Any additional 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 offerings that we otherwise would not relinquish. In addition, it may be difficult to obtain financing in the public markets or to obtain additional 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 use of and reliance upon technology and development resources in India may expose us to unanticipated costs and liabilities.

Some of our technology and development work is conducted in India and, during the second quarter of 2021, we formed an India subsidiary to directly recruit and hire a majority of the employees who were formerly engaged by our third-party vendor. As a result, we are directly exposed to certain additional risks, including, but not limited to:

- difficulty hiring and retaining engineering and management resources due to intense competition for such resources and resulting wage inflation;
- the potential diversion of management’s attention to oversee and direct operations that are geographically distant from our U.S. headquarters;
- differences in workplace cultures;
- compliance with multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy, and data protection laws and regulations;
- heightened exposure to changes in economic, security, and political conditions in India; and
- fluctuations in currency exchange rates.

In the past, our use of technology and development resources in India has helped drive operational efficiencies, contributed significantly to our product development efforts, and helped us manage the costs related thereto. However, difficulties resulting from the factors noted above and other risks related to our operations in India could limit our ability to realize future efficiencies, increase our expenses, and harm our competitive position. Any such developments could adversely affect our business, financial condition, and results of operations.

In addition, enforcement of intellectual property rights and confidentiality protections in India may not be as effective as in the United States or other countries. Policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to protect our trade secrets and confidential information. The experience and capabilities of Indian courts in handling intellectual property litigation vary, and outcomes are unpredictable. Further, such litigation may require significant expenditure of cash and management efforts and could harm our business, financial condition, and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, financial condition, and results of operations.

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

We provide our Castlight health navigation platform and wellbeing services through computer hardware that is currently located in geographically-dispersed, third-party data centers in the U.S., each of which is operated by the same IT hosting company. Some service features are augmented through the use of cloud services specializing in security, metrics, load balancing, and user experience. 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 and there could be performance or availability issues outside our control. 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 and hosting services are acquired or cease operations, we may be required to transfer our servers and other infrastructure to new data center facilities or hosting services, 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 or change and suspend their service offerings 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 and hosting locations or cause such data centers and systems to fail. Any changes in third-party service levels at our data centers and hosting locations or any disruptions or other performance problems with our product offerings 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.

Furthermore, in the second quarter of 2020, we launched the first directory of COVID-19 testing sites for public use, as well as Working Well, a solution to help employers and academic institutions manage re-entry in the wake of the COVID-19 pandemic. There may be limited evidence on which to evaluate the market reaction to products and services that may be developed and our marketing efforts for new products and services or products with new uses may not be successful. The market for products responding to the COVID-19 pandemic is in its early stages and its future development and acceptance by our customers is uncertain. As such, there can be no assurance that any products or services will obtain significant market acceptance and fill the market need that is perceived to exist on a timely basis, or at all. Additionally, if our solutions do not accurately or securely track the health of the relevant populations, our reputation may suffer, we may be exposed to liability, 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.

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, as a result, 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. This was true in the case of the Jiff acquisition, and may be true of any acquisitions we may make in the future. Any such acquisitions may present additional challenges to our ability to maintain our corporate culture. Any failure to preserve our culture could also negatively affect our reputation, our ability to attract and retain personnel, our ability to continue to build and advance our offerings 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 offerings 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 offerings.

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.

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 two 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 or 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 offerings 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 offerings infringe 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 offerings incorporate 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 offerings, discontinue sales of our offerings 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 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. 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.

We are a smaller reporting company and may elect to comply with reduced public company reporting requirements applicable to smaller reporting companies, which could make our common stock less attractive to investors.

We are a “smaller reporting company,” meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a “smaller reporting company,” and have either: (i) a public float of less than $250 million or (ii) annual revenues of less than $100 million during the most recently completed fiscal year and (A) no public float or (B) a public float of less than $700 million. As a “smaller reporting company,” we are subject to reduced disclosure obligations in our SEC filings compared to other issuers, including with respect to disclosure obligations regarding executive compensation in our periodic reports and proxy statements. Until such time as we cease to be a “smaller reporting company,” such reduced disclosure in our SEC filings may make it harder for investors to analyze our operating results and financial prospects.

If some investors find our common stock less attractive as a result of any choices to reduce future disclosure we may make, there may be a less active trading market for our common stock and our stock price may be more volatile.

