

Bridgeline Digital, Inc.
Form PRE 14A
July 03, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 240.14a-12

BRIDGELINE DIGITAL, INC.

(Name of Registrant as Specified in its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

No fee required

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

July 14, 2014

Dear Stockholder:

I am pleased to invite you to attend Bridgeline Digital, Inc.'s Annual Meeting of Stockholders to be held on August 15, 2014. 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 August 15, 2014

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 August 15, 2014 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 approve an amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of our Common Stock from 30,000,000 to 50,000,000;

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 3,900,000 shares to 4,500,000 shares;

4. To ratify the appointment of Marcum LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2014; and

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

The Board of Directors has fixed the close of business on July 8, 2014 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 July 31, 2014 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

July 14, 2014

Requests for additional copies of the proxy materials and the Company's Annual Report for its fiscal year ended September 30, 2013 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 August 15, 2014: The Proxy Statement for the Annual Meeting and the Annual Report to Shareholders for the year ended September 30, 2013 are available at <https://www.bridgeline.digital.com/proxy>

Proxy Statement

Annual Meeting of Stockholders

August 15, 2014

The enclosed proxy is solicited by the management of Bridgeline Digital, Inc. in connection with the Annual Meeting of Stockholders to be held on August 15, 2014 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 July 8, 2014 as the record date for the determination of stockholders entitled to vote at the Meeting. A stockholder executing and returning a proxy has the power to revoke it at any time before it is exercised by filing a later-dated proxy with, or other communication to, the Secretary of the Company or by attending the Meeting and voting in person.

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

1. To elect one director;
2. To approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our Common Stock from 30,000,000 to 50,000,000;

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 3,900,000 shares to 4,500,000 shares;
4. To ratify the appointment of Marcum LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2014; and
5. To hold an advisory vote on the compensation of the Company's named executive officers (the "say-on-pay" vote).

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 July 18, 2014. 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, 2013 (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 21,869,699 shares of Common Stock outstanding at the close of business on July 8, 2014 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 (1-800-776-9437) listed on your proxy card and following the recorded instructions; or

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

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

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. All proposals, except for Proposal 4, are non-routine proposals. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote and have no effect on the voting on such matter.

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

For the advisory vote on the frequency of holding future say-on-pay votes, the frequency that receives the highest number of affirmative votes cast on the matter shall be deemed approved. Abstentions and broker non-votes will have no effect on the outcome of voting on this matter.

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

PROPOSAL 1

ELECTION OF DIRECTORS

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 2017:

(1) Michael Taglich

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

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

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

Name	Age	Position with the Company	Director Since
<i>Directors with Terms Expiring in 2016</i>			
Kenneth Galaznik*	62	Director, Chair of the Audit Committee	2006
Scott Landers*	43	Director, Member of the Audit Committee and the Nominating and Corporate Governance Committee	2010
<i>Directors with Terms Expiring in 2015</i>			
Joni Kahn*	59	Director, Member of the Audit Committee and the Compensation Committee	2012
Thomas Massie	52	Chairman of the Board of Directors, President and Chief Executive Officer	2000
<i>Directors with Terms Expiring in 2014</i>			
John Cavalier*	74		2007

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Director, Chair of the Compensation Committee and Member of the Nominating and Corporate Governance Committee

Robert Hegarty*51 Director, Chair of the Nominating and Corporate Governance Committee and Member of the Compensation Committee 2006

Michael Taglich 49 Director 2013

*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. 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 as 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 the Chairman of the Company's Compensation Committee, and a member of the 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. In 2012, Mr. Cavalier received the "Champion of Education" award for his role in founding the Tech Valley High School. 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 upstate New York where \$14 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. Mr. Cavalier will not be seeking re-election at the end of his term, which expires as of the date of the 2014 meeting.

