KOREA FUND INC
Form SC 13G/A
December 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13G

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 1)*

The Korea Fund, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

500634209

(CUSIP Number)

November 30, 2012

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

x Rule 13d-1(b)
¨ Rule 13d-1(c)
¨ Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person’s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter

disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 500634209 13G Page 2 of 8 Pages

1. NAME OF REPORTING PERSONS
   I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

   City of London Investment Group PLC, a company incorporated under the laws of England and Wales
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ¨
   (b) ¨

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

   England and Wales

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5.	SOLE VOTING POWER	0
	6.	SHARED VOTING POWER	2,227,134
	7.	SOLE DISPOSITIVE POWER	0
	8.	SHARED DISPOSITIVE POWER	2,227,134

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

   2,227,134
10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES o

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

    24.1%
12. TYPE OF REPORTING PERSON

    HC

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

City of London Investment Management Company Limited, a company incorporated under the laws of England and Wales

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ¨
(b) ¨

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

England and Wales

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5.	SOLE VOTING POWER	0
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2,227,134

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11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

24.1%

12. TYPE OF REPORTING PERSON

IA

Item1(a). Name of Issuer:

The Korea Fund, Inc.

Item1(b). Address of Issuer's Principal Executive Offices:

The principal executive offices of the Fund are located at:

The Korea Fund, Inc.
c/o ALLIANZ GLOBAL INVESTORS
1345 Avenue of the Americas
New York, NY 10105

Item2(a). Name of Person Filing:

This statement is being filed by City of London Investment Group PLC ("CLIG") and City of London Investment Management Company Limited ("CLIM," and together with CLIG, the "Reporting Persons").

The principal business of CLIG is serving as the parent holding company for the City of London group of companies, including CLIM.

CLIM is primarily an emerging markets fund manager, which specializes in investing in closed-end investment companies and is a registered investment adviser under Section 203 of the Investment Advisers Act of 1940. CLIM is controlled by CLIG. CLIM is principally engaged in the business of providing investment advisory services to various public and private investment funds, including The Emerging World Fund ("EWF"), a Dublin, Ireland-listed open-ended investment company, Emerging Markets Country Fund ("GBL"), a private investment fund organized as a Delaware business trust, Investable Emerging Markets Country Fund ("IEM"), a private investment fund organized as a Delaware business trust, Emerging (BMI) Markets Country Fund ("BMI"), a private investment fund organized as a Delaware business trust, Emerging Free Markets Country Fund ("FREE"), a private investment fund organized as a Delaware business trust, Frontier Emerging Markets Fund ("FRONT"), a private investment fund organized as a Delaware business trust, The EM Plus CEF Fund ("PLUS"), a private investment fund organized as a Delaware business trust, International Equity CEF Fund ("PHX"), a private investment fund organized as a Delaware business trust, GFM (Institutional) Emerging Markets Country Fund ("GFM"), an open-ended fund organized under the laws of the Province of Ontario, Tradex Global Equity Fund ("Tradex"), an Ontario mutual fund, and unaffiliated third-party segregated accounts over which CLIM exercises discretionary voting and investment authority (the "Segregated Accounts").

EWF, GBL, IEM, BMI, FREE, FRONT, PLUS, PHX, GFM, and Tradex are collectively referred to herein as the "City of London Funds."

The Shares to which this Schedule 13G relates are owned directly by the City of London Funds and the Segregated Accounts.

Item 2(b). Address of Principal Business Office or, if None, Residence:

Address for CLIG and CLIM:

77 Gracechurch Street, London
England EC3V 0AS

Item 2(c). Citizenship:

CLIG - England and Wales

CLIM - England and Wales

Item 2(d). Title of Class of Securities:

Common Stock, par value $.001 per share

Item 2(e). CUSIP Number:

500634209

Item 3. If This Statement is Filed Pursuant to §§240.13d-1(b), or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) ¨ Broker or dealer registered under Section 15 of the Act (15 U.S.C. 78o).

(b) ¨ Bank as defined in Section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) ¨ Insurance company as defined in Section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) ¨ Investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) x An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) (for CLIM);

(f) ¨ An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);

(g) x A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) (for CLIG);

(h) ¨ A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);

(i) ¨ A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act (15 U.S.C. 80a-3);

(j) ¨ Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

Item 4. Ownership.

For CLIG and CLIM:

(a) Amount beneficially owned:

2,227,134

(b) Percent of class:

24.1%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 0

(ii) Shared power to vote or to direct the vote: 2,227,134

(iii) Sole power to dispose or to direct the disposition of: 0

(iv) Shared power to dispose or to direct the disposition of: 2,227,134

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following o.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

CLIG, as the parent holding company of CLIM, and CLIM, as investment advisers to the Funds, have the power to direct the dividends from, or the proceeds of the sale of the shares owned by the Funds. Each of the Funds owns less than 5% of the shares.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.

CLIG is the parent holding company of CLIM. See also Item 3.

Item 8. Identification and Classification of Members of the Group.

Not applicable.

Item 9. Notice of Dissolution of Group.

Not applicable.

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

The reporting persons agree that this statement is filed on behalf of each of them.

