

Bridgeline Software, Inc.
Form DEF 14A
January 28, 2008

**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.)

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 SOFTWARE, 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):

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- o Fee paid previously with preliminary materials.
- o 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:

[Bridgeline Letterhead]

February 27, 2008

Dear Bridgeline Software, Inc. Stockholder:

I am pleased to invite you to attend Bridgeline Software, Inc.'s Annual Meeting of Stockholders to be held on April 18, 2008. The meeting will begin promptly at 10:00 a.m. Eastern Time at the Hilton Hotel located at 2 Forbes Road, Woburn, Massachusetts 01801.

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 Software 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,

/s/ Thomas L. Massie

Thomas L. Massie
President and Chief Executive Officer

BRIDGELINE SOFTWARE, INC.
10 Sixth Road
Woburn, Massachusetts 01801

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held at 10:00 A.M. on April 18, 2008

To the Stockholders of Bridgeline Software, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Meeting") of BRIDGELINE SOFTWARE, INC. (the "Company") will be held on April 18, 2008 at 10:00 A.M. at the Hilton Boston/Woburn located at 2 Forbes Road, Woburn, Massachusetts, 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 amend the Bridgeline Software, Inc. Amended and Restated Stock Incentive Plan to increase the number of shares of Common Stock available for issuance upon exercise of options granted under the Plan from 1,400,000 shares to 2,000,000 shares;
3. To ratify the appointment of UHY LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2008; and
4. To transact such other business as may properly come before the Meeting.

The Board of Directors has fixed the close of business on February 22, 2008 as the record date for the determination of stockholders entitled to vote at the Meeting, and only holders of shares of Common 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 from March 18, 2008 until 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

/s/ Gary Cebula

Gary Cebula
Assistant Secretary
February 27, 2008

Requests for additional copies of the proxy materials and the Company's Annual Report for its fiscal year ended September 30, 2007 should be addressed to Shareholder Relations, Bridgeline Software, Inc., 10 Sixth Road, Woburn, Massachusetts 01801. This material will be furnished without charge to any stockholder requesting it.

YOUR VOTE IS IMPORTANT.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED STAMPED ENVELOPE.

**BRIDGELINE SOFTWARE, INC.
10 Sixth Road
Woburn, Massachusetts 01801**

Proxy Statement

**Annual Meeting of Stockholders
April 18, 2008**

The enclosed proxy is solicited by the management of Bridgeline Software, Inc. in connection with the Annual Meeting of Stockholders to be held on April 18, 2008 at 10:00 A.M. at the Hilton Boston/Woburn located at 2 Forbes Road, Woburn, Massachusetts and any adjournment thereof. The Board of Directors of the Company (the "Board of Directors") has set the close of business on February 22, 2008 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. Consider and act upon a motion to elect two directors;
2. Consider and act upon a motion to amend the Bridgeline Software, Inc. Amended and Restated Stock Incentive Plan to increase the number of shares of Common Stock available for issuance upon exercise of options granted under the Plan from 1,400,000 shares to 2,000,000 shares;
3. Consider and act upon a motion to ratify the appointment of UHY LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2008; and
4. Transact such other business as may properly come before the Meeting.

In the absence of direction, the proxy will be voted in favor of management's proposals.

The entire cost of soliciting proxies will be borne by the Company. The costs of solicitation, which represent an amount believed to be normally expended for a solicitation relating to an uncontested election of directors, will include the costs of supplying necessary additional copies of the solicitation materials and the Company's Annual Report to Stockholders for its fiscal year ended September 30, 2007 (the "Annual Report") to beneficial owners of shares held of record by brokers, dealers, banks, trustees, and their nominees, including the reasonable expenses of such recordholders for completing the mailing of such materials and Annual Reports to such beneficial owners.

Only stockholders of record of the Company's [_____] shares of Common Stock (the "Common Stock") outstanding at the close of business on February 22, 2008 will be entitled to vote at the Meeting.

Each share of Common Stock is entitled to one vote. A majority of the outstanding shares of the Common Stock represented in person or by proxy at the Meeting will constitute a quorum at the Meeting. All shares of the Common Stock represented in person or by proxy (including shares which abstain or do

not vote for any reason with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present at the Meeting. 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. Accordingly, an abstention from voting on a matter has the same legal effect as a vote against the matter. If a broker or nominee holding stock in "street name" indicates on the proxy that it does not have discretionary authority to vote as to a particular matter ("broker non-votes"), those shares will counted for purposes of determining whether a quorum is present at the Meeting but not be considered as present and entitled to vote with respect to such matter. Accordingly, a broker non-vote on a matter has 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. The approval of the proposals to amend the Company's Amended and Restated Stock Incentive Plan and ratify the appointment of the Company's independent auditors will require the affirmative vote of a majority of the shares of Common Stock properly cast at the Meeting. Abstentions as to these proposals will count as being present and represented at the Meeting and entitled to vote, and will be included in calculating the number of votes cast on this proposal (and thus will have the effect of "no" votes). Broker non-votes will not be included in calculating the number of votes cast on this proposal.

