Bridgeline Digital, Inc.
Form 10-Q
February 14, 2018

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2017

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File Number 333-139298

Bridgeline Digital, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**52-2263942**
State or other jurisdiction of incorporation or organization	IRS Employer Identification No.

80 Blanchard Road	
Burlington, Massachusetts	**01803**
(Address of Principal Executive Offices)	(Zip Code)

(781) 376-5555
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the 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	(Do not check if a smaller reporting company)
	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 Exchange Act). Yes No

The number of shares of Common Stock par value $0.001 per share, outstanding as of February 10, 2018 was 4,200,219.

Table of Contents

Bridgeline Digital, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended December 31, 2017

Index

Table of Contents

Bridgeline Digital, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended December 31, 2017

Statements contained in this Report on Form 10-Q that are not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as "should," "could," "may," "will," "expect," "believe," "estimate," "anticipate," "intends," "continue," or similar terms or variations of those terms or the negative of those terms. These statements appear in a number of places in this Form 10-Q and include statements regarding the intent, belief or current expectations of Bridgeline Digital, Inc. Forward-looking statements are merely our current predictions of future events. Investors are cautioned that any such forward-looking statements are inherently uncertain, are not guaranties of future performance and involve risks and uncertainties. Actual results may differ materially from our predictions. Important factors that could cause actual results to differ from our predictions include the impact of the weakness in the U.S. and international economies on our business, our inability to manage our future growth effectively or profitably, fluctuations in our revenue and quarterly results, our license renewal rate, the impact of competition and our ability to maintain margins or market share, the limited market for our common stock, the volatility of the market price of our common stock, the ability to maintain our listing on the NASDAQ Capital market, the ability to raise capital, the performance of our products, our ability to respond to rapidly evolving technology and customer requirements, our ability to protect our proprietary technology, the security of our software, our dependence on our management team and key personnel, our ability to hire and retain future key personnel, or our ability to maintain an effective system of internal controls. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized, nor is there any assurance that we have identified all possible issues which we might face. We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017 as well as in the other documents that we file with the Securities and Exchange Commission. You can read these documents at www.sec.gov.

Where we say "we," "us," "our," "Company" or "Bridgeline Digital" we mean Bridgeline Digital, Inc.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

BRIDGELINE DIGITAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

(Unaudited)

	December 31, 2017	September 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ *1,117*	$ *748*
Accounts receivable and unbilled receivables, net	*3,208*	*3,026*
Prepaid expenses and other current assets	*464*	*352*
Total current assets	*4,789*	*4,126*
Property and equipment, net	*181*	*209*
Intangible assets, net	*191*	*263*
Goodwill	*12,641*	*12,641*
Other assets	*303*	*334*
Total assets	$ *18,105*	$ *17,573*
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ *1,175*	$ *1,241*
Accrued liabilities	*980*	*920*
Debt, current	*42*	-
Deferred revenue	*1,380*	*1,466*
Total current liabilities	*3,577*	*3,627*
Debt, net of current portion	*3,142*	*2,500*
Other long term liabilities	*444*	*172*
Total liabilities	*7,163*	*6,299*
Commitments and contingencies		
Stockholders' equity:		

Preferred stock - $0.001 par value; 1,000,000 shares authorized; 250,927 at December 31, 2017 and 243,536 at September 30, 2017, issued and outstanding (liquidation preference $2,585)	-	-
Common stock - $0.001 par value; 50,000,000 shares authorized; 4,200,219 at December 31, 2017 and at September 30, 2017, issued and outstanding	*4*	*4*
Additional paid-in capital	*66,043*	*65,869*
Accumulated deficit	*(54,754*)	*(54,249*)
Accumulated other comprehensive loss	*(351*)	*(350*)
Total stockholders' equity	*10,942*	*11,274*
Total liabilities and stockholders' equity	$ *18,105*	$ *17,573*

The accompanying notes are an integral part of these condensed consolidated financial statements.

4

Table of Contents

BRIDGELINE DIGITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

(Unaudited)

	Three Months Ended December 31, 2017	2016
Net revenue:		
Digital engagement services	$2,060	$2,026
Subscription and perpetual licenses	1,606	1,725
Managed service hosting	303	240
Total net revenue	3,969	3,991
Cost of revenue:		
Digital engagement services	1,397	1,128
Subscription and perpetual licenses	480	496
Managed service hosting	80	71
Total cost of revenue	1,957	1,695
Gross profit	2,012	2,296
Operating expenses:		
Sales and marketing	1,104	1,294
General and administrative	736	791
Research and development	407	360
Depreciation and amortization	108	185
Restructuring charges	-	31
Total operating expenses	2,355	2,661
Loss from operations	(343)	(365)
Interest and other expense, net	(86)	(31)
Loss before income taxes	(429)	(396)
Provision for income taxes	1	12
Net loss	(430)	(408)
Dividends on convertible preferred stock	(75)	(68)
Net loss applicable to common shareholders	$(505)	$(476)
Net loss per share attributable to common shareholders:		
Basic and diluted	$(0.12)	$(0.12)
Number of weighted average shares outstanding:		
Basic and diluted	4,200,219	4,011,724

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

Table of Contents

BRIDGELINE DIGITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(Unaudited)

