

BOTTOMLINE TECHNOLOGIES INC /DE/
Form DEF 14A
October 19, 2006

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

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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 §240.14a-12

Bottomline Technologies (de), Inc.

(Name of Registrant as Specified in Its Charter)

(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:

(5) Total fee paid:

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:

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

(3) Filing Party:

(4) Date Filed:

BOTTOMLINE TECHNOLOGIES (de), INC.

325 Corporate Drive

Portsmouth, New Hampshire 03801

Notice of Annual Meeting of Stockholders

To be held on November 16, 2006

To the stockholders of Bottomline Technologies (de), Inc.:

The annual meeting of stockholders of Bottomline Technologies (de), Inc., a Delaware corporation, will be held on Thursday, November 16, 2006 at 3:00 p.m., local time, at the corporate offices of Bottomline Technologies (de), Inc., at 325 Corporate Drive, Portsmouth, New Hampshire 03801, for the purpose of considering and voting upon the following matters:

1. To elect three Class II directors for the ensuing three years;
2. To ratify the selection of Ernst & Young LLP as our registered public accounting firm for the current fiscal year; and
3. To transact such other business as may properly come before the annual meeting, including any postponements or adjournments thereof.

Our board of directors has no knowledge of any other business to be transacted at the annual meeting.

We are enclosing a copy of our annual report to stockholders for the fiscal year ended June 30, 2006 with the proxy statement that accompanies this notice of meeting. The annual report contains consolidated financial statements and other information of interest to you.

Holders of record of our common stock at the close of business on September 28, 2006 are entitled to receive this notice and to vote at the annual meeting.

We encourage you to attend the annual meeting in person. However, in order to make sure that you are represented at the annual meeting, we urge you to complete, sign and return the enclosed proxy card as promptly as possible in the enclosed postage-prepaid envelope.

By order of the Board of Directors,

/s/ Daniel M. McGurl
Daniel M. McGurl
Chairman of the Board of Directors

October 19, 2006

Portsmouth, New Hampshire

BOTTOMLINE TECHNOLOGIES (de), INC.

325 Corporate Drive

Portsmouth, New Hampshire 03801

Proxy Statement

For the Annual Meeting of Stockholders

To be held on November 16, 2006

This proxy statement is furnished to you in connection with the solicitation of proxies by our board of directors for the annual meeting of stockholders to be held on Thursday, November 16, 2006 at 3:00 p.m., local time, at the corporate offices of Bottomline Technologies (de), Inc., at 325 Corporate Drive, Portsmouth, New Hampshire 03801, including any postponements or adjournments thereof.

The notice of the annual meeting, this proxy statement, our annual report to stockholders for the fiscal year ended June 30, 2006, which we sometimes refer to as fiscal 2006, and the enclosed proxy are first being mailed to stockholders on or about October 19, 2006.

Voting of Proxies

All shares held by stockholders who are entitled to vote and who are represented at the annual meeting by properly executed proxies received prior to or at the annual meeting will be voted in accordance with the instructions indicated on the proxy card, unless it is revoked prior to the vote. If a proxy card does not specify how the proxy is to be voted with respect to a particular matter, the shares will be voted FOR approval of the matter.

A proxy may be revoked before it is used to cast a vote. To revoke a proxy, a stockholder must:

file with the corporate secretary of the company, at or before the taking of the vote, a written notice of revocation bearing a later date than the proxy;

duly execute a later dated proxy relating to the same shares and deliver it to the corporate secretary of the company before the taking of the vote; or

attend the annual meeting and vote in person. Attendance at the annual meeting, if a stockholder does not vote, will not be sufficient to revoke a proxy.

Any written notice of revocation or subsequent proxy should be sent to us at the following address: Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary.

Stockholders Entitled to Vote

Our board of directors has fixed September 28, 2006 as the record date for the determination of stockholders entitled to vote at the annual meeting. Only holders of record of our common stock at the close of business on the record date are entitled to notice of and to vote at the annual meeting. On September 28, 2006, there were 24,241,342 shares of our common stock outstanding and entitled to vote. Each share of common stock will have one vote for each matter to be voted upon at the annual meeting.

