

Bridgeline Digital, Inc.
Form PRE 14A
March 11, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to Rule 240.14a-12

BRIDGELINE DIGITAL, INC.

(Name of Registrant as Specified in its Charter)

Not Applicable

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a- 6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 25, 2016

Dear Stockholder:

I am pleased to invite you to attend Bridgeline Digital, Inc.'s Annual Meeting of Stockholders to be held on April 29, 2016. The meeting will begin promptly at 9:00 a.m. Eastern Time at the Company's corporate headquarters located at 80 Blanchard Road, Burlington, Massachusetts 01803.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you about the agenda and procedures for the meeting. It also describes how the board of directors operates and provides information about our director candidates.

I look forward to sharing more information with you about Bridgeline at the Annual Meeting. Whether or not you plan to attend, I encourage you to vote your proxy as soon as possible so that your shares will be represented at the meeting.

Sincerely,

Roger Kahn
Co- Interim Chief Executive Officer
and President

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held at 9:00 A.M. on April 29, 2016

To the Stockholders of Bridgeline Digital, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Meeting") of BRIDGELINE DIGITAL, INC. (the "Company") will be held on April 29, 2016 at 9:00 A.M. at the Company's corporate headquarters located at 80 Blanchard Road Burlington, Massachusetts, 01803 to consider and vote on the following matters described under the corresponding numbers in the attached Proxy Statement:

1. To elect two directors;
2. To approve the adoption of the Bridgeline Digital, Inc. 2016 Stock Incentive Plan;
3. To ratify the appointment of Marcum LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2016;
4. To approve the issuance of up to 4,700,000 shares of the Company's Common Stock upon conversion of outstanding term notes and the issuance of warrants to purchase up to an aggregate of 470,000 shares of the Company's Common Stock and the issuance of the shares of Common Stock issuable upon such exercise of such warrants;
5. To approve the issuance of up to 4,000,000 shares of the Company's Common Stock upon conversion of outstanding convertible notes;
6. To approve the issuance of up to 2,666,667 shares of the Company's Common Stock upon conversion of term notes to be issued in a private placement;
7. To hold an advisory vote on the compensation of the Company's named executive officers (the "say-on-pay" vote); and
8. To hold an advisory vote on the frequency of holding future say-on-pay votes.

The Board of Directors has fixed the close of business on March 21, 2016 as the record date for the determination of stockholders entitled to vote at the Meeting, and only holders of shares of Common Stock and Series A Preferred Stock of record at the close of business on that day will be entitled to vote. The stock transfer books of the Company will not be closed.

A complete list of stockholders entitled to vote at the Meeting shall be available for examination by any stockholder, for any purpose germane to the Meeting, during ordinary business hours for the ten days prior to the date of the Meeting at the principal executive offices of the Company. The list will also be available at the Meeting.

Whether or not you expect to be present at the Meeting, please fill in, date, sign, and return the enclosed Proxy, which is solicited by management. The Proxy is revocable and will not affect your vote in person in the event you attend the Meeting.

By Order of the Board of Directors

Assistant Secretary
March 25, 2016

Requests for additional copies of the proxy materials and the Company's Annual Report for its fiscal year ended September 30, 2015 should be addressed to Shareholder Relations, Bridgeline Digital, Inc., 80 Blanchard Road, Burlington, Massachusetts 01803. This material will be furnished without charge to any stockholder requesting it.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 29, 2016: The Proxy Statement for the Annual Meeting and the Annual Report to Shareholders for the year ended September 30, 2015 are available at <https://www.bridgeline.digital.com/proxy>

Proxy Statement

Annual Meeting of Stockholders

April 29, 2016

The enclosed proxy is solicited by the management of Bridgeline Digital, Inc. in connection with the Annual Meeting of Stockholders to be held on April 29, 2016 at 9:00 A.M. at the Company's headquarters located at 80 Blanchard Road, Burlington, Massachusetts and any adjournment thereof. The Board of Directors of the Company (the "Board of Directors") has set the close of business on March 21, 2016 as the record date for the determination of stockholders entitled to vote at the Meeting. A stockholder executing and returning a proxy has the power to revoke it at any time before it is exercised by filing a later-dated proxy with, or other communication to, the Secretary of the Company or by attending the Meeting and voting in person.

The proxy will be voted in accordance with your directions to:

1. To elect two directors;
2. To approve the adoption of the Bridgeline Digital, Inc. 2016 Stock Incentive Plan;
3. To ratify the appointment of Marcum LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2016;

4. To approve the issuance of up to 4,700,000 shares of the Company's Common Stock upon conversion of outstanding term notes and the issuance of warrants to purchase up to an aggregate of 470,000 shares of the Company's Common Stock and the issuance of the shares of Common Stock issuable upon exercise of such warrants;

5. To approve the issuance of up to 4,000,000 shares of the Company's Common Stock upon conversion of outstanding convertible notes;

6. To approve the issuance of up to 2,666,667 shares of the Company's Common Stock upon conversion of term notes to be issued in a private placement;

7. To hold an advisory vote on the compensation of the Company's named executive officers (the "say-on-pay" vote);
and

8. To hold an advisory vote on the frequency of holding future say-on-pay votes.

The Proxy Statement, the attached Notice of Meeting, the enclosed form of proxy and the Annual Report are being mailed to stockholders on or about March 25, 2016. The Company's principal executive offices are located at 80 Blanchard Road, Burlington, Massachusetts 01803, and its telephone number at that location is (781) 376-5555.

The entire cost of soliciting proxies will be borne by the Company. The costs of solicitation will include the costs of supplying necessary additional copies of the solicitation materials and the Company's Annual Report to Stockholders (the "Annual Report") for its fiscal year ended September 30, 2015 ("fiscal 2015") to beneficial owners of shares held of record by brokers, dealers, banks, trustees, and their nominees, including the reasonable expenses of such record holders for completing the mailing of such materials and Annual Reports to such beneficial owners. Solicitation of proxies may also include solicitation by telephone, fax, electronic mail, or personal solicitations by Directors, officers, or employees of the Company. No additional compensation will be paid for any such services. The Company may engage a professional proxy solicitation firm to assist in the proxy solicitation and, if so, will pay such solicitation firm customary fees plus expenses.

Stockholders of record of the Company's common stock, \$0.001 par value (the "Common Stock"), at the close of business on March 21, 2016, the record date for the Meeting, will be entitled to receive notice of, and to vote at, the Meeting. As of March 21, 2016, there were issued and outstanding 5,326,615 shares of Common Stock, all of which are entitled to vote. Each share of Common Stock outstanding at the close of business on the record date is entitled to one vote on each matter that is voted at the Meeting.

In addition, as of March 21, 2016, there were issued and outstanding 214,614 shares of the Company's Series A Preferred Stock, par value \$0.001 per share ("Series A Preferred Stock"). Each shareholder of record of Series A Preferred Stock outstanding at the close of business on the record date is entitled to receive notice of, and to vote, on an as-converted to Common Stock basis, at the Meeting. Each share of Series A Preferred Stock outstanding at the close of business on the record date is entitled to 3.03 votes on each matter that is voted at the Meeting. Therefore, the holders of our outstanding shares of Series A Preferred Stock have an aggregate of 650,281 votes on matters to come before the Meeting, which represents 12% of our outstanding voting securities.

Stockholders may vote by proxy over the Internet, over the telephone, or by mail. The procedures for voting by proxy are as follows:

To vote by proxy over the Internet, go to www.voteproxy.com to complete an electronic proxy card;

To vote by proxy over the telephone, dial the toll-free phone number (1-800-776-9437) listed on your proxy card and following the recorded instructions; or

To vote by proxy by mail you must complete, sign and date your proxy card and return it promptly in the envelope provided.

Stockholders of record may also vote in person at the annual meeting.

The representation in person or by proxy of a majority of the votes entitled to be cast by the stockholders entitled to vote at the Meeting is necessary to establish a quorum for the transaction of all business to come before the Meeting. Abstentions and broker non-votes are counted as present or represented for purposes of determining the presence of a quorum. A "broker non-vote" occurs when a broker holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the broker does not have discretionary voting power and has not received instructions from the beneficial owner.

Abstentions will be treated as shares that are present and entitled to vote for purposes of determining the number of shares present and entitled to vote with respect to any particular matter, but will not be counted as a vote in favor of such matter.