CITY OF LONDON INVESTMENT GROUP PLC

Dated: December 10, 2012

By: /s/ Barry M. Olliff
Name: Barry M. Olliff
Title: Director

CITY OF LONDON
INVESTMENT
MANAGEMENT
COMPANY LIMITED

Kevin M. Donovan, *Chief Financial Officer and Treasurer*	2007	$ 175,750	$ 58,841	$ 140,355	$ 51,000	$ 5,606	$ 431,552
Peter S. Fortune, *Chief Operating Officer and President of Bottomline Europe*(6)	2007	$ 302,104	$ 370,611	$ 322,281	$ 153,917	$ 43,041	$ 1,191,954

(1) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes (excluding estimates of forfeitures related to service-based vesting conditions) for fiscal 2007, in accordance with SFAS 123R, of equity awards under our equity plans and include amounts for equity awards granted in and prior to fiscal 2007. There can be no assurance that the SFAS 123R amounts will ever be realized. The assumptions we used to calculate these amounts are included in Note 9 to our audited financial statements for fiscal 2007, included in our annual report on Form 10-K for fiscal 2007.

(2) The amounts in this column reflect cash bonus awards paid to our named executive officers for performance in fiscal 2007 under our fiscal 2007 executive incentive compensation program. See Compensation Discussion and Analysis Components of our Executive Compensation Program Cash Bonuses above for a description of this program.

(3) These amounts consist of the following:

Name	Retirement Plan Contributions(a)	Life and Long-Term Disability Insurance Premiums(b)	Other	Total
Joseph L. Mullen	$ 4,925	$ 9,245	$ 27,000(c)	$ 41,170
Robert A. Eberle	$ 6,218	$ 5,880		$ 12,098
Kevin M. Donovan	$ 5,606			$ 5,606
Peter S. Fortune	$ 15,528	$ 2,169	$ 25,344(d)	$ 43,041

(a) These amounts represent our matching contributions to the named executive officer s retirement savings plan account.

(b) These amounts consist of the portions of premiums paid by us for supplemental executive long-term disability insurance for Mr. Mullen, Mr. Eberle and Mr. Fortune.

(c) This amount consists of cash paid to Mr. Mullen in lieu of a paid vacation.

(d) This amount consists of an automobile allowance of $23,196 and private medical insurance of $2,148 for Mr. Fortune.

(4) Mr. Mullen served as Chief Executive Officer until November 2006.

(5) Mr. Eberle served as President and Chief Operating Officer until November 2006, when he became President and Chief Executive Officer.

(6) Mr. Fortune served as Chief Marketing Officer and President of Bottomline Europe until November 2006, when he became Chief Operating Officer and President of Bottomline Europe. Mr. Fortune was paid in British Pounds Sterling, which were converted to US Dollars at an exchange rate of 1.933 US Dollars per British Pound Sterling for purposes of this presentation.

Grants of Plan-Based Awards

The following table sets forth information concerning each grant of an award made to a named executive officer during fiscal 2007 under any plan, contract, authorization or arrangement pursuant to which cash, securities, similar instruments or other property may be received. Non-equity incentive plan awards were made pursuant to our Executive Officer Bonus Plan described in our Compensation Discussion and Analysis under the caption Cash Bonuses .

Fiscal 2007 Grants of Plan-Based Awards

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#) (6)	All Other Option Awards: Number of Securities Underlying Options (#) (7)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Options Awards(8)
Name	**Grant Date**	**Action Date(1)**	**Threshold ($)(3)**	**Target ($)(4)**	**Maximum ($)(5)**				
Joseph L. Mullen									
	08/24/2006	8/24/2006				69,000			$ 623,070
Robert A. Eberle									
			$ 62,000	$ 232,500	$ 310,000				
	08/24/2006	8/24/2006				63,000			$ 568,890
	11/16/2006	11/16/2006				30,000			$ 327,300
Kevin M. Donovan			$ 15,000	$ 56,250	$ 75,000				
	08/24/2006	09/02/2006				10,000			$ 96,100
	08/24/2006	09/02/2006					5,000	$ 9.61	$ 25,400
Peter S. Fortune			$ 56,000	$ 210,000	$ 280,000				
	08/24/2006	8/24/2006				51,000			$ 460,530
	11/16/2006	11/16/2006				24,000			$ 261,840

(1) Consists of the date that the compensation committee or the executive officer to whom the compensation committee had delegated such authority took action to grant the applicable award.

(2) Reflects the threshold, target and maximum cash award amounts under our fiscal 2008 Executive Officer Bonus Plan.

(3) Reflects the total minimum amount that could be earned if the minimum targets for all of the quarterly and annual metrics are achieved. In the past our executives have, in certain instances, declined some or all of the bonus amounts earned so that the amounts could be allocated to specific corporate initiatives or strategic investments.

(4) Reflects the total amount that could be earned if the targeted quarterly and annual metrics are achieved.

(5) Reflects the total maximum amount that could be earned if the maximum targets for all of the quarterly and annual metrics are achieved.

(6) These shares vest as to 25% of the shares on the first anniversary of the date of grant and 6.25% of the shares each quarter thereafter. In addition, as described below under Employment and Other Agreements and Potential Payments Upon Termination or Change in Control , the vesting of these shares may be accelerated following employment termination under certain circumstances.

(7) These options vest as to 25% of the shares subject to the option on the first anniversary of the date of grant and 6.25% of the shares each quarter thereafter. Each option has a term of ten years, and typically expires shortly following the termination of the executive s employment. In addition, as described below under Employment and Other Agreements and Potential Payments Upon Termination or Change in Control , the vesting may be accelerated and exercisability of these options may be extended following employment termination under certain circumstances.

(8) The amounts reported in this column are computed in accordance with SFAS 123R.

Equity Awards and Holdings

The following table sets forth information concerning options that had not been exercised and unvested restricted stock awards for each of the named executive officers as of June 30, 2007.