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 initial 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;
- the COVID-19 pandemic and any associated economic downturn;
- 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, including same day sales to cover tax withholdings as a result of settlement of restricted stock units;
- 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 or have threatened other actions, including proxy contests. If we were to become involved in new securities litigation or become subjected to a proxy contest, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

If we are unable to meet the continued listing requirements of the NYSE, the NYSE may delist our Class B common stock.

On March 30, 2020, we received written notification from the NYSE that the average closing price of our Class B common stock had fallen below $1.00 per share over a period of 30 consecutive trading days, which is the minimum average closing share price required to maintain listing under Section 802.01C of the NYSE Listed Company Manual. On September 1, 2020, we regained compliance with NYSE listing requirements after our average closing price for the 30 trading days ended August 31, 2020 and our closing price on August 31, 2020 both exceeded $1.00 per share.

If in the future our trading price fails to comply with NYSE listing standards, we may receive an additional deficiency notice. In the future, we could elect to regain compliance by implementing a reverse stock split, such that the price of our Class B common stock would promptly exceed $1.00 per share, provided that the price must remain above that level for at least the following 30 trading days. At our 2020 stockholders' meeting, our stockholders approved providing the Board with the ability to execute a reverse stock split should the Board decide it was necessary or advisable; however, we were able to trade above the NYSE minimum for a sufficient period of time that a reverse stock split was not required in order for us to regain compliance.

Our Class B common stock could also be delisted if (i) our average market capitalization over a consecutive 30 trading-day period is less than $15 million, or (ii) our Class B common stock trades at an “abnormally low” price. In either case, we would not have an opportunity to cure the deficiency, and, as a result, our Class B common stock would be suspended from trading on the NYSE immediately, and the NYSE would begin the process to delist our Class B common stock, subject to our right to appeal under NYSE rules. If this were to occur, there is no assurance that any appeal we undertake in these or other circumstances would be successful, nor is there any assurance that we will continue to comply with the other NYSE continued listing standards.

Failure to maintain our NYSE listing could negatively impact us and our stockholders by reducing the willingness of investors to hold our Class B common stock because of the resulting decreased price, liquidity and trading of our Class B common stock, limited availability of price quotations, and reduced news and analyst coverage. These developments may also require brokers trading in our Class B common stock to adhere to more stringent rules and may limit our ability to raise capital by issuing additional shares in the future. Delisting may adversely impact the perception of our financial condition and cause reputational harm with investors and parties conducting business with us. In addition, the perceived decreased value of employee equity incentive awards may reduce their effectiveness in encouraging performance and retention.

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.

The dual class structure of our Class A and Class B common stock will have the effect of concentrating significant voting influence or control with our 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 in large part consist of our founders, early investors, directors, and current and former employees, will continue to be able to exert significant influence over the corporate matters listed above if any such matter is submitted to our stockholders for approval even if they own less than 50% of the outstanding shares of our Class A and Class B common stock, combined. As of June 30, 2021, holders of our Class A common stock owned approximately 18% of the outstanding shares of our Class A and Class B common stock, combined; however, holders of our Class A common stock, including our directors and their affiliates, have approximately 68% of the voting power of our outstanding capital stock with respect to the matters specified 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, 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 significantly influence 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 and actions related to securities claims can only be brought in federal court.
- 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.
- 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 June 30, 2021, holders of our Class A common stock owned approximately 18% and holders of our Class B common stock owned approximately 82% 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 approximately 68% and holders of our Class B common stock have approximately 32% of the total voting power 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 approximately 18% and holders of our Class B common stock have approximately 82% of the total voting power.
- In addition, in December 2020, we amended and restated our restated bylaws to provide that the federal district courts of the United States will, to the fullest extent permitted by law, be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (such provision, a "Federal Forum Provision"). Our decision to adopt a Federal Forum Provision followed a decision by the Supreme Court of the State of Delaware holding that such provisions are facially valid under Delaware law. While there can be no assurance that federal or state courts will follow the holding of the Delaware Supreme Court or determine that the Federal Forum Provision should be enforced in a particular case, application of the Federal Forum Provision means that suits brought by our stockholders to enforce any duty or liability created by the Securities Act of 1933, as amended, must be brought in federal court and cannot be brought in state court.

General Risks

The COVID-19 pandemic has had a material adverse impact on the U.S. and global economies and could have a material adverse impact on our employees, suppliers, customers and users, which has negatively impacted our business, financial condition and results of operations and which could materially impact us in the future.