If a stockholder holds shares beneficially in street name and does not provide its broker with voting instructions, the shares may constitute "broker non-votes." Generally, broker non-votes occur on a matter when a broker is not permitted

to vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on "non-routine" proposals. All proposals, except for Proposal 3, are non-routine proposals. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote and have no effect on the voting on such matter.

The Directors will be elected by a plurality of the votes properly cast at the Meeting. Abstentions and broker non-votes as to this election do not count as votes for or against such election.

All of the other proposals at the meeting require the favorable vote of a majority of the votes cast on the matter. Abstentions will have the same effect as a vote against the matter, and broker non-votes will have no effect on the outcome of voting on these matters.

PROPOSAL 1

ELECTION OF DIRECTORS

Two directors are to be elected by a plurality of the shares present in person or represented by proxy at the Meeting and entitled to vote thereon, to hold office for a three year term expiring in 2019.

(1) Kenneth Galaznik

(2) Scott Landers

The persons named in the accompanying proxy have advised management that it is their intention to vote for the election of the above nominee as director unless authority is withheld.

Management has no reason to believe that the nominee will be unable to serve. In the event that the nominee becomes unavailable, the proxies may be voted for the election of such person or persons who may be designated by the Board of Directors.

The following table sets forth certain information as to our current directors:

Name	Age	Position with the Company	Director Since
Joni Kahn*	61	Chairperson of the Board, Chair of the Compensation Committee and Member of the Audit and Nominating and Corporate Governance Committees	2012
Kenneth Galaznik*	64	Director, Chair of the Audit Committee and Member of the Compensation Committee	2006
Scott Landers*	45	Director, Chair of Nominating and Corporate Governance Committee and Member of the Audit and Compensation Committees	2010

Michael
Taglich

51 Director

2013

*Independent director as defined under the rules of the Nasdaq Stock Market.

Joni Kahn has been a member of our Board of Directors since April 2012. In May 2015, Ms. Kahn was appointed Chairperson of the Board of Directors. She also serves as the Chair of the Compensation Committee and is a member of the Audit and Nominating and Governance Committees. Ms. Kahn has over thirty years of operating experience with high growth software and services companies with specific expertise in the SaaS (Software as a Service), ERP (Enterprise Resource Planning) Applications, Business Intelligence and Analytics and CyberSecurity segments. From 2013 to 2015, Ms. Kahn was the Senior Vice President of Global Services for Big Machines, Inc., which was acquired by Oracle in October 2013. From 2007 to 2012, Ms. Kahn was Vice President of Services for HP's Enterprise Security Software group. From 2005 to 2007, Ms. Kahn was the Executive Vice President at BearingPoint where she managed a team of over 3,000 professionals and was responsible for North American delivery of enterprise applications, systems integration and managed services solutions. Ms. Kahn also oversaw global development centers in India, China and the U.S. From 2002 to 2005, Ms. Kahn was the Senior Group Vice President for worldwide professional services for Business Objects, a business intelligence software maker based in San Jose, where she led the applications and services division that supported that company's transformation from a products company to an enterprise solutions company. Business Objects was acquired by SAP in 2007. From 2000 to 2007, Ms. Kahn was a Member of the Board of Directors for MapInfo, a global location intelligence solutions company. She was a member of MapInfo's Audit Committee and the Compensation Committee. MapInfo was acquired by Pitney Bowes in 2007. From 1993 to 2000, Ms. Kahn was an Executive Vice President and Partner of KPMG Consulting, where she helped grow the firm's consulting business from \$700 million to \$2.5 billion. Ms. Kahn received her B.B.A in Accounting from the University of Wisconsin – Madison.

Kenneth Galaznik has been a member of our Board of Directors since 2006. Mr. Galaznik is the Chairman of the Company's Audit Committee and serves as a member of the Compensation Committee. Since 2005, Mr. Galaznik has been the Senior Vice President, Chief Financial Officer and Treasurer of American Science and Engineering, Inc., a publicly held supplier of X-ray inspection and screening systems with a public market cap of over \$200 million. In September 2015, Mr. Galaznik announced that he would retire from his position at American Science and Engineering on March 31, 2016. From August 2002 to February 2005, Mr. Galaznik was Vice President of Finance of American Science and Engineering, Inc. From November 2001 to August 2002, Mr. Galaznik was self-employed as a consultant. From March 1999 to September 2001, he served as Vice President of Finance at Spectro Analytical Instruments, Inc. and has more than 35 years of experience in accounting and finance positions. Mr. Galaznik holds a B.B.A. degree in accounting from The University of Houston. Mr. Galaznik brings extensive experience to our Board and our Audit Committee as an experienced senior executive, a financial expert, and as chief financial officer of a publicly-held company.

Scott Landers has been a member of our Board of Directors since 2010. Mr. Landers is the Chair of the Nominating and Corporate Governance Committee and serves as a member of the Audit and Compensation Committees. Mr. Landers was named President and Chief Executive Officer of Monotype Imaging Holdings, Inc on January 1, 2016 after serving as the company's Chief Operating Officer since early 2015 and its Chief Financial Officer, Treasurer and Assistant Secretary since joining Monotype in July 2008. Monotype is a publicly-held company and is a leading provider of typefaces, technology and expertise that enable the best user experiences and sure brand integrity. Prior to joining Monotype, from September 2007 until July 2008, Mr. Landers was the Vice President of Global Finance at Pitney Bowes Software, a \$450 million division of Pitney Bowes, a leading global provider of location intelligence solutions. From 1997 until September 2007, Mr. Landers held several senior finance positions, including Vice President of Finance and Administration, at MapInfo, a publicly-held company which was acquired by Pitney Bowes in April 2007. Earlier in his career, Mr. Landers was a Business Assurance Manager with Coopers & Lybrand. Mr. Landers is a Certified Public Accountant and holds a bachelor's degree in accounting from Le Moyne College in Syracuse, N.Y. and a master's degree in business administration from The College of Saint Rose in Albany, N.Y. Mr. Landers brings extensive experience to our Board and our Audit Committee as an experienced senior executive, a financial expert, and as chief executive officer and a chief financial officer of a publicly-held company.

Michael Taglich joined the Board of Directors in 2013. He is the Chairman and President of Taglich Brothers, Inc., a New York City based securities firm which he co-founded in 1992. Taglich Brothers, Inc. focuses on public and private micro-cap companies in a wide variety of industries. He is currently the Chairman of the Board of each Air Industries Group Inc., a publicly traded aerospace and defense company (NYSE AIRI), and BioVentrix, Inc., a privately held medical device company whose products are directed at heart failure treatment. He also serves as a director of a number of other private companies, and is a director of Icagen Inc, a drug screening company. Michael Taglich brings extensive professional experience which spans various aspects of senior management, including finance, operations and strategic planning. Mr. Taglich has more than 30 years of financial industry experience, and served on his first public company board over 20 years ago.

Executive Officers

The following table sets forth certain information as to our executive officers who are not also directors:

Name	Age	Position with the Company
Roger Kahn	47	Co-Interim Chief Executive Officer and President, Chief Operating Officer
Michael D. Prinn	42	Co-Interim Chief Executive Officer and President, Executive Vice President and Chief Financial Officer

Roger Kahn has been our Chief Operating Officer since August 2015. As of December 1, 2015, the Board of Directors appointed Mr. Kahn as Co-Interim Chief Executive Officer and President alongside Mr. Michael Prinn, the Company's Chief Financial Officer. Mr. Kahn and Mr. Prinn will co-manage the Company until a successor is named to be the Chief Executive Officer and President. Prior to joining Bridgeline, Mr. Kahn co-founded FatWire, a leading content management and digital engagement company. As the General Manager and Chief Technology Officer of FatWire, Mr. Kahn built the company into a global corporation with offices in thirteen countries and annual revenues of \$40 million. Fatwire was acquired by Oracle in 2011 for \$160 million. Mr. Kahn received his Ph.D in Computer Science and Artificial Intelligence from the University of Chicago.