Votes Required

The holders of at least a majority of the shares of our common stock issued and outstanding and entitled to vote at the annual meeting will constitute a quorum for the transaction of business at the annual meeting. Shares of common stock present in person or represented by proxy, including shares which abstain or do not vote 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 annual meeting.

If a broker does not have discretionary voting authority to vote shares for which it is the holder of record with respect to a particular matter at the annual meeting, the shares cannot be voted by the broker, although they will be counted in determining whether a quorum is present. Accordingly, broker non-votes and abstentions would have no effect on the voting on a matter that requires the affirmative vote of a certain percentage of votes cast or shares voting on that matter.

The affirmative vote of the holders of shares representing at least a plurality of the votes cast by the holders of our common stock entitled to vote at the annual meeting is required for the election of the Class II directors. The affirmative vote of the holders of shares representing at least a majority of the stock present or represented and voting on the matter is required for the ratification of our registered public accounting firm.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, as of August 31, 2006, regarding the beneficial ownership of shares of our common stock by (a) each person or entity known by us to own beneficially more than 5% of the outstanding shares of our common stock, (b) each of the named executive officers, as described in the Summary Compensation Table below, (c) each director and director nominee of the company, and (d) the directors and executive officers of the company as a group. The address of each of our directors, except William O. Grabe, and named executive officers is c/o Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801. The address of William O. Grabe is c/o General Atlantic Service Company, LLC, 3 Pickwick Plaza, Greenwich, CT 06830. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, which we sometimes refer to as the SEC, and generally includes voting power and/or investment power with respect to securities. Shares of common stock subject to options and/or warrants currently exercisable or exercisable within 60 days of August 31, 2006 are deemed outstanding for purposes of computing the percentage beneficially owned by the person or entity holding the options and/or warrants, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person or entity. Except as indicated by footnote, we believe that the persons and entities named in this table, based on information provided by them, have sole voting and investment power with respect to the shares of common stock indicated.

Name and Address of Beneficial Owner	Shares Beneficially Owned		Options and/or Warrants Included in Shares Beneficially Owned Number
	Number	Percent	
<i>5% Stockholders</i>			
Wellington Management Company, LLP	2,734,600(1)	11.4%	
75 State Street			
Boston, MA 02109			
Merrill Lynch & Co., Inc. (on behalf of Merrill Lynch Investment Managers)	2,549,946(2)	10.7%	
World Financial Center, North Tower			
250 Vesey Street			
New York, NY 10381			
T. Rowe Price Associates, Inc.	2,483,221(3)	10.4%	
100 E. Pratt Street			
Baltimore, MD 21202			
Ashford Capital Management, Inc.	1,475,670(4)	6.2%	
P.O. Box 4172			
Wilmington, DE 19807			

Name and Address of Beneficial Owner	Shares Beneficially Owned		Options and/or Warrants Included in Shares Beneficially Owned Number
	Number	Percent	
RS Investment Management Co. LLC 388 Market Street, Suite 1700 San Francisco, CA 94111	1,273,360(5)	5.3%	
<i>Executive Officers and Directors</i>			
Joseph L. Mullen	708,031(6)	2.9%	418,125
Robert A. Eberle	470,255(7)	1.9%	327,877
Peter S. Fortune	194,441(8)	*	76,875
Kevin M. Donovan	137,020(9)	*	115,281
Joseph L. Barry, Jr.	218,175(10)	*	75,000
John W. Barter	29,250(11)	*	26,250
Michael J. Curran(12)			
William O. Grabe	33,000(13)	*	30,000
Jeffrey C. Leathe	3,750	*	3,750
James L. Loomis	581,250(14)	2.4%	37,500
Daniel M. McGurl	333,783(15)	1.4%	98,005
James W. Zilinski	100,000(16)	*	75,000
All executive officers and directors as a group (11 persons)(12)	2,808,955	11.1%	1,283,663

* Represents less than 1% of the outstanding shares of common stock.