Fiscal 2007 Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Share Awards		
Name	**Option Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable (1)**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (1)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Stock Award Grant Date**	**Number of Shares or Units of Stock That Have Not Vested(#) (2)**	**Market Value of Shares or Units of Stock That Have Not Vested($)(3)**
Joseph A. Mullen	02/24/2005	61,875	48,125	$ 11.93	02/24/2015	8/24/2006	69,000	$ 852,150
	03/29/2004	81,250	18,750	$ 9.54	03/29/2014	8/25/2005	52,312	$ 646,053
	05/13/2003	90,000		$ 5.87	05/13/2013			
	02/21/2002	100,000		$ 8.19	02/21/2012			
	02/20/2001	75,000		$ 13.00	02/20/2011			
	02/24/2000	20,000		$ 39.81	02/24/2010			
	08/26/1999	30,000		$ 31.50	08/26/2009			
	04/23/1998	30,000		$ 8.00	04/23/2008			
Robert A. Eberle	02/24/2005	56,250	43,750	$ 11.93	02/24/2015	11/16/2006	30,000	$ 370,500
	03/29/2004	65,000	15,000	$ 9.54	03/29/2014	08/24/2006	63,000	$ 778,050
	05/13/2003	13,954		$ 5.87	05/13/2013	8/25/2005	47,250	$ 583,538

	02/21/2002	47,046		$ 8.19	02/21/2012			
	02/20/2001	40,000		$ 13.00	02/20/2011			
	02/24/2000	20,000		$ 39.81	02/24/2010			
	08/26/1999	30,000		$ 31.50	08/26/2009			
	09/30/1998	76,351		$ 10.00	09/30/2008			
Kevin M. Donovan	09/02/2006		5,000	$ 9.61	09/02/2016	09/02/2006	10,000	123,500
	02/24/2005	14,063	10,937	$ 11.93	02/24/2015	12/02/2005	7,500	92,625
	01/13/2005	5,625	4,375	$ 14.00	01/13/2015			
	03/29/2004	16,250	3,750	$ 9.54	03/29/2014			
	01/12/2004	2,844	656	$ 9.23	01/12/2014			
	02/28/2003	20,000		$ 5.31	02/28/2013			
	02/21/2002	12,000		$ 8.19	02/21/2012			
	01/16/2002	2,500		$ 9.58	01/16/2012			
	06/29/2001	10,000		$ 5.40	06/29/2011			
	04/19/2001	10,000		$ 3.30	04/19/2011			

	02/20/2001	10,000		$	13.00	02/20/2011			
	02/24/2000	7,500		$	39.81	02/24/2010			
	02/11/1999	20,250		$	13.00	02/11/2009			
Peter S. Fortune	02/24/2005	45,000	35,000	$	11.93	02/24/2015	11/16/2006	24,000	$ 296,400
	03/29/2004	28,975	9,375	$	9.54	03/29/2014	08/24/2006	51,000	$ 629,850
	05/13/2003	3,125		$	5.87	05/13/2013	12/02/2005	38,250	$ 472,388

(1) These options typically vest as to 25% of the shares subject to the option on the first anniversary of the date of grant and 6.25% of the shares each quarter thereafter. Each option has a term of ten years, and generally expires shortly following the termination of the executive s employment. In addition, as described below

under Employment and Other Agreements and Potential Payments Upon Termination or Change-in-Control , the vesting and exercisability of these options may be extended following employment termination or a change of control under certain circumstances.

(2) These shares typically vest as to 25% of the shares on the first anniversary of the date of grant and 6.25% of the shares each quarter thereafter. In addition, as described below under Employment and Other Agreements and Potential Payments Upon Termination or Change-in-Control , the vesting of these shares may be accelerated following employment termination or a change of control under certain circumstances.

(3) Calculated by multiplying the number of unvested shares by $12.35, the closing price per share of our common stock on The NASDAQ Global Market on June 29, 2007.

Option Exercises and Stock Vested in 2007

The following table sets forth information regarding options exercised by the named executive officers and vesting of restricted stock held by the named executive officers during the fiscal year ended June 30, 2007.

Amounts shown under the column Value Realized on Exercise for option awards represent the difference between the option exercise price and the closing sale price of our common stock on the date of exercise multiplied by the number of shares subject to the option and for stock awards represent the number of shares of restricted stock multiplied by the closing price of our common stock on the vesting date.

Fiscal 2007 Option Exercises and Stock Vesting

	Option Awards		**Stock Awards**	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Joseph L. Mullen			40,688	$ 420,830
Robert A. Eberle	38,651	$ 147,583	36,750	$ 380,100
Kevin M. Donovan			4,500	$ 49,665
Peter S. Fortune	33,525	$ 170,645	29,750	$ 307,700

Employment and Other Agreements and Potential Payments Upon Termination or Change in-Control

Employment Agreements

We entered into a letter agreement with Mr. Mullen on November 16, 2006 pursuant to which we agreed to retain Mr. Mullen s services as an employee for a salary of $300,000 per year beginning November 16, 2006 and ending on November 16, 2007, and a salary of $150,000 per year beginning on November 17, 2007 and ending on November 16, 2008. The letter agreement provides that if a change of control of Bottomline occurs prior to November 21, 2008, Mr. Mullen s options and restricted stock will vest in full. In addition, if Mr. Mullen s employment is terminated as a result of death or disability, as a result of involuntary termination or without cause, he will be entitled to be paid the full amount of salary that would otherwise be payable to him under the agreement from the date of his termination through November 21, 2008, and his options, other than options granted prior to June 1, 2001 with an exercise price of less than $6.76 per share, will be exercisable for a period of two years (or the remainder of the option term if less than two years) following termination. The letter agreement also provides that, in the event of a change of control occurring before November 21, 2008, we would pay any excise tax for which Mr. Mullen would be liable under Section 4999 of the Internal Revenue Code as a result of having received change of control benefits as provided in the agreement, as well as the amount necessary to pay all additional taxes imposed on Mr. Mullen as a result of our payment of the excise tax. Except as provided in the letter agreement, the letter agreement supersedes and replaces the employment agreement we entered into with Mr. Mullen as of December 3, 1998, as amended as of June 1, 2001, amended and restated as of November 21, 2002 and amended as of September 30, 2005. A change in control of Bottomline would occur under the same circumstances noted below for Mr. Eberle.

