Bridgeline Software, Inc.
Form SB-2/A
May 15, 2007

As filed with the Securities and Exchange Commission on May 15, 2007

Registration No. 333-139298

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

Form SB-2

AMENDMENT NO. 3
TO
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Bridgeline Software, Inc.
(Name of small business issuer in its charter)

Delaware	**7372**	**52-2263942**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(IRS Employer Identification Number)*

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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(781) 622-5933 (fax)	**(202) 912-4830 (fax)**

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. þ

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. o

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. o

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. o

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

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 differences noted in the selling shareholder prospectus, which are labeled "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 MAY 15, 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 11 for a discussion of certain factors that should be considered by prospective purchasers of our shares.

Commencing six months after the date of this prospectus, the selling shareholders identified in a separate prospectus relating to such selling shareholders may offer and sell up to 542,000 additional shares they have the right to acquire upon the exercise of warrants issued in an April 2006 private placement transaction. This prospectus does not relate to those 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
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, Inc. 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:

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

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, an 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 are screen shots of our Content Management software tool, netEDITORpro:

The diagram below shows an example of author, approver and publisher roles as the building blocks of the workflow component in netEDITORpro.

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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 11. 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 22.

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 on-demand Web software tools and a developer of award-winning Web applications that assist our customers to optimize business processes utilizing Web-based technologies. Our solutions can improve the effectiveness of our customers by assisting them:

· To increase sales by developing Web applications such as on-line ordering systems and proactive integrated marketing tools with lead generation capabilities.
· To improve customer service and customer loyalty by developing Web applications that provide self-service portals that automate interactions between the customers and their partners. These types of portals reduce their administrative and operational costs.
· To enhance employee communication and training by developing on-line training applications allowing our customers to create topic-based training programs such as orientation training for new hires and new policy rollout training for current employees. These types of on-line training applications reduce their administrative and operational costs.

Our proprietary framework enables companies to add functionality on a per module basis, providing expandability and scalability. We have developed an on-demand Web software tools framework that provides the following:

· Content Management

· eCommerce Management

· Relationship Management

· eMarketing Management

· Grants Management

Recent innovations in information technology have created opportunities to deliver software applications directly to users over the Internet in a subscription-based, on-demand business model. This model is made possible by the proliferation of high-speed, broadband Internet connectivity, open standards for application integration and advances in network availability and security. For the user, on-demand software eliminates the need for expensive hardware, software and internal IT support.

Our on-demand Web management tools are delivered through a "software as a service" business model, in which we deliver our software over the Internet while providing maintenance, daily technical operation and support.

In addition to our on-demand Web management software tools, we develop award winning Web applications utilizing our tools for use over the Internet as well as for customers' intranets and extranets. Our in-house team of Microsoft®-certified developers specializes in:

·   User experience development
·   Web application development
·   Search engine optimization

A description of our Web software tools and Web services can be found beginning on page 60 of this prospectus.

As of March 31, 2007, we have more than 90 active customers of which we had one customer generating 20% of revenue and no other customer generating more than 10%. As of September 30, 2006 our customers included Nomura Securities, The Bank of New York, Pfizer, Depository Trust & Clearing Corporation and John Hancock, which each comprised approximately 22%, 7%, 6%, 6% and 6% of our revenues, respectively, during the fiscal year ended September 30, 2006.

We have received multiple industry awards, including Web Awards 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 54 of this prospectus.

Market Opportunity

We believe the Web application development market is growing and is fragmented. We believe there is an opportunity for us to acquire multiple companies that specialize in Web application development and are based in other large North American cities, 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 a customer base 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 areas other than those in which we currently operate.

We target certain established Web application development companies that we believe have:

• the complementary technical ability to market, sell and deliver Web-based software tools in their particular metropolitan market areas;

     • the desire to improve their profit margins by licensing our web software tools to their customer base;

• 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;

     • the desire reduce development costs by leveraging our Bangalore, India development center; and

   • the desire to leverage certain centralized cost centers such as finance, human resources, legal, and marketing.

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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. ("iapps®"), 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. A portion of the deferred purchase price will be paid if Objectware generates positive earnings before interest, taxes, and depreciation and amortization of at least $225,000 but less than $250,000 in any such calendar quarter. 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.