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 February 29, 2008. The Company's principal executive offices are located at 10 Sixth Road, Woburn, Massachusetts 01801 and its telephone number at that location is (781) 376-5555.

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, each to hold office for a three year term expiring in 2011. The persons named in the accompanying proxy have advised management that it is their intention to vote for the election of the following nominees as directors unless authority is withheld:

- (1) Robert Hegarty
- (2) John Cavalier

Management has no reason to believe that any nominee will be unable to serve. In the event that any 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
<i>Nominees for Directors for Terms Expiring in 2011</i>			
Robert Hegarty*	45	Director Chair of the Compensation Committee Member of the Nominating and Corporate Governance Committee	2006
John Cavalier*	68	Director Member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee	2007
<i>Director with Term Expiring in 2010</i>			
Kenneth Galaznik*	56	Director Chair of the Audit Committee	2006
<i>Directors with Terms Expiring in 2009</i>			
Thomas Massie	46	Chairman of the Board of Directors President Chief Executive Officer	2000
William Coldrick*	65	Director Chair of the Nominating and Corporate Governance Committee Member of the Audit Committee and the Compensation Committee	2000

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

Thomas Massie has served as our Chairman of the Board, President and Chief Executive Officer since our inception. Prior to founding Bridgeline, Mr. Massie founded and took public two technology companies. From 1991 to 2000, Mr. Massie was the founder, Chairman of the Board and Chief Executive Officer of Focus Enhancements, a publicly held developer of proprietary video conversion ASIC chip technology that had technology alliances with companies such as Intel, Microsoft, Apple Computer, Thompson, Philips, SONY, Nokia, and Zenith. Mr. Massie led Focus Enhancements from concept to a public market capitalization of \$230 million. From 1986 to 1991, Mr. Massie was the founder and Chairman of the Board of Mass Microsystems, a publicly held developer of proprietary multimedia products. Mr. Massie led Mass Microsystems from inception to a public market capitalization in excess of \$75 million. From 2002 to 2007, Mr. Massie was a member of the Board of Directors of MapInfo Corporation, a publicly-held developer of location intelligence software. Mr. Massie was the Chairman of MapInfo's Corporate Governance Committee and a member of its Audit and Compensation Committees. In April 2007 MapInfo was acquired by Pitney-Bowes for \$480 million. In addition, Mr. Massie is a member of the National Association of Directors and was a non-Commissioned Officer in the United States Army, 101st Airborne Division.

John Cavalier has been a member of our Board of Directors since 2007. From 2001 to 2007, Mr. Cavalier was the Chairman of the Board of MapInfo Corporation, a publicly-held developer of location intelligence software. From 1996 to 2001, Mr. Cavalier was the president, CEO and a director of MapInfo. During Mr. Cavalier's tenure at MapInfo, he successfully helped lead the growth of MapInfo from approximately \$40M in annual sales to over \$160M in annual sales. In April 2007, MapInfo was acquired by Pitney Bowes for \$480M. Prior to joining MapInfo, Mr. Cavalier held executive management positions with The Antares Alliance Group (a joint venture between Amdahl and EDS), Amdahl, Atari, and Apple Computer. Mr. Cavalier is an active board member of various privately-held technology companies and is the Vice Chairman of The Center of Economic Growth for New York State Tech Valley. In 2006, Mr. Cavalier was inducted into New York State's Tech Valley's Business Hall of Fame recognizing him for outstanding businesses leadership. In 2007, Mr. Cavalier was given the Explore, Discover, & Imagine Award by New York's Children's Museum of Science & Technology recognizing his leadership in promoting technology to children. Mr. Cavalier earned his undergraduate degree from the University of Notre Dame and his MBA from Michigan State University.

William Coldrick has been a member of our Board of Directors since our inception. Mr. Coldrick is also the Chairman of the Corporate Governance Committee. Since 1993, Mr. Coldrick has served as Vice Chairman of the Board of Focus Enhancements. Since 1996 he has been a director of Advanced Electronics Support Products. From 1996 to 1998, he was Vice President and General Manager of Worldwide Channel Operations for the Computer Systems Division of Unisys Corp. From 1982 to 1991, Mr. Coldrick held several senior management positions at Apple Computer. In his last position at Apple as Senior Vice President of U.S. Sales, he was responsible for managing all sales, support, service, distribution and channel activities for the United States. During Mr. Coldrick's tenure at Apple, his sales leadership assisted in the growth of Apple from \$80 million a year to over \$6 billion a year in annual sales. Before joining Apple, Mr. Coldrick spent fourteen years with Honeywell Information Systems, where he held several positions, including Director of Marketing. He holds a B.A. degree from Iona College in New Rochelle, New York.