Michael Prinn has been our Executive Vice President and Chief Financial Officer since October 2012. As of December 1, 2015, the Board of Directors appointed Mr. Prinn as Co-Interim Chief Executive Officer and President in addition to his duties as the Chief Financial Officer. Mr. Kahn and Mr. Prinn will co-manage the Company until a successor is named to be the Chief Executive Officer and President. Mr. Prinn joined Bridgeline in August 2010 as our Vice President of Finance as was subsequently promoted to the position of Chief Accounting Officer and Executive Vice President of Finance. Prior to joining Bridgeline, from 2006 to 2010, Mr. Prinn was a Senior Manager and Controller at Sipient, a \$1.4 billion publicly-held global integrated marketing and technology services company. From 2003 to 2006 Mr. Prinn was the Corporate Controller for SensAble Technologies, a developer of 3D touch-enabled digital solutions. Prior to joining SensAble Technologies, Mr. Prinn was an Audit Manager in Arthur Andersen's High Tech Audit Practice. Mr. Prinn received his B.S. in Accounting from Boston College and is a Certified Public Accountant.

**The Board of Directors recommends a vote FOR the approval of Proposal No. 1,
the election of directors.**

Certain Relationships and Related Transactions

Item 404(d) of Regulation S-K requires the Company to disclose any transaction or proposed transaction which occurred since the beginning of the two most recently completed fiscal years in which the amount involved exceeds the lesser of \$120,000 or one percent (1%) of the average of the Company's total assets as of the end of the last two completed fiscal years in which the Company is a participant and in which any related person has or will have a direct or indirect material interest. A related person is any executive officer, director, nominee for director, or holder of 5% or more of the Company's Common Stock, or an immediate family member of any of those persons.

In accordance with our Audit Committee charter, our Audit Committee is responsible for reviewing and approving the terms of any related party transactions. Therefore, any material financial transaction between the Company and any related person would need to be approved by our Audit Committee prior to the Company entering into such transaction.

In October 2013, Michael Taglich joined the Board of Directors. Michael Taglich is the Chairman and President of Taglich Brothers, Inc. a New York based securities firm and beneficially owns approximately 11% of Bridgeline stock. Other employees, affiliates and clients of Taglich Brothers, Inc. own approximately 600,000 shares of Bridgeline Common Stock and 160,977 shares of convertible preferred stock.

On November 6, 2013, the Company entered into a Placement Agent Agreement with Taglich Brothers, Inc. engaging Taglich Brothers, Inc. to provide services as a placement agent in a proposed private placement. In return for the services provided, the Company paid Taglich Brothers, Inc. a cash commission equal to 8% of the amount raised by the Company in the private placement and issued affiliates of Taglich Brothers five year warrants to purchase such number of shares of Common Stock equal to 10% of the equity issued in the private placement at an exercise price of \$6.50 per share.

On March 21, 2014, the Company entered into a Placement Agent Agreement with Taglich Brothers, Inc. engaging Taglich Brothers, Inc. to provide services as a placement agent in a proposed private placement. In return for the services provided, the Company paid Taglich Brothers, Inc. a cash commission equal to 8% of the amount raised by the Company in the private placement and issued affiliates of Taglich Brothers five year warrants to purchase such number of shares of Common Stock equal to 10% of the equity issued in the private placement at an exercise price of \$5.25 per share.

On October 15, 2014, the Company entered into a Placement Agent Agreement with Taglich Brothers, Inc. engaging Taglich Brothers, Inc. to provide services as a placement agent in a proposed private placement. In return for the services provided, the Company paid Taglich Brothers, Inc. a cash commission equal to 8% of the amount raised by

the Company in the private placement and issued affiliates of Taglich Brothers five year warrants to purchase such number of shares of Common Stock equal to 10% of the equity issued in the private placement at an exercise price of \$3.25 per share.

On March 14, 2016, the Company entered into a Placement Agent Agreement with Taglich Brothers, Inc. engaging Taglich Brothers, Inc. to provide services as a placement agent in a proposed private placement. In return for the services provided, the Company will pay Taglich Brothers, Inc. a cash commission equal to 8% of the amount raised by the Company in the private placement and will issue affiliates of Taglich Brothers five year warrants to purchase such number of shares of Common Stock equal to 10% of the equity issuable in the private placement at an exercise price equal to the closing price of the Common Stock on the date of issuance of the warrants.

Since October 1, 2013, the Company has issued term notes to Mr. Taglich in the amount of \$2.45 million in principal and mature on March 1, 2017. As of March 31, 2016, a total of \$158,994 of interest has accrued under such notes, none of which has been paid, and no principal has been repaid. Certain of the notes include a prepayment penalty. These prepayment penalties total \$250,000 in the aggregate.

Schedule of term notes issued to Mr. Taglich:

<u>Date of Issuance</u>	<u>Principal Amount of Note</u>	<u>Interest Rate</u>
12/18/2014	\$ 500,000	8.5%
02/09/2015	\$ 500,000	8.5%
05/12/2015	\$ 500,000	8.5%
07/21/2015	\$500,000	9.5%
12/03/2015	\$250,000	9.5%
02/10/2016	<u>\$200,000</u>	8.0%
Total	<u>\$2,450,000</u>	

Michael Taglich has also guaranteed \$2 million in connection with the Company's out of formula borrowings on its credit facility with BridgeBank. In connection with the debt financing and guaranty provided by Mr. Taglich, the Company has issued Mr. Taglich the following warrants to purchase Common Stock of the Company:

Schedule of warrants issued to Mr. Taglich:

<u>Date of Issuance</u>	<u>Number of Shares</u>	<u>Exercise Price per Share</u>	<u>Term/Expiration</u>
06/19/2013	10,000	\$6.25	06/19/2018
12/31/2014	60,000	\$4.00	12/31/2019
02/12/2015	60,000	\$4.00	2/12/2020
05/12/2015	60,000	\$4.00	5/12/2020
07/21/2015	160,000	\$1.75	7/21/2018
02/25/2016	<u>30,000</u>	\$4.00	12/31/2020
Total	<u>380,000</u>		

Bridgeline agreed to provide piggyback registration rights with respect to the shares of Common Stock underlying the warrants.

In November 2015, the Company entered into a consulting agreement with Robert Taglich, also an executive of Taglich Brothers, Inc. and Michael Taglich's brother. Robert Taglich is a shareholder of the Company and beneficially owns approximately 7.7% of Bridgeline stock. The consulting services may include assistance with strategic planning and other matters as requested by management or the Board of Directors of the Company. The term of the Consulting

Agreement is twelve months. As compensation for his services, Robert Taglich was granted an option to purchase 15,000 shares of the Company's Common Stock at a price of \$1.21 per share. In December 2015, the Company issued an interest bearing term note in a total principal amount of \$250,000 to Robert Taglich with a maturity date of March 1, 2017. Interest under such note accrues at a rate of 9.5% per annum.

Also, in February 2016, the Company issued an interest bearing term note in principal amount of \$200,000 to Robert Taglich with a maturity date of March 1, 2017. Interest under such note accrues at a rate of 8% per annum. As of March 31, 2016, no interest has been paid under such note and no principal has been repaid.

In February 2016, the Company issued an interest bearing term note in principal amount of \$100,000 to Roger Kahn with a maturity date of March 1, 2017. Interest under such note accrues at a rate of 8% per annum. As of March 31, 2016, no interest has been paid under such note and no principal has been repaid.

The Company also has an annual service contract for \$18,000 with Taglich Brothers, Inc. to perform market research.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. In computing the number of shares beneficially owned by a person or a group and the percentage ownership of that person or group, shares of our Common Stock subject to options or warrants currently exercisable or exercisable within 60 days after March 1, 2016 are deemed outstanding, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each individual named below is our address, 80 Blanchard Road, 2nd Floor, Burlington, Massachusetts 01803.

The following table sets forth as of March 1, 2016, the beneficial ownership of our Common Stock by (i) each person or group of persons known to us to beneficially own more than 5% of the outstanding shares of our Common Stock, (ii) each of our directors and named executive officers, and (iii) all of our executive officers and directors as a group. At the close of business on March 1, 2016 there were issued and outstanding 5,326,615 shares of our Common Stock entitled to cast 5,326,615 votes and 214,614 shares of Series A Preferred Stock. On March 1, 2016 the closing price of our Common Stock as reported on the Nasdaq Capital Market was \$0.89 per share.

Except as indicated in the footnotes to the table below, each shareholder named in the table has sole voting and investment power with respect to the shares shown as beneficially owned by such shareholder.

This information is based upon information received from or on behalf of the individuals named herein.

