

BLACKBAUD INC  
Form DEF 14A  
April 29, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**SCHEDULE 14A**

(RULE 14a-101)

**SCHEDULE 14A INFORMATION**

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

(Amendment No. \_\_)

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.

**BLACKBAUD, INC.**

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(Name of Registrant as Specified in its Charter)

N/A

(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:

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

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(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):

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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.:

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(3) Filing Party:

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(4) Date Filed:

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**2000 Daniel Island Drive**

**Charleston, South Carolina 29492**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD JUNE 18, 2008**

To The Stockholders:

You are cordially invited to attend our 2008 Annual Meeting of Stockholders to be held on Wednesday, June 18, 2008 at 10:00 a.m. at our corporate headquarters located at 2000 Daniel Island Drive, Charleston, South Carolina 29492 for the following purposes:

1. To elect three Class A directors for a three-year term expiring in 2011;
2. To approve the Blackbaud, Inc. 2008 Equity Incentive Plan;
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

These items of business are more fully described in the proxy statement accompanying this notice. Only stockholders of record at the close of business on April 21, 2008 are entitled to notice of and to vote at the meeting. A list of stockholders eligible to vote at the meeting will be available for review during our regular business hours at our headquarters in Charleston, South Carolina for the ten days prior to the meeting for any purposes related to the meeting.

**Your vote is important.** Whether or not you plan to attend the meeting, I hope that you will vote as soon as possible. You may vote your shares by completing, signing, dating and returning your proxy card in the postage-prepaid envelope enclosed for that purpose or, if you are a beneficial holder, in another manner allowed by your broker, bank or other nominee holder of record. You may revoke your proxy in the manner described in the accompanying proxy statement at any time before it has been voted at the annual meeting. Any stockholder attending the meeting may vote in person even if he or she has returned a proxy.

For the Board of Directors,

BLACKBAUD, INC.

Timothy V. Williams,

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*Senior Vice President, Chief Financial Officer and*

*Assistant Secretary*

Charleston, South Carolina

April 29, 2008

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2008 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 18, 2008:** This Proxy Statement and Blackbaud, Inc. s Annual Report on Form 10-K for the 2007 fiscal year are available at: [www.blackbaud.com/proxy/asp](http://www.blackbaud.com/proxy/asp).

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**BLACKBAUD, INC.**

**Proxy Statement**

**for the**

**Annual Meeting of Stockholders**

**To Be Held June 18, 2008**

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**BLACKBAUD, INC.**

**PROXY STATEMENT**

**2008 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD JUNE 18, 2008**

**Information Concerning Solicitation and Voting**

The enclosed proxy is solicited on behalf of our Board of Directors of Blackbaud, Inc. for use at the annual meeting of stockholders to be held Wednesday, June 18, 2008 at 10:00 a.m., local time, at our corporate headquarters located at 2000 Daniel Island Drive, Charleston, South Carolina 29492, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. Only stockholders of record at the close of business on April 21, 2008 are entitled to notice of and to vote at the meeting.

These proxy solicitation materials and the Annual Report to Stockholders for the year ended December 31, 2007, including financial statements, were first mailed on or about May 2, 2008 to stockholders entitled to vote at the meeting.

Each holder of common stock is entitled to one vote for each share held as of the record date with respect to all matters that may be considered at the meeting. Stockholders' votes will be tabulated by persons appointed by our Board of Directors to act as inspectors of election for the meeting. Abstentions are considered shares present and entitled to vote and, therefore, have the same legal effect as a vote against a matter presented at the meeting. Any shares held in street name for which the broker or nominee receives no instructions from the beneficial owner, and as to which such broker or nominee does not have discretionary voting authority under applicable rules, will be considered as shares not entitled to vote and will therefore not be considered in the tabulation of the votes but will be considered for purposes of determining the presence of a quorum.

We will bear the expense of soliciting proxies in the enclosed form. In addition, we might reimburse banks, brokerage firms, and other custodians, nominees and fiduciaries representing beneficial owners of our common stock, for their expenses in forwarding soliciting materials to those beneficial owners. Proxies may also be solicited by our directors, officers or employees, personally or by telephone, telegram, facsimile or other means of communication. We do not intend to pay additional compensation for doing so.

**Questions and Answers about the 2008 Annual Meeting**

**Q: Who may vote at the meeting?**

**A:** Our Board set April 21, 2008 as the record date for the meeting. If you owned our common stock at the close of business on April 21, 2008, you may attend and vote at the meeting. Each stockholder is entitled to one vote for each share of common stock held on all matters to be voted on. As of April 21, 2008, there were 44,715,486 shares of our common stock outstanding and entitled to vote at the meeting.

**Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

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**A:** If your shares are registered directly in your name with Blackbaud's transfer agent, American Stock Transfer and Trust Company, you are considered, with respect to those shares, a stockholder of record. If you are a stockholder of record, these proxy materials have been sent directly to you by Blackbaud.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. In that case, these proxy materials have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker,



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bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.

**Q: What is the quorum requirement for the meeting?**

**A:** A majority of our outstanding shares as of the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. Your shares will be counted as present at the meeting if you:

are present and entitled to vote in person at the meeting; or

have properly submitted a proxy card or voter instruction card, or voted by telephone or by the Internet.

If you abstain from voting on any or all proposals, your shares are still counted as present and entitled to vote. Each proposal listed in this proxy statement identifies the votes needed to approve or ratify the proposed action.

**Q: What proposals will be voted on at the meeting?**

**A:** The three proposals to be voted on at the meeting are:

1. To elect three Class A directors for a three-year term expiring in 2011;
2. To approve the Blackbaud, Inc. 2008 Equity Incentive Plan; and
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

We will also consider any other business that properly comes before the meeting. As of the record date, we are not aware of any other matters to be submitted for consideration at the meeting. If any other matters are properly brought before the meeting, the persons named in the enclosed proxy card or voter instruction card will vote the shares they represent using their best judgment.

**Q: Can I access these proxy materials on the Internet?**

**A:** Yes. This proxy statement and our annual report are available in PDF and HTML format at [www.blackbaud.com/proxy/asp](http://www.blackbaud.com/proxy/asp) and will remain posted until the conclusion of the 2008 Annual Meeting.

**Q: How may I vote my shares in person at the meeting?**

**A:**

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If your shares are registered directly in your name with our transfer agent, American Stock Transfer and Trust Company, you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to vote in person at the meeting. You will need to present a form of personal photo identification in order to be admitted to the 2008 Annual Meeting. If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you are also invited to attend the meeting. Since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a legal proxy from your broker, nominee, or trustee that holds your shares, giving you the right to vote the shares at the meeting.

**Q: How can I vote my shares without attending the meeting?**

**A:** Whether you hold shares directly as a registered stockholder of record or beneficially in street name, you may vote without attending the meeting. If you are the stockholder of record, you may submit your proxy by mail by signing and dating your proxy card and submitting in the postage-prepaid envelope enclosed with this proxy statement. If you are the beneficial owner of the shares, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.

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**Q: How can I change my vote after submitting it?**

**A:** If you are a stockholder of record, you can revoke your proxy before your shares are voted at the 2008 Annual Meeting by:

Filing with a written notice of revocation bearing a later date than the proxy with our Corporate Secretary at 2000 Daniel Island Drive, Charleston, South Carolina 29492 at or before the taking of the vote at the meeting;

Duly executing a later-dated proxy relating to the same shares and delivering it to our Corporate Secretary at 2000 Daniel Island Drive, Charleston, South Carolina 29492 at or before the taking of the vote at the meeting; or

Attending the meeting and voting in person (although attendance at the meeting will not in and of itself constitute a revocation of a proxy).

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your bank, broker or other stockholder of record. You may also vote in person at the 2008 Annual Meeting if you obtain a legal proxy as described in the answer to the previous question.

**Q: Where can I find the voting results of the meeting?**

**A:** The preliminary voting results will be announced at the meeting. The final results will be published in our quarterly report on Form 10-Q for the second quarter of fiscal year 2008.