Kenneth Galaznik has been a member of our Board of Directors and Chairman of the Audit Committee since 2006. 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 \$450 million. 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 30 years of experience in accounting and finance positions. Mr. Galaznik holds a B.B.A. degree in accounting from The University of Houston.

Robert Hegarty has been a member of our Board of Directors and Chairman of the Compensation Committee since 2006. Since 1999, Mr. Hegarty has been Managing Director of TowerGroup Securities & Investments Group, a capital markets and investment and wealth management research subsidiary of MasterCard International. Before joining TowerGroup in 1999, Mr. Hegarty was vice president of trading systems at Putnam Investments in Boston, Massachusetts and, prior to that, was employed by Fidelity Investments in Boston for eight years, during which he served as vice president of technology of the institutional broker-dealer arm of Fidelity Investments. Mr. Hegarty holds an M.B.A. degree in finance and marketing from Babson College and a B.S. degree in computer science from North Adams State College.

Other Executive Officers

Gary Cebula has been our Executive Vice President and Chief Financial Officer since our inception. From 1998 to 2000, Mr. Cebula was Vice President of Finance, Administration and Treasurer of Focus Enhancements, a publicly held developer of proprietary video conversion ASIC chip technology that had global distribution and technology alliances with companies such as Intel, Microsoft, Apple Computer, Thompson, Philips, SONY, Nokia, and Zenith. Mr. Cebula was a key contributor to Focus' strategic initiatives, spurring a market capitalization growth from \$45 million to \$230 million during his tenure. From 1996 to 1998, Mr. Cebula was Chief Financial Officer of Hanold Holding Corporation, a manufacturer and distributor of educational products and services. From 1986 to 1996 he was Corporate Controller of Continental Resources, then a \$125 million value-added reseller of computer system and integration services. A graduate of General Electric's Financial Management Program, Mr. Cebula earned a B.S. degree in accounting and an M.S. degree in taxation from Bentley College.

Brett Zucker is our Executive Vice President and Chief Technical Officer. Mr. Zucker was the Director of Development and Delivery for Lead Dog Digital, Inc., a custom Web application development company Bridgeline acquired in 2002, and has served as Bridgeline's Executive Vice President and General Manager. Prior to joining Lead Dog Digital in September 2000, Mr. Zucker served as Senior Producer at AppNet, where he was responsible for managing a team of project managers working on a wide range of custom development projects. Mr. Zucker holds a B.S. degree in Electrical Engineering from Cornell University and an M.B.A. degree from Harvard Business School.

Timothy O'Neil has been our Vice President of Finance and Chief Accounting Officer since 2007. From 2002 to 2007, Mr. O'Neil served in a number of management roles, most recently as Treasurer and Chief Accounting Officer, for Standex International Corporation, a publicly held diversified manufacturer. During that time, Mr. O'Neil was responsible for all SEC reporting and compliance, was involved in over \$200 million in acquisitions, managed over \$100 million in debt facilities and was heavily involved in their compliance with the Sarbanes-Oxley Act. Prior to 2002, Mr. O'Neil served as a Senior Manager with Deloitte & Touche LLP. Mr. O'Neil 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(a) of Regulation S-B requires the Company to disclose any transaction or proposed transaction involving more than \$120,000 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.

Since October 1, 2006, the Company has not been a participant in any transaction that is reportable under Item 404(a) of Regulation S-B.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of January 16, 2008, 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 January 16, 2008, there were issued and outstanding 8,795,616 shares of our Common Stock entitled to cast 8,795,616 votes. On January 16, 2008, the closing price of our Common Stock as reported on the Nasdaq Capital Market was \$2.82 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.

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 January 16, 2008 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, 10 Sixth Road, Woburn, Massachusetts 01801.