We entered into an employment agreement with Mr. Eberle as of September 30, 1998, which was amended as of June 1, 2001, amended and restated as of November 21, 2002, amended as of September 30, 2005 and amended on November 16, 2006. The term of the employment agreement is until the later of November 21, 2008, as renewed, or three years after we experience a change in control; provided, however, that the employment agreement automatically renews for successive three-year periods unless the agreement is not renewed by either us or Mr. Eberle pursuant to written notice, or is sooner terminated in accordance with its terms.

Under the employment agreement, a change in control of Bottomline would occur if:

any person becomes the beneficial owner of more than 50% of the voting power of our outstanding securities,

we are acquired through a merger,

we are liquidated or

all or substantially all of our assets are sold.

If Mr. Eberle s employment is terminated either by Mr. Eberle as a result of an involuntary termination or by us without cause prior to a potential change in control (each as described below) or if we do not renew Mr. Eberle s agreement as provided above, then all outstanding options held by Mr. Eberle would become immediately exercisable in full, all shares of restricted stock would vest in full, and Mr. Eberle would be entitled to receive continuation of benefits for a period of 24 months, a lump sum payment and equal to two times the sum of his then annual salary plus the maximum amount of bonus Mr. Eberle was eligible to earn in the then current year.

In addition, in the event of a change of control, Mr. Eberle s options and restricted stock will vest in full.

An involuntary termination would occur if Mr. Eberle s duties were changed in a manner such that it resulted in a significant diminution in his position, duties or responsibilities, his base compensation were reduced or he were relocated or if the company was in material breach of the employment agreement.

Cause means, prior to a change in control of Bottomline, the discharge of Mr. Eberle resulting from:

a felony conviction,

willful and persistent failure to attend to material duties or obligations,

the breach of confidentiality, non-competition or similar material obligations by Mr. Eberle or

an act or omission which would constitute a crime involving Bottomline s property.

The second and third items specified above would not constitute cause after a change in control of Bottomline.

If Mr. Eberle s employment is terminated upon or after a potential change in control either by Mr. Eberle as a result of an involuntary termination or by us without cause, then all outstanding options held by Mr. Eberle would become immediately exercisable in full, all shares of restricted stock would vest in full, and Mr. Eberle would be entitled to receive continuation of benefits for a period of 24 months, a lump sum payment equal to three times the sum of Mr. Eberle s then annual salary plus the amount of any bonus Mr. Eberle had earned but had not yet been paid prior to the termination.

A potential change in control of Bottomline would occur if:

- we enter into an agreement that would cause a change in control,
- any person publicly announces an intention to take any action which, if consummated, would constitute a change in control or
- our board of directors adopts a resolution to the effect that, for purposes of the employment agreement, a potential change in control has occurred.

The employment agreement also provides that, in the event of a change in control, we would pay any excise tax for which Mr. Eberle would be liable under Section 4999 of the Internal Revenue Code as a result of having received the severance benefits, as well as the amount necessary to pay all additional taxes imposed on Mr. Eberle as a result of our payment of the excise tax.

In addition, following termination of employment by us other than for cause , options and restricted stock held by Mr. Eberle would automatically vest in full and would be exercisable for a period of two years (or the remainder of the option term if less than two years) after the date of termination. However, this extended exercise period would not apply to any options granted prior to June 1, 2001 with an exercise price of less than $6.76 per share. In the event of Mr. Eberle s termination for death or disability, he would be entitled to the vesting acceleration and extended exercise period described above, as well as the maximum bonus he was eligible to earn in the then current fiscal year. If Mr. Eberle resigns by giving 90 days written notice to Bottomline, he will be entitled to receive vesting acceleration and an extended exercise period for options granted to him prior to July 1, 2005 (except that the extended exercise period would not apply to any options granted to him prior to June 1, 2001 with an exercise price of less than $6.76 per share.)

Pursuant to his employment agreement, in fiscal 2007, Mr. Eberle was paid an annual base salary of $296,875. Based upon the recommendations of the compensation committee, and as more fully described above in the section of this proxy statement entitled Executive Compensation Compensation Discussion and Analysis , in fiscal 2007, Mr. Eberle received a bonus of $187,750.

Service Agreement

We are party to a service agreement with Mr. Fortune dated as of March 11, 1999, which we assumed in connection with our acquisition of Checkpoint Holdings, Ltd., which is now our wholly owned subsidiary, Bottomline Technologies Limited (Bottomline Europe). The service agreement remains in effect, absent incapacity or our termination for cause, until terminated by at least 12 months written notice by us or Mr. Fortune. We also have the right to terminate the agreement on less than 12 months written notice, but we are required to pay Mr. Fortune his salary and other contractual benefits under the service agreement for the duration of the period for which notice was not given. If the agreement is terminated for incapacity or cause, we are not required to pay Mr. Fortune any compensation other than accrued compensation.