	Three Months Ended December 31,	
	2017	**2016**
Net Loss	$*(430)*	$*(408)*
Other Comprehensive income: Net change in foreign currency translation adjustment	*1*	*2*
Comprehensive loss	$*(429)*	$*(406)*

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

BRIDGELINE DIGITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three Months Ended December 31, 2017	2016
Cash flows from operating activities:		
Net loss	$(430)	$(408)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	72	71
Depreciation	36	89
Other amortization	16	39
Debt discount amortization	22	-
Stock-based compensation	125	122
Changes in operating assets and liabilities		
Accounts receivable and unbilled receivables	(182)	(81)
Prepaid expenses and other assets	(50)	39
Accounts payable and accrued liabilities	(37)	(390)
Deferred revenue	(86)	187
Other liabilities	(61)	39
Total adjustments	(145)	115
Net cash used in operating activities	(575)	(293)
Cash flows used in investing activities:		
Software development capitalization costs	-	(21)
Purchase of property and equipment	(8)	-
Net cash used in investing activities	(8)	(21)
Cash flows provided by financing activities:		
Proceeds from issuance of common stock, net of issuance costs	-	891
Proceeds from term notes	953	-
Borrowing on bank line of credit	300	355
Payments on bank line of credit	(300)	(80)
Contingent acquisition payments	-	(75)
Principal payments on capital leases	-	(12)
Net cash provided by financing activities	953	1,079
Effect of exchange rate changes on cash and cash equivalents	(1)	2
Net increase in cash and cash equivalents	369	767
Cash and cash equivalents at beginning of period	748	661
Cash and cash equivalents at end of period	$1,117	$1,428

Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$*64*	$*33*
Income taxes	$*9*	$*17*
Non cash investing and financing activities:		
Accrued dividends on convertible preferred stock	$*76*	$*68*

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

1. **Description of Business**

Overview

Bridgeline Digital, The Digital Engagement Company™, helps customers with their digital experience from websites and intranets to online stores. Bridgeline's iAPPS® platform integrates Web Content Management, eCommerce, eMarketing, Social Media management, and Web Analytics to deliver digital experiences to its customers. iAPPSds is a platform for large franchise and multi-unit organizations and also integrates Web Content Management, eCommerce, eMarketing, Social Media management, and Web Analytics.

The iAPPS platform is delivered through a cloud-based SaaS ("Software as a Service") multi-tenant business model, providing maintenance, daily technical operation and support; or via a traditional perpetual licensing business model, in which the iAPPS software resides on a dedicated server in either the customer's facility or hosted by Bridgeline via a cloud-based hosted services model.

Bridgeline Digital was incorporated under the laws of the State of Delaware on *August 28, 2000.*

Locations

The Company's corporate office is located in Burlington, Massachusetts. The Company has *one* wholly-owned subsidiary, Bridgeline Digital Pvt. Ltd. located in Bangalore, India.

Reverse Stock Split

On *June 29, 2017,* the Company's Shareholders and the Board of Directors approved a reverse stock split pursuant to which all classes of our issued and outstanding shares of common stock at the close of business on such date were combined and reconstituted into a smaller number of shares of common stock in a ratio of *1* share of common stock for every *5* shares of common stock (*"1*-for-*5* reverse stock split"). The *1*-for-*5* reverse stock split was effective as of close of business on *July 24, 2017* and the Company's stock began trading on a split-adjusted basis on *July 25, 2017.*

The reverse stock split reduced the number of shares of the Company's common stock currently outstanding from approximately *21* million shares to approximately *4.2* million shares. Proportional adjustments have been made to the conversion and exercise prices of the Company's outstanding convertible preferred stock, warrants, restricted stock awards, and stock options, and to the number of shares issued and issuable under the Company's Stock Incentive Plans. Upon the effectiveness of the *1*-for-*5* reverse stock split, each *five* shares of the Company's issued and outstanding common stock were automatically combined and converted into *one* issued and outstanding share of common stock, par value *$.001.* The Company did *not* issue any fractional shares in connection with the reverse stock split. Instead, fractional share interests were rounded up to the next largest whole share. The reverse stock split does *not* modify the rights or preferences of the common stock. The number of authorized shares of the Company's common stock remains at *50* million shares and the par value remains *$0.001.*

The accompanying condensed consolidated financial statements and footnotes have been retroactively adjusted to reflect the effects of the *1*-for-*5* reverse stock split.

Liquidity and Management's Plans

The Company has a Loan and Security Agreement ("Heritage Agreement") with Heritage Bank of Commerce ("Heritage Bank") which has a maturity date of *June 15, 2019.* The Heritage Agreement currently provides for *$2.5* million of revolving credit advances and *may* be used for acquisitions and working capital purposes. The credit advances *may not* exceed the monthly borrowing base capacity, which will fluctuate based on monthly accounts receivable balances. The Company *may* request credit advances if the borrowing capacity is more than the current outstanding loan advance, and must pay down the outstanding loan advance if it exceeds the borrowing capacity. As of *December 31, 2017,* the Company had an outstanding balance under the Heritage Agreement of *$2.5* million.