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

Name	Number of Shares Owned	Percent of Outstanding Shares
Thomas Massie	931,667 (1)	10.23%
John Cavalier	93,333	1.03%
William Coldrick	65,778 (2)	*
Kenneth Galaznik	8,333 (3)	*
Robert Hegarty	8,333 (4)	*
Gary Cebula	203,333 (5)	2.23%
Brett Zucker	198,120 (6)	2.18%
Tim O'Neil	—	*
Rob Seeger	231,854 (9)	2.52%
Miles Fawcett	495,834 (7)	5.45%
Erez Katz	610,716	6.71%
Steven Saraceno	238,423	2.58%
Russ Klitchman	238,423	2.58%
Michael Matteo	201,824 (10)	2.18%
William Matteson	126,000	1.36%
All current executive officers, directors and management as a group (14 persons)	3,156,137 (8)	34.10

*less than 1%

- (1) Includes options to purchase 6,667 shares of common stock at an exercise price of \$0.003 per share and 33,333 shares of common stock at an exercise price of \$3.00 per share. Includes a warrant to purchase 10,000 shares of common stock at an exercise price of \$.001 per share.
- (2) Includes an option to purchase 11,111 shares of common stock at an exercise price of \$3.75 per share.
- (3) Includes an option to purchase 8,333 shares of common stock at an exercise price of \$3.75 per share.
- (4) Includes an option to purchase 8,333 shares of common stock at an exercise price of \$3.75 per share.
- (5) Includes options to purchase 25,000 shares of common stock at an exercise price of \$3.00 per share and 66,667 shares of common stock at an exercise price of \$3.75 per share.
- (6) Includes options to purchase 1,820 shares of common stock at an exercise price of \$0.3573 per share, 16,797 shares of common stock at an exercise price of \$1.0716 per share, 8,333 shares of common stock at an exercise price of \$3.00 per share, 25,000 shares of common stock at an exercise price of \$3.00, and 66,667 shares of common stock at an exercise price of \$3.75 per share.
- (7) Includes options to purchase 19,167 shares of common stock at an exercise price of \$3.75 per share.
- (8) Includes options and warrants to purchase 417,893 shares of common stock.
- (9) Includes options to purchase 33,333 and 33,333 shares of common stock at an exercise price of \$3.00 and \$3.75 per share, respectively.
- (10) Includes options to purchase 52,055 and 11,111 shares of common stock at an exercise price of \$3.00 and \$3.75 per share, respectively.

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, 2007 and September 30, 2006 for our principal executive officer and our other two most highly compensated executive officers who were serving as executive officers on September 30, 2007. We refer to these officers as our named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(2)	All Other Compensation (\$)	Total (\$) (2)
Thomas Massie Chief Executive Officer and Director	2007	150,000	55,000	—	24,242 ⁽¹⁾	229,242
	2006	150,000	50,000	—	20,272 ⁽¹⁾	220,272
Gary Cebula Chief Financial Officer	2007	141,250	57,500	52,000		250,750
	2006	122,083	45,000	—		167,083
Robert Seeger Senior Vice President of Business Development	2007	120,000	229,286	—		349,286
	2006	119,375	254,085	—		373,460

(1) Represents life insurance premiums.

(2) Amounts shown do not reflect compensation actually received by the named executive officer. The amounts in the Option Awards column reflect the dollar amount recognized as compensation cost for financial statement reporting purposes for the fiscal year ended September 30, 2007, in accordance with SFAS 123(R) for all stock options granted in the fiscal year ended September 30, 2007. The calculation in the table above excludes all assumptions with respect to forfeitures. There can be no assurance that the amounts set forth in the Option Awards column will ever be realized. A forfeiture rate was used in the expense calculation in the financial statements.

Employment Agreements*Thomas Massie*

We have entered into an employment agreement with Thomas Massie, our Chief Executive Officer, to provide executive management services. The agreement had an initial term of three years commencing on October 1, 2001 and was renewed in 2004 for another three-year term. The term of the agreement is automatically extended so that it always has an effective period of three years. For all services rendered to us, Mr. Massie is compensated in the form of initial base salary in the amount of \$225,000 and an annual contingent bonus of at least \$50,000, payable based upon goals mutually agreed upon by Mr. Massie and our Board of Directors. Both the annual salary and bonus are subject to periodic review and adjustment by our Board.

This agreement may be terminated by (i) us, in the event of Mr. Massie's death, resignation, retirement or disability, or for or without cause, or (ii) Mr. Massie for good reason. In the event that Mr. Massie is terminated by us without cause or Mr. Massie resigns for good reason, he is entitled to receive severance payments equal to the greater of: (a) three years' total compensation, including bonus amounts, or (b) \$1 million.

Named Executive Officers

We have entered into an employment agreement with each of our named executive officers, each for an initial term of one year. The term of each agreement automatically renews for successive periods of one year each unless terminated under the agreement. Each agreement sets forth the officer's initial base salary and annual contingent bonus.

Each agreement may be terminated by (i) us, in the event of the officer's death, resignation, retirement, or disability, or for or without cause, or (ii) by the officer for good reason. In the event that the officer is terminated by us without cause or if the officer terminates his employment for good reason, he is entitled to receive severance payments equal to six months' salary plus the quarterly bonus paid to him for the two quarters immediately prior to the termination.