**Table of Contents****PROPOSAL ONE****ELECTION OF DIRECTORS****Nominees**

Our Board of Directors consists of seven members, and is divided into three classes, the members of which each serve for a staggered three-year term. The term of office of one class of directors expires each year in rotation so that one class is elected at each annual meeting for a full three-year term. Our Class A directors, Timothy Chou, Marco W. Hellman and Carolyn Miles, have been nominated to fill a three-year term expiring in 2011. The two other classes of directors, who were elected or appointed for terms expiring at the annual meetings in 2009 and 2010, respectively, will remain in office.

Unless a proxy is marked to withhold authority to vote, the proxy holders will vote the proxies received by them for the three Class A nominees named below, each of whom is currently a director and each of whom has consented to be named in this proxy statement and to serve if elected. In the event that any nominee is unable or declines to serve as a director at the time of the meeting, the proxies will be voted for any nominee designated by our Board of Directors to fill the vacancy. We do not expect that any nominee will be unable or will decline to serve as a director.

**The Board of Directors unanimously recommends voting FOR the three Class A nominees listed below.**

The name of and certain information regarding each Class A nominee as of April 21, 2008 is set forth below, together with information regarding our Class B and Class C directors remaining in office. This information is based on data furnished to us by the nominees and directors. There are no family relationships among our directors, director nominees or executive officers. The business address for each nominee for matters regarding Blackbaud is 2000 Daniel Island Drive, Charleston, South Carolina 29492.

Name	Director Since	Age	Position(s) With Blackbaud
<b>Class A Nominees for a Term Expiring in 2011</b>			
Timothy Chou	June 2007	53	Director
Marco W. Hellman	October 1999	46	Chairman of the Board of Directors
Carolyn Miles	March 2007	46	Director
<b>Class B Directors with Terms Expiring in 2009</b>			
George H. Ellis	March 2006	59	Director
Andrew M. Leitch	February 2004	64	Director
<b>Class C Directors with Terms Expiring in 2010</b>			
Marc E. Chardon	November 2005	52	President, Chief Executive Officer and Director
John P. McConnell	March 2006	57	Director

**Class A Director Nominees**

*Timothy Chou* has served on our Board of Directors since June 2007. Mr. Chou co-founded Openwater Networks in November 2005. From November 1999 until January 2005, he served as President of Oracle On Demand, a division of Oracle Corporation. Prior to that, Mr. Chou served as Chief Operating Officer of Reasoning, Inc., an information technology services firm, and as Vice President, Server Products, of Oracle Corporation. He has also served as a director for Embarcadero Technologies, Inc. since 2000. Mr. Chou is the author of *The End of Software* and is a lecturer at Stanford University. Mr. Chou holds a BS in Electrical Engineering from North Carolina State University and M.S. and Ph.D. degrees in Electrical Engineering from the University of Illinois Urbana-Champaign.

*Marco W. Hellman* has been Chairman of our Board of Directors since 1999. Mr. Hellman was an associate and a Managing Director with Hellman & Friedman LLC between August 1987 and February 2001. Mr. Hellman holds an AB from University of California at Berkeley and an MBA from Harvard Business School.

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*Carolyn Miles* has served on our Board of Directors since March 2007. Ms. Miles has been Executive Vice President and Chief Operating Officer of Save the Children, a nonprofit organization, since 2004 and has served in various capacities since joining Save the Children in 1998. Prior to joining Save the Children, Ms. Miles worked with American Express Travel-Related Services in New York and Hong Kong. Ms. Miles holds an MBA from the University of Virginia's Darden School of Business and a BS from Bucknell University.

**Other Directors Not Standing for Re-election**

*Marc E. Chardon* has served as our President, Chief Executive Officer and a member of our Board of Directors since November 2005. Previously, Mr. Chardon served as Chief Financial Officer for the \$11 billion Information Worker business group at Microsoft Corporation, where he was responsible for the core functions of long-term strategic financial planning and business performance management. He joined Microsoft in August 1998 as General Manager of Microsoft France. Prior to joining Microsoft, Mr. Chardon was General Manager of Digital France. He joined Digital in 1984, and held a variety of international marketing and business roles within the company. In 1994, Mr. Chardon was named Director, Office of the President, with responsibility for Digital's corporate strategy development. Mr. Chardon is an American/French dual national. He is an economics honors graduate from Harvard College.

*George H. Ellis* joined our Board of Directors in March 2006. Mr. Ellis has been Chief Financial Officer of Global 360, Inc., since July 2006. He also has served as the Chairman of Softbrands, Inc. since its formation in October 2001, and as its Executive Chairman from January 2006 to June 2006 and its Chief Executive Officer from October 2001 to January 2006. Mr. Ellis was also the Chairman and Chief Executive Officer of AremisSoft Corporation from October 2001 to July 2002 and served as a director of AremisSoft from April 1999 until February 2001. Mr. Ellis is a member of the board of directors and the audit committee chairman of PeopleSupport, Inc. and serves on the board of directors and advisory boards of several nonprofit companies in the Dallas area. Mr. Ellis is a licensed CPA and an attorney in the State of Texas. Mr. Ellis holds a BS in accounting from Texas Tech University and a JD from Southern Methodist University.

*Andrew M. Leitch* was appointed to our Board of Directors in February 2004. Mr. Leitch was with Deloitte & Touche LLP for over 27 years, most recently serving as the Vice Chairman of the Management Committee, Hong Kong from September 1997 to March 2000. Mr. Leitch serves on the board of directors, as chairman of the audit committee and member of the compensation committee of Aldila, Inc., a public company. Mr. Leitch also serves on the board of directors and a member of the audit committee of Cardium Therapeutics Inc., also a public company, as well as a director of other independent private companies. Mr. Leitch is a CPA in the state of New York, and a Chartered Accountant in Ontario, Canada.

*John P. McConnell* joined our Board of Directors in March 2006. Mr. McConnell served as the President and Chief Executive Officer of A4 Health Systems, Inc. from December 1998 until its sale to Allscripts Healthcare Solutions, Inc. in March 2006. Mr. McConnell sat on the board of directors of Allscripts from March 2006 until March 2008. He co-founded Medic Computer Systems, Inc. in 1982 and served as its Chief Executive Officer until its sale to Misys Plc in 1997. Mr. McConnell also has served on the board of directors of MED3000, Inc. since June 1996. Mr. McConnell serves on the advisory board for the College of Public Health at University of North Carolina and the board of directors of the 2004 WakeMed Foundation. He holds a BS in finance from Virginia Tech.

**Required Vote**

The three nominees receiving the highest number of affirmative votes of the common stock present or represented and entitled to be voted for them shall be elected as Class A directors. Abstentions or votes withheld from any director are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but they have no legal effect on the election under Delaware law.

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**CORPORATE GOVERNANCE MATTERS**

**Board Composition**

Our Board of Directors is currently composed of seven directors. Our bylaws provide that the number of directors constituting our Board of Directors shall not be less than five and no more than nine, and the exact number of directors may be fixed or changed, within this range, by resolution adopted by the affirmative vote of a majority of the directors then in office. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors.

**Independence of Directors**

The Board of Directors has adopted categorical standards or guidelines to assist our Board of Directors in making its independence determinations with respect to each director. These standards are published in Section 1 of our Corporate Governance Guidelines and are available under *Corporate Governance* in the *Company Investor Relations* section of our website at [www.blackbaud.com](http://www.blackbaud.com). The Board of Directors has determined that the following six directors are independent within the meaning of the Nasdaq Marketplace Rules, the Sarbanes-Oxley Act and SEC Rule 10A-3: Ms. Miles and Messrs. Chou, Ellis, Hellman, Leitch and McConnell. As part of such determination of independence, our Board of Directors has affirmatively determined that none of these six directors have a relationship with us that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors. Mr. Chardon, our President and Chief Executive Officer, is the only member of management serving as a director.

Carolyn Miles is the Executive Vice President and Chief Operating Officer of Save the Children, a nonprofit organization. Save the Children is a customer of ours and paid us approximately \$215,000 and \$39,000 for software and services in 2006 and 2007, respectively, pursuant to standard customer agreements. The Board of Directors considered this relationship and determined that it did not interfere with the exercise of Ms. Miles' independent judgment in carrying out the responsibilities of a director.