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

On *October 10, 2017,* the Company entered into a Loan and Security Agreement (the "Montage Loan" or "Loan Agreement") with Montage Capital II, L.P. ("Montage"). The Montage Loan has a *thirty-six* (*36*) month term which expires on *October 10, 2020.* The Loan Agreement provides for up to *$1.5* million of borrowing in the form of a non-revolving term loan which *may* be used by the Company for working capital purposes. *$1* million of borrowing was advanced on the date of closing (the "First Tranche"). An additional *$500* thousand of borrowing will be available at the Company's option in the event that the Company achieves certain financial milestones and is otherwise in compliance with its loan covenants (the "Second Tranche").

On *May 19, 2017,* the Company filed a Registration Statement on Form S-*3* with the Securities and Exchange Commission in relation to the registration of securities of the Company having an aggregate public offering price of up to *$10* million. The determinate number of shares of common stock, preferred stock, warrants, and units of any combination thereof (collectively, the "Securities") *may* be offered and sold from time to time, but shall *not* exceed *$10* million in total. There have been *no* securities sold as of *December 31, 2017.*

Historically, the Company has had operating losses and working capital deficiencies, but has undertaken a long term cost reduction plan that includes staff reductions and office lease consolidations to compensate for the shortfalls. The Company will continue to follow through with its plan and closely monitor and adjust such expenditures throughout the next *twelve* months. While there can be *no* assurance that anticipated sales will be achieved for future periods, the Company's management believes it has an appropriate cost structure in place to support the revenues that will be achieved under the Company's operating plan. Management believes that it is probable that working capital, capital expenditure and debt repayment needs for the next *twelve* months from the financial statement date of issuance will be met. The cash balance as of *December 31, 2017* of *$1.1* million as well as collections from accounts receivable will be sufficient to meet the Company's obligations for a minimum of *twelve* months from the financial statement issuance date. While *not* currently included in the Company's operating plan and forecast, it *may* raise additional capital or borrow on its credit facility with Heritage Bank and/or advance the *second* tranche of funds from Montage Capital, if the respective financial milestones are met, in order to fund future operations. The ability to raise funds through these means *may* be helpful to the Company if the anticipated sales levels are *not* achieved or it cannot reduce operating expenses to account for any shortfalls.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), and with the instructions to Form *10*-Q and Regulation S-*X,* and in the opinion of the Company's management. These condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments and accruals, necessary for the fair presentation. The operating results for the *three* months ended *December 31, 2017* are *not* necessarily indicative of the results to be expected for the year ending *September 30, 2018.* The accompanying *September 30, 2017* Condensed Consolidated Balance Sheet has been derived from the audited financial statements at that date, but does *not* include all of the information and footnotes required by US GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form *10*-K for the year ended *September 30, 2017.*

Subsequent Events

The Company evaluated subsequent events through the date of this filing and concluded there were *no* material subsequent events requiring adjustment to or disclosure in these interim condensed consolidated financial statements, except as already disclosed in these financial statements.

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

Recent Accounting Pronouncements

Revenue Recognition

In *May 2014,* the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") *No. 2014-09,* Revenue from Contracts with Customers: Topic *606* (ASU *2014-09*), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. ASU *2014-09* is effective for annual reporting periods beginning after *December 15, 2017,* including interim reporting periods within that reporting period. The core principle of ASU *2014-09* is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU *2014-09* defines a *five* step process to achieve this core principle and, in doing so, it is possible more judgment and estimates *may* be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU *2014-09* is effective for the Company in the *first* quarter of fiscal *2019.* Companies *may* adopt ASU *2014-09* using either the retrospective method, under which each prior reporting period is presented under ASU *2014-09,* with the option to elect certain permitted practical expedients, or the modified retrospective method, under which a company adopts ASU *2014-09* from the beginning of the year of initial application with *no* restatement of comparative periods, with the cumulative effect of initially applying ASU *2014-09* recognized at the date of initial application, with certain additional required disclosures. The Company plans to adopt the standard using the full retrospective method to restate each prior reporting period presented. Additionally, as the Company continues to assess the new standard along with industry trends and additional interpretive guidance, the Company *may* adjust its implementation plan accordingly.

As the Company is continuing to assess all potential impacts of the new standard, it currently believes that the impact will *not* be significant. A large portion of the Company's business is for the licensing of Software-as-a-Service (SaaS) term-based software licenses bundled with maintenance and support. Under current GAAP, the revenue attributable to these software licenses is recognized ratably over the term of the arrangement because VSOE does *not* exist for the undelivered maintenance and support element as it is *not* sold separately. To apply the revenue standard, a company must *first* determine whether a contract includes a promise of a license of intellectual property. A separate promise of a license exists when (*1*) the customer has the contractual right to take possession of the software at any time without significant penalty and (*2*) the customer can run the software on its own hardware or contract with another party unrelated to the vendor to hoist of the software. Neither of these criteria are met with our current SaaS licensing arrangements, therefore, revenue recognition will continue to be recognized over the period of service. Revenue recognition related to our professional services is expected to remain substantially unchanged.

Another significant provision under ASU *2014-09* includes the capitalization and amortization of costs associated with obtaining a contract, such as sales commissions. Currently, the Company expenses sales commissions in the period incurred. Under ASU *2014-09,* direct and incremental costs to acquire a contract are capitalized and amortized using a systematic basis over the pattern of transfer of the goods and services to which the asset relates. While we are continuing to assess the impact of this provision of ASU *2014-09,* we likely will be required to capitalize incremental costs such as commissions and amortize those costs over the period the capitalized assets are expected to contribute to future cash flows. Due to the complexity of certain of our contracts, the actual accounting treatment required under the new standard for these arrangements *may* be dependent on contract-specific terms and therefore *may* vary in some instances.