Each of these employment agreements also contains non-competition, confidentiality, indemnification and other terms and provisions customary for agreements of this nature.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning outstanding stock options for each named executive officer as of September 30, 2007.

Name	Option Awards		Option Exercise Price (\$)	Option Expiration Date
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		
Thomas Massie	33,333 ⁽¹⁾	—	3.000	09/03/2012
	6,667	—	0.003	09/30/2012
Gary Cebula	25,000 ⁽²⁾	<u>(2)</u>	3.000	06/01/2013
	66,666	33,334	3.750	06/01/2015
		25,000	3.750	04/23/2017
Robert Seeger	8,333 ⁽³⁾	<u>(3)</u>	3.000	02/27/2012
	25,000	—	3.000	06/01/2013
	33,333	16,667	3.750	06/01/2015

(1) Grants dated 9/03/2002 and 9/30/2002 for 33,333 and 6,667 shares, respectively.

(2) Grants dated 6/01/2003, 06/01/2005 and 04/23/2007 for 25,000, 100,000 and 25,000 shares, respectively.

(3) Grants dated 2/27/2002, 6/1/2003 and 6/1/2005 for 8,333, 25,000 and 50,000, respectively.

COMPENSATION OF DIRECTORS**Director Compensation**

The following table sets forth information concerning the compensation of our Directors who are not named executive officers for the fiscal year ended September 30, 2007.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
William Coldrick	4,500	—	—	4,500
Kenneth Galaznik	4,500	(1)	—	4,500
Robert Hegarty	4,500	(2)	—	4,500
John Cavalier	1,500	—	—	1,500

(1) As of September 30, 2007 the aggregate number of stock options outstanding for Mr. Galaznik was 25,000 shares with an aggregate grant date fair value of \$37,250. As of September 30, 2007, 8,333 shares are exercisable.

(2) As of September 30, 2007 the aggregate number of stock options outstanding for Mr. Hegarty was 25,000 shares with an aggregate grant date fair value of \$37,250. As of September 30, 2007, 8,333 shares are exercisable.

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

Stock Grants. Outside directors each receive annual grants of options to purchase 10,000 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 shall vest over three years in equal installments on the anniversary of grant. New directors receive options to purchase 25,000 shares of our common stock at the then current fair market value upon election to the Board.

Cash Compensation. Each outside director receives an annual retainer of \$12,000 and is compensated \$1,500 for each meeting such director attends in person.

Committee Chair Bonus. The Chair of our Audit Committee receives an additional annual fee of \$8,000. 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 do not receive additional compensation for their committee services.

Travel Expenses. All directors are reimbursed for their reasonable out of pocket expenses associated with attending meetings. For domestic travel, only coach airfare will be reimbursed; for international travel we reimburse for business class.

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, 2007 ("Fiscal 2007"), the Board of Directors held five (5) meetings and acted nine (9) times by unanimous written consent. During Fiscal 2007, each director attended each meeting. The Company expects that all of the Board members will attend the Annual Meeting.

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 Messrs. Galaznik (Chair), Cavalier and Coldrick. Our Board has determined that each of the members of the Audit Committee meets 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.bridgelinesw.com. The Company's website is not part of this proxy statement. During Fiscal 2007, the Audit Committee met five (5) times and each member of the Audit Committee attended each such meeting.

Audit Committee Financial Expert. Our Board has also determined that each of Mr. Galaznik and Mr. Cavalier qualifies as an "audit committee financial expert" as defined under Item 407(d)(5) of Regulation S-B.

Compensation Committee

The Compensation Committee evaluates the performance of our senior executives, considers the design and competitiveness of our compensation plans, 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 Messrs. Hegarty (Chair), Cavalier and Coldrick, 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.bridgelinesw.com. During Fiscal 2007, the Compensation Committee did not hold a formal meeting.

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. Messrs. Coldrick (Chair), Cavalier and Hegarty, all of whom are independent directors, are the members of the Nominating and Governance Committee.

The Nominating and Corporate Governance Committee may consider candidates recommended by stockholders as well as from other sources such as other directors or officers, third party search firms or other appropriate sources. For all potential candidates, the Nominating and Corporate Governance Committee may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board, and concern for the long-term interests of the stockholders. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. The Nominating and Corporate Governance Committee believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to recommend a candidate for director for election at the 2009 Annual Meeting of Stockholders, it must follow the procedures described in "Stockholder Proposals and Recommendations for Director."

The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee. A copy of such charter is available on the Company's website, www.bridgelinesw.com. During Fiscal 2007, the Nominating and Corporate Governance Committee did not hold a formal meeting.

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 Software, Inc., 10 Sixth Road, Woburn, Massachusetts 01801.

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 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.bridgelinesw.com.