**Selection of Nominees for our Board of Directors**

The Nominating and Corporate Governance Committee of our Board of Directors has the responsibility for establishing the criteria for recommending which directors should stand for re-election to our Board of Directors and the selection of new directors to serve on our Board of Directors. In addition, the Committee is responsible for establishing the procedures for our stockholders to nominate candidates to our Board of Directors. Although the Committee has not formulated any specific minimum qualifications for director candidates, it has determined that desirable characteristics include strength of character, mature judgment, career specialization, relevant technical skills, diversity and independence.

Our bylaws permit any stockholder of record to nominate directors. Stockholders wishing to nominate a director must deliver written notice of the nomination by registered mail, return receipt requested, to the Corporate Secretary at our principal executive offices not more than seventy-five (75) and not less than forty-five (45) days before the meeting at which directors are to be elected. Any such notice shall set forth: (a) all information relating to the director nominee that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, including each nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) the name and address, as they appear on our corporate books, of the nominating stockholder; (c) the class and number of our shares that are beneficially owned by the nominating stockholder; (d) a representation that the nominating stockholder is a holder of record of our stock, is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the director; and (e) any and all material agreements that the stockholder has with the director nominee. The Nominating and Corporate Governance Committee will evaluate a nominee recommended by a stockholder in the same manner in which the Committee evaluates nominees recommended by other persons.

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### **Board Committees**

Our Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each committee is comprised entirely of independent directors in accordance with Nasdaq Marketplace Rules, the Sarbanes-Oxley Act and SEC Rule 10A-3.

Our Audit Committee is comprised of Chairman Andrew M. Leitch, George H. Ellis and Marco W. Hellman, and our Board of Directors has determined that Mr. Leitch is an audit committee financial expert as such term is defined in Item 407(d) of Regulation S-K promulgated by the SEC. The Audit Committee oversees our accounting and financial reporting processes and the audits of our financial statements. In that regard, the Audit Committee provides assistance to our Board of Directors in its oversight of the integrity of our financial statements, the qualifications and independence of our independent registered public accounting firm, the performance of our internal audit functions, the procedures undertaken by the independent registered public accounting firm and our compliance with other regulatory and legal requirements. The Audit Committee has the sole authority to appoint, determine funding for, and oversee our independent registered public accounting firm, including pre-approving all auditing services and non-audit services. The Audit Committee's role also includes meeting to review our annual audited financial statements and quarterly financial statements with management and our independent registered public accounting firm. See Report of the Audit Committee contained in this proxy statement.

Our Compensation Committee is comprised of Chairman Marco W. Hellman, Timothy Chou and John P. McConnell. The Compensation Committee reviews and approves annually all compensation decisions relating to officers, including those for the Chief Executive Officer and the other executive officers named in the Summary Compensation Table. In addition to reviewing executive officer compensation against that of their contemporaries in the Company's peer group, the Compensation Committee considers recommendations from the Chief Executive Officer regarding compensation for those executives reporting directly to him or her as well as other officers. The Compensation Committee also annually reviews and approves the compensation of the Company's directors, based on appropriate factors as determined by the committee, and oversees and administers Blackbaud's compensation and benefit plans and policies. In addition, the Compensation Committee has authority to obtain, at our expense, the advice and assistance from internal or external advisors, experts and others to assist the committee. See Compensation Discussion and Analysis contained in this proxy statement.

Our Nominating and Corporate Governance Committee is comprised of Chairman Marco W. Hellman, George H. Ellis and Carolyn Miles. The Nominating and Corporate Governance Committee is appointed to assist our Board of Directors in promoting the best interests of Blackbaud and our stockholders through the implementation of sound corporate governance principles and practices. The Nominating and Corporate Governance Committee identifies individuals qualified to become Board members, reviews the qualifications and independence of the members of the Board and its various committees, recommends to the Board the Corporate Governance Guidelines and reviewing such Guidelines on a regular basis to confirm compliance with sound corporate governance practices and with any legal, regulatory and Nasdaq requirements and leads the Board in its annual self-evaluation process.

Each of the above-referenced committees operates pursuant to a formal written charter. The charters for each committee, which have been adopted by our Board of Directors, contain a detailed description of the respective committee's duties and responsibilities and are available under *Corporate Governance* in the *Company Investor Relations* section of our website at [www.blackbaud.com](http://www.blackbaud.com).

The Board of Directors also has a Disclosure Committee that reviews and evaluates public disclosures related to earnings and guidance or other public disclosure matters that are deemed appropriate. The Disclosure Committee is comprised of Chairman Andrew M. Leitch, Marco W. Hellman and John P. McConnell.

In addition to the meetings held by the above-referenced committees, the independent non-employee members of our Board of Directors regularly meet in executive session without our Chief Executive Officer or any executive officers present to evaluate the performance of management.

**Table of Contents****Information Regarding Meetings of the Board and Committees**

During 2007, our Board of Directors held seven meetings, and its four standing committees, the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Disclosure Committee, collectively held 25 meetings. No director attended fewer than 75% of the aggregate of all meetings of our Board of Directors, and the committees on which he or she served, during 2007. The table below provides 2007 membership and meeting information for each committee of the Board of Directors.

Name	Audit	Compensation	Nominating and Corporate Governance	Disclosure
Marco W. Hellman	X	Chair	Chair	X
George H. Ellis	X		X	
Andrew W. Leitch	Chair	X <sup>(1)</sup>	X <sup>(1)</sup>	Chair
Timothy Chou		X <sup>(2)</sup>		
John P. McConnell		X		X
Carolyn Miles			X <sup>(3)</sup>	
Marc E. Chardon				
Number of Meetings held in 2007	11	8	2	4

- (1) Mr. Leitch served as a member of the Compensation Committee and the Nominating and Corporate Governance Committee in 2007 only through June 2007 and March 2007, respectively.
- (2) Mr. Chou became a member of the Compensation Committee upon his appointment to the Board in June of 2007.
- (3) Ms. Miles became a member of the Nominating and Corporate Governance Committee upon her appointment to the Board in March of 2007.

Although we do not have a formal written policy with respect to Board of Directors members' attendance at our annual meetings of stockholders, we strongly encourage all directors to attend. All directors attended our 2007 Annual Meeting except for Mr. Ellis, who was absent for a family matter.

**Corporate Governance Guidelines**

We believe in sound corporate governance practices and have adopted formal Corporate Governance Guidelines to enhance our effectiveness. Our Board of Directors adopted these Corporate Governance Guidelines in order to ensure that it has the necessary authority and practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The Corporate Governance Guidelines are also intended to align the interests of directors and management with those of our stockholders. The Corporate Governance Guidelines set forth the practices our Board follows, including, but not limited, with respect to Board and Committee composition and selection, director responsibilities, director access to officers and employees and Chief Executive Officer performance evaluation and succession planning. A copy of our Corporate Governance Guidelines is available under *Corporate Governance* in the *Company Investor Relations* section of our website at [www.blackbaud.com](http://www.blackbaud.com).

**Code of Business Conduct and Code of Ethics**

Our Board of Directors has adopted a code of business conduct and ethics that applies to all of our directors and employees. Our Board of Directors has also adopted a separate code of ethics for our Chief Executive Officer and all senior financial officers, including our Chief Financial Officer and the principal accounting officer or controller, or persons performing similar functions. We will provide copies of our code of business conduct and code of ethics without charge upon request. To obtain a copy of our code of business conduct and code of ethics, please send your written request to Blackbaud, Inc., 2000 Daniel Island Drive, Charleston, South Carolina 29492, Attn: General Counsel. Our code of business conduct and code of ethics are also available under *Corporate Governance* in the *Company Investor Relations* section of our website at [www.blackbaud.com](http://www.blackbaud.com).



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**Communications with our Board of Directors**

Stockholders who wish to communicate with members of our Board of Directors, including the independent directors individually or as a group, may send correspondence to them in care of our Corporate Secretary at our principal executive offices. Such communication will be forwarded to the intended recipient(s). We currently do not intend to have our Corporate Secretary screen this correspondence, but we may change this policy if directed by our Board of Directors due to the nature or volume of the correspondence.