During the first quarter of 2020, a novel coronavirus disease ("COVID-19") was declared a global pandemic by the World Health Organization and has resulted in the imposition by national, state and local governments of numerous, unprecedented, national and international measures to try to contain the virus, including travel bans and restrictions, shutdowns, quarantines, shelter-in-place and social distancing orders, many of which have adversely impacted consumer spending, global capital markets and the global economy.

The COVID-19 pandemic has caused us to modify our business practices, including but not limited to: instituting a workforce reduction in May 2020 representing 13% of our headcount; implementing a temporary base salary reduction for executive management, directors and other employees, which was restored in mid-November 2020; curtailing or modifying employee travel; cancelling physical participation in meetings, events and conferences; and moving to full remote work for certain offices. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. In light of the availability of vaccines against COVID-19 and the percentage of our employees who have been fully vaccinated, our San Francisco and Sunnyvale, California offices are currently open to fully vaccinated employees. In addition, we re-opened our Utah offices as allowed under state and local orders. While we have implemented what we believe to be a comprehensive protocol to ensure the safety and wellbeing of employees returning to the office, these measures may not be sufficient to mitigate the risks posed by the virus or otherwise be satisfactory to government authorities.

The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our customers' operations, our employees, and employee productivity. For example, some of our customers have experienced reductions in force that have negatively impacted the fees due to us under our agreements with them. In addition, we have experienced some changes in customer demand, particularly as customer funding priorities change and some of our buyers' budgets are cut, which has caused us to offer deferred payment terms and discounts in lieu of termination, and has also resulted in some terminations or non-renewals. The uncertainty of the COVID-19 pandemic on our customers' operations, our employees, and their productivity affects our management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions as additional events and information become known.

Additionally, the disruption and volatility in the global and domestic capital markets may increase the cost of capital and limit our ability to access capital. Both the health and economic aspects of the COVID-19 virus are highly fluid and the future course of each is uncertain. For these reasons and other reasons that may come to light if the COVID-19 pandemic and associated protective or preventative measures expand, we may experience a material adverse effect, either directly or indirectly through our customers, on our business operations, revenues, and financial condition; however, its ultimate impact is highly uncertain and subject to change.

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 offerings, as a significantly higher proportion of our customers either enter into new subscription agreements or renew previous agreements with us in the second half of the year;
- 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, including the domestic and global macroeconomic impact of the current COVID-19 pandemic;
- 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
- impacts 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, or in some cases fee reductions, if our offerings do, or do not, achieve certain metrics, such as a certain rate of employee engagement. These bonuses or reductions 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.

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. We have in the past and may in the future experience changes in our executive management team resulting from the departure of executives or subsequent hiring of new executives, which may be disruptive to our business. Transitions in senior management may disrupt our ability to implement our business strategy and could have a material adverse effect on our business. The impact of hiring new executives may not be immediately realized.

Our executive officers are at-will employees and may terminate employment with us at any time with no advance notice. The replacement of one or more of our executive officers or other key employees involves significant time and cost 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, particularly in research and development and sales and marketing. 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. The pool of qualified personnel with Software-as-a-Service, or SaaS, experience or experience working with the health care market is limited overall. 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. In addition, many of the companies with which we compete for experienced personnel have greater resources than we do. 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 may receive in connection with their employment. Volatility or performance trends in the price of our stock may, therefore, adversely affect our ability to attract or retain highly skilled personnel.

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 significant growth since our inception, both organic and through acquisitions, which strains our business, operations and employees. Future revenues may not grow at the same rates they have historically or may even stagnate or decline. 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 2020, 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 research and development, sales and marketing, customer support, professional services, 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 is located in the San Francisco Bay Area.

A key aspect to managing our growth is our ability to scale our capabilities to implement our offerings satisfactorily with respect to both large and demanding enterprise customers, who currently comprise the 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 offerings to our customers in a timely manner. We may also need to make further investments in our technology and automate portions of our offerings or services to decrease our costs, particularly as we grow sales of our health navigation 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 offerings 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 may 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.

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 may 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 offerings might also suffer, which could negatively affect our reputation and harm our ability to retain and attract customers.

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 our internal control over financial reporting on an annual basis. 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 will need to maintain and enhance these processes and controls as we grow, and we will require additional management and staff resources to do so. Additionally, even if we conclude our internal controls are effective for a given period, we may in the future identify one or more material weaknesses in our internal controls, in which case our management will be unable to conclude that our internal control over financial reporting is effective. As an accelerated filer, we are now required to include an attestation report from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting annually. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed.

