

Bridgeline Software, Inc.
Form SB-2/A
February 08, 2007

As filed with the Securities and Exchange Commission on February 8, 2007

Registration No. 333-139298

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form SB-2

**AMENDMENT NO. 1
TO
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

Bridgeline Software, Inc.

(Name of small business issuer in its charter)

Delaware <i>(State or other jurisdiction of incorporation or organization)</i>	7372 <i>(Primary Standard Industrial Classification Code Number)</i>	52-2263942 <i>(IRS Employer Identification Number)</i>
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**10 Sixth Road
Woburn, Massachusetts 01801
(781) 376-5555**

(Address and telephone number of principal executive offices and principal place of business)

**Thomas Massie
President and Chief Executive Officer
10 Sixth Road
Woburn, Massachusetts 01801
(781) 376-5555**

(Name, address and telephone number of agent for service)

Copy of all communications to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement or the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE:

This registration statement contains two forms of prospectus: one for use in our underwritten initial public offering, and one for use by selling shareholders after completion of the underwritten initial public offering. The two prospectuses are identical in all respects except for the alternate pages for the selling shareholder prospectus, which are labeled "Alternate Page for Selling Shareholder Prospectus."

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Notice to California Investors: This offering is limited to suitable investors only. Each purchaser of shares in California must meet one of the following suitability standards: a minimum annual gross income of at least \$65,000 and a minimum net worth of at least \$250,000, or, in the alternative, minimum net worth of at least \$500,000, regardless of annual gross income. In addition, the investor's purchase may not exceed 10% of his or her net worth. Net worth in both instances is exclusive of the investor's equity in his or her home, home furnishings and automobile.

SUBJECT TO COMPLETION, DATED FEBRUARY 8, 2007

PROSPECTUS

**Bridgeline Software, Inc.
3,000,000 shares of Common Stock**

This is a firm commitment initial public offering of 3,000,000 shares of our common stock. This is our initial public offering and no public market currently exists for our common stock. The initial public offering price for the shares offered hereby is estimated to be between \$5.00 and \$6.00 per share.

We have applied for listing of our common stock on the Nasdaq Capital Market and the Boston Stock Exchange under the symbols "BLSW" and "BLS", respectively.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 9 for a discussion of certain factors that should be considered by prospective purchasers of our shares.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Price to the Public	Underwriting Discounts and Commissions	Proceeds, Before Expenses, to the Company
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Per Share
Total

We have granted the underwriters a 45-day option to purchase up to an additional 450,000 shares to cover over-allotments, if any. The shares are being offered by the underwriters named herein, subject to prior sale, when, as and if accepted by them and subject to certain conditions.

Joseph Gunnar & Co., LLC

The date of this prospectus is _____, 2007.

Bridgeline Software is a developer of Web applications and Web software tools that assist our customers by optimizing business processes utilizing Web-based technologies. Our team of Microsoft®-certified developers specializes in:

- n Information architecture
- n Web application development
- n Rich media development
- n Search engine optimization
- n Usability engineering
- n eCommerce application development
- n eTraining application development

Below are two screen shots of Web Applications developed by Bridgeline Software:

Bridgeline Software has developed its own Web software tools such as netEDITOR-pro™ that provides Content Management capabilities to multiple users of multiple web sites; and Orgitecture™, our on-demand Web-based platform which provides expandable on-demand modules such as Relationship Management, eSurvey, eNewsletter, Content Management, eCommerce, Event Registration and Integrated Grants Management.

Below is a screen shot of our Content Management software tool, netEDITORpro:

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and the related notes, elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in “Risk Factors” on page 9. In addition, some of the statements made in this prospectus discuss future events and developments, including our future business strategy and our ability to generate revenue, income and cash flow. These forward-looking statements involve risks and uncertainties which could cause actual results to differ materially from those contemplated in these forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements” on page 17.

Unless the context indicates otherwise, the terms “our,” “we,” “us,” and “Bridgeline” refer to Bridgeline Software, Inc.

Bridgeline Software

Bridgeline Software is a developer of Web software tools and Web applications that help our customers to optimize business processes utilizing Web-based technologies. We help our customers attain the following objectives:

- Increased sales
- Improved customer service and customer loyalty
- Enhanced employee communication and training
- Reduced administrative and operational expenses

We develop award-winning Web applications and Web software tools for use over the Internet as well as for particular customers’ intranets and extranets. Our in-house team of Microsoft®-certified developers specializes in:

- Information architecture and usability engineering
 - Web application development
 - Rich media development
 - e-Commerce applications
 - e-Training applications
 - Search engine optimization

To differentiate ourselves from our competition and improve our value proposition, we have developed our own Web software tools such as a Web content management system and an on-Demand Web-based platform that provide expandable modules such as eSurvey, eNewsletter, eCommerce, Content Management, Relationship Management, Event Registration and Integrated Grants Management. A description of our Web software tools and Web services can be found beginning on page 45 of this prospectus.