For purposes of Mr. Fortune s service agreement, cause means the discharge of the employee resulting from, among other things:

- material breach of the terms of the agreement,
- conviction of a criminal offense which in the reasonable opinion of our board of directors materially or adversely affects Mr. Fortune s ability to continue as an employee or
- deliberate discrimination or harassment on grounds on race, sex or disability.

Pursuant to the service agreement, Mr. Fortune was paid an annual base salary of $302,104 in fiscal 2007. In accordance with a bonus plan setting forth certain financial and operational goals, Mr. Fortune received a bonus of $153,917 in fiscal 2007, as more fully described Executive Compensation Compensation Discussion and Analysis .

Pursuant to the service agreement, Mr. Fortune has agreed not to compete with Bottomline for a period of 12 months after the termination of his employment in any business within the United Kingdom which is competitive with our business and with which Mr. Fortune had been involved with during the 12 months immediately preceding termination. In addition, Mr. Fortune also agreed that during this 12-month period, he will not solicit our customers, potential customers or employees with whom he had dealings during the 12 months immediately preceding termination.

Retention Agreements

We have entered into a retention agreement with Mr. Fortune effective as of October 10, 2005, and amended on November 16, 2007, providing that if Mr. Fortune s employment is terminated by us without cause after a change in control, then all outstanding options and restricted stock granted after October 10, 2005 held by Mr. Fortune would become immediately vested and exercisable in full. Additionally, Mr. Fortune would be entitled to receive an amount equal to his then annual base salary and bonus, continuation of benefits for an additional 12 months and the payments and benefits under his service agreement with us.

If Mr. Fortune s employment is terminated by Mr. Fortune for good reason within 12 months following a change in control, or if Mr. Fortune s employment is terminated by us without cause prior to a change in control, then all outstanding options and restricted stock granted after October 10, 2005 held by Mr. Fortune would become immediately vested and exercisable in full and Mr. Fortune would be entitled to the payments and benefits under his service agreement with us. A change in control of Bottomline would occur under the same circumstances noted above for Mr. Eberle.

On November 16, 2006, we entered into an executive retention agreement with Mr. Donovan. Under the agreement, if Mr. Donovan s employment is terminated without cause or by Mr. Donovan for good reason within 12 months following a change in control, then all options and restricted stock held by Mr. Donovan will vest in full and the options will be exercisable for a period of two years following the termination, other than options with an exercise price less than the closing price of our common stock on November 15, 2001, which will be exercisable for the period set forth in the original option agreement. In addition, Mr. Donovan will be entitled to, among other things, an amount equal to his base salary for 12 months prior to the date of termination and 100% of his annual bonus opportunity for the most recently completed fiscal year, a prorated portion of the annual bonus paid or payable to Mr. Donovan for the most recently completed fiscal year through the date of termination and the continuation of benefits for a period of 12 months after the date of termination.

A change in control of Bottomline would occur under the same circumstances noted above for Mr. Fortune.

The table below shows the benefits potentially payable to each of our named executive officers if he were terminated or a change of control occurred. These amounts are calculated on the assumption that the employment termination or change of control took place on June 30, 2007.

Name	Base Salary $	Target Bonus $	Accelerated Vesting of Options	Accelerated Vesting of Restricted Stock	Benefits $	280(g) Gross Up Payment	Total $
Joseph L. Mullen							
change in control			72,900	1,498,203			1,571,103
termination as a result of death or disability or involuntary termination, or termination without cause	262,500		72,900	1,498,203			1,833,603
Robert A. Eberle							
termination at the election of the employee, other than as a result of an involuntary termination, upon 90 days prior written notice to the board			60,525				60,525
change in control			60,525	1,732,088			1,792,613
involuntary termination or termination without cause prior to a potential change in control	620,000	620,000	60,525	1,732,088	62,568	(1)	3,095,181
non-renewal of employment agreement by company	620,000	620,000	60,525	1,732,088	62,568		3,095,181
involuntary termination or termination without cause upon or after a potential change in control	930,000	930,000	60,525	1,732,088	62,568	1,173,008	4,888,189
termination as a result of death or disability		310,000(3)	60,525	1,732,088			2,102,613
Kevin M. Donovan							
termination without cause or for good reason within 12 months following a change in control	178,000	75,000	30,878	216,125	25,404		525,407
Peter S. Fortune(2)							
termination other than for cause or incapacity	312,566	280,000	41,044	1,398,638	27,513		2,059,761
termination without cause following a change in control	312,566	280,000	41,044	1,398,638	27,513		2,059,761
termination for good reason within 12 months following a change in control or termination without cause prior to a change in control	312,566	280,000	41,044	1,398,638	27,513		2,059,761

(1) Assumes no change of control takes place.

(2) Mr. Fortune is paid in British Pounds Sterling, which were converted to US Dollars at an exchange rate of 1.933 US Dollars per British Pound Sterling for purposes of this presentation.

(3) This amount would be reduced by any amounts previously paid to Mr. Eberle for fiscal 2007.

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with Bottomline s management. Based on this review and discussion, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the compensation committee of the board of directors of Bottomline Technologies (de), Inc.

Joseph L. Barry, Jr., Chairman
Michael J. Curran
James W. Zilinski

Equity Compensation Plan Information

The following table provides information about the securities authorized for issuance under our equity compensation plans as of June 30, 2007:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) 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)	4,379,979(3)	$ 12.21	3,393,518(3)
Equity compensation plans not approved by security holders			
Total	4,379,979	$ 12.21	3,393,518

(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, 2007 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, or the 1998 ESPP, the 2000 Employee Stock Purchase Plan, as amended, or the 2000 ESPP, and the 2000 Stock Incentive Plan. Shares of common stock are available for issuance only under the 1998 Director Plan, the 1998 ESPP, the 2000 ESPP and the 2000 Stock Incentive Plan.