If we are unable to conclude that our internal control over financial reporting is effective, or if our auditors were to express an adverse opinion on the effectiveness of our internal control over financial reporting because we had one or more material weaknesses, investors could lose confidence in the accuracy and completeness of our financial disclosures, which could cause the price of our common stock to decline. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our reported operating results and harm our reputation. Internal control deficiencies could also result in a restatement of our financial 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. 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.

The development and expansion of our business through acquisitions of other companies or technologies or other strategic transactions could divert our management's attention, result in dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.

As we have done in the past, we may in the future seek to acquire or invest in businesses, products and services or technologies or enter into other strategic transactions that we believe could complement or expand our offerings, enhance our technical capabilities or otherwise offer growth opportunities. We have limited experience in acquiring other businesses and entering into strategic transactions. We may not achieve any of the anticipated benefits of any of these strategic transactions. The pursuit of potential acquisitions and other strategic transactions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions and strategic alliances or transactions, whether or not they are consummated. We may not achieve any of the anticipated benefits or stated objectives from these or other strategic transactions we may enter into in the future.

Factors affecting our ability to achieve the benefits of potential acquisitions or strategic alliances could include:

- inability to integrate or benefit from acquired technologies or services or strategic collaborations or alliances in an efficient, effective or profitable manner;
- unanticipated costs or liabilities associated with the acquisition or strategic transaction;
- challenges in achieving strategic objectives, cost savings and other benefits expected from such transactions;
- the lack of unilateral control over a strategic alliance and the risk that strategic partners have business goals and interests that are not aligned with ours;
- delays, difficulties or unexpected costs in the integration, assimilation, implementation or modification of platforms, systems, functions, technologies and infrastructure to support the combined business or strategic alliance, as well as maintaining and integrating accounting systems and operations, uniform standards, controls (including internal accounting controls), procedures and policies;
- 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 or strategic transaction;
- the potential loss of key employees;
- the risk that we do not realize a satisfactory return on our investments;
- diversion of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition or strategic transaction.

In addition, in prior acquisitions we completed, a significant portion of the purchase price was 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.

Past acquisitions also resulted, and other acquisitions and strategic transactions 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 or other strategic transaction fails to meet our expectations, our operating results, business and financial position may suffer.

Changes in accounting principles may cause previously unanticipated fluctuations in our financial results, and the implementation of such changes may impact our ability to meet our financial reporting obligations.

We prepare our financial statements in accordance with U.S. GAAP which are subject to interpretation or changes by the Financial Accounting Standards Board, or FASB, the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future which may have a significant effect on our financial results. Any difficulties in implementation of changes in accounting standards, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

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 (the "NYSE"), 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 as an accelerated filer.

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.

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 and business operations may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, power outages, fires, floods, nuclear disasters, epidemics, pandemics or other health crises (including the current COVID-19 pandemic) 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 is located in the San Francisco Bay Area, a region known for seismic activity. Any disruptions in our operations stemming from catastrophic events, including as 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

Item 6. Exhibits

(a) Exhibits.

Exhibit Number	Description of Document	Incorporated by Reference Form	File No.	Filing Date	Exhibit	Filed Herewith
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	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)					X
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document					X
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					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.

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.

		CASTLIGHT HEALTH, INC.	
Date:	August 4, 2021	By:	/s/ Will Bondurant
			Will Bondurant
			Chief Financial Officer *(Principal Financial Officer)*

EXHIBIT 31.1

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

I, Maeve O'Meara, 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/ Maeve O'Meara

Maeve O'Meara

Chief Executive Officer *(Principal Executive Officer)*

Dated:
August 4, 2021

EXHIBIT 31.2

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

I, Will Bondurant, 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/ Will Bondurant
Will Bondurant
Chief Financial Officer *(Principal Financial Officer)*

Dated:
August 4, 2021

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

I, Maeve O'Meara, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report of Castlight Health, Inc. on Form 10-Q for the quarterly period ended June 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in such Quarterly Report on 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/ Maeve O'Meara
Maeve O'Meara
Chief Executive Officer
(Principal Executive Officer)

Dated:
August 4, 2021

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

I, Will Bondurant, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report of Castlight Health, Inc. on Form 10-Q for the quarterly period ended June 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in such Quarterly Report on 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/ Will Bondurant
Will Bondurant
Chief Financial Officer
(Principal Financial Officer)

Dated:
August 4, 2021