- (1) Wellington Management Company, LLP, in its capacity as investment adviser, may be deemed to beneficially own 2,734,600 shares, which are held of record by clients of Wellington Management Company, LLP. Wellington Management Company, LLP shares voting power with respect to 1,518,000 of the shares and shares dispositive power with respect to 2,695,000 of the shares. This information is based on an Amendment No. 1 to Schedule 13G filed by Wellington Management Company, LLP with the SEC on June 12, 2006.
- (2) Merrill Lynch & Co., Inc. (on behalf of Merrill Lynch Investment Managers) shares voting and dispositive power over the shares. Master Value Opportunities Trust shares voting and dispositive power over 2,007,346 of the shares. This information is based on a Schedule 13G filed by Merrill Lynch & Co., Inc. (on behalf of Merrill Lynch Investment Managers) with the SEC on August 4, 2006.
- (3) T. Rowe Price Associates, Inc. holds sole voting power over 472,300 of the shares and sole dispositive power over all 2,483,221 shares. This information is based on a Schedule 13G filed by T. Rowe Price Associates, Inc. with the SEC on June 9, 2006.
- (4) This information is based on a Schedule 13G filed by Ashford Capital Management, Inc. with the SEC on February 13, 2006.
- (5) RS Investment Management Co. LLC, RS Investment Management, L.P. and George R. Hecht share voting and dispositive power with respect to the shares. This information is based on a Schedule 13G filed by RS Investment Management Co. LLC with the SEC on February 10, 2006.
- (6) 289,906 shares held by Mr. Mullen includes shares granted as restricted stock, of which 138,750 are unvested as of August 31, 2006.
- (7) 142,378 shares held by Mr. Eberle includes shares granted as restricted stock, of which 126,000 are unvested as of August 31, 2006.
- (8) 117,566 shares held by Mr. Fortune includes shares granted as restricted stock, of which 102,000 are unvested as of August 31, 2006.
- (9) 21,739 shares held by Mr. Donovan includes 12,000 shares granted as restricted stock, of which none are vested as of August 31, 2006.
- (10) 143,175 shares held by Mr. Barry includes 3,000 shares granted as restricted stock, of which none are vested as of August 31, 2006.

- (11) 3,000 shares held by Mr. Barter were granted as restricted stock, of which none are vested as of August 31, 2006.
- (12) Michael J. Curran is a nominee for election as a Class II director at the 2006 annual meeting of stockholders and is not currently a director of Bottomline. As such, the information, as of August 31, 2006, regarding the beneficial ownership of shares of our common stock by directors and executive officers of the company as a group does not include Mr. Curran.
- (13) 3,000 shares held by Mr. Grabe were granted as restricted stock, of which none are vested as of August 31, 2006.
- (14) 543,750 shares held by Mr. Loomis includes 3,000 shares granted as restricted stock, of which none are vested as of August 31, 2006.
- (15) 3,000 shares held by Mr. McGurl were granted as restricted stock, of which none are vested as of August 31, 2006. In addition, 232,778 of the shares are held by the McGurl Family Limited Partnership. Mr. McGurl disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.
- (16) 25,000 shares held by Mr. Zilinski includes 3,000 shares granted as restricted stock, of which none are vested as of August 31, 2006.

PROPOSAL I ELECTION OF CLASS II DIRECTORS

We have three classes of directors, currently consisting of three Class I directors, three Class II directors and three Class III directors. At each annual meeting, directors are elected for a full term of three years to succeed those whose terms are expiring. The terms of the three classes are staggered in a manner so that only one class is elected by stockholders annually. Mr. Joseph L. Mullen, Mr. William O. Grabe and Mr. James W. Zilinski are currently serving as Class II directors. We have not nominated Mr. Grabe for reelection to the board of directors at the 2006 annual meeting of stockholders. We have nominated Mr. Michael J. Curran for election as a Class II director at the 2006 annual meeting of stockholders. The Class II directors elected this year will serve as members of our board of directors until the 2009 annual meeting of stockholders, or until their respective successors are elected and qualified. Proxies can not be voted cumulatively.

The persons named in the enclosed proxy will vote to re-elect Mr. Mullen and Mr. Zilinski and to elect Mr. Curran as Class II directors unless the proxy is marked otherwise. Mr. Mullen, Mr. Zilinski and Mr. Curran have indicated their willingness to serve on our board of directors, if elected; however, if any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee designated by our board of directors. Our board of directors has no reason to believe that Mr. Mullen, Mr. Zilinski or Mr. Curran would be unable to serve if elected.