We expect to complete the acquisition of Objectware on the following basis. Prior to the completion of this offering all closing documentation other than the cash and stock consideration will be deposited with an escrow agent. Once this offering is completed, the acquisition will be considered to have been completed, subject only to the conditions that, within five business days after the registration statement has been declared effective by the Commission and our stock has commenced trading, and within one hour after our receipt of net proceeds of at least $10,000,000 from this offering, we are required to transfer the $2,500,000 of cash consideration to the escrow agent and we are required to deliver certificates representing the stock consideration to the escrow agent by overnight mail. Upon receipt of the cash and stock consideration the escrow agent will release all closing materials to the appropriate parties, and will release the cash and stock consideration to Objectware's sole shareholder, in accordance with the terms of the escrow agreement.

The closing of this offering is not conditioned on the closing of the acquisition of Objectware, and there can be no assurance that the acquisition of Objectware will be completed. However, we do not currently intend to request the Commission to declare our registration statement effective until after we deposit the closing documentation and deliverables with the escrow agent as described above. In the event the registration statement is not declared effective by the Commission on or before the ninth business day following the date such documents are delivered to the escrow agent, the acquisition agreement will be null and void, and we will be required to pay to Objectware a termination fee equal to the sum of $200,000 plus Objectware's reasonable expenses actually incurred relating to the transactions contemplated by acquisition agreement.See "Business – Pending Acquisition – Objectware – Terms of the Acquisition" on page 70 of this prospectus.

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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 11.

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.

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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	7,277,250 shares (7,727,250 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 44.6%, if the over-allotment option is exercised in full by the underwriters).
Use of Proceeds	We intend to use the net proceeds from this offering as follows: · 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 · $6,550,000 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 11, before deciding whether to invest in our shares.

The number of shares of common stock to be outstanding after the offering is based on 4,277,250 shares outstanding as of March 31, 2007 and excludes:

· 490,909 shares issuable upon the acquisition of Objectware and an indeterminate number of additional shares we may issue quarterly over three years after we acquire Objectware, the issuance of which is contingent upon the achievement by Objectware of certain operating results;

· 869,432 shares issuable upon the exercise of outstanding options at a weighted average price of $3.15 per share;

· 588,852 shares issuable upon the exercise of outstanding warrants; and

· 150,000 shares issuable upon exercise of underwriters' warrants at a price equal to 150% of the offering price of the shares.

We are registering 3,992,000 shares, which, on a pro forma basis, would represent approximately 43% of our outstanding securities as of March 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.

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"Bridgeline," "Bridgeline Software," "iapps," "netEDITOR," "netEDITOR-pro" and "Orgitecture" are our trademarks and se 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.

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SUMMARY FINANCIAL DATA

In accordance with Article 11 of Regulation S-X under the Securities Act of 1933, as amended, a condensed pro forma balance sheet as of March 31, 2007 and condensed pro forma statements of operations for the six months ended March 31, 2007 and the fiscal year ended September 30, 2006 have been prepared. For additional information, please refer to the complete pro forma disclosures beginning on page F-3 of our financial statements.

The following tables present our summary statements of operations data for the six months ended March 31, 2007 and 2006 and for the years ended September 30, 2006 and 2005, and our summary historical and pro forma balance sheet data as of March 31, 2007. The summary statements of operations data for the years ended September 30, 2006 and 2005 are derived from our audited financial statements as of and for the years ended September 30, 2006 and 2005, respectively. The summary statements of operations data for the six months ended March 31, 2007 and 2006 and the selected balance sheet data as of March 31, 2007 have been derived from our unaudited financial statements included elsewhere in this prospectus. Our unaudited financial statements have been prepared on the same basis as the audited financial statements and notes thereto, which include, in the opinion of our management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the information for the unaudited interim period. Our historical results for prior interim periods are not necessarily indicative of results to be expected for a full fiscal year or for any future period. You should read this data together with our financial statements and related notes included elsewhere in this prospectus and the information under "Selected Financial Data" and "Management's Discussion and Analysis."

The following unaudited financial data should be read in conjunction with the audited and unaudited historical financial statements of our company, New Tilt, Inc. and Objectware, Inc. and the unaudited pro forma combined consolidated financial information, including the notes thereto, appearing elsewhere in this prospectus. The unaudited pro forma condensed combined information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial position that would have occurred if the transactions had been completed at the dates indicated.

| | Unaudited | | | |
| | Six Months Ended March 31, | | Year Ended September 30, | |
	2005	2006	2006	2005
Historical Statements of Operations Data:				
Revenue	$ 4,532,000	$ 3,569,000	$ 8,235,000	$ 5,769,000
Cost of revenue	2,156,000	1,669,000	3,809,000	3,113,000
Gross profit	2,376,000	1,900,000	4,426,000	2,656,000