Leases

In *February 2016,* the FASB issued ASU *No. 2016-02,* which is guidance on accounting for leases. ASU *No, 2016-02* requires lessees to recognize most leases on their balance sheets for the rights and obligations created by those leases. The guidance requires enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases and will be effective for interim and annual periods beginning after *December 15, 2018.* Early adoption is permitted. The guidance requires the use of a modified retrospective approach. The Company is evaluating the impact of the guidance on its consolidated financial position, results of operations and related disclosures.

Income Taxes

On *December 22, 2017,* the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code that will affect the Company's fiscal year ending *September 30, 2018,* including, but *not* limited to, reducing the U.S. federal corporate tax rate. The Tax Act reduces the federal corporate tax rate to *21* percent in the fiscal year ending *September 30, 2018.* The reduction of the corporate tax rate will cause the Company to reduce its deferred tax asset to the lower federal base rate and adjust the allowance against the deferred tax asset by the same amount. The Company has *not* yet determined the impact the rate reduction will have on its gross deferred tax asset and liabilities and offsetting valuation allowance. The Company has a full allowance against the deferred tax asset and as a result there was *no* impact to income tax expense for the quarter ended *December 31, 2017.*

The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act *may* differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the company has utilized to calculate the transition impact. The Securities Exchange Commission has issued rules that would allow for a measurement period of up to *one* year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments by the end of our current fiscal year ending *September 30, 2018*.

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

Cash Flows

In *August 2016,* the FASB issued ASU *2016-15,* which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows, specifically certain cash receipts and cash payments. The standard is effective for public business entities financial statements issued for fiscal years beginning after *December 15, 2017,* and interim periods within those fiscal years. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective method. Management does *not* expect the adoption of this Standard to have a material impact on our consolidated cash flows.

In *November 2016,* the FASB issued ASU *No. 2016-18* which requires entities to include in their cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. As a result, companies will *no* longer present transfers between cash and cash equivalents, and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for annual and interim periods beginning after *December 15, 2017.* Early adoption of ASU *2016-18* is permitted, including adoption in an interim period. Management is currently evaluating the adoption of ASU *2016-18* on its consolidated financial statements.

Goodwill

In *January 2017,* the FASB issued ASU *No. 2017-04* to simplify the accounting for goodwill impairment. The guidance removes Step *2* of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, *not* to exceed the carrying amount of goodwill. The guidance will be applied prospectively and is effective for annual reporting periods ending *December 31, 2020* and thereafter with early adoption permitted. Management is currently evaluating the impact of the new guidance on its consolidated financial statements.

Business Combinations

In *January 2017,* the FASB issued ASU *No. 2017-01,* which amended the existing FASB Accounting Standards Codification Topic *805* Business Combinations. The standard provides additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill, and consolidation. ASU *2017-01* is effective for annual periods beginning after *December 15, 2017,* including interim periods within those annual periods, with early adoption permitted. Management is currently evaluating the impact of the new guidance on its consolidated financial statements.

All other Accounting Standards Updates issued but *not* yet effective are *not* expected to have a material effect on the Company's future financial statements.

3. Accounts Receivable and Unbilled Receivables

Accounts receivable and unbilled receivables consists of the following:

	As of December 31, 2017	**As of September 30, 2017**
Accounts receivable	$ *3,090*	$ *3,174*
Unbilled receivables	*204*	*41*
Subtotal	*3,294*	*3,215*
Allowance for doubtful accounts	*(86*)	*(189*)
Accounts receivable and unbilled receivables, net	$ *3,208*	$ *3,026*

For the *three* months ended *December 31, 2017* and *December 31, 2016, one* customer represented more than *10%* of accounts receivable. For the *three* months ended *December 31, 2017, two* customers represented *11%* and *12%* of the Company's total revenue. For the *three* months ended *December 31, 2016, one* customer represented *12%* of the Company's total revenue.

Table of Contents

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

4. Fair Value Measurement and Fair Value of Financial Instruments

The Company's other financial instruments consist principally of accounts receivable, accounts payable, and debt. The Company measures its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Additionally, companies are required to provide disclosure and categorize assets and liabilities measured at fair value into *one* of *three* different levels depending on the assumptions (i.e., inputs) used in the valuation. Level *1* provides the most reliable measure of fair value while Level *3* generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level *1—Valuations* are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level *2—Valuations* are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are *not* active for which significant inputs are observable, either directly or indirectly.