Set forth below for each director, other than Mr. Grabe, including the Class II director nominees, is information as of August 31, 2006 with respect to his (a) name and age, (b) positions and offices at the company, (c) principal occupation and business experience during at least the past five years, (d) directorships, if any, of other publicly held companies and (e) the year such person became a director of the company.

Name	Age	Director Since	Principal Occupation, Other Business Experience During the Past Five Years and Other Directorships
Class II directors (terms expiring in 2006)			
Joseph L. Mullen	54	1996	Mr. Mullen has served as Chief Executive Officer of Bottomline since August 2002. From September 2000 to August 2004, Mr. Mullen served as President of Bottomline, and from September 2000 to April 2001, Mr. Mullen also served as Chief Operating Officer of Bottomline.
James W. Zilinski	62	1994	From July 1995 until his retirement in December 2004, Mr. Zilinski served as President and Chief Executive Officer of Berkshire Life Insurance Company of America and as a director of its subsidiary, Berkshire Securities Corp. *#
Michael J. Curran	51	Nominated for election at 2006 annual meeting of stockholders	From March 1995 until his retirement in April 2006, Mr. Curran served as Executive Vice President Global Treasury Services of Bank of America. From August 1993 to March 1995, Mr. Curran served as a Senior Vice President of FleetBoston Financial Corporation, a Bank of America predecessor company.
Class III directors (terms expiring in 2007)			
Daniel M. McGurl	70	1989	Mr. McGurl co-founded Bottomline in May 1989, and has served as Chairman of the Board of Directors of Bottomline since May 1989. From May 1989 to August 2002, Mr. McGurl also served as Chief Executive Officer of Bottomline, and from May 1989 to September 2000, Mr. McGurl also served as President of Bottomline.

Name	Age	Director Since	Principal Occupation, Other Business Experience During the Past Five Years and Other Directorships
James L. Loomis	56	1989	Mr. Loomis co-founded Bottomline in May 1989. From August 1998 until his retirement in September 2000, Mr. Loomis served as Senior Executive Advisor of Bottomline.
John W. Barter	59	2002	Mr. Barter is a private investor. From January 2000 to May 2001, Mr. Barter served as Chief Financial Officer of Kestrel Solutions, Inc., an optical networking company. Kestrel filed a voluntary petition for bankruptcy protection in October 2002. Mr. Barter is also a director of BMC Software, Inc., a developer of enterprise management software, SRA International, Inc., a provider of information technology services, and Lenovo Group Limited, a computer manufacturer.
Class I directors (terms expiring in 2008)			
Joseph L. Barry, Jr.	73	1990	Mr. Barry has served as President of Hallmark Mechanical Corp., a machinery service company, since 1990, and as President of Hallamore Corp., a transportation and rigging company, since 1956. Since 1975, Mr. Barry has served as Chairman of Northeast Concrete Products, and since 1978, as co-chairman of New England Teamsters Pension Fund. Mr. Barry is also a director of Heritage Property Investment Trust, Inc., a real estate investment trust. *#
Robert A. Eberle	45	2000	Mr. Eberle has served as President since August 2004, and as Chief Operating Officer of Bottomline since April 2001. From September 1998 to August 2004, Mr. Eberle also served as Chief Financial Officer of Bottomline, and from September 1998 to May 2001, Mr. Eberle also served as Treasurer of Bottomline.
Jeffrey C. Leathe	50	2005	Mr. Leathe has served as the principal of Leathe & Associates, LLC, a private investment advisory firm since November 2004. Mr. Leathe has also served as the President of Pelican Life Sciences, a manufacturer of life science research products, since November 2005. From July 2003 to October 2004, Mr. Leathe served as Vice President of Harvest Capital Management, a private investment advisory firm. From 1990 to 2003, Mr. Leathe served as Executive Vice President, Chief Financial Officer and Treasurer of Apogent Technologies, a manufacturer of healthcare and life sciences research products.*

Member of compensation committee.

Member of nominations and corporate governance committee.

* Member of audit committee.