(3) Consists of 52,500 shares issuable under the 1998 Director Plan, 625,717 shares issuable under the 1997 Stock Incentive Plan, 796,891 shares issuable under the 2000 ESPP in connection with current and future offering periods under such plan and 1,918,410 shares currently issuable under the 2000 Stock Incentive Plan. In addition, under the 2000 Stock Incentive Plan, the number of shares issuable is automatically increased every July 1 by an amount equal to the lesser of (i) five million shares of common stock, (ii) a number of shares of common stock which, when added to the shares that remain available for grant under the 2000 Stock Incentive Plan, is equal to 12% of the outstanding shares on such date, and (iii) an amount determined by our board of directors. The 2000 Stock Incentive Plan provides for the issuance of incentive stock options, non-qualified stock options and restricted stock to our employees, officers, directors, consultants and advisors.

Compensation Committee Interlocks and Insider Participation

During fiscal 2007, the members of the compensation committee of our board of directors were Mr. Barry, Mr. Curran (beginning November 16, 2006), Mr. Grabe (until November 16, 2006) and Mr. Zilinski. During fiscal 2007, no executive officer of Bottomline served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity whose executive officer served as a director or member of our compensation committee. None of the members of the compensation committee is a current or former officer or employee of Bottomline.

Certain Relationships and Related Transactions

Bottomline employs D. Michael McGurl, the son of Daniel M. McGurl, a member of our board of directors, as Vice President, Business Development. For fiscal 2007, D. Michael McGurl received a base salary of $103,125, commissions of $14,928 and a bonus of $6,000. Bottomline employs Robert Mullen, the brother of Joseph L. Mullen, our former Chief Executive Officer and a member of our board of directors, as Director, Legal Solutions. For fiscal 2007, Robert Mullen received a base salary of $112,083, commissions of $10,146 and a bonus of $19,250. During fiscal 2007, both D. Michael McGurl and Robert Mullen also received other employment benefits that are standard for Bottomline s employees.

Policies and Procedures for Related Person Transactions

Our board of directors has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which Bottomline is a participant, the amount involved exceeds $120,000, and one of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a related person, has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a related person transaction, the related person must report the proposed related person transaction to our chief financial officer. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the audit committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the audit committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the audit committee to review and, if deemed appropriate, approve proposed related person transactions that may arise between audit committee meetings, subject to ratification by the full audit committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the audit committee after full disclosure of the related person s interest in the transaction. The audit committee will review and consider such information regarding the related person transaction as it deems appropriate under the circumstances.

The audit committee may approve or ratify the transaction only if it determines that, under all of the circumstances, the transaction is in Bottomline s best interests. The audit committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC s related person transaction disclosure rule, the board has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

- interests arising solely from the related person s position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, and (c) the amount involved in the transaction equals less than the greater of $200,000 or 25% of the annual consolidated gross revenues of the other entity that is a party to the transaction; and

a transaction that is specifically contemplated by provisions of Bottomline s charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the compensation committee in the manner specified in its charter.

Our employment of D. Michael McGurl, son of Dan McGurl, and Robert Mullen, brother of Joseph Mullen, which are described above in Certain Relationships and Related Transactions, predated our adoption of our current policies and procedures for related person transactions.

Corporate Governance

Our board of directors believes that good corporate governance is important to ensure that Bottomline is managed for the long-term benefit of stockholders. This section describes key corporate governance practices that we have adopted. Complete copies of the committee charters and code of conduct described below are available on our website at www.bottomline.com. Alternatively, you can request a copy of any of these documents by writing to Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary.

Board Determination of Independence

Under applicable NASDAQ rules, a director of Bottomline will only qualify as an independent director if, in the opinion of our board of directors, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that none of Joseph L. Barry, Jr., Michael J. Curran, Jeffrey C. Leathe, James L. Loomis, Garen K. Staglin or James W. Zilinski, or our former directors John W. Barter or William O. Grabe, has a relationship (or, in the case of Messrs. Barter and Grabe, had a relationship during the time each served as director) which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an independent director as defined under Rule 4200(a)(15) of The NASDAQ Stock Market, Inc. Marketplace Rules.

Director Attendance at Annual Meeting of Stockholders

We do not have a written policy with respect to director attendance at annual meetings; however, we encourage our directors to attend all of our meetings of stockholders. Eight of the nine individuals serving on our board at the time attended the 2006 annual meeting of stockholders.

Board and Committee Meetings

Our board of directors held 4 meetings, including by telephone conference, during fiscal 2007. The compensation committee of our board of directors held 3 meetings, including by telephone conference, during fiscal 2007. The audit committee of our board of directors held 13 meetings, including by telephone conference, during fiscal 2007. The nominations and corporate governance committee of our board of directors met as part of our regularly scheduled quarterly board meetings, and had one additional meeting, during fiscal 2007. All directors attended at least 75% of the meetings of our board of directors and the committees on which they served, if any, during the period that they served on our board of directors or any such committees.

Board Committees

Our board of directors has established three standing committees audit, compensation, and nominations and corporate governance each of which operates under a charter that has been approved by our board. Current copies of each committee s charter are posted on the Corporate Governance section of our website, www.bottomline.com.