Name and Address	Number of	Percent of Shares
	Shares	Outstanding
Michael Taglich	609,596	(1) 10.62%
Robert Taglich		
790 New York Avenue	428,191	(2) 7.71%
Huntington, NY 11743		
Roger Kahn	185,185	3.48%
Thomas Massie	125,267	2.35%
Kenneth Galaznik	78,344	(3) *
Scott Landers	67,503	(4) *
Joni Kahn	61,823	(5) *
Michael Prinn	49,400	(6) *
All current executive officers and directors as a group (7)	1,177,118	(7) 20.12%

*less than 1%

- Includes 407,813 shares issuable upon the exercise of warrants, and 8,001 shares of Common Stock subject to
- (1) currently exercisable options (includes options that will become exercisable within 60 days of March 1, 2016). Also includes 8,696 shares and 600 shares issuable upon the exercise of warrants owned by Mr. Taglich's spouse.
 - (2) Includes 64,413 shares issuable upon the exercise of warrants, and 165,037 shares of Common Stock issuable upon conversion of Series A Convertible Preferred Stock.
 - (3) Includes 26,667 shares of Common Stock subject to currently exercisable options (includes options that will become exercisable within 60 days of March 1, 2016).
Includes 20,667 shares of Common Stock subject to currently exercisable options (includes options that will become exercisable within 60 days of March 1, 2016). Includes 2,000 shares of Common Stock owned by Mr. Landers' children.
 - (5) Includes 13,667 shares of Common Stock subject to currently exercisable options (includes options that will become exercisable within 60 days of March 1, 2016).
 - (6) Includes 47,000 shares of Common Stock subject to currently exercisable options (includes options that will become exercisable within 60 days of March 1, 2016).
 - (7) Includes 116,002 shares of Common Stock subject to currently exercisable options (includes options that will become exercisable within 60 days of March 1, 2016).

EXECUTIVE COMPENSATION**Summary Compensation Table**

The following Summary Compensation Table sets forth the total compensation paid or accrued for the fiscal years ended September 30, 2015 and September 30, 2014 for our principal executive officer and our other two most highly compensated executive officers who were serving as executive officers on September 30, 2015. We refer to these officers as our named executive officers.

Name and Principal Position	Fiscal Year End	Salary	Bonus	Option Awards (1)	Total
<i>Thomas Massie</i> (2) President and Chief Executive Officer and Director	2015	\$375,000	—	—	\$375,000
	2014	\$375,000	\$20,834	\$83,000	\$478,834
<i>Roger Kahn</i> (3) Chief Operating Officer	2015	\$106,818	—	\$156,744	\$263,562
	2014	—	—	—	—
<i>Michael Prinn</i> (4) Executive Vice President and Chief Financial Officer	2015	\$225,000	—	—	\$225,000
	2014	\$210,417	\$25,000	\$57,750	\$293,167

Represents the aggregate grant date fair value of the entire stock option awards for the fiscal years ended September 30, 2015 and 2014, in accordance with Financial Accounting Standards Board Accounting Standards (1) Codification Topic 718 (“ASC 718”), excluding the impact of estimated forfeitures of stock options. None of the stock option awards listed above were exercised in the fiscal years ended September 30, 2015 and 2014, and the amounts set forth above do not represent amounts actually received by the executives.

(2) Mr. Massie resigned from his positions of President, Chief Executive Officer and Director on December 1, 2015.

(3) Mr. Kahn was appointed Chief Operating Officer on August 24, 2015, and was appointed Co-Interim Chief Executive Officer and President on December 1, 2015.

(4) Mr. Prinn was appointed Co-Interim Chief Executive Officer and President on December 1, 2015.

Employment Agreements

Thomas Massie

Mr. Massie resigned as President and Chief Executive Officer and Director on December 1, 2015. The terms of his original employment contract dated October 1, 2001 were superseded by a new Separation and Advisor Agreement (the "Agreement"). The Agreement provides that as of December 1, 2015, Mr. Massie will receive a gross payment of \$31,250 per month for sixteen months. In addition, Mr. Massie will receive 100% coverage of the associated premiums for medical and dental coverage during such sixteen month period.

Roger Kahn

We have entered into an employment agreement with Roger Kahn, our Chief Operating Officer, to provide executive management services. The agreement has an initial term of thirteen months beginning August 24, 2015 and terminating on September 30, 2016. The agreement renews for successive periods of one year if the Company provides written notice of renewal not less than 60 days prior to the end of the initial term or any applicable succeeding term. The agreement may be terminated by (i) us, in the event of Mr. Kahn's death, resignation, retirement or disability, or for or without cause, or (ii) Mr. Kahn for good reason. In the event that Mr. Kahn is terminated by us without cause or Mr. Kahn resigns for good reason, he is entitled to receive severance payments equal to twelve months of salary and one full quarterly bonus. In addition, any stock option awards that are not exercisable will be immediately vested and exercisable.

Michael Prinn

We have entered into an employment agreement with Michael Prinn, our Executive Vice President and Chief Financial Officer, to provide executive management services. Mr. Prinn's employment agreement is effective for the period of twelve months commencing October 1, 2015. The agreement may be terminated by (i) us, in the event of Mr. Prinn's death, resignation, retirement or disability, or for or without cause, or (ii) Mr. Prinn for good reason. In the event that Mr. Prinn is terminated by us without cause or Mr. Prinn resigns for good reason, he is entitled to receive severance payments equal to twelve months of salary and bonus. In addition, any stock option awards that are not exercisable will be immediately vested and exercisable.

Outstanding Equity Awards at Fiscal 2015 Year-End

The following table sets forth information concerning outstanding stock options for each named executive officer as of September 30, 2015.

Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (1)(2)(3)	Number of Securities		
			Underlying Unexercised Options (1)(2)(3)	Exercise price (\$/sh)(3)	Option Expiration Date
Thomas Massie (1)	10/09/2008	25,667	-	\$ 4.50	10/09/2018
	10/28/2011	60,000	-	\$ 3.35	10/28/2021
	11/30/2011	30,000	-	\$ 2.95	11/30/2021
	02/16/2012	20,000	-	3.95	02/16/2022
	01/22/2014	6,667	13,333	\$ 6.45	01/22/2024
		142,334	13,333		
Michael D. Prinn (1)	10/28/2011	12,000	-	\$ 3.35	10/28/2021
	11/29/2011	10,000	-	\$ 3.25	11/29/2021
	10/19/2012	15,000	-	8.20	10/19/2022
	12/09/2013	5,000	10,000	\$ 5.60	12/09/2023
		37,000	15,000		

Roger Kahn (1)	08/24/2015	-	200,000	\$ 1.15	08/24/2025
		-	200,000		

(1) Shares vest in equal installments upon the anniversary date of the grant over three years.

Stock option awards granted as part of October 28, 2011 repricing program, offered employees the opportunity to exchange and forfeit options previously granted for new options grants of the same amount with a) a grant exercise price of \$3.35, the fair market value on October 28, 2011 and b) a new three-year vesting schedule beginning October 28, 2011. Mr. Massie exchanged 60,000 previously granted options for a new grant with an incremental grant date fair value of \$41,500. Mr. Prinn exchanged 12,000 previously granted options for a new grant with an incremental grant date fair value of \$6,600.

(3) All option shares and exercise prices per share issued prior to May 8, 2015 have been adjusted for a 1-for-5 reverse stock split.

COMPENSATION OF DIRECTORS*Director Compensation*

The following table sets forth information concerning the compensation of our Directors who are not named executive officers as of the fiscal year ended September 30, 2015.

Name	Fees Earned or Paid in Cash and Stock (1)	Option Awards (2)	All Other Compensation	Total
Joni Kahn	\$71,000	\$11,682	—	\$82,682
Kenneth Galaznik	\$28,000	\$11,682	—	\$39,682
Scott Landers	\$26,000	\$11,682	—	\$37,682
Michael Taglich	\$18,000	\$11,682	—	\$29,682

Ms. Kahn received \$45,000 as fee for her services as the Chair of the Board. Other board fees were paid to the (1) Directors in restricted Common Stock and vested on September 30, 2015. During fiscal 2015, a total of 40,833 restricted common shares were issued with a fair market value at the date of grant of \$98,000, as follows:

Name	Shares Issued	Fair Market Value
Joni Kahn	10,833	\$26,000
Kenneth Galaznik	11,667	\$28,000
Scott Landers	10,833	\$26,000
Michael Taglich	7,500	\$18,000
Total	40,833	\$98,000

Represents aggregate grant date fair value of the entire stock option awards for the fiscal year ended September 30, 2015 in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (2) (“ASC 718”), excluding the estimated impact of forfeitures of stock option grants. None of the stock option awards listed above were exercised in the fiscal year ended September 30, 2015, and the amounts set forth above do not represent amounts actually received by the Directors

(3) The following table sets forth the following aggregate number of shares under outstanding stock options plans held by Directors who are not named executive officers as of the fiscal year ended September 30, 2015.