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**PROPOSAL TWO**  
**APPROVAL OF THE ADOPTION OF THE**  
**BLACKBAUD, INC. 2008 EQUITY INCENTIVE PLAN**

We are asking our stockholders to approve the adoption of the Blackbaud, Inc. 2008 Equity Incentive Plan. In this Proposal, we call this plan the 2008 Plan. On April 24, 2008, our Board of Directors approved the 2008 Plan, subject to stockholder approval. We believe that the 2008 Plan is an important incentive for our employees and is critical to our ongoing effort to build stockholder value. Equity awards are a significant part of our ability to attract, retain and motivate people whose skills and performance are critical to our success. Blackbaud has a standing practice of linking key employee compensation to corporate performance because we believe that this increases employee motivation to improve stockholder value. We have, therefore, consistently included equity incentives as a significant component of compensation for our employees.

**Vote Required**

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting will be required to approve the adoption of the 2008 Plan. In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

**The Board of Directors unanimously recommends that stockholders vote FOR the approval of the Blackbaud, Inc. 2008 Equity Incentive Plan.**

**Summary of the 2008 Plan**

A summary of the principal features of the 2008 Plan follows below. The summary is qualified by the full text of the 2008 Plan that is attached as Appendix A to this proxy statement.

**Types of Awards**

The 2008 Plan provides for the following types of awards: incentive stock options, nonstatutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights (or SARs), performance stock awards, and other stock-based awards. In this Proposal, we refer to the various types of awards collectively as the awards or stock awards.

**Eligibility**

Stock awards may be granted under the 2008 Plan to our employees, directors and consultants. Only our employees may receive incentive stock options. As of April 21, 2008, approximately 1,563 employees and six non-employee directors were eligible to participate in the 2008 Plan.

**Administration**

The Board, or a committee of the Board, will administer the 2008 Plan. A committee may consist of two or more non-employee directors within the meaning of Rule 16b-3 of the Exchange Act, or of two or more outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1980, as amended, or the Code. For grants of awards to employees other than the named executive officers, the 2008 Plan also permits delegation of administration of the 2008 Plan to one or more of our officers within the meaning of Section 16 of the Exchange Act, as amended, and the rules and regulations promulgated thereunder.

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As administrator of the 2008 Plan, the Board has the authority to implement, construe and interpret its provisions. Among other things, the Board has the power to determine award recipients and the terms of awards including the exercise price, the number of shares subject to each award, the timing, terms and conditions of the exercisability or vesting of stock awards and the form of consideration payable at exercise. The Board has the power to approve forms of award agreements, and to adopt procedures and sub-plans to permit employees, directors or consultants who are foreign nationals or employed outside the United States to participate in the 2008 Plan.

### **Prohibition of Repricing**

The 2008 Plan expressly provides that neither the Board nor its committee shall have the authority to reprice any outstanding stock awards under the 2008 Plan or to cancel any outstanding stock awards and re-grant any new stock awards having a lower exercise or purchase price under the 2008 Plan, unless our stockholders have approved such an action within 12 months prior to such an event.

### **Stock Subject to the 2008 Plan**

Up to 7,126,520 shares of our common stock may be issued pursuant to stock awards granted under the 2008 Plan, which we refer to as the share reserve. The share reserve is comprised of 6,000,000 new shares available for grant, plus 1,126,520 shares that remain available for grant under our 2004 Stock Plan. Upon the effectiveness of the 2008 Plan, the 2004 Stock Plan will terminate as to any future grants. The share reserve also may be increased from time to time by a number of shares equal to the number of shares of common stock that (i) are issuable pursuant to awards outstanding under the 2004 Stock Plan and (ii) but for the termination of the 2004 Stock Plan as to future grants, would otherwise have reverted to and been eligible for granting under the 2004 Stock Plan. The Board or its committee may not provide for any other increase in the shares reserved under the 2008 Plan without the approval of a majority of the votes cast in person or by proxy by our stockholders.

The share reserve under the 2008 Plan is a fungible share reserve, which means that for awards granted from and after the date of this meeting, the number of shares of stock available for issuance under the 2008 Plan will be reduced (i) by one share for each share granted pursuant to stock options or stock appreciation rights awarded under the 2008 Plan, and (ii) by two shares for each share granted pursuant to all other types of awards awarded under the 2008 Plan.

The shares of common stock subject to stock awards granted under the 2008 Plan that expire, are forfeited because of a failure to vest, or otherwise terminate without being exercised in full will return to the share reserve under the 2008 Plan and be available for issuance under the 2008 Plan. However, any shares that are withheld to satisfy tax requirements or that are used to pay the exercise or purchase price of a stock award will not return to the share reserve and may not be issued under the 2008 Plan. In addition, upon exercise of a SAR, the number of shares available for issuance under the 2008 Plan shall be reduced by the gross number of shares for which the SAR is exercised, regardless of whether the SAR is settled in cash or common stock or the number of shares of common stock issued upon exercise of the SAR.

### **Terms of Options**

A stock option is the right to purchase shares of our common stock at a fixed exercise price for a fixed period of time. Stock option grants may be incentive stock options or nonstatutory stock options; however, no more than 6,000,000 shares of common stock may be issued under the 2008 Plan pursuant to the exercise of incentive stock options. Each option shall be evidenced by a stock option agreement. The Board determines the terms of a stock option including the exercise price, the form of consideration to be paid on exercise, the vesting schedule, restrictions on transfer and the term. The exercise price of a stock option may not be less than 100% of the fair market value of the stock subject to the option on the date of grant (for an incentive stock option 110% if the optionee is a 10% holder). The term of an option will not be longer than ten years (five years if the optionee

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is a 10% holder) and may be subject to restrictions on transfer. When exercised, the exercise price may be paid in a form permitted by the stock option agreement, which may include payment in cash, by check, bank draft, or money order payable to us, pursuant to a program developed under Regulation T promulgated by the Federal Reserve Board, by delivery of other shares of common stock, by a net exercise arrangement, or by any other means acceptable to the Board and permissible under applicable law.

Options generally terminate three months after termination of an optionee's service (or such longer or shorter period as set forth in the option agreement). As set forth in the 2008 Plan, the optionee generally (subject to the terms of the option agreement) will have 12 months to exercise when termination is due to disability or death. No option may be exercised beyond the expiration of its term.

### **Terms of Restricted Stock Awards**

Restricted stock awards are awards of shares of our common stock that vest in accordance with terms and conditions established by the Board. Each restricted stock award is evidenced by an award agreement that sets forth the terms and conditions of the award. The Board sets the terms of the restricted stock awards including the size of the restricted stock award, the price (if any) to be paid by the recipient, the vesting schedule, and any performance criteria that may be required for the stock to vest. The restricted stock award may vest based on continued employment and/or the achievement of performance goals. If a participant's service terminates before the restricted stock is fully vested, all of the unvested shares may be forfeited to, or repurchased by, the Company, as provided for in the restricted stock award agreement.

### **Terms of Restricted Stock Unit Awards**

A restricted stock unit is a right to receive stock or cash equal to the value of a share of stock at the end of a set period. No stock is issued at the time of grant. Each restricted stock unit award is evidenced by an agreement that sets forth the terms and conditions of the award. The Board sets the terms of the restricted stock unit award, including the size of the restricted stock unit award, the consideration (if any) to be paid by the recipient, the vesting schedule, any performance criteria and the form (stock or cash) in which the award will be settled. When a participant's service terminates, the unvested portion of the restricted stock unit award will be forfeited unless otherwise provided in the restricted stock unit award agreement.

### **Terms of Stock Appreciation Rights**

A stock appreciation right, or SAR, is the right to receive the appreciation in the fair market value of our common stock between the date of grant and the exercise date for the number of shares of our common stock that are exercised. SARs may be granted as stand-alone stock awards or in tandem with other stock awards. Each SAR is evidenced by an agreement specifying the exercise price, vesting schedule, number of shares granted and the other terms of the SAR.

When a SAR is exercised, the holder is entitled to an amount equal to the difference between (a) the fair market value of a share of our common stock on the date the SAR was granted and (b) the fair market value of a share of our common stock on the date the SAR is exercised. We may pay the amount of the appreciation in cash or shares of our common stock, a combination of both or in any other form of consideration determined by the Board and set forth in the SAR agreement. SARs generally terminate three months after termination of a holder's service or as set forth in the SAR agreement.