Level *3—Valuations* are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The Company believes the recorded values for accounts receivable and accounts payable and short term debt approximate current fair values as of *December 31, 2017* and *September 30, 2017* because of their short-term nature and durations. The carrying value of long term debt also approximates fair value as of *December 31, 2017* and *September 30, 2017 based upon the Company's ability to acquire similar debt at similar maturities.* In the *three* months ended *December 31, 2017,* the Company recorded a liability associated with a conversion feature embedded in a warrant to purchase common stock issued to Montage Capital. The fair value of the warrant liability will utilize a Level *3* input. To determine the value of the warrant liability, the Company used a Monte Carlo option-pricing model, which takes into consideration the market values of comparable public companies, considering among other factors, the use of multiples of earnings, and adjusted to reflect the restrictions on the ability of our shares to trade in an active market. The Monte Carlo option-valuation model also uses certain assumptions to determine the fair value, including expected life and annual volatility. Such inputs used to value the warrant liability include an expected life of *eight* (*8*) years, annual volatility of *80%,* and a risk-free interest rate of *2.24%.*

The fair value of the warrant liability was valued at the loan execution date in the amount of *$341* and will be revalued at the end of each reporting period to fair value. The fair value at *December 31, 2017* was *$338* and is included in other long term liabilities in the Condensed Consolidated Balance Sheet. Changes in fair value are included in interest expense in the Condensed Statement of Operations in the period the change occurs.

Assets and liabilities of the Company measured at fair value on a recurring basis as of *December 31, 2017* are as follows:

	As of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Warrant liability	$ -	$ -	$ *338*	$ *338*
Total Liabilities	$ -	$ -	$ *338*	$ *338*

Table of Contents

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

The following table provides a rollforward of the fair value, as determined by Level *3* inputs, of the warrant liability.

	Three Months Ended December 31, 2017
Balance at beginning of period, October 1, 2017	$ -
Additions	*341*
Adjustment to fair value	*(3*)
Balance at end of period, December 31, 2017	$ *338*

5. Intangible Assets

The components of intangible assets are as follows:

	As of December 31, 2017	**As of September 30, 2017**
Domain and trade names	$ *10*	$ *10*
Customer related	*125*	*179*
Non-compete agreements	*56*	*74*
Balance at end of period	$ *191*	$ *263*

Total amortization expense related to intangible assets for the *three* months ended *December 31, 2017* and *2016* was *$72* and *$71,* respectively, and is reflected in operating expenses on the Condensed Consolidated Statements of Operations. The estimated amortization expense for fiscal years *2018* (remaining) and *2019* is *$175* and *$16,* respectively.

6. Restructuring

Commencing in fiscal *2015* and through fiscal *2017,* the Company's management approved, committed to and initiated plans to restructure and further improve efficiencies by implementing cost reductions in line with expected decreases in revenue. The Company renegotiated several office leases and relocated to smaller space, while also negotiating sub-leases for the original space. In addition, the Company executed a general work-force reduction and recognized costs for severance and termination benefits. These restructuring charges and accruals require estimates and assumptions, including contractual rental commitments or lease buy-outs for vacated office space and related costs, and estimated sub-lease income. The Company's sub-lease assumptions include the rates to be charged to a sub-tenant and the timing of the sub-lease arrangement. All of the vacated lease space is currently contractually occupied by a new sub-tenant for the remaining life of the lease. In the *second* quarter of fiscal *2017,* the Company initiated a plan to shut down its operations in India. All of these estimates and assumptions will be monitored on a quarterly basis for changes in circumstances with the corresponding adjustments reflected in the Condensed Consolidated Statement of Operations.

Table of Contents

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

The following table summarizes the restructuring activity for the *three* months ended *December 31, 2017:*

	Facility Closures and Other Costs
Balance at beginning of period, October 1, 2017	$ *176*
Charges to operations	-
Cash disbursements	*(67*)
Changes in estimates	-
Balance at end of period, December 31, 2017	$ *109*

The components of the accrued restructuring liabilities is as follows:

	As of December 31, 2017	**As of September 30, 2017**
Facilities and related	$ *103*	$ *133*
Other	*6*	*43*
Total	$ *109*	$ *176*

As of *December 31, 2017, $57* was reflected in Accrued Liabilities and *$52* in Other Long Term Liabilities in the Condensed Consolidated Balance Sheet. As of *September 30, 2017, $119* is reflected in Accrued Liabilities and *$57* is reflected in Other Long Term liabilities in the Condensed Consolidated Balance Sheet.

7. Debt

Debt at *December 31, 2017* and *September 30, 2017* consists of the following:

	As of December 31, 2017	As of September 30, 2017
Line of credit borrowings	$ *2,500*	$ *2,500*
Term loan - Montage Capital	*1,000*	-
Subtotal debt	$ *3,500*	$ *2,500*
Other (debt discount)	$ *(316*)	-
Total debt	$ *3,184*	$ *2,500*
Less current portion	$ *42*	$ -
Long term debt, net of current portion	$ *3,142*	$ *2,500*

Heritage Line of Credit

In *June 2016,* the Company entered into a new Loan and Security Agreement with Heritage Bank of Commerce ("Heritage Agreement" or "Loan Agreement"). The Heritage Agreement had and original a term of *24* months but was amended in *2017* to a maturity date of *June 9, 2019.* The Company paid an annual commitment fee of *0.4%* of the commitment amount in the *first* year and *0.2%* in the *second* year. The facility fee is *$6* on each anniversary thereafter. Borrowings are secured by all of the Company's assets and all of the Company's intellectual property. The Company is required to comply with certain financial and reporting covenants including an Asset Coverage Ratio and an Adjusted EBITDA metric. The Company was in compliance with all financial covenants as of *December 31, 2017.*

Table of Contents

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

The Heritage Agreement provides for up to $*2.5* million of revolving credit advances which *may* be used for acquisitions and working capital purposes. Borrowings are limited to the lesser of (i) *$2.5* million and (ii) *75%* of eligible receivables as defined. The Company can borrow up to *$1.0* million in out of formula borrowings for specified periods of time. The borrowings or credit advances *may not* exceed the monthly borrowing base capacity, which will fluctuate based on monthly accounts receivable balances. The Company *may* request credit advances if the borrowing capacity is more than the current outstanding loan advance, and must pay down the outstanding loan advance if it exceeds the borrowing capacity. Borrowings accrue interest at Wall Street Journal Prime Rate plus *1.75%,* (currently *6%*). As of *December 31, 2017,* the Company had an outstanding balance under the Loan Agreement of *$2.5* million.

