

Bridgeline Digital, Inc.
Form DEF 14A
January 30, 2012

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 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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- 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:

March 1, 2012

Dear Stockholder:

I am pleased to invite you to attend Bridgeline Digital, Inc.'s Annual Meeting of Stockholders to be held on April 12, 2012. 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 Digital 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,

Thomas L. Massie
President and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held at 9:00 A.M. on April 12, 2012

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 12, 2012 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 one director;
2. To amend the Bridgeline Digital, 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 3,000,000 shares to 3,300,000 shares; and
3. To ratify the appointment of Marcum LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2012.

The Board of Directors has fixed the close of business on February 22, 2012 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 12, 2012 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

Assistant Secretary
March 1, 2012

Requests for additional copies of the proxy materials and the Company's Annual Report for its fiscal year ended September 30, 2011 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 12, 2012: The Proxy Statement for the Annual Meeting and the Annual Report to Shareholders for the year ended September 30, 2011 are available at <https://www.bridgeline.digital.com/proxy>.

Proxy Statement

Annual Meeting of Stockholders

April 12, 2012

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 12, 2012 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 February 22, 2012 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 one director;
2. Consider and act upon a motion to amend the Bridgeline Digital, 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 3,000,000 shares to 3,300,000 shares; and
3. Consider and act upon a motion to ratify the appointment of Marcum LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2012.

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 6, 2012. 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 for its fiscal year ended September 30, 2011 (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 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.

Only stockholders of record of the Company's 12,472,873 shares of Common Stock (the "Common Stock") outstanding at the close of business on February 22, 2012 will be entitled to vote at the Meeting.

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 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.

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 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. Proposals 1 and 2 are non-routine proposals. Broker non-votes are not counted for the purposes of obtaining a quorum for the Annual Meeting. 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 Director 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 to approve 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 these proposals (and thus will have the effect of "no" votes). Broker non-votes will not be included in calculating the number of votes cast on these proposals.

PROPOSAL 1
ELECTION OF DIRECTOR

One director is 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 2015. The persons named in the accompanying proxy have advised management that it is their intention to vote for the election of the following nominee as director unless authority is withheld:

- (1) Thomas Massie

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:

Nominee for Director with Term Expiring in 2015

Name	Age	Position with the Company	Director Since
Thomas Massie	50	Chairman of the Board of Directors, President and Chief Executive Officer	2000

Directors with Terms Expiring in 2014

John Cavalier*	72	Director, Member of the Compensation Committee and the Nominating and Corporate Governance Committee	2007
Robert Hegarty*	49	Director, Chair of the Compensation Committee, Member of the Nominating and Corporate Governance Committee	2006

Directors with Terms Expiring in 2013

Kenneth Galaznik*	60	Director, Chair of the Audit Committee	2006
Scott Landers*	41	Director, Member of the Audit Committee	2010

Director with Term Expiring in 2012

William Coldrick**	69	Director, Chair of the Nominating and Corporate Governance Committee, and Member of the Audit Committee and Compensation Committee	2000
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*Independent director as defined under the rules of the Nasdaq Stock Market

**Mr. Coldrick's term on the Board of Directors will expire at the Meeting.

Thomas Massie has served as our Chairman of the Board, President and Chief Executive Officer since our inception. 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 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. As our President and Chief Executive Officer, and former chief executive officer of two other technology companies, Mr. Massie brings to our Board strategic vision, leadership and operational experience.