Name	Number of Shares Underlying
	Outstanding Stock Options
Joni Kahn	19,000
Kenneth Galaznik	32,000
Scott Landers	26,000
Michael Taglich	15,000

The non-employee members of the Company's Board of Directors are compensated as follows:

Option Grants. Unless otherwise determined by the Board of Directors, outside directors each receive annual grants of options to purchase 2,000 shares of our Common Stock at an exercise price equal to the fair market value of the shares on the date of grant. The options vest over three years in equal installments on the anniversary of grant. New directors receive options to purchase 5,000 shares of our Common Stock at the then current fair market value upon election to the Board. During the fiscal year ended September 30, 2015, outside directors each received stock options to purchase 6,000 shares of Common Stock.

Compensation. Each outside director receives an annual retainer of \$12,000 and is compensated \$1,500 for each meeting such director attends in person. Members of the Audit Committee receive additional annual compensation of \$3,000.

Committee Chair Bonus. The Chair of our Audit Committee receives an additional annual fee of \$10,000. The Chairs of our Compensation Committee and Nominating and Corporate Governance Committee each receive an additional annual fee of \$5,000. These fees are payable in lump sums in advance. Other directors who serve on our standing committees, other than the Audit Committee, do not receive additional compensation for their committee services.

Chairperson of the Board Compensation. The Chairperson of the Board currently receives compensation of \$10,000 per month for duties and responsibilities thereunder, as a non-employee of the Company.

OTHER INFORMATION CONCERNING THE COMPANY AND THE BOARD OF DIRECTORS

Meetings of the Board of Directors

During the Company's fiscal year ended September 30, 2015, the Board of Directors held four (4) meetings and acted four times by unanimous written consent. During fiscal 2015, each director attended each meeting. The Chairman was present at all meetings. The Company encourages Board members to attend the Annual Meeting.

Structure of the Board of Directors

Mr. Massie served as our President and Chief Executive Officer during fiscal 2015. Mr. Massie was also Chairman of the Board of the Directors until May 2015, when Ms. Joni Kahn, an independent director, was appointed as Chairperson of the Board. The Board of Directors determined that it would be beneficial to the Company to separate the offices of Chief Executive Officer and Chairperson of the Board in order to allow the Chief Executive Officer to focus on the Company's operations and execution of its business plan while the Chairperson of the Board would focus on the Company's strategic plan. The Board of Directors believes that Ms. Kahn's service as Chairperson of the Board will further help extend the Company's footprint into both the enterprise and multi-unit technology sectors.

The Board of Directors' Role in Risk Oversight

The Board of Directors oversees our risk management process. This oversight is primarily accomplished through the Board of Directors' committees and management's reporting processes, including receiving regular reports from members of senior management on areas of material risk to the company, including operational, financial and strategic

risks. The Audit Committee focuses on risks related to accounting, internal controls, and financial and tax reporting and related party transactions. The Audit Committee also assesses economic and business risks and monitors compliance with ethical standards. The Compensation Committee identifies and oversees risks associated with our executive compensation policies and practices.

COMMITTEES OF THE BOARD OF DIRECTORS

The Company has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

Audit Committee

The Audit Committee assists the Board in the oversight of the audit of our consolidated financial statements and the quality and integrity of our accounting, auditing and financial reporting processes. The Audit Committee is responsible for making recommendations to the Board concerning the selection and engagement of independent registered public accountants and for reviewing the scope of the annual audit, audit fees, results of the audit and auditor independence. The Audit Committee also reviews and discusses with management and the Board such matters as accounting policies, internal accounting controls and procedures for preparation of financial statements. Our Audit Committee is comprised of Mr. Galaznik (Chair), Ms. Kahn and Mr. Landers. Our Board has determined that each of the members of the Audit Committee meet the criteria for independence under the standards provided by the Nasdaq Stock Market. The Board of Directors has adopted a written charter for the Audit Committee. A copy of such charter is available on the Company's website, www.bridgeline.com. During fiscal 2015, the Audit Committee met four times. Each member of the Audit Committee attended each such meeting. The Chairman of the Audit Committee was present at all meetings.

Audit Committee Financial Expert. Our Board has also determined that each of Mr. Galaznik and Mr. Landers qualifies as an "audit committee financial expert" as defined under Item 407(d) (5) of Regulation S-K and as an independent director as defined by the Nasdaq listing standards.

Compensation Committee

The Compensation Committee evaluates the performance of our senior executives, considers the design and competitiveness of our compensation plans, including the review of independent research and data regarding compensation paid to executives of public companies of similar size and geographic location, reviews and approves senior executive compensation and administers our equity compensation plans. In addition, the Committee also conducts reviews of executive compensation to ensure compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended. Our Compensation Committee is comprised of Ms. Kahn (Chair), Mr. Galaznik and Mr. Landers, all of whom are independent directors. The Board of Directors has adopted a written charter for the Compensation Committee. A copy of such charter is available on the Company's website, www.bridgeline.com. During fiscal 2015, the Compensation Committee met four times and acted seven times by unanimous written consent.

Nominating and Corporate Governance Committee

The Nominating and Governance Committee identifies candidates for future Board membership and proposes criteria for Board candidates and candidates to fill Board vacancies, as well as a slate of directors for election by the shareholders at each annual meeting. The Nominating and Governance Committee also annually assesses and reports to the Board on Board and Board Committee performance and effectiveness and reviews and makes recommendations to the Board concerning the composition, size and structure of the Board and its committees. A copy of such charter is available on the Company's website, www.bridgeline.com. Our Nominating and Governance Committee is comprised of Mr. Landers (Chair) and Ms. Kahn, each of whom are independent directors. During fiscal 2015, the Nominating and Governance Committee met four times.

Communications with the Board of Directors

The Company encourages stockholder communications with the Board of Directors. Interested persons may directly contact any individual member of the Board of Directors by contacting Shareholder Relations, Bridgeline Digital, Inc., 80 Blanchard Road, Burlington, Massachusetts 01803.

Audit Committee Report

The Audit Committee consists of three independent directors, all of whom are "independent directors" within the meaning of the applicable rules of the Securities and Exchange Commission and the Nasdaq Stock Market, Inc. The

Audit Committee's responsibilities are as described in a written charter adopted by the Board, a copy of which is available on the Company's website at www.bridgeline.com.

The Audit Committee has reviewed and discussed the Company's audited financial statements for fiscal 2015 with management and with the Company's independent registered public accounting firm, Marcum LLP. The Audit Committee has discussed with Marcum LLP the matters required to be discussed by Auditing Standard No. 16, as adopted by the Public Company Accounting Oversight Board relating to the conduct of the audit. The Audit Committee has received the written disclosures and the letter from Marcum LLP required by the Public Company Accounting Oversight Board in Ethics and Independence Rule 3526, Communications with Audit Committees Concerning Independence, and has discussed with Marcum LLP its independence.

Based on the Audit Committee's review of the audited financial statements and the review and discussions described in the foregoing paragraph, the Audit Committee recommended to the Board that the audited financial statements for fiscal 2015 be included in the Company's Annual Report on Form 10-K for fiscal 2015 for filing with the Securities and Exchange Commission.

Submitted by the members of the Audit Committee:

Kenneth Galaznik, Chairman

Scott Landers

Joni Kahn

OTHER MATTERS**Audit Fees**

The firm of Marcum LLP acts as our principal independent registered public accounting firm. They have served as our independent auditors since April 26, 2010. A representative of Marcum LLP is expected to attend this year's Annual Meeting, and he will have an opportunity to make a statement if he desires to do so. It is also expected that such representative will be available to respond to appropriate questions.

