

Bridgeline Digital, Inc.
Form 10-Q
August 14, 2013

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 June 30, 2013

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

State or other jurisdiction of incorporation or organization

52-2263942

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 or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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 August 9, 2013 was 17,672,281

Bridgeline Digital, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended June 30, 2013

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Bridgeline Digital, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended June 30, 2013

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 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, 2012 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.

PART I—FINANCIAL INFORMATION**Item 1. Financial Statements.****BRIDGELINE DIGITAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except share and per share data)

(Unaudited)

	June 30,	September
	2013	30,
		2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,715	\$ 2,126
Accounts receivable and unbilled receivables, net	3,379	3,977
Prepaid expenses and other current assets	954	648
Total current assets	6,048	6,751
Equipment and improvements, net	3,341	2,735
Intangible assets, net	1,029	1,527
Goodwill	21,880	21,545
Other assets	1,676	1,132
Total assets	\$ 33,974	\$ 33,690
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,265	\$ 1,132
Accrued liabilities	926	1,306
Accrued earnouts, current	322	375
Debt, current	1,541	1,424
Capital lease obligations, current	431	230
Deferred revenue	2,548	1,144
Total current liabilities	7,033	5,611
Accrued earnouts, net of current portion	586	990
Debt, net of current portion	2,501	2,988
Capital lease obligations, net of current portion	604	127
Other long term liabilities	912	1,004

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Total liabilities	\$11,636	\$ 10,720
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - \$0.001 par value; 1,000,000 shares authorized; none issued and outstanding	-	-
Common stock -\$0.001 par value; 20,000,000 shares authorized; 17,672,281 and 15,203,538 shares issued and outstanding,	18	15
Additional paid-in capital	43,066	40,847
Accumulated deficit	(20,609)	(17,716)
Accumulated other comprehensive loss	(137)	(176)
Total stockholders' equity	22,338	22,970
Total liabilities and stockholders' equity	\$33,974	\$ 33,690

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

BRIDGELINE DIGITAL, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Revenue:				
Web application development services	\$4,276	\$5,055	\$13,614	\$15,804
Managed service hosting	409	631	1,456	1,858
Subscription and perpetual licenses	915	686	2,726	1,899
Total revenue	5,600	6,372	17,796	19,561
Cost of revenue:				
Web application development services	2,341	2,611	7,566	8,237
Managed service hosting	76	98	224	289
Subscription and perpetual licenses	330	117	770	337
Total cost of revenue	2,747	2,826	8,560	8,863
Gross profit	2,853	3,546	9,236	10,698
Operating expenses:				
Sales and marketing	2,275	1,965	6,266	5,526
General and administrative	1,140	923	3,440	2,924
Research and development	515	370	893	1,253
Depreciation and amortization	412	446	1,226	1,296
Impairment of intangible asset	-	-	-	281
Total operating expenses	4,342	3,704	11,825	11,280
Loss from operations	(1,489)	(158)	(2,589)	(582)
Interest income (expense), net	(59)	(98)	(194)	(234)
Loss before income taxes	(1,548)	(256)	(2,783)	(816)
Provision for income taxes	21	21	110	90
Net loss	\$(1,569)	\$(277)	\$(2,893)	\$(906)
Net loss per share:				
Basic and diluted	\$(0.10)	\$(0.02)	\$(0.19)	\$(0.07)
Number of weighted average shares:				
Basic and diluted	15,037,767	12,971,259	14,902,419	12,543,019

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

BRIDGELINE DIGITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Net Loss	\$(1,569)	\$(277)	\$(2,893)	\$(906)
Other comprehensive income (loss):				
Net change in foreign currency translation adjustment	(12)	(27)	39	(63)
Other comprehensive income (loss):	(12)	(27)	39	(63)
Comprehensive loss	\$(1,581)	\$(304)	\$(2,854)	\$(969)

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

BRIDGELINE DIGITAL, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

(Unaudited)

	Nine Months Ended	
	June 30, 2013	2012
Cash flows from operating activities:		
Net loss	\$(2,893)	\$(906)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of intangible assets	391	571
Impairment of intangible asset	-	281
Depreciation	835	725
Other amortization	201	130
Stock-based compensation	334	256
Contingent earnout liability adjustment	(497)	(780)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable and unbilled receivables	562	(76)
Prepaid expenses and other assets	(162)	(18)
Accounts payable and accrued liabilities	(512)	(761)
Deferred revenue	1,381	(9)
Other liabilities	(92)	(205)
Total adjustments	2,441	114
Net cash used by operating activities	(452)	(792)
Cash flows from investing activities:		
Equipment and improvements	(545)	(855)
Acquisitions, net of cash acquired	-	(35)
Software development capitalization costs	(739)	(182)
Contingent acquisition payments	(314)	(324)
Net cash used in investing activities	(1,598)	(1,396)
Cash flows from financing activities:		
Proceeds from sale of common stock, net of issuance costs	2,062	2,242
Proceeds from exercise of employee stock options	75	128
Proceeds from employee stock purchase plan	74	-
Borrowings from bank line of credit	725	1,876
Payments on bank term loan	(275)	-
Payments on bank line of credit	(652)	(2,021)
Payments on acquired debt	-	(221)