John Cavalier has been a member of our Board of Directors since 2007. Mr. Cavalier is a member of the Company's Compensation Committee, and Nominating and Corporate Governance Committee. 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 \$40 million in annual sales to over \$160 million in annual sales. In April 2007, MapInfo was acquired by Pitney Bowes for \$480 million. 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. In 2006, Mr. Cavalier was inducted into New York State's Tech Valley's Business Hall of Fame recognizing him for outstanding business 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. In 2010, Mr. Cavalier received the Partners In Life Long Learning Award from Excelsior College. This award recognized Mr. Cavalier as a key founder of Tech Valley High School, a new math and science high school established in New York State to meet the needs of the expanding High Tech business growth. Mr. Cavalier is an active board member of various privately-held technology companies. Mr. Cavalier is a member of the Board of The Fuller Road Management Corporation ("FRMC"). FRMC is responsible for the High Tech initiative in Up State New York where \$12 billion has been invested in Nano Technology for semi-conductors. These investments have allowed FRMC to dominate the Nano Technology arena for 300 micron and 450 micron semi conductor technologies. Mr. Cavalier is the Chairman of the Audit Committee for FRMC. In addition, Mr. Cavalier serves on the Board of Nfrastructure Corporation, a high tech company focused on systems integration and services. Mr. Cavalier is Chairman of the Compensation Committee at Nfrastructure. Mr. Cavalier earned his undergraduate degree from the University of Notre Dame and his MBA from Michigan State University. Mr. Cavalier brings extensive experience to our Board as a financial expert, former chief executive officer, and member of the Board of Directors of other publicly-held technology companies.

William Coldrick has been a member of our Board of Directors since our inception. Mr. Coldrick's current term on the Board of Directors will expire at the Meeting. Mr. Coldrick is the Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee and the Compensation Committee. From 1993 to 2008, Mr. Coldrick served as Vice Chairman of the Board of Focus Enhancements. 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. Mr. Coldrick has brought extensive experience to our Board as an experienced senior executive and member of the Board of Directors of other publicly-held technology companies.

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 \$625 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. 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.

Robert Hegarty has been a member of our Board of Directors since 2006. Mr. Hegarty is also Chairman of the Compensation Committee and a member of the Nominating and Corporate Governance Committee. Since December 2010, Mr. Hegarty has been Managing Director, Global Head of Market Structure for Thomson Reuters. Prior to that, he was Managing Director, Strategy and Marketing of The Depository Trust & Clearing Corporation. From 1999 to March 2009, Mr. Hegarty was 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. Mr. Hegarty brings extensive experience to our Board as an experienced senior executive, a technology trend expert, and an expert in the global financial markets.

Scott Landers has been a member of our Board of Directors since 2010 and is a member of the Audit Committee. Since July 2008, Mr. Landers has been the Senior Vice President, Chief Financial Officer and Treasurer for Monotype Imaging Holdings Inc., a global developer of text imaging solutions. Monotype is a publicly-held company with a market cap over \$525 million. 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 financial officer of a publicly-held company.

Other 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
Brett Zucker	39	Executive Vice President and Chief Technology Officer
Michael D. Prinn	38	Senior Vice President of Finance and Chief Accounting Officer

Brett Zucker has been a senior executive at Bridgeline Digital since 2002. Since 2006, Mr. Zucker has been our Executive Vice President and Chief Technical Officer. From 2002 to 2006, Mr. Zucker was a senior executive of the Company's New York business unit. Prior to joining Bridgeline Digital, Mr. Zucker was the Director of Development and Delivery for Lead Dog Digital, Inc., a custom Web application development company Bridgeline Digital acquired in 2002. Prior to joining Lead Dog Digital in September 2000, Mr. Zucker served in management positions with AppNet and Agency.com. Mr. Zucker is a member of the Board of Directors of Content Management Professionals, an independent national organization with over 12,000 members. Mr. Zucker holds a B.S. degree in Electrical Engineering from Cornell University and an M.B.A. degree from Harvard Business School.

Michael D. Prinn has been our Vice President of Finance since August 2010 and has been our Chief Accounting Officer since December 2010. In October 2011, Mr. Prinn was promoted to Senior Vice President of Finance and Chief Accounting Officer. Prior to joining Bridgeline Digital, from 2006 to 2010, Mr. Prinn was a Controller at Sapient, an \$800 million 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 director.

Certain Relationships and Related Transactions

Item 404(d) of Regulation S-K requires the Company to disclose any transaction or proposed transaction 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.

The Company has not been a participant in any transaction that is reportable under Item 404(d) of Regulation S-K. The Company knows of no proposed transaction in which it will be a participant that would be reportable under Item 404(d) of Regulation S-K.

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.