We have more than 70 active customers, including Nomura Securities, The Bank of New York, Pfizer, Depository Trust & Clearing Corporation and John Hancock, comprising approximately 22%, 7%, 6%, 6% and 6% of our revenues, respectively, for the fiscal year ended September 30, 2006.

We have received multiple industry awards, including WebAwards from the Web Marketing Association; MITX Awards from the Massachusetts Innovation & Technology Exchange; Axiem Awards; and One Show Interactive Awards. A description of these awards can be found on page 38 of this prospectus.

Market Opportunity

We believe the Web application development market is rapidly growing and fragmented, and that there is an opportunity for us to expand and significantly enhance our market share position by acquiring companies who specialize in Web application development, thereby potentially creating one of the largest interactive technology companies in North America. We believe that established yet small Web application development companies have the ability to market, sell and install Web-based software tools in their local metropolitan markets. In addition, we believe that these companies also have customer bases and a niche presence in the local markets in which they operate. We believe that by acquiring certain of these companies and applying our business practices and efficiencies, we can dramatically accelerate our time to market in geographic locations other than those in which we now operate.

We estimate, based on our experience in having made such acquisitions, that compounded annual growth rates of at least 20% per year for each acquired entity may be possible. We target certain established Web application development companies that we believe have both:

- (1) the complementary technical ability to market, sell and install Web-based software tools in their particular metropolitan market areas; and
- (2) an established base of customers with local market presence that can potentially accelerate our time to market in geographic areas where we do not currently operate.

In addition, we believe that even established Web application development companies we acquire could improve their profit margins by (i) licensing our Web software tools to their customer base, (2) reducing development costs by leveraging our Bangalore, India development center and (3) consolidating marketing, general and administrative functions at our corporate headquarters in Massachusetts. We believe this expansion strategy by which we grow primarily by acquiring profitable operating companies is a key component of our business model.

Acquisitions

Since our inception, we have consummated the acquisition of four Web application development companies:

- In December 2000, we acquired Streamline Communications, a Boston, Massachusetts-based company.
 - In February 2002, we acquired Lead Dog Digital, Inc., a New York, New York-based company.
- In December 2004, we acquired Interactive Applications Group, Inc. (“iapp®”), a Washington, D.C.-based company.
 - In April 2006, we acquired New Tilt, Inc. (“New Tilt”), a Cambridge, Massachusetts-based company.

In addition, on December 7, 2006, we signed a definitive agreement to acquire all outstanding capital stock of Objectware, Inc., an Atlanta, Georgia-based Web application development company. The consideration for the acquisition of Objectware will be paid to Objectware’s sole stockholder, Erez M. Katz, and will consist of (i) \$2,500,000 in cash, (ii) shares of our common stock having a value (based on the initial public offering price of our shares in this offering) of \$2,700,000 and (iii) deferred consideration of up to \$1,800,000, payable in cash and stock quarterly over the three years after we acquire Objectware, contingent upon Objectware generating positive earnings before interest, taxes and depreciation and amortization of at least \$250,000 per calendar quarter during the 12 consecutive calendar quarters following this offering. In no event, however, will we issue shares to Mr. Katz in connection with this acquisition which would result in ownership by Mr. Katz of more than 19.9% of the total issued and outstanding shares of our common stock without the prior approval of our shareholders.

The acquisition of Objectware will close in escrow shortly before the completion of this offering. Prior to the completion of this offering all closing documentation other than the cash and stock consideration will be deposited with the escrow agent. Once this offering is completed, we will deposit the cash and stock consideration with the escrow agent. Upon receipt of the cash and stock consideration, the escrow agent will release all closing materials to the parties in accordance with the terms of the escrow agreement.

Summary Risk Factors

Our business is subject to various risks and challenges, including (without limitation or any specific order):

- our limited operating history on which to evaluate our operations;
- we have suffered losses since inception which may recur in the future as we expand;
- our licenses are renewable on a monthly basis and a reduction in our license renewal rate could significantly reduce our revenues;
- our inability to manage our future growth efficiently or profitably;
- our inability to complete the Objectware acquisition or to efficiently integrate Objectware into our operations;
- if our products fail to perform properly due to undetected errors or similar problems, our business could suffer, and we could face product liability exposure;
- if the security of our software, in particular the hosted Internet solutions products we have developed, is breached, our business and reputation could suffer;
- if we undertake future business combinations and acquisitions, they may be difficult to integrate into our existing operations, may disrupt our business, dilute stockholder value or divert management's attention;
 - our external auditors have identified material weaknesses in our internal controls;
- our dependence on our management team and key personnel and the loss or inability to retain these individuals could harm our business; and
- intense and growing competition, which could result in price reductions, reduced operating margins and loss of market share.