Our board of directors has determined that all of the members of each of the board s three standing committees are independent as defined under the rules of The NASDAQ Stock Market, including, in the case of all members of the audit committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Audit Committee

The audit committee s responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our registered public accounting firm,
- overseeing the work of our registered public accounting firm, including through the receipt and consideration of certain reports from the registered public accounting firm,
- reviewing and discussing with management and our registered public accounting firm our annual and quarterly financial statements and related disclosures,
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics,
- establishing procedures for the receipt and retention of accounting related complaints and concerns,
- meeting independently with our registered public accounting firm and management and
- preparing the audit committee report required by SEC rules which is included in this proxy statement.

Our board of directors has determined that Jeffrey C. Leathe is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K.

Compensation Committee

The compensation committee s responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to CEO compensation,
- determining the CEO s compensation,
- reviewing and approving, or making recommendations to the board with respect to, the compensation of our other executive officers,
- making recommendations to the board with respect to incentive compensation and equity-based plans,
- overseeing and administering our incentive compensation and equity-based plans and

reviewing and making recommendations to the board with respect to director compensation.

Annually, the compensation committee reviews and approves the aggregate level of restricted stock and stock option awards that can be granted for that fiscal year, based on recommendations from our chief executive officer. For fiscal 2007 and fiscal 2008, after the aggregate pool had been authorized, the compensation committee delegated to Joseph L. Mullen and Robert A. Eberle the authority to make grants of restricted stock from the authorized pool under our 2000 Stock Incentive Plan and delegated to Robert A. Eberle and Kevin M. Donovan the authority to make stock option grants from the authorized pool under our 2000 Stock Incentive Plan other than, in each case, awards to executive officers which awards must be made by the compensation committee. The compensation committee also retains the authority to make additional equity awards in its discretion.

The compensation committee also has the authority to retain compensation consultants and other outside advisors to assist in the evaluation of executive officer compensation, but to date has not done so.

Nominations and Corporate Governance Committee

The nominations and corporate governance committee s responsibilities include:

- identifying individuals qualified to become board members,
- recommending to the board the persons to be nominated for election as directors and to each of the board s committees,
- developing and recommending to the board corporate governance principles and
- overseeing the evaluation of the board.

Director Candidates

The process followed by the nominations and corporate governance committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the committee and the board.

In considering whether to recommend any particular candidate for inclusion in the board s slate of recommended director nominees, the nominations and corporate governance committee will apply the criteria attached to the committee s charter. These criteria include the candidate s integrity, business acumen, commitment to our business and industry, experience, conflicts of interest and the ability to act in the interests of all stockholders. The committee does not assign specific weights to particular criteria and no one particular criterion is a prerequisite for a prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities.

During fiscal 2007, Mr. Staglin was elected to our board of directors after being identified by Messrs. Mullen and Eberle, each of whom was acquainted with Mr. Staglin as a result of his involvement with technology companies operating within the same industry space as Bottomline. The nominations and corporate governance committee considered the background, experience and qualifications of Mr. Staglin in reaching its decision to recommend to our board of directors that he be elected as a Class III director.

Stockholders may recommend individuals to the nominations and corporate governance committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to nominations and corporate governance committee, c/o Corporate Secretary, Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the committee or the board, by following the procedures set forth under Stockholder Proposals for 2008 Annual Meeting.

Communicating with the Directors

The board will give appropriate attention to written communications that are submitted by stockholders and will respond if and as appropriate. The chairman of the board is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he or she considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the chairman of the board considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the board should address such communications to our board of directors c/o Corporate Secretary, Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted a current copy of the code on our website, which is located at www.bottomline.com. In addition, we intend to post on our website all disclosures that are required by law or NASDAQ stock market listing standards concerning any amendments to, or waivers from, any provision of the code.

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 Exchange Act, or written representations from reporting persons that no Form 5 filing was required for such persons, we believe that, except for one Form 4 for each of Mr. Barry and Mr. Staglin which were not timely filed, all filings required to be made by our reporting persons were timely made in accordance with the requirements of the Exchange Act.

Report of the Audit Committee of the Board of Directors

The audit committee oversees Bottomline s financial reporting process on behalf of the board of directors. Management has the primary responsibility for the preparation of Bottomline s financial statements, for maintaining effective internal control over financial reporting, for assessing the effectiveness of internal control over financial reporting, and for maintaining an appropriate reporting process, including adequate systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed and discussed Bottomline s audited financial statements and schedule for the fiscal year ended June 30, 2007 with management, including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures contained in the financial statements.

The Committee reviewed with Bottomline s independent registered public accounting firm (Ernst & Young LLP), which is responsible for expressing an opinion as to the conformity of Bottomline s audited financial statements and schedule with generally accepted accounting principles, the judgments of Ernst & Young as to the quality, not just the acceptability, of Bottomline s accounting principles and discussed such other matters as are required to be discussed with Ernst & Young under generally accepted auditing standards, including Statement on Auditing Standards No. 61, as amended, other standards of the Public Company Accounting Oversight Board, rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the committee has received the written disclosures and the letter from Ernst & Young required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with Ernst & Young its independence from management and Bottomline, including the compatibility of non-audit services with its independence.

The Committee also reviewed management s report on its assessment of the effectiveness of Bottomline s internal control over financial reporting and the independent registered public accounting firm s report on the effectiveness of Bottomline s internal control over financial reporting.

The Committee discussed with Ernst & Young the overall scope and plans for its audits. The Committee meets with Ernst & Young, with and without management present, to discuss the results of its examinations, its evaluations of Bottomline s internal control over financial reporting, and the overall quality of Bottomline s financial reporting. The Committee held 13 meetings, including by telephone conference, during fiscal year 2007.