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Payments on subordinated promissory notes	(168)	(138)
Principal payments on capital leases	(241)	(201)
Net cash provided by financing activities	1,600	1,665
Effect of exchange rate changes on cash and cash equivalents	39	(63)
Net decrease in cash and cash equivalents	(411)	(586)
Cash and cash equivalents at beginning of period	2,126	2,528
Cash and cash equivalents at end of period	\$1,715	\$1,942
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	\$194	\$234
Income taxes	\$13	\$34
Non cash activities:		
Equipment purchased under capital leases	\$912	\$137
Equipment and other assets included in accounts payable	\$-	\$13
Accrued contingent consideration (earnouts)	\$83	\$1,207
Common stock issued in connection with acquisition	\$-	\$412

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

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share and per share data)

1. Description of Business

Overview

Bridgeline Digital enables its customers to maximize the performance of their mission critical websites, intranets, and online stores. Bridgeline is the developer of the award-winning iAPPS Web Engagement Management (WEM) product platform and related digital solutions. The iAPPS platform deeply integrates Web Content Management, eCommerce, eMarketing, and web Analytics capabilities within the heart of websites or eCommerce web stores to help marketers deliver online experiences that attract, engage, and convert their customers across all digital channels. Bridgeline's iAPPS platform combined with its digital services assists customers in maximizing on-line revenue, improving customer service and loyalty, enhancing employee knowledge, and reducing operational costs.

The iAPPS platform is delivered through a cloud-based SaaS ("Software as a Service") multi-tenant business model, whose flexible architecture provides customers with state of the art deployment 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 Bridgeline's co-managed hosting facility.

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 maintains regional field offices serving the following geographical locations: Atlanta, GA; Baltimore, MD; Boston, MA; Chicago, IL; Dallas, TX; Denver, CO; New York, NY; Philadelphia, PA; San Diego, CA; and Tampa, FL. The Company has one wholly-owned subsidiary, Bridgeline Digital Pvt. Ltd. located in Bangalore, India.

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 accounts and transactions have been eliminated.

Unaudited Interim Financial Information

The accompanying interim Condensed Consolidated Balance Sheet as of June 30, 2013, the Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2013 and 2012, respectively, the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended June 30, 2013 and 2012, respectively, and the Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2013 and 2012, respectively, are unaudited. The unaudited interim condensed consolidated statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and in the opinion of the Company's management have been prepared on the same basis as the audited consolidated financial statements as of and for the year ended September 30, 2012. These consolidated condensed financial statements include all adjustments, consisting of normal recurring adjustments and accruals, necessary for the fair presentation of the Company's financial position at June 30, 2013 and its results of operations for the three and nine months ended June 30, 2013 and 2012, respectively, and its cash flows for the nine months ended June 30, 2013 and 2012, respectively. The results for the three months ended June 30, 2013 are not necessarily indicative of the results to be expected for the year ending September 30, 2013. The accompanying September 30, 2012 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.

Subsequent Events

On August 1, 2013 the Company completed the acquisition of Transformational Technologies, Inc., d/b/a Elements Local, a franchise web platform developer based in central coast California. The Company acquired all the outstanding capital stock of Elements Local for consideration consisting of (i) 0.4 million in cash, (ii) 0.6 million in common stock, (iii) the assumption of \$0.2 million in debt and (iv) contingent consideration of \$1.3 million to be paid in a combination of cash and stock. The contingent consideration is payable quarterly over the 12 consecutive calendar quarters following the acquisition, contingent upon the acquired business achieving certain quarterly revenue targets during the period. To the extent that the quarterly revenue target is not met in any particular quarter, the earn-out period will be extended for up to four additional quarters. Subsequent events have been evaluated through the date the accompanying condensed consolidated financial statements were issued.

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share and per share data)

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-05 (“ASU 2011-05”), *Presentation of Comprehensive Income*, which amends ASC Topic 220, *Comprehensive Income*. ASU 2011-05 eliminates the option to present the components of other comprehensive income as a part of the statement of stockholders’ equity and requires other comprehensive income to be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income. ASU 2011-05 is effective for fiscal years beginning after December 15, 2011 and must be retrospectively applied to all reporting periods presented. The Company adopted ASU 2011-05 on October 1, 2012. The adoption of ASU 2011-05 did not have an impact on the Company’s financial condition, results of operations or cash flows.