The table below shows the aggregate fees that the Company paid or accrued for the audit and other services provided by Marcum LLP for the fiscal years ended September 30, 2015 and September 20, 2014. The Company did not engage its independent registered public accounting firm during either of the fiscal years ended September 30, 2015 or September 20, 2014 for any other non-audit services.

Type of Service	Amount of Fee for Fiscal Year Ended	
	September 30, 2015	September 30, 2014
Audit Fees	\$243,868	\$ 197,409
Audit-Related Fees	—	—
Tax Fees	—	—
Total	\$243,868	\$ 197,409

Audit Fees. This category includes fees for the audits of the Company's annual financial statements, review of financial statements included in the Company's Form 10-Q Quarterly Reports and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for the relevant fiscal years.

Audit-Related Fees. This category consists of audits performed in connection with certain acquisitions.

Tax Fees. This category consists of professional services rendered for tax compliance, tax planning and tax advice. The services for the fees disclosed under this category include tax return preparation, research and technical tax advice.

There were no other fees paid or accrued to Marcum LLP in the fiscal years ended September 30, 2015 or September 30, 2014.

Audit Committee Pre-Approval Policies and Procedures.

Before an independent public accounting firm is engaged by the Company to render audit or non-audit services, the engagement is approved by the Audit Committee. Our Audit Committee has the sole authority to approve the scope of the audit and any audit-related services as well as all audit fees and terms. Our Audit Committee must pre-approve any audit and non-audit related services by our independent registered public accounting firm. During our fiscal year ended September 30, 2015, no services were provided to us by our independent registered public accounting firm other than in accordance with the pre-approval procedures described herein.

Code of Conduct and Ethics

The Company's Board of Directors has adopted a Code of Ethics within the meaning of Item 406(b) of Regulation S-K of the Securities Act that applies to all of the Company's officers and employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics codifies the business and ethical principles that govern the Company's business. A copy of the Code of Ethics is available on the Company's website www.bridgeline.digital.com. The Company intends to post amendments to or waivers from its Code of Ethics (to the extent applicable to its principal executive officer, principal financial officer or principal accounting officer) on its website. The Company's website is not part of this proxy statement.

PROPOSAL 2

APPROVAL OF THE BRIDGELINE DIGITAL, INC. 2016 STOCK INCENTIVE PLAN

The Board of Directors believes that the future success of Bridgeline depends, in large part, upon the ability of the Company to attract, retain and motivate key employees and that the granting of stock options serves as an important factor in retaining key employees. In addition, the Board of Directors believes it is important to have a pool of options available for issuance as the Company considers potential acquisitions. On March 11, 2016, the Company's Board of Directors approved, subject to stockholder approval, the Bridgeline Digital, Inc. 2016 Stock Incentive Plan (the "Plan"). Initially, a total of 2,500,000 shares of the Company's Common Stock will be reserved for issuance under the Plan.

The Company's existing stock incentive plan will expire in August 2016. The purpose of the Plan is to replace the expiring stock incentive plan and to reserve a sufficient number of shares of Common Stock for issuance under the Plan to existing employees and directors and to new employees. All of the options currently outstanding under the existing stock incentive plan are currently underwater. The Board of Directors intends to grant existing key employees and outside directors additional options under the Plan in order to continue to incentivize such existing employees through equity compensation. The Company also intends to use a portion of the shares reserved under the Plan to grant options in the future to newly-hired employees. Without the ability to provide equity compensation, the Company may be unable to attract and retain key employees and directors. If this proposal is approved, the Company expects to have sufficient shares available under the Plan for the next twelve to eighteen months.

The number of shares of Common Stock reserved under the Plan was determined by reviewing the status of the outstanding options that are currently underwater and by comparing the Company's past option grants to key employees and new employees to its current hiring and retention plan. The adoption of the Plan would decrease the Company's overhang from 21% to 17%. The Company's burn rate, net of forfeited and expired shares, has averaged 6% over the past three fiscal years.

The Board of Directors believes that the approval of the Plan is in the best interests of the Company and recommends a vote for this proposal.

Purpose of Plan

The purpose of the Plan is to advance the interests of Bridgeline by encouraging equity participation in Bridgeline by directors, officers and employees of Bridgeline through the acquisition of shares of Common Stock upon the exercise

of options granted under the Plan or the issuance of restricted stock.

General Provisions

The following summary of the Plan is qualified in its entirety by reference to the Plan, a copy of which is attached as Appendix B to this Proxy Statement.

The Plan was adopted by our Board of Directors on March 11, 2016. The Plan allows us to grant options, restricted stock and other forms of stock-based compensation to our officers, directors, employees and outside consultants and advisors. We have developed this Plan to align the interests of (i) employees, (ii) non-employee Board members, and (iii) consultants and key advisors with the interests of our shareholders and to provide incentives for these persons to exert maximum efforts for our success and to encourage them to contribute materially to our growth. As of March 11, 2016 there were approximately 90 persons eligible to participate in the Plan.

The Plan is not subject to the provisions of the Employment Retirement Income Security Act, as amended (“ERISA”), and is not a “qualified plan” within the meaning of Section 401 of the Internal Revenue Code, as amended (the “Code”).

Shares Subject to the Plan. There are a total of 2,500,000 shares of Common Stock reserved for issuance under the Plan, subject to adjustment to prevent dilution from stock dividends, stock splits, recapitalization or similar transactions.

Administration of the Plan. The Plan is administered by the Compensation Committee. The Compensation Committee selects the individuals to whom options and awards are granted and determines the option exercise price and other terms of each award, subject to the provisions of the Plan. The Compensation Committee may delegate limited authority to grant a limited number of stock options to a committee comprised of the Company's Chief Executive Officer and other officer(s) of the Company.

Awards under the Plan. Under the Plan, the Compensation Committee may grant awards in the form of incentive stock options, as defined in Section 422 of the Code, options which do not so qualify, restricted stock awards, and certain other forms of equity award as determined by the Compensation Committee.

Options. The duration of any option shall be within the sole discretion of the Compensation Committee; provided, however, that any incentive stock option granted to a 10% or less stockholder or any nonqualified stock option shall, by its terms, be exercised within ten years after the date the option is granted and any incentive stock option granted to a greater than 10% stockholder shall, by its terms, be exercised within five years after the date the option is granted. The exercise price of all options will be determined by the Compensation Committee; provided, however, that the exercise price of an option (including incentive stock options or nonqualified stock options) will be equal to, or greater than, the fair market value of a share of our stock on the date the option is granted and further provided that incentive stock options may not be granted to an employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any parent or subsidiary, as defined in section 424 of the Code, unless the price per share is not less than 110% of the fair market value of our stock on the date of grant.

Restricted Stock. Restricted stock is Common Stock that is subject to a risk of forfeiture or other restrictions that will lapse upon satisfaction of specified conditions. Subject to any restrictions applicable to the award, a participant holding restricted stock, whether vested or unvested, will be entitled to enjoy all rights of a shareholder with respect to such restricted stock, including the right to receive dividends and vote the shares. Any dividends payable on the restricted stock awards will be subject to the same restrictions as the underlying award.

Termination of Employment. Unless the Compensation Committee provides otherwise in the terms of the award, if the employment or service of a participant is terminated, outstanding awards will cease to be exercisable (i) immediately if the participant's employment or service is terminated for cause; (ii) up to three (3) months after the participant's employment or service is terminated without cause; or (iii) up to one (1) year after the participant's employment or service is terminated due to death or disability.

Termination or Amendment of the Plan. Our Board of Directors may at any time terminate the Plan or make such amendments thereto as it deems advisable, without action on the part of our shareholders unless their approval is required under the law. However, no termination or amendment will, without the consent of the individual to whom any option has been granted, affect or impair the rights of such individual. Under Section 422(b)(2) of the Code, no incentive stock option may be granted under the Plan more than ten years from the date the Plan was adopted by the

Board of Directors.

New Plan Benefits

We are unable to determine the dollar value and number of stock awards that may be received by or allocated to (i) any of our named executive officers, (ii) our current executive officers, as a group, (iii) our employees who are not executive officers, as a group, and (iv) our non-executive directors, as a group as a result of the approval of the Plan because all stock awards granted to such persons are granted by the Compensation Committee on a discretionary basis.