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 January 13, 2012 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 January 13, 2012, 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, (iii) certain members of senior management who beneficially own more than 1% of the outstanding shares of our common stock and (iv) all of our executive officers, directors and senior management who beneficially own more than 1% of the outstanding common stock as a group. At the close of business on January 13, 2012, there were issued and outstanding 12,472,873 shares of our Common Stock entitled to cast 12,472,873 votes. On January 13, 2012, the closing price of our Common Stock as reported on the Nasdaq Capital Market was \$0.55 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 Shares Owned	Percent of Shares Outstanding
Erez Katz 6170 Neely Farm Drive, Norcross, GA 30092	1,176,133	9.43%
Thomas Massie	1,077,333 (1)	8.45%
Brett Zucker	331,453 (2)	2.60%
Michael Matteo	234,659 (3)	1.87%
Jennifer Bakunas	166,666 (4)	1.34%
William Matteson	134,000 (5)	1.07%
John Cavalier	119,999 (6)	*
William Coldrick	117,000 (7)	*
Robert Hegarty	73,666 (8)	*
Kenneth Galaznik	51,666 (9)	*
Scott Landers	16,666 (10)	*
Michael D. Prinn	3,333 (11)	*
All current executive officers, directors and certain members of senior management who beneficially own more than 1% of the outstanding shares of common stock as a group (11 persons)	2,326,441 (12)	18.65%

*less than 1%

(1) Includes 281,666 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(2) Includes 251,950 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(3) Includes 100,001 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(4) Shares issued to Ms. Bakunas in connection with the Company's acquisition of Magnetic Corporation in October 2012.

(5) Includes 18,000 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(6) Includes 26,666 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(7) Includes 43,333 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(8) Includes 51,666 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012). Includes 12,000 shares of common stock owned by Mr. Hegarty's spouse.

(9) Includes 51,666 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(10) Includes 16,666 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(11) Includes 3,333 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

(12) Includes 844,947 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of January 13, 2012).

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, 2011 and September 30, 2010 for our principal executive officer and our other two most highly compensated executive officers who were serving as executive officers on September 30, 2011. We refer to these officers as our named executive officers.

Name and Principal Position	Fiscal Year End	Salary	Bonus	Option Awards (1)	All Other Compensation	Total
Thomas Massie President and Chief Executive Officer and Director	2011	\$325,000	\$75,000	\$29,000	\$24,242 (3)	\$453,242
	2010	\$325,000	\$132,750(2)	\$160,000	\$24,242 (3)	\$641,992
Michael D. Prinn Senior Vice President of Finance and Chief Accounting Officer	2011	\$156,250	\$17,000	\$30,500	—	\$203,750
	2010	\$15,608	\$10,000	\$6,300	—	\$31,908
Brett Zucker Executive Vice President and Chief Technology Officer	2011	\$225,000	\$31,200	—	—	\$256,200
	2010	\$180,000	\$71,750	\$48,000	—	\$299,750

(1) Represents the aggregate grant date fair value of the entire stock option awards for the fiscal years ended September 30, 2011 and 2010, in accordance with Financial Accounting Standards Board Accounting Standards 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, 2011 and 2010, and the amounts set forth above do not represent amounts actually received by the executives.

(2) Of the bonus paid in the fiscal year ended September 30, 2010, \$28,750 was for operational performance and \$104,000 was for Mr. Massie’s work in successfully completing the acquisitions of TMX Interactive, Inc. and e.Magination network, LLC without the use of investment bankers or the payment of related fees.

(3) Represents amounts paid by the Company for life insurance premiums.

Employment Agreements

Thomas Massie

We have entered into an employment agreement with Thomas Massie, our President and 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 each of 2004, 2007 and 2010 each for three-year terms. The term of the agreement is automatically extended so that it always has an effective period of three years. Both the annual salary and bonus are subject to periodic review and adjustment by our Board of Directors. The 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 three times his total annual compensation.