Based on the reviews and discussions referred to above, the Committee recommended to the board of directors that the audited financial statements and schedule be included in Bottomline s annual report on Form 10-K for the fiscal year ended June 30, 2007 for filing with the Securities and Exchange Commission. The Committee and the board of directors have also recommended, subject to stockholder ratification, the selection of Ernst & Young LLP as Bottomline s registered independent public accounting firm for the fiscal year ending June 30, 2008.

By the audit committee of the board of directors of Bottomline Technologies (de), Inc.

Jeffrey C. Leathe, Chairman

Joseph L. Barry, Jr.

James W. Zilinski

Principal Accounting Fees and Services

The following table discloses the fees that Ernst & Young LLP billed us for professional services rendered in each of the last two fiscal years. For fiscal 2007, audit fees include an estimate of amounts not yet billed.

Type of Fee	**Fiscal Year Ended June 30, 2007**	**Fiscal Year Ended June 30, 2006**
Audit Fees(1)	$ 956,250	$ 766,289
Audit-Related Fees(2)	$ 246,504	$ 219,823
Tax Fees(3)	$ 210,000	$ 148,293
All Other Fees(4)	$ 3,500	$ 3,500

(1) Represents fees for professional services rendered in connection with the audit of our financial statements and the audit of management s report on internal control for the fiscal year indicated, reviews of the financial statements included in each of our quarterly reports on Form 10-Q during the fiscal year indicated, and services performed in connection with certain registration statements we filed.

(2) Represents fees for assurance advisory services related to implementation of accounting standards, financial due diligence, audit services related to the financial statements of businesses we acquired and the audit of our 401(k) plan.

(3) Represents fees for services related to tax compliance, including the preparation or review of domestic and international tax returns, and domestic and international tax planning.

(4) Represents annual fee for access to accounting and financial reporting research tool.

Pre-Approval Policies and Procedures

The audit committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our registered public accounting firm. This policy generally provides that we will not engage our registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the audit committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the audit committee may pre-approve specified types of services that are expected to be provided to us by our registered public accounting firm during the next 12 months. Any such pre-approval is

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detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The audit committee has also delegated to the chairman of the audit committee the authority to approve any audit or non-audit services to be provided to us by our registered public accounting firm. Any approval of services by the chairman of the audit committee pursuant to this delegated authority is reported to the full audit committee at its next quarterly meeting.

All of the audit-related services, tax services and other services shown in the table above were approved by the audit committee in accordance with these pre-approval policies and procedures.

PROPOSAL II RATIFICATION OF THE SELECTION OF REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of our board of directors has selected Ernst & Young LLP as our registered public accounting firm for the current fiscal year, subject to ratification by our stockholders at the annual meeting. If our stockholders do not ratify the selection of Ernst & Young LLP, our audit committee will reconsider the matter. A representative of Ernst & Young LLP, which served as our registered public accounting firm for fiscal 2007, is expected to be present at the annual meeting to respond to appropriate questions and to make a statement if he or she so desires. Even if the selection of Ernst & Young LLP is ratified, our audit committee may, in its discretion, select a different registered public accounting firm at any time during the year if it is determined that such a change would be in the best interest of Bottomline and our stockholders.

STOCKHOLDER PROPOSALS FOR 2008 ANNUAL MEETING

Any proposal that a stockholder intends to present at the 2008 annual meeting of stockholders must be submitted to our principal executive offices at 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary, no later than June 17, 2008 in order to be considered for inclusion in the proxy statement and proxy card relating to the 2008 annual meeting of stockholders. However, if the date of our 2008 annual meeting is prior to October 16, 2008 or after December 15, 2008, the deadline is 10 business days before we begin to print and mail our proxy materials for the 2008 annual meeting.

If a stockholder wishes to present a proposal at the 2008 annual meeting but has not complied with the requirements for inclusion of the proposal in our proxy materials pursuant to Rule 14a-8 under the Exchange Act, the stockholder must also give notice of the proposal to our corporate secretary at our principal executive offices. Our amended and restated bylaws, as amended, require that we be given advance written notice of stockholder nominations regarding election to our board of directors and certain other matters which stockholders wish to present for action at an annual meeting of stockholders (other than matters included in our proxy discussed above). We must receive this notice at least 60 days, but not more than 90 days, prior to the date of the 2008 annual meeting, which is expected to be November 20, 2008. Our bylaws also specify requirements relating to the content of the notice which stockholders must provide, including for stockholder nominations for director, in order for such proposals or nominations to be properly presented at a stockholder meeting.

HOUSEHOLDING OF PROXY STATEMENT

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement or annual report may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of our annual report and/or proxy statement to you if you call or write us at the following address or phone number: Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary, (603) 436-0700. If you would like to receive separate copies of the annual report and proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address and phone number.

OTHER MATTERS

Our board of directors knows of no other business that will be presented for consideration at the annual meeting other than that described above. Under our bylaws, the deadline for stockholders to notify us of any proposals or director nominations to be presented at the annual meeting has passed. However, if any other business should come before the annual meeting, it is the intention of the persons named in the enclosed proxy to vote, or otherwise act, in accordance with their best judgment on such matters.

We will bear the costs of soliciting proxies. In addition to solicitations by mail, our directors, officers and regular employees may, without additional remuneration, solicit proxies by telephone, telegraph, facsimile and personal interviews. We will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy material to those persons for whom they hold shares and request instructions for voting the proxies. We will reimburse brokerage houses and other persons for their reasonable expenses in connection with this distribution.

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. Stockholders who attend the meeting may vote their stock personally even though they have sent in their proxies.

By order of the Board of Directors,

/s/ Joseph L. Mullen
Joseph L. Mullen

Chairman of the Board of Directors

October 15, 2007

Portsmouth, New Hampshire