Director Compensation

Our non-employee directors historically received stock options under our 1998 Director Stock Option Plan, or 1998 Director Plan. The 1998 Director Plan provides that each non-employee director will be granted an option to purchase 15,000 shares of our common stock on the date of his or her initial election to our board of directors, which will vest ratably over four years on each anniversary of the date of grant. In addition, the 1998 Director Plan provides that each non-employee director, other than a director initially elected to the board of directors at the annual meeting of stockholders or at any time after the prior year's annual meeting, will receive an option to purchase 7,500 shares of our common stock on the date of each annual meeting of stockholders. Such options vest annually upon the earlier of one year from the date of grant or the date immediately preceding the next annual meeting of stockholders, so long as the director remains a director of Bottomline. Options are granted with an exercise price equal to the fair market value determined as of the date of the grant, based on the closing price of a share of our common stock as reported on The NASDAQ Global Market. In fiscal 2006, Mr. Leathe received an option to purchase 15,000 shares of our common stock under the 1998 Director Plan.

On November 17, 2005, our board of directors approved the grant under our 2000 Stock Incentive Plan of restricted stock awards for 3,000 shares of our common stock to each non-employee director on the date of each annual meeting of stockholders (other than a director initially elected to the board of directors at the annual meeting or at any time after the prior year's annual meeting), beginning with the 2005 annual meeting held on November 17, 2005. The awards, which are made in lieu of the automatic grants of options to purchase 7,500 shares of our common stock provided for in the 1998 Director Plan, vest as to 100% of the shares underlying the awards on the earlier of the first anniversary of the grant date or the next annual meeting of stockholders. In fiscal 2006, Mr. McGurl, Mr. Barry, Mr. Barter, Mr. Grabe, Mr. Loomis and Mr. Zilinski each received a restricted stock award for 3,000 shares of our common stock under the 2000 Stock Incentive Plan.

Our board of directors approved, effective as of February 16, 2006, the grant under our 2000 Stock Incentive Plan of a restricted stock award for 8,000 shares of our common stock to each non-employee director upon his or her initial election to the board of directors. The restricted stock award vests over a period of four years from the date of grant, with 25% of the shares vesting on the first anniversary of the date of grant and an additional 6.25% of the shares vesting each quarter thereafter.

We reimburse our directors for expenses incurred to attend board of directors and committee meetings. In fiscal 2006, each non-employee director received an annual fee of \$17,500, payable quarterly in arrears, and a fee of \$1,250 for each meeting of the board of directors that the non-employee director attended. Each non-employee director who served as a member of the audit committee, other than the chairperson of such committee, received an annual fee of \$3,500. Each non-employee director who served as a member of the compensation committee and each non-employee director who served as a member of the nominations and corporate governance committee, other than the respective chairpersons of such committees, received an annual fee of \$1,000. The chairman of the audit committee received an annual fee of \$15,000 and the chairman of the compensation committee and the nominations and corporate governance committee each received an annual fee of \$2,000. The chairman of our board of directors received an annual fee of \$65,000.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on our review of copies of reports filed by reporting persons pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or written representations from reporting persons that no Form 5 filing was required for such persons, we believe that, except as set forth below, during fiscal 2006, all filings required to be made by our reporting persons were timely made in accordance with the requirements of the Exchange Act: (i) a Form 4 reporting a grant of restricted stock filed by Mr. Donovan and (ii) a Form 4 reporting a stock sale filed by Mr. McGurl.