Federal Income Tax Consequences

The following summarizes the U.S. federal income tax consequences that generally will arise with respect to awards granted under the Plan. This summary is based on the tax laws in effect as of the date of this proxy statement. This summary assumes that all awards granted under the Plan are exempt from, or comply with, the rules under Section 409A of the Internal Revenue Code related to nonqualified deferred compensation. Changes to these laws could alter the tax consequences described below. This discussion is not intended to be a complete discussion of all of the federal income tax consequences of the Plan or of all of the requirements that must be met in order to qualify for the tax treatment described herein. In addition, because tax consequences may vary, and certain exceptions to the general rules discussed herein may be applicable, depending upon the personal circumstances of individual holders of securities, each participant should consider his personal situation and consult with his own tax advisor with respect to the specific tax consequences applicable to him. No information is provided as to state tax laws. The Plan is not qualified under Section 401 of the Code, nor is it subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Incentive Stock Options. A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon exercise of an incentive stock option if the participant has been employed by the Company at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under "Nonstatutory Stock Options." The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then, if sold at a profit, all of the profit will be long-term capital gain or, if sold at a loss, all of the loss will be long-term capital loss. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and the participant will have ordinary income equal to the difference between the exercise price and the fair market value of the underlying stock at the time the option was exercised. Depending on the circumstances of the disqualifying disposition, the participant may then be able to report any difference between the fair market value of the underlying stock at the time of exercise and the disposition price as gain or loss, as the case may be.

Nonstatutory Stock Options. A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

Restricted Stock. Generally, restricted stock is not taxable to a participant at the time of grant, but instead is included in ordinary income (at its then fair market value) and subject to withholding when the restrictions lapse. A participant may elect to recognize income at the time of grant, in which case the fair market value of the common stock at the time of grant, less the amount paid, if any, for the stock, is included in ordinary income and subject to withholding and there is no further income recognition when the restrictions lapse.

Other Stock-Based Awards. The tax consequences associated with other stock-based awards granted under the Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying common stock.

Tax Consequences to the Company. There will be no income tax consequences to the Company except that the Company will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

The Board of Directors recommends a vote FOR the approval of Proposal No. 2, the approval of the Bridgeline Digital, Inc. 2016 Stock Incentive Plan.

PROPOSAL 3

RAFTIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM

Upon the recommendation of the Audit Committee, the Board of Directors has reappointed Marcum LLP to audit the consolidated financial statements of the Company for the fiscal year ending September 30, 2016. Marcum LLP has served as the Company's independent registered public accounting firm since April 2010. A representative from Marcum LLP is expected to be present at the meeting with the opportunity to make a statement if he or she desires to do so and to be available to respond to appropriate questions.

Although stockholder ratification of the appointment is not required by law, the Company desires to solicit such ratification. If the appointment of Marcum LLP is not approved by a majority of the shares represented at the Meeting, the Company will consider the appointment of other independent registered public accounting firms.

The Board recommends a vote FOR the approval of Proposal No. 3, the ratification of the appointment of Marcum LLP as the

Company's independent auditors for the fiscal year ending September 30, 2016.

PROPOSAL 4

APPROVAL OF THE ISSUANCE OF UP TO 4,700,000 SHARES OF THE COMPANY'S COMMON STOCK UPON

CONVERSION OF OUTSTANDING TERM NOTES, THE ISSUANCE OF WARRANTS TO PURCHASE UP TO AN

AGGREGATE OF 470,000 SHARES OF THE COMPANY'S COMMON STOCK AND THE ISSUANCE OF THE SHARES

OF COMMON STOCK ISSUABLE UPON EXERCISE OF SUCH WARRANTS

Since December 2014, the Company has issued a total of \$3,000,000 in term notes to certain individual accredited investors (the "Outstanding Term Notes"). The Outstanding Term Notes contain interest rates ranging from 8.0% to 9.5% per annum and mature on March 1, 2017. Certain of the Outstanding Term Notes contain a prepayment penalty payable by the Company in the event such note is repaid prior to the maturity date. As of March 31, 2016, a total of \$169,887 in interest has accrued under the Outstanding Term Notes and the Outstanding Term Notes had an aggregate prepayment penalty of \$250,000. The Outstanding Term Notes are held as follows:

Michael Taglich – \$2,450,000 in aggregate principal amount;

Robert Taglich – \$450,000 in aggregate principal amount; and

Roger Kahn - \$100,000 in aggregate principal amount.

The Company and the holders of the Outstanding Term Notes have agreed to amend the Outstanding Term Notes to provide the Company with the option to convert all outstanding principal, accrued but unpaid interest and prepayment penalties due under such Outstanding Term Notes into shares of Common Stock of the Company at a conversion price of \$0.75 per share. Such conversion may occur at the election of the Company only if the stockholders approve at the Meeting the issuance of up to 4,700,000 shares of the Company's Common Stock upon conversion of outstanding term notes, and the issuance of warrants to purchase up to an aggregate of 470,000 shares of the Company's Common Stock and the issuance of the shares of Common Stock issuable upon exercise of such warrants. The conversion of the Outstanding Term Notes, including all principal and accrued interest and prepayment penalties, would result in the issuance of approximately 4,700,000 shares of the Company's Common Stock.

In addition, the Company has agreed to issue the Company's placement agent, Taglich Brothers, Inc., or its affiliates, warrants to purchase an aggregate of up to 470,000 shares of the Company's Common Stock in return for services provided by Taglich Brothers, Inc. in connection with the conversion of the Outstanding Term Notes. The warrants will have a term of five years and an exercise price equal to the closing price of the Common Stock on the date of the warrants are issued. The warrants will only be issued if (i) the stockholders approve the issuance of the warrants and the issuance of the shares of Common Stock upon exercise of the warrants as described in this proposal at the Meeting and (ii) the Outstanding Term Notes convert into shares of Common Stock of the Company as described above.

The holders of the Outstanding Term Notes include officers, directors and consultants of the Company. Michael Taglich is a member of the Board of Directors of the Company, Roger Kahn is the Company's Co-Interim Chief Executive Officer and President and Chief Executive Officer and Robert Taglich is a consultant to the Company. Michael Taglich and Robert Taglich are executives of Taglich Brothers, Inc.

Because the Company's Common Stock is traded on the Nasdaq Stock Market, we are subject to the Nasdaq Listing Rules, including:

Listing Rule 5635(b), which provides that shareholder approval is required prior to the issuance of equity that will result in a change of control of the Company;

Listing Rule 5635(c), which provides that stockholder approval is required prior to the issuance of equity compensation to officers, directors and consultants; and

Listing Rule 5635(d), which provides that stockholder approval is required prior to the issuance of securities in connection with a transaction (or a series of related transactions) other than a public offering involving the sale, issuance, or potential issuance of common stock (or securities exercisable or convertible into common stock) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

The issuance of the Common Stock upon conversion of the Outstanding Term Notes, the issuance of the warrants and the issuance of the Common Stock upon exercise of the warrants would result in the issuance of a number of shares of Common Stock equal to 20% or more of our outstanding Common Stock and 20% or more of the voting power outstanding at the time the Outstanding Term Notes were issued and would result in a change in control of the Company because such issuance will result in Michael Taglich becoming a holder of more than 20% of the Company's outstanding Common Stock. In addition, because the issuance of Common Stock will be for a price less than the greater of book or market value of our Common Stock both at the time the Outstanding Term Notes were issued and at the time of conversion, the issuance of the shares may be considered to be equity compensation to the holders of the Outstanding Term Notes. Accordingly, we are soliciting stockholder approval of the issuance of up to 4,700,000 shares Common Stock upon conversion of the Outstanding Term Notes, the issuance of the warrants and the issuance of up to 470,000 shares of Common Stock upon exercise of the warrants. The conversion of the Outstanding Term Notes will occur and the warrants will be issued only if such approval is obtained.

We believe authorizing the Company to issue the shares of Common Stock upon conversion of the Outstanding Term Notes, to issue the warrants and to issue the shares of Common Stock upon exercise of the warrants is in the best interest of the Company and our stockholders. Converting the Outstanding Term Notes into shares of Common Stock rather than paying cash to the noteholders will provide the Company with more cash-flow flexibility and allow the Company to use such funds for working capital and general corporate purposes rather than repayment of debt. The issuance of Common Stock to the holders of the Outstanding Term Notes and upon exercise of the warrants will result in significant dilution to the stockholders, but we believe the resulting dilution is outweighed by the benefit to the Company and its stockholders of increased cash available for working capital and general corporate purposes.