### **Terms of Performance Based Stock Awards**

*Performance Stock Awards.* A performance stock award may be granted, may vest, or may be exercised upon achievement of pre-determined performance goals. A performance stock award may require the completion of a specified period of continuous service. The length of any performance period, the performance goals to be

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achieved during the performance period, and the measure of whether and to what degree such performance goals have been attained will be determined by the Board or a committee of the Board. The maximum number of shares of our common stock that may be granted to any participant in a calendar year attributable to performance stock awards under the 2008 Plan shall not exceed 2,000,000 shares of stock. In addition, to the extent permitted by applicable law and the award agreement, the Board (or committee as applicable) may determine that cash may be used in payment of performance stock awards.

*Performance Criteria.* Performance-based stock and cash awards may be made subject to one or more of the following criteria: (i) earnings per share; (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity; (vi) return on assets, investment, or capital employed; (vii) operating margin; (viii) gross margin; (ix) operating income; (x) net income (before or after taxes); (xi) net operating income; (xii) net operating income after tax; (xiii) pre- and after-tax income; (xiv) pre-tax profit; (xv) operating cash flow; (xvi) sales or revenue targets; (xvii) orders and revenue; (xviii) increases in revenue or product revenue; (xix) expenses and cost reduction goals; (xx) improvement in or attainment of expense levels; (xxi) improvement in or attainment of working capital levels; (xxii) economic value added (or an equivalent metric); (xxiii) market share; (xxiv) cash flow; (xxv) cash flow per share; (xxvi) share price performance; (xxvii) debt reduction; (xxviii) implementation or completion of projects or processes; (xxix) customer satisfaction; (xxx) stockholders' equity; (xxxi) quality measures; and (xxxii) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board.

## **Terms of Other Stock Awards**

The Board may grant other incentive awards that are based in whole or in part by reference to the value of our common stock. Subject to the provisions of the 2008 Plan, the Board has the authority to determine the persons to whom and the dates on which such other stock awards will be granted, the number of shares of common stock (or cash equivalents) to be subject to each award, and other terms and conditions of such awards. Such awards may be granted either alone or in addition to other stock awards granted under the 2008 Plan.

## **Changes to Capital Structure**

In the event any change is made in the shares subject to the 2008 Plan or any stock award granted under the 2008 Plan, whether through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or otherwise, the Board will adjust: (a) the class(es) and maximum number of securities subject to the 2008 Plan, (b) the class(es) and maximum number of securities that may be issued pursuant to the exercise of incentive stock options, (c) the class(es) and maximum number of securities (or amount of cash consideration) that may be awarded to any person pursuant to performance stock awards and other stock-based awards intended to satisfy the requirements of Section 162(m) of the Code (such as options and stock appreciation rights), and (d) the class(es) and number of securities and price per share of stock subject to outstanding stock awards.

## **Corporate Transactions; Changes in Control**

In the event of a corporate transaction (as such term is defined in the 2008 Plan), outstanding stock awards under the 2008 Plan may be assumed, continued, or substituted by the surviving corporation. If the surviving corporation does not assume, continue, or substitute such stock awards, then (a) any stock awards that are held by individuals performing services for us immediately prior to the effective time of the corporate transaction, the vesting and exercisability provisions of such stock awards will be accelerated in full and such stock awards will be terminated if not exercised prior to the effective time of the corporate transaction, and (b) all other outstanding stock awards will be terminated if not exercised on or prior to the effective time of the corporate transaction. Notwithstanding the foregoing, if a stock award would terminate if not exercised prior to the effective time of a

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corporate transaction, the Board, in its sole discretion, may provide that the holder of such stock award may not exercise it but instead will receive a payment, in such form as may be determined by the Board, equal in value to the excess, if any, of the value of the property such holder would have received upon exercise of the stock award (including, at the discretion of the Board, any unvested portion of the stock award) over any exercise price payable by such holder in connection with such exercise.

A stock award may be subject to additional acceleration of vesting and exercisability upon or after a change in control (as such term is defined in the 2008 Plan) as may be provided in the stock award agreement or as may be provided in any other written agreement between us or any of our affiliates and the participant; however, in the absence of such provision, no such acceleration shall occur.

### **Duration, Suspension, Termination, and Amendment**

The Board may suspend or terminate the 2008 Plan at any time. The 2008 Plan is scheduled to terminate on April 24, 2018. No awards may be granted under the 2008 Plan while the 2008 Plan is suspended or after it is terminated.

The Board may amend the 2008 Plan at anytime. However, if legal, regulatory or listing requirements require stockholder approval, the amendment will not go into effect until the stockholders have approved the amendment.

### **Tax Withholding**

The Board may require a participant to satisfy any federal, state, local, or foreign tax withholding obligation relating to a stock award by (a) causing the participant to tender a cash payment; (b) withholding shares of common stock from the shares of common stock issued or otherwise issuable to the participant in connection with the award; (c) withholding cash from an award settled in cash or other amounts payable to the participant; or (d) by other method set forth in the award agreement.

### **Summary of Federal Income Tax Consequences of the 2008 Plan**

The following summary is intended only as a general guide to the U.S. federal income tax consequences under current law of participation in the 2008 Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances. Furthermore, the tax consequences are complex and subject to change, and a taxpayer's particular situation may be such that some variation of the described rules is applicable.

*Incentive Stock Options.* A participant recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code.

If a participant holds stock acquired through exercise of an incentive stock option for more than two years from the date on which the option was granted and more than one year after the date the option was exercised for those shares, any gain or loss on a disposition of those shares (a qualifying disposition) will be a long-term capital gain or loss. Upon such a qualifying disposition, we will not be entitled to any income tax deduction.

If a participant disposes of shares within two years after the date of grant or within one year after the date of exercise (a disqualifying disposition), the difference between the fair market value of the shares on the option exercise date and the exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, generally we will be entitled (subject to the requirement of reasonableness,

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the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation) to a corresponding income tax deduction in the tax year in which the disqualifying disposition occurs.

The difference between the option exercise price and the fair market value of the shares on the exercise date of an incentive stock option is treated as an adjustment in computing the participant's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to participants subject to the alternative minimum tax.

*Nonstatutory Stock Options.* Options not designated or qualifying as incentive stock options will be nonstatutory stock options having no special tax status. A participant generally recognizes no taxable income as the result of the grant of such an option. Upon exercise of a nonstatutory stock option, the participant normally recognizes ordinary income in the amount of the difference between the option exercise price and the fair market value of the shares purchased. Generally, we will be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation) to an income tax deduction in the tax year in which such ordinary income is recognized by the participant.

Upon the disposition of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as capital gain or loss.

*Stock Appreciation Rights.* A participant recognizes no taxable income upon the receipt of a stock appreciation right. Upon the exercise of a stock appreciation right, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the underlying shares of common stock on the exercise date over the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant in connection with the exercise of the stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code.

*Restricted Stock.* A participant acquiring restricted stock generally will recognize ordinary income equal to the difference between the fair market value of the shares on the determination date (as defined below) and their purchase price, if any. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The determination date is the date on which the participant acquires the shares unless they are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date the shares are acquired. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. We will be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation) to a corresponding income tax deduction in the year in which such ordinary income is recognized by the participant.

*Restricted Stock Units.* No taxable income is recognized upon receipt of a restricted stock unit award. In general, the participant will recognize ordinary income in the year in which the units vest and are settled in an amount equal to any cash received and the fair market value of any nonrestricted shares issued on the date of issuance. We will be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of

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the Code, and the satisfaction of a tax reporting obligation) to an income tax deduction equal to the amount of ordinary income recognized by the participant. In general, the deduction will be allowed for the taxable year in which such ordinary income is recognized by the participant.

*Performance Stock Awards.* A participant generally will recognize no income upon the grant of a performance stock award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received and the fair market value of any nonrestricted shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described under Restricted Stock. Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

*Potential Limitation on Deductions.* Compensation of persons who are covered employees of the Company is subject to the tax deduction limits of Section 162(m) of the Code. Awards that qualify as performance-based compensation are exempt from Section 162(m), thereby permitting us to claim the full federal tax deduction otherwise allowed for such compensation. The 2008 Plan is intended to enable the Committee to grant awards that will be exempt from the deduction limits of Section 162(m).