A Director and Shareholder of the Company, Michael Taglich, signed an unconditional guaranty (the "Guaranty") and promise to pay Heritage Bank all indebtedness in an amount *not* to exceed *$1.5* million in connection with the out of formula borrowings. Under the terms of the Guaranty, the Guarantor authorizes Lender, without notice or demand and without affecting its liability hereunder, from time to time to: (a) renew, compromise, extend, accelerate, or otherwise change the time for payment, or otherwise change the terms, of the Indebtedness or any part thereof, including increase or decrease of the rate of interest thereon, or otherwise change the terms of the Indebtedness; (b) receive and hold security for the payment of this Guaranty or any Indebtedness and exchange, enforce, waive, release, fail to perfect, sell, or otherwise dispose of any such security; (c) apply such security and direct the order or manner of sale thereof as Lender in its discretion *may* determine; and (d) release or substitute any Guarantor or any *one* or more of any endorsers or other guarantors of any of the Indebtedness.

To secure all of Guarantor's obligations hereunder, Guarantor assigns and grants to Lender a security interest in all moneys, securities, and other property of Guarantor now or hereafter in the possession of Lender, all deposit accounts of Guarantor maintained with Lender, and all proceeds thereof. Upon default or breach of any of Guarantor's obligations to Lender, Lender *may* apply any deposit account to reduce the Indebtedness, and *may* foreclose any collateral as provided in the Uniform Commercial Code and in any security agreements between Lender and Guarantor.

Amendments – Heritage Bank

An amendment to the Heritage Agreement ("First Amendment") was executed on *August 15, 2016* and included a waiver for the Adjusted EBITDA metric for the quarter ended *June 30, 2016.* The First Amendment also included a decrease in the revolving line of credit from *$3.0* million to *$2.5* million, the Adjusted EBITDA metric for the quarter ended *September 30, 2016,* and also included a minimum cash requirement of *$500* in the Company's accounts at

Heritage, which was waived for the period ended *September 30, 2016.*

On *December 14, 2016,* a *second* amendment to the Heritage Agreement ("Second Amendment") was executed. The Second Amendment included a minimum cash requirement of *$250* in its accounts at Heritage and the Adjusted EBITDA metrics for the *first* half of fiscal *2017.*

On *August 10, 2017,* the *third* Amendment was executed ("Third Amendment"). The Third Amendment extended the maturity date of the loan to *June 9, 2019.*

On *October 6, 2017,* a *fourth* amendment to the Heritage Agreement ("Fourth Amendment") was executed. The Fourth Amendment included a consent to the Company's incurrence of additional indebtedness from Montage Capital ("Montage") and the grant of a *second* position lien to Montage (See Subsequent Events). In addition, Heritage and Montage entered into an Intercreditor Agreement dated *October 10, 2017,* and acknowledged by the Company.

On *November 27, 2017,* a *fifth* amendment to the Heritage Agreement ("Fifth Amendment") was executed. The Fifth Amendment included the Adjusted EBITDA metrics for the *second* half of fiscal *2017* and the *first six* months of fiscal *2018.* Thereafter, the Company and Heritage shall mutually agree upon minimum quarterly Adjusted EBITDA amounts for each fiscal year within *thirty* days following the beginning of each fiscal year.

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

Montage Capital II, L.P. Loan Agreement

On *October 10, 2017,* the Company entered into a Loan and Security Agreement (the "Loan Agreement") with Montage Capital II, L.P. ("Montage"). The Loan Agreement has a *thirty-six* (*36*) month term which expires on *October 10, 2020.* The Loan Agreement provides for up to *$1.5* million of borrowing in the form of a non-revolving term loan which *may* be used by the Company for working capital purposes. *$1* million of borrowing was advanced on the date of closing (the "First Tranche"). An additional *$500* thousand of borrowing will be available at the Company's option in the event that the Company achieves certain financial milestones and is otherwise in compliance with its loan covenants (the "Second Tranche"). Borrowings bear interest at the rate of *12.75%* per annum. The Company paid a fee of *$47* to Montage at closing. Interest only payments are due and payable during the *first nine* months of the Loan. Commencing on *July 1, 2018,* the Company shall be obligated to make principal payments of *$26* per month if only the First Tranche has been received and *$39* if the Company has received both the First Tranche and the Second Tranche. All remaining principal and interest shall be due and payable at maturity. Borrowings are secured by a *second* position lien on all of the Company's assets including intellectual property and general intangibles. Pursuant to the Loan Agreement, the Company is also required to comply with certain financial covenants. The Loan is subordinate to the Company's senior debt facility with Heritage Bank of Commerce ("Heritage"). Heritage consented to the Company's incurrence of additional indebtedness from Montage and the grant of a *second* position lien to Montage. In addition, Heritage and Montage entered into an intercreditor agreement dated *October 10, 2017,* and acknowledged by the Company.