For all services rendered to the Company for the fiscal year ended September 30, 2011, Mr. Massie was compensated in the form of initial base salary in the amount of \$325,000 and an earned bonus of \$75,000, payable based upon goals mutually agreed upon by Mr. Massie and our Board of Directors. For all services rendered to the Company for the fiscal year ended September 30, 2010, Mr. Massie was compensated in the form of initial base salary in the amount of \$325,000 and an earned bonus of \$132,750, payable based upon goals mutually agreed upon by Mr. Massie and our Board of Directors. Of the bonus paid in the fiscal year ended September 30, 2010, \$28,750 was for operational performance and \$104,000 was for Mr. Massie's work in successfully completing the acquisitions of TMX Interactive, Inc. and e.Magination network, LLC without the use of investment bankers or the payment of related fees.

Outstanding Equity Awards at Fiscal 2011 Year-End

The following table sets forth information concerning outstanding stock options for each named executive officer as of September 30, 2011.

Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Exercise price (\$/sh)	Option Expiration Date
Thomas Massie (1)	09/30/2002	6,667	-	\$ 0.003	09/30/2012
	10/09/2008	85,555	42,778	\$ 0.90	10/09/2018
	12/23/2009	83,333	166,667	\$ 1.12	12/23/2019
	08/03/2011	-	50,000	\$ 1.05	08/03/2021
		175,555	259,445		
Michael D. Prinn (1)	08/23/2010	3,333	6,667	\$ 1.14	08/23/2020
	04/11/2011	-	50,000	\$ 1.10	04/11/2021
		3,333	56,667		
Brett Zucker (1)	02/27/2002	1,820	-	\$ 0.357	02/27/2012
	10/09/2008	130,618	69,512	\$ 0.90	10/09/2018
	12/23/2009	25,000	50,000	\$ 1.12	12/23/2019
		157,438	119,512		

(1) Shares vest in equal installments upon the anniversary date of the grant over three years. All options issued on October 9, 2008, were issued as part of the Company's repricing plan in October 2008.

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, 2011.

Name	Fees Earned or Paid in Cash	Option Awards (1)	All Other Compensation	Total
John Cavalier	\$ 19,360	\$ 9,450	—	\$ 28,810
William Coldrick	\$ 23,000	\$ 9,450	—	\$ 32,450
Kenneth Galaznik	\$ 26,907	\$ 9,450	—	\$ 36,357
Robert Hegarty	\$ 23,000	\$ 9,450	—	\$ 32,450
Scott Landers	\$ 19,360	\$ 9,450	—	\$ 28,810

(1) Represents aggregate grant date fair value of the entire stock option awards for the fiscal years ended September 30, 2011 in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“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, 2011, and the amounts set forth above do not represent amounts actually received by the Directors.

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, 2011.

Name	Number of Shares Underlying Outstanding Stock Options
John Cavalier	45,000
William Coldrick	61,667
Kenneth Galaznik	70,000
Robert Hegarty	70,000
Scott Landers	40,000

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

- **Option Grants.** Unless otherwise determine by the Board of Directors, 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 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. During the fiscal year ended September 30, 2011, outside directors each received stock options to purchase 15,000 shares of common stock.
- **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. 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.
- **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, 2011 ("Fiscal 2011"), the Board of Directors held five (5) meetings and acted five times by unanimous written consent. During Fiscal 2011, each director attended each meeting, except that Mr. Cavalier did not attend one meeting. The Chairman was present at all meetings. Messrs. Massie, Cavalier and Hegarty attended last year's annual meeting. The Company encourages Board members to attend the Annual Meeting.

Structure of the Board of Directors

Mr. Massie serves as our President and Chief Executive Officer and Chairman of the Board of the Directors. The Board of Directors believes this structure provides an efficient and effective leadership model for the Company and fosters clear accountability, effective decision-making and alignment on corporate strategy. This structure also enables Mr. Massie to act as the key link between the Board of Directors and other members of management. In addition, the Board of Directors believes this structure makes sense considering the size of our operations. The Board of Directors has not designated a lead independent director.

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 Messrs. Galaznik (Chair), Coldrick and 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.digital.com. The Company's website is not part of this proxy statement. During Fiscal 2011, the Audit Committee met five 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.

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 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.bridgeline.digital.com. During Fiscal 2011, th