In accordance with Treasury Regulations issued under Section 162(m), compensation attributable to restricted stock awards, restricted stock unit awards, performance stock awards and performance cash awards will qualify as performance-based compensation if (i) such awards are approved by a compensation committee composed solely of outside directors, (ii) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, (iii) the per-employee limitation is approved by the stockholders, and (iv) the exercise or strike price of the award is no less than the fair market value of the stock on the date of grant. Compensation attributable to restricted stock, restricted stock units, performance shares, performance units, deferred stock and other stock-based awards will qualify as performance-based compensation, provided that (i) the award is approved by a compensation committee composed solely of outside directors, (ii) the award is granted, becomes vested or is settled, as applicable, only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) our Compensation Committee certifies in writing prior to the granting (or vesting or settlement) of the award that the performance goal has been satisfied, and (iv) prior to the granting (or vesting or settlement) of the award, the stockholders have approved the material terms of the award (including the class of employees eligible for such award, the business criteria on which the performance goal is based, and the maximum amount, or formula used to calculate the amount, payable upon attainment of the performance goal). It is intended that awards granted under the 2008 Plan qualify as performance-based compensation that is exempt from the \$1 million deduction limitation.



**Table of Contents****New Plan Benefits**

We cannot currently determine the benefits or number of shares subject to awards that may be granted in the future to executive officers and employees under the 2008 Plan. The first table below sets forth information about awards granted during 2007 under our 2004 Stock Plan to our named executive officers, all current executive officers as a group, and all non-executive employees and consultants as a group.

Name	Stock Appreciation	
	Rights (SARs) (#)	Restricted Stock (#)
Marc E. Chardon		22,500
Timothy V. Williams	53,333	16,000
Charles T. Cumbaa	53,333	16,000
Lee W. Gartley	43,333	13,000
Charles L. Longfield	36,133	10,840
Current executive officers as a group (9 persons)	359,464	130,340
All current employees and consultants, excluding our current executive officers and named executive officers (532 persons)	206,795	404,036

In addition we are unable to currently determine the benefits or number of shares subject to awards that may be granted in the future to our non-employee directors under the 2008 Plan. In 2007 each of our non-employee directors other than Mr. Hellman and Ms. Miles received a grant of 2,717 shares of restricted stock, which was equal to \$60,000 divided by the fair market value of our common stock on the date of grant. Mr. Hellman, as the Chairman of the Board of Directors received a grant of 4,076 shares of restricted stock, which was equal to \$90,000 divided by the fair market value of our common stock on the date of grant. Due to the position Ms. Miles holds with Save the Children and its policies on stock ownership, Ms. Miles receives cash compensation in lieu of equity compensation. See Director Compensation below for more information. The equity compensation to be received by non-employee directors in 2008 is currently being evaluated by our Compensation Committee, and the Committee is likely to recommend an increase to maintain competitiveness with our peer group. We anticipate that the amount of such equity compensation will be determined after re-election of the directors at the annual meeting. If this Proposal is approved by our stockholders, such grants of restricted stock will be made under the 2008 Plan.

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2007 on all of our equity compensation plans currently in effect. All equity compensation plans have been approved by our stockholders.

Plan name	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrant and rights	Weighted-average price of outstanding options, warrant and rights	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a))
2004 Stock Plan	1,538,644	\$ 19.94	1,126,520
2001 Stock Option Plan	560,590	\$ 5.10	
1999 Stock Option Plan	193,735	\$ 4.80	

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**PROPOSAL THREE**  
**RATIFICATION OF APPOINTMENT OF**  
**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of our Board of Directors has selected the independent registered public accounting firm of PricewaterhouseCoopers LLP to audit our consolidated financial statements for the fiscal year ending December 31, 2008 and recommends that stockholders vote for ratification of such appointment. Although ratification is not required by our bylaws or otherwise, the Board is submitting the selection of PricewaterhouseCoopers LLP to our stockholders for ratification because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate practice. In the event of a negative vote on ratification, the Audit Committee will reconsider, but might not change, its selection. Notwithstanding the selection and ratification, the Audit Committee, in its discretion, may appoint a different independent registered public accounting firm at any time, if it believes doing so would be in our best interests and the best interests of our stockholders.

PricewaterhouseCoopers LLP has audited our financial statements annually since 2000. Representatives of PricewaterhouseCoopers LLP are expected to be present at the meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Vote Required**

Approval of the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm requires the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote and present or represented at the meeting.

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

**The Board of Directors unanimously recommends that stockholders vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.**

**AUDIT COMMITTEE REPORT**

Our Audit Committee has (1) reviewed and discussed the audited financial statements with management, (2) discussed with PricewaterhouseCoopers LLP, our independent registered public accounting firm, the matters required to be discussed by the Statement on Auditing Standards No. 61, and (3) received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board Standard No. 1, and has discussed the accounting firm's independence with the independent registered public accounting firm. Based upon these discussions and reviews, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and filed with the SEC.

Our Audit Committee is currently composed of the following three directors, all of whom are independent directors as defined in Rule 4200(a)(14) of the Nasdaq listing standards and Section 10A(m)(3) of the Exchange Act: Andrew M. Leitch, George H. Ellis and Marco W. Hellman. The Board of Directors has determined that Mr. Leitch is an audit committee financial expert as such term is defined in Item 407(d) of Regulation S-K.

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promulgated by the SEC. Our Audit Committee operates under a written charter adopted by our Board of Directors, a copy of which is available under *Corporate Governance* in the *Company Investor Relations* section of our website at [www.blackbaud.com](http://www.blackbaud.com).

PricewaterhouseCoopers LLP served as our independent registered public accounting firm for 2007 and audited our consolidated financial statements for the year ended December 31, 2007.

**Summary of Fees**

The Audit Committee has adopted a policy for the pre-approval of all audit and permitted non-audit services that may be performed by our independent registered public accounting firm. Under this policy, each year, at the time it engages the independent registered public accounting firm, the Audit Committee pre-approves the audit engagement terms and fees and may also pre-approve detailed types of audit-related and permitted tax services, subject to certain dollar limits, to be performed during the year. All other permitted non-audit services are required to be pre-approved by the Audit Committee on an engagement-by-engagement basis.

The following table summarizes the aggregate fees billed for professional services rendered to us by PricewaterhouseCoopers LLP in 2006 and 2007. A description of these various fees and services follows the table.

	2006	2007
Audit Fees	\$ 914,778	\$ 868,117
Audit-related Fees		45,706
Tax Fees	7,135	
All Other Fees		
<b>Total</b>	<b>\$ 921,913</b>	<b>\$ 913,823</b>
<b>Audit Fees</b>		

The aggregate fees billed to us by PricewaterhouseCoopers LLP in connection with the annual audit of our financial statements, for the reviews of our financial statements included in the quarterly reports on Form 10-Q, the audit of our internal control over financial reporting and for other services normally provided in connection with statutory and regulatory filings, were approximately \$914,778 and \$868,117 for the years ended December 31, 2006 and 2007, respectively.

**Audit-Related Fees**

There were no fees billed to us by PricewaterhouseCoopers LLP for audit-related services for the year ended December 31, 2006. The aggregate audit-related fees billed to us for the year ended December 31, 2007 were \$45,706, primarily related to filing our amended Annual Report on Form 10-K for the year ended December 31, 2006.

**Tax Fees**

The aggregate fees billed to us by PricewaterhouseCoopers LLP in connection with tax services were approximately \$7,135 for the year ended December 31, 2006. Tax fees were fees for tax compliance, tax advice and tax planning. There were no tax fees billed to us by PricewaterhouseCoopers LLP for the year ended December 31, 2007.

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**All Other Fees**

We did not engage PricewaterhouseCoopers LLP for any services other than those listed above during 2006 or 2007.

Our Audit Committee has considered whether and determined that the provision of the non-audit services rendered to us during 2007 was compatible with maintaining the independence of PricewaterhouseCoopers LLP.