The Board of Directors recommends a vote FOR the approval of Proposal No. 4, the approval of the issuance of up to

4,700,000 shares of the Company's Common Stock upon conversion of outstanding term notes, the issuance of warrants

to purchase up to an aggregate of 470,000 shares of the Company's Common Stock and the issuance of the Common Stock

upon exercise of the warrants.

PROPOSAL 5

APPROVAL OF THE ISSUANCE OF UP TO 4,000,000 SHARES OF THE COMPANY'S COMMON STOCK UPON

CONVERSION OF OUTSTANDING CONVERTIBLE NOTES

In September and November of 2013, the Company issued a total of \$3,000,000 in principal amount of convertible promissory notes to accredited investors (the "Convertible Notes"). Interest accrues under the Convertible Notes at a rate of 11.5% per annum and is paid quarterly in cash. The Convertible Notes mature on March 1, 2017 and are convertible prior to maturity at the election of the holder into Common Stock at a conversion price of \$6.50 per share. On March 1, 2016, the closing price of the Common Stock was \$0.88 per share. Because the conversion price of the Convertible Notes is significantly greater than the current trading price of the Common Stock, the Company does not expect any holders of the Convertible Notes to convert such notes. Rather, the Company expects to repay such Convertible Notes in cash on the Maturity Date.

The Company is proposing to amend the Convertible Notes to reduce the conversion price to \$0.75 per share in order to provide an incentive to the holders of such Convertible Notes to convert the outstanding principal into shares of Common Stock. This decrease in the conversion price would result in an increase in the aggregate number of shares of Common Stock issuable upon conversion of the Convertible Notes from 461,539 shares to 4,000,000 shares. Because this amendment to the terms of the Convertible Notes would result in the issuance or potential issuance of a number of shares of Common Stock equal to 20% or more of our outstanding Common Stock and 20% or more of the voting power outstanding before the issuance, pursuant to Nasdaq Listing Rule 5635(d), the Company is soliciting stockholder approval of the issuance of up to a total of 4,000,000 shares Common Stock upon conversion of the Convertible Notes. The conversion price of the Convertible Notes will be amended only if such stockholder approval is obtained.

In addition, Michael Taglich, a member of the Board of Directors, and Robert Taglich, a consultant to the Company, each hold Convertible Notes. Michael Taglich holds a Convertible Note in principal amount of \$100,000, and Robert Taglich holds a Convertible Note in principal amount of \$200,000. The reduction in the conversion price of the Convertible Notes may result in the issuance of shares of Common Stock at a price that is below the greater of book or market value of our Common Stock and therefore may be considered to be equity compensation to each of Michael Taglich and Robert Taglich. Therefore, we are soliciting stockholder approval of the issuance of the shares of Common Stock upon conversion of the Convertible Notes held by Michael Taglich and Robert Taglich pursuant to Nasdaq Listing Rule 5635(c).

We believe authorizing the Company to reduce the conversion price of the Convertible Notes and thereby increasing the number of shares of Common Stock issuable upon conversion of the Convertible Notes is in the best interest of the

Company and our stockholders. Providing an incentive for the holders of the Convertible Notes to convert such Notes into shares of Common Stock rather than requiring the Company to repay the Convertible Notes in cash will provide the Company with more cash-flow flexibility and allow the Company to use such funds for working capital and general corporate purposes rather than repayment of debt. The issuance of Common Stock to the holders of the Convertible Notes will result in significant dilution to the stockholders, but we believe the resulting dilution is outweighed by the benefit to the Company and its stockholders of increased cash available for working capital and general corporate purposes.

The Board of Directors recommends a vote FOR the approval of Proposal No. 5, the approval of the issuance of up to

4,000,000 shares of the Company's Common Stock upon conversion of outstanding convertible notes.

PROPOSAL 6

APPROVAL OF THE ISSUANCE OF UP TO 2,666,667 SHARES OF THE COMPANY'S COMMON STOCK UPON

CONVERSION OF TERM NOTES TO BE ISSUED IN A PRIVATE PLACEMENT

The Company is in the process of offering term notes to certain accredited investors in a private placement of term notes in an aggregate principal amount of up to \$2,000,000 (the "Term Notes"). The Term Notes have an interest rate of 10%, with no interest accruing until July 1, 2016, and mature on March 31, 2017. Under the provisions of the Term Notes, all outstanding principal and any accrued and unpaid interest under the Term Notes will automatically convert into shares of Common Stock of the Company at a conversion price of \$0.75 per share two trading days after receipt of stockholder approval of the issuance of up to 2,666,667 shares of Common Stock upon conversion of the Term Notes. The conversion of the Term Notes, including all principal and accrued interest, would result in the issuance of approximately 2,666,667 shares of the Company's Common Stock. The Common Stock issued upon conversion of the Term Notes may be issued at a discount if the trading price of the Common Stock at the time of conversion is below \$0.75 per share. The current book value of the Common Stock is \$0.82 and the closing price on March 1, 2016 was \$0.88 per share.

Because the Company's Common Stock is traded on the Nasdaq Stock Market, we are subject to the Nasdaq Listing Rules, including Listing Rule 5635(d), which provides that stockholder approval is required prior to the issuance of securities in connection with a transaction (or a series of related transactions) other than a public offering involving the sale, issuance, or potential issuance of common stock (or securities exercisable or convertible into common stock) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock. Our issuance of the Common Stock upon conversion of the Term Notes combined with other issuances of Common Stock made or to be made by the Company may result in the issuance of a number of shares of Common Stock equal to 20% or more of our outstanding Common Stock and 20% or more of the voting power outstanding before the issuance. Accordingly, we are soliciting stockholder approval of the issuance of up to 2,666,667 shares Common Stock upon conversion of the Term Notes. The conversion will occur only if such approval is obtained.

We believe authorizing the Company to issue the shares of Common Stock upon conversion of the Term Notes is in the best interest of the Company and our stockholders. Converting the Term Notes into shares of Common Stock rather than paying cash to the noteholders will provide the Company with more cash-flow flexibility and allow the Company to use such funds for working capital and general corporate purposes rather than repayment of debt. The issuance of Common Stock to the holders of the Term Notes will result in significant dilution to the stockholders, but we believe the resulting dilution is outweighed by the benefit to the Company and its stockholders of increased cash available for working capital and general corporate purposes.

The Board of Directors recommends a vote FOR the approval of Proposal No. 6, the approval of the issuance of up to

2,666,667 shares of the Company's Common Stock upon conversion of term notes to be issued in a private placement.

PROPOSAL 7

ADVISORY VOTE ON EXECUTIVE COMPENSATION (“SAY-ON-PAY”)

Pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, we provide our shareholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

Our executive compensation programs are designed to attract, motivate, and retain our named executive officers, who are critical to our success, and to reward our named executive officers for the achievement of short-term and long-term strategic and operational goals and the achievement of increased total shareholder return. We seek to closely align the interests of our named executive officers with the interests of our shareholders, and our Compensation Committee regularly reviews named executive officer compensation to ensure such compensation is consistent with our goals.

Required Vote

This vote is advisory, which means that the vote on executive compensation is not binding on the company, our Board of Directors, or the Compensation Committee of the Board of Directors. The vote on this resolution is not intended to address any specific element of compensation, but rather relates to the overall compensation of our named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission. To the extent there is a significant vote against our named executive officer compensation as disclosed in this proxy statement, the Compensation Committee will evaluate whether any actions are necessary to address our shareholders’ concerns.

Accordingly, we ask our shareholders to vote on the following resolution at the Annual Meeting:

“RESOLVED, that the Company’s shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company’s Proxy Statement for the 2016 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Summary Compensation Table, and the other related tables and disclosure.”

The Board of Directors recommends a vote FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement.

PROPOSAL 8

ADVISORY VOTE ON THE FREQUENCY OF FUTURE SAY-ON-PAY VOTES

Pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, we provide our shareholders with the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently to hold future say-on-pay votes. Shareholders may indicate whether they would prefer that we conduct future say-on-pay votes once every one, two, or three years. Shareholders also may abstain from casting a vote on this proposal.