Kenneth Galaznik has been a member of our Board of Directors since 2006. Mr. Galaznik is the Chairman of the Company's Audit Committee. Since 2005, Mr. Galaznik has been the Senior Vice President, Chief Financial Officer and Treasurer of American Science and Engineering, Inc., a publicly held supplier of X-ray inspection and screening

systems with a public market cap of over \$550 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 35 years of experience in accounting and finance positions. Mr. Galaznik holds a B.B.A. degree in accounting from The University of Houston. Mr. Galaznik brings extensive experience to our Board and our Audit Committee as an experienced senior executive, a financial expert, and as chief financial officer of a publicly-held company.

Robert Hegarty has been a member of our Board of Directors since 2006. Mr. Hegarty is also Chairman of the Nominating and Corporate Governance Committee and a member of the Compensation Committee. Mr. Hegarty is the Global Head of Equities for Thomson Reuters. Previously, he was Managing Director, Global Head of Market Structure and Business Development 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. Mr. Hegarty will not be seeking re-election at the end of his term, which expires as of the date of the 2014 meeting.

Joni Kahn has been a member of our Board of Directors since April 2012. Ms. Kahn is a member of the Audit Committee and the Compensation Committees. Her experience spans SaaS and On Premise software companies and global system integration firms, which enables a differentiated view into today's market. Since early 2013, Ms. Kahn has been the Senior Vice President of Global Services for Big Machines, Inc., which was acquired by Oracle in October 2013. From 2007 to 2012, Ms. Kahn was Vice President of Services for HP's Enterprise Security Software group. From 2005 to 2007, Ms. Kahn was the Executive Vice President at BearingPoint where she managed a team of over 3,000 professionals and was responsible for North American delivery of enterprise applications, systems integration and managed services solutions. Ms. Kahn also oversaw global development centers in India, China and the U.S. From 2002 to 2005, Ms. Kahn was the Senior Group Vice President for worldwide professional services for Business Objects, a business intelligence software maker based in San Jose, where she led the applications and services division that supported that company's transformation from a products company to an enterprise solutions company. Business Objects was acquired by SAP in 2007. From 2000 to 2007, Ms. Kahn was a Member of the Board of Directors for MapInfo, a global location intelligence solutions company. She was a member of MapInfo's Audit Committee and the Compensation Committee. MapInfo was acquired by Pitney Bowes in 2007. From 1993 to 2000, Ms. Kahn was an Executive Vice President and Partner of KPMG Consulting, where she helped grow the firm's consulting business from \$700 million to \$2.5 billion. Ms. Kahn received her B.B.A in Accounting from the University of Wisconsin – Madison.

Scott Landers has been a member of our Board of Directors since 2010. Mr. Landers is a member of the Audit, and Nominating and Corporate Governance Committee. Since July 2008, Mr. Landers has been the Senior Vice President, Chief Financial Officer and Treasurer for Monotype Imaging Holdings Inc., a leading provider of typefaces, technology and expertise that enable the best user experiences and sure brand integrity. Monotype is a publicly-held company with a market cap of over \$1 billion. 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.

Michael Taglich joined the Board of Directors in 2013. He is the Chairman and President of Taglich Brothers, Inc., a New York City based securities firm which he co-founded in 1992. Taglich Brother's Inc. focuses on public and private micro-cap companies in a wide variety of industries. He is currently the Chairman of the Board of each Air Industries Group Inc., a publicly traded aerospace and defense company (NYSE AIRI), and BioVentrix, Inc., a privately held medical device company whose products are directed at heart failure treatment. He also serves as a director of a number of other private companies, and is a director of Caldera Pharmaceuticals Inc, a drug screening company. Michael Taglich brings extensive professional experience which spans various aspects of senior management, including finance, operations and strategic planning. Mr. Taglich has more than 27 years of financial industry experience, and served on his first public board over 20 years ago.