The Audit Committee has reviewed and discussed the Company's audited financial statements for Fiscal 2007 with management and with the Company's independent registered public accounting firm, UHY LLP. The Audit Committee has discussed with UHY LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, relating to the conduct of the audit. The Audit Committee has received the written disclosures and the letter from UHY LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with UHY 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 2007 be included in the Company's Annual Report on Form 10-KSB for Fiscal 2007 for filing with the Commission.

Submitted by the members of the Audit Committee:

Kenneth Galaznik, Chairman

John Cavalier

William Coldrick

Audit Fees

Audit fees billed to the Company during Fiscal 2007 to audit the Company's annual financial statements, to review those financial statements included in the Company's quarterly report on Form 10-QSB, to audit the financial statements of certain acquired businesses and to review and consent to the financial statements included in the Company's registration statement on Form SB-2 totaled \$669,527.30. Additionally, the Company paid UHY LLP \$3,000 for assistance with certain tax compliance matters. The Company did not seek advice from its independent registered public accounting firm regarding financial information systems design and implementation during Fiscal 2007. The Company did not engage its independent registered public accounting firm during Fiscal 2007 for any other non-audit services.

The following table shows the aggregate fees that the Company paid or accrued for the audit and other services provided by UHY LLP for Fiscal 2007 and Fiscal 2006.

Type of Service	Amount of Fee for	
	Fiscal 2007	Fiscal 2006
Audit Fees	\$ 666,527.30	\$ 305,135
Audit-Related Fees	—	—
Tax Fees	3,000	—
Total	\$ 669,527.30	\$ 305,135

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-QSB 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 due diligence in connection with acquisitions, various accounting consultations, and benefit plan audits.

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 UHY LLP in Fiscal 2007 or Fiscal 2006.

The firm of UHY LLP acts as our principal independent registered public accounting firm. Through September 30, 2007, UHY LLP had a continuing relationship with UHY Advisors, Inc. ("Advisors") from which it leased auditing staff who were full time, permanent employees of Advisors and through which UHY LLP's partners provide non-audit services. None of the audit services performed were provided by permanent full-time employees of UHY LLP. UHY LLP manages and supervises the audit services and audit staff, and is exclusively responsible for the opinion rendered

in connection with its examination.

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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, 2007, 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-B 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.bridgelinesw.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 NO. 2

**AMENDMENT OF THE BRIDGELINE SOFTWARE, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN**

The Board of Directors believes that the future success of Bridgeline Software 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 January 21, 2008, Bridgeline's Board of Directors approved, subject to stockholder approval, an amendment to the Bridgeline Software, Inc. Amended and Restated Stock Incentive Plan, as amended (the "Stock Incentive Plan"), to increase the number of shares reserved for issuance under the Stock Incentive Plan from 1,400,000 to 2,000,000 shares. As of January 21, 2008, there were 3,060 shares remaining available for issuance under the Stock Incentive Plan.

The Board of Directors believes that the increase in the number of shares available for issuance under the Stock Incentive Plan is in the best interests of the Company and recommends a vote for this proposal.

Purpose of Stock Incentive Plan

The purpose of the Stock Incentive 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 Stock Incentive Plan.

General Provisions

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

Our Stock Incentive Plan, originally adopted in 2000 and amended and restated in August 2006, allows us to grant options and other forms of stock-based compensation to our officers, directors, employees and outside consultants and advisors. We have developed this Stock Incentive 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 January 21, 2008, there were approximately 150 persons eligible to participate in the Stock Incentive Plan.

The Stock Incentive 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"). The Stock Incentive Plan is administered by our Compensation Committee which has discretion to select the participants who will receive awards under the Stock Incentive Plan and to determine the type, size and terms of each award. The Compensation Committee has delegated limited authority to grant a limited number of stock options to a committee comprised of the Company's Chief Executive Officer and other executive officers of the Company.

Shares Subject to the Stock Incentive Plan. Currently, we may issue up to 1,400,000 shares under the Stock Incentive Plan, subject to adjustment to prevent dilution from stock dividends, stock splits, recapitalization or similar transactions. There are currently 3,060 shares available to be issued under the Stock Incentive Plan.

Administration of the Stock Incentive Plan. The Stock Incentive Plan is administered by the Compensation Committee. Except for certain non-discretionary option grants to certain of our directors described below, 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 Stock Incentive Plan.

Awards under the Stock Incentive Plan. Under the Stock Incentive 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, stock awards, performance share awards and stock appreciation rights.

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 10 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.

The Stock Incentive Plan provides that each director who is not an employee of Bridgeline, on the date of each annual meeting or special meeting in lieu thereof, shall automatically receive a grant of a non-statutory option for the purchase of 10,000 shares of Common Stock. Such option shall vest over three years on the anniversary of the date of grant at a rate of 33.33% per year until fully vested.