3. Accounts Receivable and Unbilled Receivables

Accounts receivable and unbilled receivables consists of the following:

	As of	As of
	June 30, 2013	September 30, 2012
Accounts receivable	\$3,176	\$ 3,794
Unbilled receivables	280	381
Subtotal	3,456	4,175
Allowance for doubtful accounts	(77)	(198)
Accounts receivable and unbilled receivables, net	\$3,379	\$ 3,977

4. Acquisitions

MarketNet, Inc.

On May 31, 2012, the Company completed the acquisition of MarketNet, Inc. (“MarketNet”), an interactive technology company that provides web application development based in Dallas, Texas. The Company acquired all of the outstanding capital stock of MarketNet for consideration consisting of (i) \$20 thousand in cash, (ii) assumption of debt of \$244 thousand and (iii) contingent consideration of up to \$650 thousand in cash and 204,331 shares of Bridgeline Digital common stock, valued at \$250 thousand (\$1.22 per share). The cash consideration was reduced by \$58 thousand due to the Seller’s inability to meet an agreed upon target for working capital at the time of acquisition and was applied against Marketnet’s earnout payment for the three months ended December 31, 2012. The contingent consideration is payable quarterly over the 12 consecutive calendar quarters following the acquisition, contingent upon the acquired business achieving certain quarterly revenue and quarterly operating income targets during the period. To the extent that either the quarterly revenue target or the quarterly operating income target is not met in a particular quarter, the earn-out period will be extended for up to four additional quarters. MarketNet is also eligible to earn additional bonus equity consideration of 200,000 shares, if annual net revenues of the acquired business exceed a certain threshold in any fiscal year through September 30, 2015. The Company is required to assess the probability of the acquired business achieving the contingent cash and stock payments which requires management to make estimates and judgments based on forecasts of future performance. As a result, the Company reduced the initial estimate of \$607 thousand for the contingent cash consideration to be achieved and \$262 thousand for the contingent stock consideration to be achieved by \$8 thousand and \$30 thousand, respectively. The contingent common stock has been issued and is being held in escrow pending satisfaction of the applicable targets. MarketNet achieved its quarterly revenue and operating income targets for the first two quarterly periods after the acquisition date and its operating income target for the periods ending March 31, 2013 and June 30, 2013. MarketNet’s operating results are reflected in the Company’s condensed consolidated financial statements as of the acquisition date.

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share and per share data)

Magnetic Corporation

On October 3, 2011, the Company completed the acquisition of Magnetic Corporation (“Magnetic”), a web technology company based in Tampa, Florida. Bridgeline acquired all of the outstanding capital stock of Magnetic for consideration consisting of (i) \$150 thousand in cash and (ii) contingent consideration of up to \$600 thousand in cash and 166,666 shares of Bridgeline Digital common stock, valued at \$150 thousand (\$0.90 per share). The cash consideration was reduced by \$100 thousand due to the Seller’s inability to meet an agreed upon target for working capital at the time of acquisition. The contingent consideration is payable quarterly over the 12 consecutive calendar quarters following the acquisition, contingent upon the acquired business achieving certain quarterly revenue and quarterly operating income targets during the period. The contingent common stock has been issued and is being held in escrow pending satisfaction of the applicable targets. To the extent that either the quarterly revenue target or the quarterly operating income target is not met in a particular quarter, the earn-out period will be extended for up to four additional quarters. The Company is required to assess the probability of the acquired business achieving the contingent cash and stock payments which requires management to make estimates and judgments based on forecasts of future performance. As a result, the Company estimated and accrued \$600 thousand of the contingent cash consideration to be achieved and \$150 thousand of the contingent stock consideration to be achieved. Magnetic achieved its quarterly revenue and operating income targets for all periods since the acquisition date. Magnetic’s operating results are reflected in the Company’s condensed consolidated financial statements as of the acquisition date, which corresponds to the Company’s commencement of fiscal 2012.

The estimated fair value of net assets acquired from the MarketNet and Magnetic acquisitions are summarized as follows:

Net assets acquired:	Amount
Cash	\$ 35
Accounts Receivable, net	327
Other Assets	181
Fixed Assets	91
Intangible Assets	910
Goodwill	1,426
Total Assets	2,970
Current Liabilities	1,210

Liabilities, net of current	73
Total liabilities assumed	1,283
Net assets acquired:	\$ 1,687

Purchase Price:

Cash Paid	\$ 70
Contingent earnouts - payable in cash	1,206
Contingent earnouts - payable in common stock	411
	\$ 1,687

As part of the Magnetic acquisition, of the \$430 thousand allocated to intangible assets, \$350 thousand is allocated to customer relationships and \$80 thousand is allocated to non-compete agreements, with an average useful life of five years.