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	42	Executive Vice President and Chief Technology Officer
Michael D. Prinn	40	Executive Vice President and Chief Financial 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 25,000 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 Executive Vice President and Chief Financial Officer since October 2012. Mr. Prinn joined Bridgeline Digital in August 2010 as our Vice President of Finance as was subsequently promoted to the position of Chief Accounting Officer and Executive Vice President of Finance. Prior to joining Bridgeline Digital, from 2006 to 2010, Mr. Prinn was a Senior Manager and Controller at Sapien, a \$1.4 billion publicly-held global integrated marketing and technology services company. From 2003 to 2006 Mr. Prinn was the Corporate Controller for SensAble Technologies, a developer of 3D touch-enabled digital solutions. Prior to joining SensAble Technologies, Mr. Prinn was an Audit Manager in Arthur Andersen's High Tech Audit Practice. Mr. Prinn received his B.S. in Accounting from Boston College and is a Certified Public Accountant.

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

Certain Relationships and Related Transactions

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

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

The following section describes, for the year ended September 30, 2013 (i) transactions in which the Company or any of its subsidiaries was a party, in which the amount involved exceeded \$120,000 and in which a director, a director nominee, an Executive Officer, any immediate family member of a director, director nominee or executive officer, a security holder known to own more than five percent of the Company's common stock or any immediate family member of the security holder had, or will have, a direct or indirect material interest or (ii) certain business relationships that existed between the Company and directors or director nominees, or between the Company and entities affiliated with such directors or director nominees.

In October 2013, Michael Taglich joined the Board of Directors. Mr. Taglich is the Chairman and President of Taglich Brothers, Inc. a New York based securities firm. Taglich Brothers, Inc. was the agent for the past three private placements of Bridgeline Digital common stock which took place in 2012, 2013 and March 2014. Taglich Brothers, Inc was also the agent for Bridgeline's convertible debt offerings of \$2 million and \$1 million in September and November 2013, respectively. Mr. Taglich has beneficial ownership of 782,507 shares of Bridgeline Digital, Inc. common stock, 76,923 common shares issuable upon conversion of convertible notes, and 258,965 shares issuable upon the exercise of warrants. Mr. Taglich's brother, Robert Taglich, has beneficial ownership of 993,706 shares of Bridgeline Digital, Inc. common stock, 153,846 shares issuable upon conversion of convertible notes, and 258,965 shares issuable upon the exercise of warrants. In total, employees, affiliates and clients of Taglich Brothers, Inc. own approximately 7,700,000 shares of Bridgeline common stock. The fees paid to Taglich Brothers, Inc. in connection with the 2012, 2013 and 2014 private placements of common stock were \$651,000. Fees paid to Taglich Brothers, Inc. in connection with the 2013 convertible debt offerings were \$240,000. The Company also has an annual service contract for \$18,000 with Taglich Brothers, Inc to perform market research.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. In computing the number of shares beneficially owned by a person or a group and the percentage ownership of that person or group, shares of our common stock subject to options or warrants currently exercisable or exercisable within 60 days after May 31, 2014 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 May 31, 2014, 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 May 31, 2014 there were issued and outstanding 21,857,381 shares of our Common Stock entitled to cast 21,857,381 votes. On May 31, 2014 the closing price of our Common Stock as reported on the Nasdaq Capital Market was \$0.81 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
Robert Taglich 790 New York Avenue Huntington, NY 11743	1,406,517 (1)	6.43%
Michael Taglich	1,118,395 (2)	5.04%
Thomas Massie	1,121,333 (3)	5.02%
Brett Zucker	379,632 (4)	1.71%
Robert Hegarty	126,999 (5)	*
Kenneth Galaznik	118,102 (6)	*
Michael Prinn	110,333 (7)	*
Scott Landers	83,577 (8)	*

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John Cavalier	82,164	(9)	*
Joni Kahn	53,510	(10)	*
All current executive officers and directors as a group	3,194,045	(11)	13.63%

*less than 1%

- (1) Includes 153,846 shares of issuable upon conversion of convertible notes and 258,965 shares issuable upon the exercise of warrants.
- (2) Includes 76,923 shares of issuable upon conversion of convertible notes and 258,965 shares issuable upon the exercise of warrants. Includes 43,478 shares of common stock owned by Mr. Taglich's spouse.
- (3) Includes 494,999 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014).
- (4) Includes 300,129 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014).
- (5) Includes 89,999 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014). Includes 12,000 shares of common stock owned by Mr. Hegarty's spouse.
- (6) Includes 89,999 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014).
- (7) Includes 98,333 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014).
- (8) Includes 59,999 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014). Includes 10,000 shares of common stock owned by Mr. Lander's children.
- (9) Includes 81,665 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014).
- (10) Includes 23,332 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014).
- (11) Includes 2,476,469 shares of common stock subject to currently exercisable options (includes options that will become exercisable within 60 days of May 31, 2014).