THE AUDIT COMMITTEE OF

THE BOARD OF DIRECTORS

Andrew M. Leitch, Chairman

George H. Ellis

Marco W. Hellman

**Table of Contents****SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of April 21, 2008, unless otherwise noted below, for the following:

each person or entity known to own beneficially more than 5% of the outstanding common stock as of the date indicated in the corresponding footnote;

each director;

each of the named executive officers named in the Summary Compensation table; and

all directors and executive officers as a group.

Applicable percentage ownership is based on 44,715,486 shares of common stock outstanding as of April 21, 2008, unless otherwise noted below, together with applicable options for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC, based on factors including voting and investment power with respect to shares. Common stock subject to options currently exercisable, or exercisable within 60 days after April 21, 2008, are deemed outstanding for the purpose of computing the percentage ownership of the person holding those options, but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated, the address for each listed stockholder is c/o Blackbaud, Inc., 2000 Daniel Island Drive, Charleston, South Carolina 29492.

Name of Beneficial Owner	Shares Owned	Shares Under Exercisable Options <sup>(1)</sup>	Total Shares Beneficially Owned	Percentage Beneficially Owned
FMR Corp. <sup>(2)</sup>	4,595,166		4,595,166	10.28%
82 Devonshire Street, Boston, Massachusetts 02109				
Waddell & Reed Financial, Inc. <sup>(3)</sup>	3,510,350		3,510,350	7.85%
6300 Lamar Avenue Overland Park, Kansas 66202				
Munder Capital Management <sup>(4)</sup>	3,353,602		3,353,602	7.50%
480 Pierce Street Birmingham, Michigan 48012				
Neuberger Berman Inc. <sup>(5)</sup>	3,283,847		3,283,847	7.34%
605 Third Avenue New York, New York 10158				
Columbia Wanger Asset Management, L.P. <sup>(6)</sup>	2,900,000		2,900,000	6.49%
227 West Monroe Street, Suite 3000				

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Chicago, Illinois 60606				
Marc E. Chardon	68,162	355,367	423,529	*
Timothy V. Williams	28,277	260,000	288,277	*
Charles T. Cumbaa	67,642	54,786	122,428	*
Marco W. Hellman	100,064	16,875	116,939	*
Andrew M. Leitch	2,717	17,024	19,741	*
Lee W. Gartley	13,000		13,000	*
Charles L. Longfield	10,840		10,840	*
George H. Ellis	5,360		5,360	*
John P. McConnell	5,360		5,360	*
Timothy Chou	2,717		2,717	*
Carolyn Miles				
<b>All executive officers and directors as a group (15 persons)</b>	<b>494,124</b>	<b>715,514</b>	<b>1,209,368</b>	<b>2.66%</b>

\* Less than one percent.

(1) Includes only options exercisable within 60 days of April 21, 2008. No SARs granted to our executive officers are exercisable within 60 days of April 21, 2008.

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- (2) According to the information contained in the Schedule 13G/A filed by FMR LLC with the SEC on February 14, 2008, FMR LLC reported that it or certain of its affiliates beneficially owned 4,595,166 shares of our common stock as of December 31, 2007, and that they had (a) sole power to direct the vote of 1,321,377 shares, and (b) sole dispositive power with respect to 4,595,166 shares.
- (3) According to the information contained on the Schedule 13G/A filed with the SEC on February 1, 2008, Waddell & Reed Financial, Inc. reported that it or certain of its affiliates beneficially owned 3,510,350 shares of our common stock as of December 31, 2007, and that they had sole voting and dispositive power with respect to those shares.
- (4) According to the information contained on the Schedule 13G/A filed with the SEC on February 14, 2008, Munder Capital Management reported that, as of December 31, 2007, it had (a) sole power to direct the vote of 3,038,017 shares of our common stock, and (b) sole dispositive power with respect to 3,353,602 shares of our common stock.
- (5) According to the information contained on the Schedule 13G with the SEC on February 13, 2008, Neuberger Berman Inc. reported that it or certain of its affiliates beneficially owned 3,283,847 shares of our common stock as of December 31, 2007, and that they had (a) sole power to direct the vote of 3,950 shares, (b) shared voting power with respect to 2,747,614 shares and (c) shared dispositive power with respect to 3,283,847 shares.
- (6) According to the information contained in the Schedule 13G filed by Columbia Wanger Asset Management, L.P. with the SEC on January 22, 2008, as of December 31, 2007, it or certain of its affiliates beneficially owned 2,900,000 shares of our common stock and it had sole voting and dispositive power with respect those shares.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our executive officers and directors, and any person or entity who own more than ten percent of a registered class of our common stock or other equity securities, to file with the SEC certain reports of ownership and changes in ownership of our securities. Executive officers, directors and stockholders who hold more than ten percent of our outstanding common stock are required by the SEC to furnish us with copies of all required forms filed under Section 16(a). We prepare Section 16(a) forms on behalf of our executive officers and directors based on the information provided by them.

Based solely on review of this information and written representations from these persons that no other reports were required, we believe that, during fiscal year 2007, no reporting person failed to file the forms required by Section 16(a) of the Exchange Act on a timely basis.

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**EXECUTIVE COMPENSATION AND OTHER MATTERS**

**Compensation Committee Report**

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, this Compensation Committee Report is not soliciting material, shall not be deemed filed with the SEC and shall not be incorporated by reference into any such filings.

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis section of this proxy statement with our management. Based on this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our proxy statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2007.

THE COMPENSATION COMMITTEE OF THE

BOARD OF DIRECTORS

Marco W. Hellman, Chairman

Timothy Chou

John P. McConnell

**COMPENSATION DISCUSSION AND ANALYSIS**

We refer to our Chief Executive Officer, our Chief Financial Officer, and our next three most highly compensated executive officers in 2007 as our named executive officers in this proxy statement. This Compensation Discussion and Analysis will describe the Compensation Committee's compensation objectives and policies for our named executive officers as well as all of our executive officers, including executive pay decisions and processes and all elements of our executive compensation program.

**Executive Summary**

Our overarching compensation goal is to link the financial interests of our executive officers to the attainment and furtherance of our long-term business strategies, which in turn, further the interests of our stockholders. We believe this is accomplished through the following principles and processes:

We maintain a relatively simple and transparent compensation program, the primary elements of which are: base salary; an annual bonus tied to company and individual performance; and an equity program consisting of stock appreciation rights that only provide value to executives if our stock price appreciates and restricted stock.

As a general policy, we do not favor non-cash benefits or perquisites (such as guaranteed retirement or pension plan benefits) to executive officers that are not available to our employees generally.

Executive officer compensation is benchmarked annually against a set peer group of companies selected on the basis of relevant industry, size and complexity to ensure that our compensation opportunities are within the range of comparative norms.

Compensation opportunities are targeted at the 50<sup>th</sup> percentile of the peer group for each element of pay. However, our program is flexible enough to allow our Compensation Committee to provide compensation above or below the target based on experience and in cases of exceptional or below target individual and/or company performance.



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A significant portion of target total direct compensation (defined as base salary plus annual target bonus plus annual equity grant value) is performance-based via the cash bonus and stock-based

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compensation. This philosophy ensures a balance between long-term and short-term performance and a proper relationship between executive compensation and our operational performance and stockholder return.

Compensation recommendations for executive officers are developed by Mr. Chardon (except with respect to his own compensation), with input from our Human Resources Department. These recommendations are presented to our Compensation Committee and reviewed by an independent consultant, Compensia Inc. ( Compensia ), who is retained by our Compensation Committee.

For fiscal year 2007, the total direct compensation for our named executive officers (defined as base salary plus actual annual bonuses awarded plus annual equity grant value) was between the 65<sup>th</sup> and 75<sup>th</sup> percentile of the peer group we use for comparison. Compensation was above our target pay position, primarily due to a special, one-time equity grant made to our executive officers in November 2007 to promote retention. This special equity grant is described in further detail in the Equity Incentive Programs section of this Compensation Discussion and Analysis below. Our Compensation Committee and senior management believe the level of total compensation for our named executive officers is reasonable and appropriate based on our achievements in 2007 and the variable, performance-based nature of our compensation program.