Termination of Employment. Unless the Compensation Committee provides otherwise in the terms of an option agreement, if the employment or service of a participant is terminated, options granted to such participant prior to August 18, 2006 will immediately cease to be exercisable and any options granted after that date will cease to be exercisable (i) immediately if the participant's employment or service is terminated for cause or (ii) up to three (3) months after the participant's employment or service is terminated without cause.

Termination or Amendment of the Stock Incentive Plan. Our Board of Directors may at any time terminate the Stock Incentive 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 Stock Incentive Plan more than ten years from the date the Stock Incentive Plan was amended and restated or the date such amendment and restatement was approved by our shareholders, whichever is earlier.

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 amendment to the Stock Incentive Plan because at this time we are unable to determine whether any of the current non-executive directors will meet the requirements to receive any automatic grants of options under the Stock Incentive Plan and all other stock awards granted to such persons are granted by the Compensation Committee on a discretionary basis.

Federal Tax Consequences of the Stock Incentive Plan

The following general discussion of the federal income tax consequences of the issuance and exercise of options granted under the Stock Incentive Plan is based upon the provisions of the Internal Revenue Code as in effect on the date hereof, current, promulgated and proposed regulations thereunder, existing administrative rulings and pronouncements of the Internal Revenue Service, and judicial decisions, all of which are subject to change (perhaps with retroactive effect). This discussion is not intended to be a complete discussion of all of the federal income tax consequences of the Stock Incentive 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 option holder 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 Stock Incentive 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.

The recipient of a stock option under the Stock Incentive Plan will not recognize any taxable income upon the grant of an option under the Stock Incentive Plan. Generally, an option holder recognizes ordinary taxable income at the time an option is exercised in an amount equal to the excess of the fair market value of the shares of Common Stock on the date of exercise over the exercise price. However, participants in the Stock Incentive Plan, may be subject to Section 16(b) of the Securities Exchange Act of 1934 ("Section 16(b)") upon the sale of their shares of Common Stock. Different tax rules apply with respect to option holders who are subject to Section 16(b) when they acquire Common Stock in a transaction deemed to be a nonexempt purchase under that statute and this may affect their tax liability.

An option holder who pays the exercise price, in whole or in part, by delivering shares of Common Stock already owned by him will recognize no gain or loss for federal income tax purposes on the shares surrendered, but otherwise will be taxed according to the rules described above. To the extent the shares acquired upon exercise are equal in number to the shares surrendered, the basis of the shares received will be equal to the basis of the shares surrendered. The basis of shares received in excess of the shares surrendered upon exercise will be equal to the fair market value of the shares on the date of exercise, and the holding period for the shares received will commence on that date.

The Company will generally be entitled to a compensation deduction for federal income tax purposes in an amount equal to the taxable income recognized by the option holder, provided it reports the income on a W-2 or Form 1099, whichever is applicable, that is timely provided to the option holder and filed with the IRS.

When an option holder subsequently disposes of the shares of Common Stock received upon exercise of an option, he will recognize capital gain or loss equal to the difference between the amount realized and the fair market value on the date on which the option holder recognized ordinary taxable income as a result of the exercise of the option. Any such capital gain or loss would be long term if the holding period for the shares is more than one year. The holding period for the shares generally would begin on the date the shares were acquired and would not include the period of time during which the option was held.

The Board of Directors recommends a vote FOR the approval of Proposal No. 2, the amendment to the Bridgeline Software, Inc. 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 UHY LLP to audit the consolidated financial statements of the Company for Fiscal 2008. UHY LLP has served as the Company's independent registered public accounting firm since prior to the Company's initial public offering. A representative from UHY 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 UHY 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 for Fiscal 2008.

The Board recommends a vote FOR the approval Proposal No. 3, the ratification of the appointment of UHY LLP as the Company's independent auditors for Fiscal 2008.

Other Matters

The Board of Directors has no knowledge of any other matters which may come before the Meeting and does not intend to present any other matters. However, if any other matters shall properly come before the Meeting or any adjournment thereof, the persons named as proxies will have discretionary authority to vote the shares of Common Stock represented by the accompanying proxy in accordance with their best judgment.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of Securities Exchange Act of 1934 requires the Company's executive officers, directors, and persons who own more than ten percent of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "Commission"). Based solely on its review of the copies of such forms and amendments thereto received by it, the Company believes that during Fiscal 2007 all executive officers, directors and owners of ten percent of the outstanding shares of Common Stock complied with all applicable filing requirements except that Mr. William Coldrick failed to file one Form 4 on a timely basis to report a gift transaction and Mr. O'Neil failed to file a Form 3 and one Form 4 on a timely basis to report a single transaction.