As additional consideration for the Loan, the Company issued to Montage an *eight*-year warrant (the "Warrant") to purchase *66,315* shares of the Company's common stock at a price equal to *$2.65* per share which *may* increase to an aggregate of *100,082* shares of the Company's common stock in the event that Montage advances the Second Tranche. The Warrant contains an equity buy-out provision upon the earlier of (*1*) dissolution or liquidation of the Company, (*2*) any sale or distribution of all or substantially all of the assets of the Company or (*3*) a "Change in Control" as defined within the meaning of Section *13*(d) and *14*(d)(*2*) of the Securities Exchange Act of *1934.* Montage shall have the right to receive an equity buy-out of either *$250* if only the First Tranche has been advanced or *$375* if both the First Tranche and the Second Tranche have been advanced. If the equity buy-out is exercised, the Warrant will be surrendered to the Company for cancellation. The fair value of the Warrant was initially valued at *$341* at the loan execution. The Warrant is classified as a liability with an offsetting entry to debt discounts, which will be amortized over the life of the Loan Agreement. Total amortization of the debt discount for the *three* months ended *December 31, 2017* was *$25.*

8. Other Long Term Liabilities

Deferred Rent

In connection with the lease in Massachusetts, the Company made an investment in leasehold improvements at this location of approximately *$1.4* million, of which approximately *$657* was funded by the landlord. The capitalized leasehold improvements are being amortized over the initial life of the lease. The improvements funded by the landlord are treated as lease incentives. Accordingly, the funding received from the landlord was recorded as a fixed asset addition and a deferred rent liability on the Condensed Consolidated Balance Sheets. As of *December 31, 2017*, *$150* was reflected in Accrued Liabilities and *$11* is reflected in Other long term liabilities on the Condensed Consolidated Balance Sheet. As of *September 30, 2017, $154* was reflected in Accrued Liabilities and *$43* is reflected in Other long term liabilities on the Condensed Consolidated Balance Sheet. The deferred rent liability is being amortized as a reduction of rent expense over the life of the lease.

Warrant Liability

The warrant issued to Montage Capital is included in Other Long Term Liabilities in the Condensed Consolidated Balance Sheet. The fair value of the warrant was valued at the loan execution date in the amount of *$341* and will be revalued at the end of each reporting period to fair value. The fair value at *December 31, 2017* was *$338.* Changes in fair value are recorded as expense in the period the change occurs.

9. Shareholders' Equity

Preferred Stock

In *October 2014,* the Company sold *200,000* shares of Series A convertible preferred stock (the "Preferred Stock") at a purchase price of *$10.00* per share for gross proceeds of *$2.0* million in a private placement. The shares of Preferred Stock *may* be converted, at the option of the holder at any time, into such number of shares of common stock ("Conversion Shares") equal (i) to the number of shares of Preferred Stock to be converted, multiplied by the stated value of *$10.00* (the "Stated Value") and (ii) divided by the conversion price in effect at the time of conversion. The current conversion price is *$16.25,* and is subject to adjustment in the event of stock splits or stock dividends. Any accrued but unpaid dividends on the shares of Preferred Stock to be converted shall also be converted in common stock at the conversion price. A mandatory provision also *may* provide that the Company will have the right to require the holders to convert shares of Preferred Stock into Conversion Shares if (i) the Company's common stock has closed at or above *$32.50* per share for *ten* consecutive trading days and (ii) the Conversion Shares are (A) registered for resale on an effective registration statement or (B) *may* be resold pursuant to Rule *144.* As of *December 31, 2017,* a total of *1,636* preferred shares have been converted to *1,007* shares of common stock.

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

In the event of any liquidation, dissolution, or winding up of the Company, the holders of shares of Preferred Stock will be entitled to receive in preference to the holders of common stock, the amount equal to the stated value per share of Series A Preferred Stock plus declared and unpaid dividends, if any. After such payment has been made, the remaining assets of the Company will be distributed ratably to the holders of common stock.

The Company *may* pay dividends in cash or Preferred Stock. Effective *January 1, 2017,* cumulative dividends are payable at a rate of *12%* per year, as after *two* years, any Preferred Stock dividends increase from *6%* to *12%* per year. If the Company does *not* pay the dividends in cash, then the Company *may* pay dividends in any quarter by delivery of additional shares of Preferred Stock ("PIK Election") up to *64,000* shares cumulatively. If the Company shall make the PIK Election with respect to the dividend payable, it shall deliver a number of shares of Preferred Stock equal to (A) the aggregate dividend payable to such holder as of the end of the quarter divided by (B) the lesser of (*x*) the then effective Conversion Price or (y) the average VWAP for the *five* (*5*) consecutive Trading Days prior to such dividend payment date. The Company shall have the right to force conversion of the Preferred Stock into shares of Common Stock at any time after the Common Stock trades in excess of *$32.50* per share. The Preferred Shares shall vote with the Common on an as converted basis.