For a detailed description of these and additional risk factors, please refer to "Risk Factors" beginning at page 9.

Corporate Information

Our principal executive offices are located at 10 Sixth Road, Woburn, Massachusetts 01801, and our telephone number is (781) 376-5555. We maintain offices in New York, New York and in Washington, D.C., as well as a development center in Bangalore, India. We maintain a website at www.bridgelinesw.com. The information on our website is not part of this prospectus.

THE OFFERING

Securities Offered	3,000,000 shares of our common stock.
Over-Allotment Option	450,000 shares of our common stock.
Common Stock to be Outstanding After This Offering	7,273,833 shares (7,723,833 shares if the over-allotment option is exercised in full by the underwriters), of which 3,000,000 shares or approximately 41.2% would be held by persons purchasing in this offering (3,450,000 shares or approximately 44.7%, if the over-allotment option is exercised in full by the underwriters).
Use of Proceeds	<p>We intend to use the net proceeds from this offering as follows:</p> <ul style="list-style-type: none">· Approximately \$2,800,000 to repay all of our indebtedness;· Approximately \$2,955,000 to pay the cash portion of the acquisition of Objectware, together with expenses associated with that acquisition;· Approximately \$2,000,000 over the next four years to complete future acquisitions; and· \$5,985,000 for general corporate purposes, including working capital. See “Use of Proceeds” for additional information.
Trading Symbols	We have applied for listing of our common stock on the Nasdaq Capital Market and the Boston Stock Exchange under the symbols “BLSW” and “BLS,” respectively.
Risk Factors	You should consider carefully all of the information set forth in this prospectus, and, in particular, the specific factors set forth under “Risk Factors” beginning at page 9, before deciding whether to invest in our shares.

The number of shares of common stock to be outstanding after the offering is based on 4,273,833 shares outstanding as of January 31, 2007 and excludes:

- 490,909 shares issuable upon the acquisition of Objectware;
- 929,587 shares issuable upon the exercise of outstanding options at a weighted average price of \$3.04 per share;
 - 578,269 shares issuable upon the exercise of outstanding warrants; and
- 210,000 shares issuable upon exercise of underwriters’ warrants at a price equal to 125% of the offering price of the shares.

We are registering 4,052,000 shares, which, on a pro forma basis, would represent approximately 43% of our outstanding securities as of January 31, 2007 calculated as a fully-diluted basis, assuming the exercise of the over-allotment option granted to the underwriters.

Unless otherwise indicated, all information in this prospectus assumes no exercise of the over-allotment option granted to the underwriters.

“Bridgeline,” “Bridgeline Software,” “iapps,” “netEDITOR,” “netEDITOR-pro” and “Orgitecture” are our trademarks and service marks. We have registered the trademarks “Bridgeline,” “iapps” and “netEDITOR” with the United States Patent and Trademark Office, and have filed applications to register “netEDITOR-pro” and “Orgitecture,” and claim common law rights in such marks. This prospectus refers to the trade names, service marks and trademarks of other companies. These references are made with due recognition of the rights of these companies and without any intent to misappropriate these names or marks.

SUMMARY FINANCIAL DATA

You should read the following summary financial data together with our financial statements and related notes appearing at the end of this prospectus and the “Management’s Discussion and Analysis and Results of Operations” and “Risk Factors” sections included elsewhere in this prospectus. The summary financial data as of and for the years ended September 30, 2006 and September 30, 2005 set forth below are derived from, and are qualified by reference to, our audited financial statements that are included elsewhere in this prospectus. Historical results are not necessarily indicative of future results.

Historical Statements of Operations Data:	Years Ended September 30,	
	2006	2005
Revenue	\$ 8,235,000	\$ 5,769,000
Cost of revenue	3,809,000	3,113,000
Gross profit	4,426,000	2,656,000
Operating loss	(810,000)	(461,000)
Net loss	(1,448,000)	(517,000)
Basic and diluted loss per share	\$ (0.36)	\$ (0.14)
Weighted average shares	4,046,278	3,804,527

Other Financial Data:	Years Ended September 30,	
	2006	2005