Stockholder Proposals and Recommendations for Director

Any stockholder of the Company who wishes to present a proposal to be considered at the next annual meeting of stockholders of the Company and who wishes to have such proposal presented in the Company's Proxy Statement for such meeting must deliver such proposal in writing to the Company at 10 Sixth Road, Woburn, Massachusetts 01801 on or before October 6, 2008.

Stockholders may recommend individuals to the Board of Directors for consideration as potential director candidates by following the requirements under Article I, Section 10 of the Bylaws. In order to be eligible to nominate a person for election to our Board of Directors a stockholder must (i) comply with the notice procedures set forth in the Bylaws and (ii) be a stockholder of record on the date of giving such notice of a nomination as well as on the record date for determining the stockholders entitled to vote at the meeting at which directors will be elected.

To be timely, a stockholder's notice must be in writing and received by our corporate secretary at our principal executive offices as follows: (A) in the case of an election of directors at an annual meeting of stockholders, not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 20 days, or delayed by more than 60 days, from the first anniversary of the preceding year's annual meeting, a stockholder's notice must be so received not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of (x) the 90th day prior to such annual meeting and (y) the tenth day following the day on which notice of the date of such annual meeting was mailed or public disclosure of the date of such annual meeting was made, whichever first occurs; or (B) in the case of an election of directors at a special meeting of stockholders, provided that the board of directors has determined that directors shall be elected at such meeting, not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of (1) the 90th day prior to such special meeting and (2) the tenth day following the day on which notice of the date of such special meeting was mailed or public disclosure of the date of such special meeting was made, whichever first occurs.

In addition, a stockholder's notice must contain the information specified in Article I, Section 10 of the Bylaws and must be accompanied by the written consent of the proposed nominee to serve as a director if elected. The stockholder making a nomination must personally appear at the annual or special meeting of stockholders to present the nomination, otherwise the nomination will be disregarded.

Stockholders interested in making a nomination should refer to the complete requirements set forth in our Bylaws filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2007. Provided that the date of next year's annual meeting of stockholders is not advanced by more than 20 days, or delayed by more than 60 days, from the first anniversary of the 2008 annual meeting, any stockholder who wishes to make a nomination to be considered for the next annual meeting must deliver the notice specified by our Bylaws between November 14, 2008 and December 14, 2008. The By-Laws contain a number of substantive and procedural requirements which should be reviewed by any interested stockholder. Any notice should be mailed to: Secretary, Bridgeline Software, Inc., 10 Sixth Road, Woburn, Massachusetts 01801.

By Order of the Board of Directors

/s/ Gary Cebula

Gary Cebula
Assistant Secretary
February 27, 2008

PROXY

**BRIDGELINE SOFTWARE, INC.
10 Sixth Road
Woburn, Massachusetts 01801**

The undersigned, revoking all proxies, hereby appoints Thomas Massie and Gary Cebula and each of them, proxies with power of substitution to each, for and in the name of the undersigned to vote all shares of Common Stock of Bridgeline Software, Inc. (the "Company") which the undersigned would be entitled to vote if present at the Annual Meeting of Stockholders of the Company to be held on April 18, 2008, at 10:00 A.M. at the Hilton Boston/Woburn located at 2 Forbes Road, Woburn, Massachusetts and any adjournments thereof, upon the matters set forth in the Notice of Annual Meeting.

The undersigned acknowledges receipt of the Notice of Annual Meeting, Proxy Statement and the Company's Annual Report.

A. To elect the following nominees as directors.

	<u>For</u>	<u>Withhold</u>
1 John Cavalier	<input type="radio"/>	<input type="radio"/>
2 Robert Hegarty	<input type="radio"/>	<input type="radio"/>

B. To amend the Bridgeline Software, Inc. Amended and Restated Stock Incentive Plan to increase the number of shares of Common Stock available for issuance upon exercise of options granted under the Plan from 1,400,000 shares to 2,000,000 shares.

For Against Abstain

C. To ratify the appointment of UHY LLP as the Company's independent auditors for the Company's fiscal year ending September 30, 2008.

For Against Abstain

D. In their discretion, on such other matters as may properly come before the meeting.

For Against Abstain

Please Sign on the Reverse Side and Return this Proxy Promptly in the Enclosed Envelope.

This Proxy is solicited on behalf of the Board of Directors, and when properly executed will be voted as directed herein. If no direction is given, this Proxy will be voted FOR all Proposals.

Date: _____, 2008

(Signature)

(Signature, if held jointly)

Where stock is registered in the names of two or more persons ALL should sign. Signature(s) should correspond exactly with the name(s) as shown above. Please sign, date and return promptly in the enclosed envelope. No postage need be affixed if mailed in the United States.