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, 2013 and September 30, 2012 for our principal executive officer and our other two most highly compensated executive officers who were serving as executive officers on September 30, 2013. We refer to these officers as our named executive officers.

Name and Principal Position	Fiscal Year	Salary	Bonus	Option	All Other Compensation	Total
				Awards		
	End			(1)(2)		
<i>Thomas Massie</i>	2013	\$375,000	\$74,896	—	\$22,221 (3)	\$472,117
President and Chief Executive Officer	2012	\$375,000	\$96,667	\$137,500	\$24,242 (3)	\$633,409
and Director <i>Michael D. Prinn</i>	2013	\$200,000	\$33,225	\$80,250	—	\$313,475
Executive Vice President and Chief Financial Officer	2012	\$171,000	\$30,000	\$25,100	—	\$226,100
<i>Brett Zucker</i>	2013	\$244,581	\$37,503	—	—	\$282,084
Executive Vice President and Chief Technology Officer	2012	\$225,000	\$50,000	\$39,000	—	\$314,000

Represents the aggregate grant date fair value of the entire stock option awards for the fiscal years ended September 30, 2013 and 2012, in accordance with Financial Accounting Standards Board Accounting Standards (1)Codification Topic 718 (“ASC 718”), excluding the impact of estimated forfeitures of stock options. None of the stock option awards listed above were exercised in the fiscal years ended September 30, 2013 and 2012, and the amounts set forth above do not represent amounts actually received by the executives.

Stock option awards for fiscal year ended September 30, 2012 reflect options granted as part of October 28, 2011 repricing program, which offered employees the opportunity to exchange and forfeit options previously granted for new options grants of the same amount with a) a grant exercise price of \$0.67, the fair market value on October 28, 2011 and b) a new three-year vesting schedule beginning October 28, 2011. Mr. Massie exchanged 300,000 (2) previously granted options for a new grant with an incremental grant date fair value of \$41,500. Mr. Prinn exchanged 60,000 previously granted options for a new grant with an incremental grant date fair value of \$6,600. Mr. Zucker exchanged 75,000 previously granted options for a new grant with an incremental grant date fair value of \$11,250.

(3) Other Compensation 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, 2010, and 2013 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, 2013, Mr. Massie was compensated in the form of initial base salary in the amount of \$375,000 and an earned bonus of \$74,896, 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, 2012, Mr. Massie was compensated in the form of initial base salary in the amount of \$375,000 and an earned bonus of \$96,667, payable based upon goals mutually agreed upon by Mr. Massie and our Board of Directors.

Michael Prinn

We have entered into an employment agreement with Michael Prinn, our Executive Vice President and Chief Financial Officer, to provide executive management services. The agreement has a term of one year beginning October 1, 2013. The agreement may be terminated by (i) us, in the event of Mr. Prinn's death, resignation, retirement or disability, or for or without cause, or (ii) Mr. Prinn for good reason. In the event that Mr. Prinn is terminated by us without cause or Mr. Prinn resigns for good reason, he is entitled to receive severance payments equal to six months of salary and bonus. In addition, any stock option awards that are not exercisable will be immediately vested and exercisable.

Brett Zucker

We have entered into an employment agreement with Brett Zucker, our Executive Vice President and Chief Technology Officer, to provide executive management services. The agreement has a term of one year beginning October 1, 2013. The agreement may be terminated by (i) us, in the event of Mr. Zucker's death, resignation, retirement or disability, or for or without cause, or (ii) Mr. Zucker for good reason. In the event that Mr. Zucker is terminated by us without cause or Mr. Zucker resigns for good reason, he is entitled to receive severance payments equal to six months of salary and bonus. In addition, any stock option awards that are not exercisable will be immediately vested and exercisable.