Executive Compensation*Summary Compensation Table*

The following table sets forth certain information concerning the compensation for each of the fiscal years indicated for our chief executive officer and each of our three other most highly compensated executive officers who received annual compensation in excess of \$100,000 during fiscal 2006, collectively, the named executive officers. Mr. Fortune was paid in British Pounds Sterling which was converted to US dollars at exchanges rates of 1.78, 1.86 and 1.74 for fiscal years 2006, 2005 and 2004, respectively, for the presentation below.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		
		Salary	Bonus	Other Annual Compensation (1)	Restricted Stock Awards (\$)	Securities Underlying Options(2)	All Other Compensation
Joseph L. Mullen(3) Chief Executive Officer	2006	\$ 295,813	\$ 117,000	\$	1,465,680(4)		\$ 14,570(5)
	2005	\$ 285,796	\$ 193,960	\$		110,000	\$ 15,245(6)
	2004	\$ 270,000	\$ 100,000	\$		100,000	\$ 4,656(7)
Robert A. Eberle(3) President and Chief Operating Officer	2006	\$ 271,250	\$ 81,000	\$	1,323,840(8)		\$ 10,788(9)
	2005	\$ 262,500	\$ 179,040	\$		100,000	\$ 12,205(10)
	2004	\$ 250,000	\$ 90,000	\$		80,000	\$ 4,706(7)
Peter S. Fortune(3) President of Bottomline Europe	2006	\$ 259,352	\$ 74,258	\$	884,000(11)		\$ 15,858(12)
	2005	\$ 261,414	\$ 184,877	\$		80,000	\$ 20,796(13)
	2004	\$ 235,089	\$ 102,438	\$		50,000	\$ 16,905(14)
Kevin M. Donovan Chief Financial Officer and Treasurer	2006	\$ 169,083	\$ 25,000	\$	156,000(15)		\$ 4,750(7)
	2005	\$ 159,167	\$ 29,900	\$		35,000	\$ 5,079(7)
	2004	\$ 130,000	\$ 23,500	\$		23,500	\$ 3,625(7)

- (1) In accordance with the rules of the Securities and Exchange Commission, other annual compensation in the form of perquisites and other personal benefits has been omitted in those instances where such perquisites and other personal benefits constituted less than the lesser of \$50,000 or 10% of the total annual salary and bonus for the named executive officer for the fiscal year indicated.
- (2) Consists of the number of shares covered by stock options to purchase shares of our common stock granted during the fiscal year indicated.
- (3) In August 2004, Mr. Eberle, then serving as Chief Financial Officer and Chief Operating Officer assumed the position of President. Mr. Mullen continues to serve as Chief Executive Officer. On August 24, 2006, our board of directors approved an executive succession plan pursuant to which Mr. Eberle would be appointed as Chief Executive Officer and President and Mr. Fortune would be appointed as Chief Operating Officer and President of Bottomline Europe, effective November 16, 2006, the date of our annual meeting of stockholders. Mr. Mullen would transition from the role of Chief Executive Officer and would assume the role of Vice Chairman of the Board until May 2007, when he would become Chairman of the Board, a position currently held by Daniel M. McGurl. Mr. McGurl would continue to serve on our board.
- (4) On August 25, 2005, Mr. Mullen was awarded 93,000 shares of restricted common stock. The amount in the table is calculated by multiplying the closing price of a share of our common stock on August 25, 2005, \$15.76, by the number of shares of restricted stock awarded. The value of these shares of restricted stock as of June 30, 2006, based on the closing price of a share of our common stock on June 30, 2006, \$8.14, was \$757,020. These shares are entitled to receive dividends, if any are paid to holders of our common stock. The restricted stock award vests over a period of four years from the date of grant, with 25% of the shares vesting on the first anniversary of the date of grant and an additional 6.25% of the shares vesting each three months thereafter.

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- (5) Consists of a \$5,325 contribution made on behalf of Mr. Mullen to our 401(k) plan and \$9,245 in disability insurance premiums paid on behalf of Mr. Mullen.