The Company completed its formal valuation of intangibles acquired in the MarketNet transaction during the three months ended June 30, 2013. As a result, the Company's initial estimate of \$600 thousand allocated to intangible assets was reduced to \$480 thousand. \$370 thousand was allocated to customer relationships with an estimated useful life of 5 years and \$110 thousand allocated to non-compete agreements with an estimated useful life of 7 years.

The goodwill recorded as a result of the Magnetic and MarketNet acquisitions is nondeductible for tax purposes.

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share and per share data)

The following unaudited pro forma financial information reflects the combined results of operations for Bridgeline for the three and nine months ended June 30, 2012, including certain adjustments, as if the acquisition of MarketNet had occurred on October 1, 2011. This information does not necessarily reflect the results of operations that would have occurred had the acquisitions taken place at the beginning of the period, and is not necessarily indicative of the results which may be obtained in the future (in thousands, except per share data):

	Three Months	Nine Months
	Ended	Ended
	June 30, 2013	June 30, 2013
Total revenue	\$6,829	\$21,284
Net loss	\$(239) \$(920
Net loss per share:		
Basic and diluted	\$(0.02) \$(0.07
Number of weighted average shares:		
Basic and diluted	12,988,287	12,560,047

Contingent earnout liabilities for acquisitions completed after September 30, 2009 were recorded at fair value based on valuation models that utilize relevant factors such as estimated probabilities of the acquisitions achieving the performance targets throughout the earnout period. During the three months ended June 30, 2013, total estimated contingent earnout liabilities, cash and stock, were reduced by \$181 thousand which comprised \$31 thousand of contingent cash earnouts and \$150 thousand of contingent stock earnouts. The following table summarizes the changes in accrued earnout liabilities for the nine months ended June 30, 2013:

Balance at September 30, 2012	\$1,365
Contingent earnout liability accruals	83
Contingent earnout liability payments	(314)
Contingent earnout reduced by working capital adjustment	(55)
Contingent earnout liability estimate adjustment	(171)
Balance at June 30, 2013	\$908

5. Intangible Assets

Changes in the carrying amount of intangible assets are as follows:

	As of June, 2013			
	Gross	Accumulated	Impairment	Net
	Amount	Amortization		Amount
Intangible assets:				
Domain and trade names	\$26	\$ (26)	\$ -	\$ -
Customer related	4,126	(2,969)	(281)	876
Non-compete agreements	831	(678)	-	153
Acquired software	362	(362)	-	-
Total intangible assets	\$5,345	\$ (4,035)	\$ (281)	\$ 1,029

	As of September 30, 2012			
	Gross	Accumulated	Impairment	Net
	Amount	Amortization		Amount
Intangible assets:				
Domain and trade names	\$26	\$ (26)	\$ -	\$ -
Customer related	4,187	(2,654)	(281)	1,252
Non-compete agreements	877	(602)	-	275
Acquired software	362	(362)	-	-
Total intangible assets	\$5,452	\$ (3,644)	\$ (281)	\$ 1,527

BRIDGELINE DIGITAL, INC.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share and per share data)

Total amortization expense related to intangible assets for the three months ended June 30, 2013 and 2012 was \$117 thousand and \$194 thousand, respectively, and amortization expense related to intangible assets for the nine months ended June 30, 2013 and 2012 was \$391 thousand and \$571 thousand, respectively. They are reflected in operating expenses on the Condensed Consolidated Statements of Operations.

6. Goodwill

Changes in the carrying amount of goodwill follows:

	As of	As of
	June 30, 2013	September 30, 2012
Balance at beginning of period	\$21,545	\$ 20,122
Acquisitions	-	1,175
Contingent acquisition payments	83	248
Purchase price allocation adjustments	252	-
Balance at end of period	\$21,880	\$ 21,545

7. Debt*Bank Term Loan*

In March 2010, the Company entered into an Amended and Restated Loan and Security Agreement SVB (the "Loan Agreement") with Silicon Valley Bank ("SVB"). The Loan Agreement has a two year term which expired on March 31, 2012. In May 2011, the Company amended its loan arrangement (the "Amendment") with SVB, extending the maturity

date of the line of credit for one year to March 31, 2013. The Amendment also revised certain financial covenants and amended the out of formula borrowings to be structured as a \$2 million term loan and interest on the term loan will be at SVB's prime rate plus 1.75%. I