Repricing

In October 2008, the Company offered its employees the opportunity to have certain outstanding options modified by (i) reducing the exercise price to \$0.90, the fair market value of the common stock as of the modification date and (ii) starting a new three year vesting schedule. Employees elected to exchange options to purchase a total of 1,627,906 shares of common stock for new grants in the October 2008 repricing.

In October 2011, the Company offered its employees the opportunity to have certain outstanding options modified by (i) reducing the exercise price to \$0.67, the fair market value of the common stock as of the modification date and (ii) starting a new three year vesting schedule. Employees elected to exchange options to purchase a total of 697,667 shares of common stock for new grants in the October 2011 repricing.

Outstanding Equity Awards at Fiscal 2013 Year-End

The following table sets forth information concerning outstanding stock options for each named executive officer as of September 30, 2013.

Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (1)(2)	Number of Securities Underlying Unexercised Options Unexercisable (1)(2)	Exercise price (\$/sh)	Option Expiration Date
Thomas Massie (1)	10/09/2008	128,333	-	\$ 0.90	10/09/2018
	10/28/2011	100,000	200,000	\$ 0.67	10/28/2021
	11/30/2011	50,000	100,000	\$ 0.59	11/30/2021
	02/16/2012	-	100,000	\$ 0.79	02/16/2022
		278,333	400,000		
Michael D. Prinn (1)	10/28/2011	20,000	40,000	\$ 0.67	10/28/2021
	11/29/2011	16,667	33,333	\$ 0.65	11/29/2021
	10/19/2012	-	75,000	\$ 1.64	10/19/2022
		36,667	148,333		
Brett Zucker (1)	10/09/2008	200,130	-	\$ 0.90	10/09/2018
	10/28/2011	25,000	50,000	\$ 0.67	10/28/2021
	11/29/2011	25,000	50,000	\$ 0.65	11/29/2021
		250,130	100,000		

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

Stock option awards granted as part of October 28, 2011 repricing program, offered employees the opportunity to exchange and forfeit options previously granted for new options grants of the same amount with a) a grant exercise price of \$0.67, the fair market value on October 28, 2011 and b) a new three-year vesting schedule (2) beginning October 28, 2011. Mr. Massie exchanged 300,000 previously granted options for a new grant with an incremental grant date fair value of \$41,500. Mr. Prinn exchanged 60,000 previously granted options for a new grant with an incremental grant date fair value of \$6,600. Mr. Zucker exchanged 75,000 previously granted options for a new grant with an incremental grant date fair value of \$11,250.

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, 2013.

Name	Fees Earned or Option		All Other	Total
	Paid in Cash	Awards (1)(4)	Compensation	
John Cavalier	\$23,000	\$23,000	\$34,000	\$80,000
(2)				
Kenneth Galaznik	\$28,000	\$23,000	—	\$51,000
Robert Hegarty	\$23,000	\$23,000	—	\$46,000
Joni Kahn	\$21,000	\$23,000	—	\$44,000
Scott Landers	\$21,000	\$23,000	—	\$44,000

(1) Represents aggregate grant date fair value of the entire stock option awards for the fiscal year ended September 30, 2013 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,
2013, and the
amounts set
forth above do
not represent
amounts
actually
received by
the Directors.

Mr. Cavalier
was paid
\$34,000 as
compensation
(2) for general
management
consulting
services.

The following
table sets forth
the following
aggregate
number of
shares under
outstanding
stock options
(3) plans held by
Directors who
are not named
executive
officers as of
the fiscal year
ended
September 30,
2013.

Name	Number of Shares Underlying Outstanding Stock Options
John Cavalier	110,000
Kenneth Galaznik	110,000
Robert Hegarty	110,000
Joni Kahn	45,000
Scott Landers	80,000