As of *December 31, 2017,* the Company has issued *52,563* preferred convertible shares (PIK shares) to the preferred shareholders. The Company elected to declare a PIK dividend for the next quarterly payment due *January 1, 2018.* The total PIK dividend declared for *January 1, 2018* is *7,567* preferred stock shares at a dividend rate of *12%.*

Stock Incentive Plans

The Company has granted common stock, common stock warrants, and common stock option awards (the "Equity Awards") to employees, consultants, advisors and debt holders of the Company and to former owners and employees of acquired companies that have become employees of the Company. On *April 29, 2016,* the stockholders approved a new stock incentive plan, The *2016* Stock Incentive Plan (the *"2016* Plan"). The *2016* Plan replaced an older plan that had expired in *August 2016.* The *2016* Plan authorizes the award of incentive stock options, non-statutory stock options, restricted stock, unrestricted stock, performance shares, stock appreciation rights and any combination thereof to employees, officers, directors, consultants, independent contractors and advisors of the Company. Initially, a total of *500,000* shares of the Company's Common Stock is reserved for issuance under this new plan. As of *December 31, 2017,* there were *224,166* options outstanding under this plan and *275,834* shares available for future issuance.

Common Stock Warrants

The Company typically issues warrants to individual investors and placement agents to purchase shares of the Company's common stock in connection with private placement fund raising activities. Warrants *may* also be issued to individuals or companies in exchange for services provided for the company. The warrants are typically exercisable *six* months after the issue date, expire in *five* years, and contain a cashless exercise provision and piggyback registration rights.

Table of Contents

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

As of *December 31, 2017,* the total warrants outstanding were issued as follows: *227,655* warrants were issued to the placement agents in connection with private placements, *311,938* warrants were issued to individual investors in connection with private placements, debt issuances and bank guarantees, and *66,315* warrants were issued to Montage Capital. Certain of the Company's officers and directors have also been issued warrants. Included in the total warrants outstanding are warrants to purchase *8,600* shares of common stock issued to the Company's CEO and President, Roger Kahn, in connection with the *November 2016* Private Placement, in which he purchased shares of common stock. Also included in the total warrants outstanding are warrants to purchase *152,812* shares of common stock issued to Michael Taglich. Michael Taglich is a member of the Board of Directors and a shareholder. Michael Taglich has been issued warrants in connection with his participation as an investor in private offerings and issuance of loans to the Company. He has also guaranteed *$1.5* million in connection with the Company's out of formula borrowings on its credit facility with Heritage Bank for which he received warrants totaling *80,000.* Michael Taglich is also a principal of Taglich Brothers, Inc who have been the placement agents for many of the Company's private placements.

Total warrants outstanding as *December 31, 2017* were as follows:

Type	**Issue Date**	**Shares**	**Price**	**Expiration**
Investors	6/19/2013	*18,400*	$*31.25*	6/19/2018
Placement Agent	6/19/2013	*9,200*	$*31.25*	6/19/2018
Placement Agent	9/30/2013	*6,157*	$*32.50*	9/30/2018
Placement Agent	11/6/2013	*3,078*	$*32.50*	11/6/2018
Placement Agent	3/28/2014	*12,800*	$*26.25*	3/28/2019
Placement Agent	10/28/2014	*12,308*	$*16.25*	10/28/2019
Director/Shareholder	12/31/2014	*12,000*	$*20.00*	12/31/2019
Director/Shareholder	2/12/2015	*12,000*	$*20.00*	2/12/2020
Director/Shareholder	5/12/2015	*12,000*	$*20.00*	5/12/2020
Director/Shareholder	7/21/2015	*32,000*	$*8.75*	7/21/2018
Director/Shareholder	12/31/2015	*6,000*	$*20.00*	12/31/2020
Placement Agent	5/17/2016	*86,778*	$*3.75*	5/17/2021
Placement Agent	5/11/2016	*53,334*	$*3.75*	5/11/2021
Placement Agent	7/15/2016	*44,000*	$*4.60*	7/15/2021

Investors	11/9/2016	*213,538*	$*3.50*	5/22/2022
Director/Shareholder	12/31/2016	*6,000*	$*20.00*	12/31/2021
Financing	10/10/2017	*66,315*	$*2.65*	10/10/2025
Total		*605,908*		

Table of Contents

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

Summary of Option and Warrant Activity and Outstanding Shares

	Stock Options		**Stock Warrants**	
	Options	**Weighted Average Exercise Price**	**Warrants**	**Weighted Average Exercise Price**
Outstanding, September 30, 2017	*450,646*	$ *7.02*	*539,593*	$ *8.18*
Granted	*800*	$ *2.92*	*66,315*	$ *2.65*
Exercised	-	$ -	-	-
Forfeited or expired	*(1,520*)	$ *(4.82*)	-	-
Outstanding, December 31, 2017	*449,926*	$ *7.02*	*605,908*	$ *7.57*

10. **Net Loss Per Share**

Basic and diluted net loss per share is computed as follows:

(in thousands, except per share data)	**Three Months Ended December 31,**	
	2017	**2016**
Net loss	$*(430*)	$*(408*)
Accrued dividends on convertible preferred stock	*(75*)	*(68*)
Net loss applicable to common shareholders	$*(505*)	$*(476*)

Weighted average common shares outstanding - basic and diluted	*4,200*	*4,012*
Net loss per share attributable to common shareholders:		
Basic and diluted	$*(0.12*)	$*(0.12*