- (6) Consists of a \$6,000 contribution made on behalf of Mr. Mullen to our 401(k) plan and \$9,245 in disability insurance premiums paid on behalf of Mr. Mullen.
- (7) Consists of a contribution made on behalf of such officer in our 401(k) plan.
- (8) On August 25, 2005, Mr. Eberle was awarded 84,000 shares of restricted common stock. The amount in the table is calculated by multiplying the closing price of a share of our common stock on August 25, 2005, \$15.76, by the number of shares of restricted stock awarded. The value of these shares of restricted stock as of June 30, 2006, based on the closing price of a share of our common stock on June 30, 2006, \$8.14, was \$683,760. These shares are entitled to receive dividends, if any are paid to holders of our common stock. The restricted stock award vests over a period of four years from the date of grant, with 25% of the shares vesting on the first anniversary of the date of grant and an additional 6.25% of the shares vesting each three months thereafter.
- (9) Consists of a \$4,908 contribution made on behalf of Mr. Eberle to our 401(k) plan and \$5,880 in disability insurance premiums paid on behalf of Mr. Eberle.
- (10) Consists of a \$6,325 contribution made on behalf of Mr. Eberle to our 401(k) plan and \$5,880 in disability insurance premiums paid on behalf of Mr. Eberle.
- (11) On December 2, 2005, Mr. Fortune was awarded 68,000 shares of restricted common stock. The amount in the table is calculated by multiplying the closing price of a share of our common stock on December 2, 2005, \$13.00, by the number of shares of restricted stock awarded. The value of these shares of restricted stock as of June 30, 2006, based on the closing price of a share of our common stock on June 30, 2006, \$8.14, was \$553,520. These shares are entitled to receive dividends, if any are paid to holders of our common stock. The restricted stock award vests as to 25% of the shares on August 25, 2006 and an additional 6.25% of the shares vesting each three months thereafter.
- (12) Consists of a \$12,325 contribution made on behalf of Mr. Fortune in our United Kingdom group pension plan and \$3,533 in health and life insurance premiums paid on behalf of Mr. Fortune.
- (13) Consists of a \$16,243 contribution made on behalf of Mr. Fortune in our United Kingdom group pension plan and \$4,553 in health and life insurance premiums paid on behalf of Mr. Fortune.
- (14) Consists of a \$13,971 contribution made on behalf of Mr. Fortune in our United Kingdom group pension plan and \$2,934 in health and life insurance premiums paid on behalf of Mr. Fortune.
- (15) On December 2, 2005, Mr. Donovan was awarded 12,000 shares of restricted common stock. The amount in the table is calculated by multiplying the closing price of a share of our common stock on December 2, 2005, \$13.00, by the number of shares of restricted stock awarded. The value of these shares of restricted stock as of June 30, 2006, based on the closing price of a share of our common stock on June 30, 2006, \$8.14, was \$97,680. These shares are entitled to receive dividends, if any are paid to holders of our common stock. The restricted stock award vests over a period of four years from the date of grant, with 25% of the shares vesting on the first anniversary of the date of grant and an additional 6.25% of the shares vesting each three months thereafter.

Stock Options

We did not grant any stock options to purchase shares of our common stock to any of our named executive officers during fiscal 2006.

Option Exercises and Fiscal Year-End Option Values

The following table sets forth information for each of the named executive officers with respect to the exercise of options, if any, to purchase shares of our common stock during fiscal 2006 and the number and value of options outstanding as of June 30, 2006.

Aggregated Option Exercises in Fiscal Year 2006 and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise	Value Realized	Number of Shares Underlying Unexercised Options at June 30, 2006		Value of Unexercised In-the-Money Options at June 30, 2006(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Joseph L. Mullen	35,000	\$ 452,000	406,251	148,749	\$ 157,427	\$ 51,073
Robert A. Eberle	74,000	\$ 517,817	318,503	127,499	\$ 14,653	\$ 39,723
Peter S. Fortune	20,187	\$ 141,038	62,500	92,500	\$ 25,913	\$ 25,913
Kevin M. Donovan		\$	111,094	39,656	\$ 121,788	\$ 10,613

- (1) Based on the aggregate fair market value of the underlying shares of our common stock on June 30, 2006, using the closing price, \$8.14, of a share of our common stock, as reported on The NASDAQ Global Market on that date, less the aggregate exercise price.

Equity Compensation Plan Information

The following table provides information about the securities authorized for issuance under our equity compensation plans as of June 30, 2006:

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(2)	4,409,935(3)	\$ 12.19	3,420,305(3)
Equity compensation plans not approved by security holders			
Total	4,409,935	\$ 12.19	3,420,305

- (1) This table excludes 6,000 shares of common stock issuable upon exercise of outstanding options assumed by us in connection with our acquisition of Flashpoint, Inc. in August 2000. The weighted average exercise price of the excluded options as of June 30, 2006, was \$26.84.
- (2) Consists of the following equity compensation plans: the Amended and Restated 1989 Stock Incentive Plan, the Amended and Restated 1997 Stock Incentive Plan, the 1998 Director Plan, the 1998 Employee Stock Purchase Plan (the 1998 ESPP), the 2000 Employee Stock Purchase Plan, as amended (the