### **Governance of Executive Officer Compensation Program**

#### *Role of the Compensation Committee*

Our Compensation Committee has overall responsibility for approving and evaluating our executive officer compensation plans, policies and programs. The primary duties relating to administering our executive officer compensation plans, policies and programs include:

establishing the compensation philosophy for executive officers, including the compensation objectives, target pay levels and the peer group for executive compensation and performance benchmarking;

evaluating and approving all of our executive officer compensation plans, policies and programs;

reviewing and approving corporate goals and objectives relevant to performance and compensation of our Chief Executive Officer;

reviewing and approving, with input from the Board of Directors, equity compensation plans for our executive officers and employees; and

conducting periodic competitive evaluations of our executive officer compensation plans.

Our Compensation Committee is comprised entirely of independent directors in accordance with the Nasdaq Marketplace Rules, the Sarbanes-Oxley Act and SEC Rule 10A-3, and operates pursuant to a charter that further outlines the specific authority, duties and responsibilities of the Compensation Committee. The charter is periodically reviewed and revised by the Compensation Committee and our Board, and is available under *Corporate Governance* in the *Company Investor Relations* section of our website at [www.blackbaud.com](http://www.blackbaud.com).

#### *Role of Executive Officers in Compensation Decision-Making*

Mr. Chardon makes recommendations to our Compensation Committee regarding the compensation arrangements for the executive officers (except himself). In formulating his recommendations, Mr. Chardon considers both internal and external compensation data from our Human Resources Department and the Committee's compensation consultant. The Compensation Committee consults with the full Board of Directors as necessary in making decisions regarding Mr. Chardon's compensation.

#### *Role of Compensation Consultant*

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Pursuant to its written charter, our Compensation Committee has the authority to engage the services of outside advisers, experts and others to assist the Committee. For 2007, the Committee employed Compensia, an

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independent consulting firm, to provide advice and information relating to executive and director compensation. Compensia reports to the Compensation Committee and does not provide any services to management. From time to time, the Committee may direct its advisor to work with the Human Resources Department to support management and the Committee in matters relating to the fulfillment of its charter.

At the request and on behalf of our Compensation Committee during 2007, Compensia:

reviewed and provided recommendations regarding the composition of the peer group used to benchmark executive compensation levels;

conducted a comprehensive review of the total compensation arrangements for all of our senior executives, including: preparation of tally sheets; competitive analysis of salary, total cash (salary plus bonus) and total direct compensation (total cash plus annual equity awards) levels; and proposing changes to the compensation structure;

analyzed the pay and performance relationship of our executive compensation program relative to our peer group;

updated our Compensation Committee on industry trends/best practices with respect to executive program design, including bonus program design and metrics, types of equity awards and aggregate equity usage;

reviewed and advised on the size and structure of executive compensation arrangements (i.e., base salary levels, target bonus levels and the size/form of target equity awards); and

worked with Mr. Chardon and our Human Resources Department to develop our non-executive equity program applicable to non-executive employees.

In the course of fulfilling these responsibilities, Compensia is generally asked to attend Compensation Committee meetings. In addition, Compensia also meets with management from time to time to gather information on and review proposals that management may present to the Compensation Committee. While the Compensation Committee considers the input of its consultant, the Compensation Committee's executive compensation decisions, including the specific amounts paid to executive officers and directors, are its own and may reflect factors and considerations other than the information and recommendations provided by Compensia and management.

## **Executive Compensation Philosophy and Framework**

### *Compensation Objectives*

Our executive compensation program is designed to achieve three primary objectives:

1. Provide market competitive compensation opportunities to attract and retain executives and incent them to perform at their highest level.
2. Structure compensation, whether through salary, cash-based bonus plans or indirectly through appreciation of equity awards, that will ultimately contribute toward enhancing stockholder value.
- 3.

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Ensure actual compensation realized by executives is linked to the attainment and furtherance of our long-term business strategies, and in turn, the interests of our stockholders.

Accordingly, our executive officers are primarily rewarded for successfully meeting quantitative performance goals which are directly related to generating positive returns for our stockholders.

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The company uses the following compensation programs to achieve these objectives:

Compensation Element	Compensation Objective(s) Supported
Base Salary	#1 and #2
Annual Bonus	#1, #2 and #3
Equity Awards	#1, #2 and #3
Benefits	#1

*Target Pay Position/Mix of Pay*

The main components of our executive compensation program are base salary, annual bonus and equity grants. The three elements are discussed in greater detail below under Elements and Evaluation of Executive Compensation. For each of these three elements, our strategy has been to examine peer group and relevant industry compensation practices and target the 50<sup>th</sup> percentile of our market. The Compensation Committee has historically approved compensation levels for officers above and below the target pay position, based on experience, individual contribution and company performance relative to the peer group, to ensure an appropriate pay-for-performance alignment. The Compensation Committee does not aim to deliver a specified percentage of pay through each form of compensation; rather, it adheres to the overall principle of delivering the majority of compensation in variable, performance-based forms.

*Compensation Benchmarking*

The Compensation Committee, with the advice of its independent consultant, established a peer group in 2007 to evaluate our executive compensation program. This peer group is comprised of the following 23 software companies that we believe are comparable on the basis of market capitalization, competition for labor, revenue and number of employees:

Actuate Corporation	EPIQ Systems, Inc.	Omnicell, Inc.
Advent Software, Inc.	i2 Technologies, Inc.	Pegasystems, Inc.
Ansys, Inc.	Informatica Corporation	QAD, Inc.
Aspen Technology, Inc.	JDA Software, Inc.	S1 Corporation
Blackboard, Inc.	Magma Design Automation, Inc.	SPSS, Inc.
Bottomline Technologies, Inc.	Manhattan Associates, Inc.	Tier Technologies, Inc.
Concur Technologies, Inc.	MicroStrategy, Inc.	Tyler Technologies, Inc.
Epicor Software, Inc.	MSC Software Corporation	

In addition to the compensation practices of the above companies, the Compensation Committee also reviews the executive pay practices of other similarly sized software companies with whom we compete for talent as reported in the Radford High-Technology Executive Compensation Survey. This information is considered when making recommendations for each element of compensation as well as total compensation. The peer group is reviewed annually by the Compensation Committee and adjustments are made as necessary to ensure the peer group continues to properly reflect the market in which we compete for talent.

*Tally Sheets*

The Compensation Committee periodically reviews tally sheets for the named executive officers and other executive officers and utilizes them, along with peer group analyses, in making its compensation decisions. These tally sheets affix dollar amounts to each component of compensation for the executive officers, including current pay (salary and cash and equity incentive bonuses), outstanding equity awards, benefits, perquisites and potential change in control severance payments. These tally sheets are only one tool used by the Compensation Committee in its deliberative process of evaluating the total amount of compensation provided to each executive officer and the impact that any

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adjustment to the various elements of each officer's current compensation will have on total compensation. Tally sheets are not used in any formulaic manner to dictate pay decisions.

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**Base Salary.** Salary is one of the few fixed pay elements in our program and is used to ensure a base level of compensation. The salaries of our executive officers are based on peer group studies, individual experience and contribution, corporate performance and historical compensation practices for such officers.

The table below shows each named executive officer's base salary for 2006 and 2007, the amount of the increase, if any, and the percentage increase for 2007.

Name	2006 Salary	2007 Salary	\$ Increase	% Increase
Marc E. Chardon	\$ 525,000	\$ 543,375	\$ 18,375	3.50%
Timothy V. Williams	\$ 275,000	\$ 286,000	\$ 11,000	4.00%
Charlie Cumbaa	\$ 255,000	\$ 263,925	\$ 8,925	3.50%
Lee Gartley <sup>(1)</sup>		\$ 234,000		
Chuck Longfield <sup>(1)</sup>		\$ 260,000 <sup>(2)</sup>		

(1) Messrs. Gartley and Longfield became employees of Blackbaud in connection with our acquisition of Target Software, Inc. and Target Analysis Group, Inc. in January 2007.

(2) Mr. Longfield's annual base salary was set at \$260,000, but Mr. Longfield received \$226,667 due to unpaid leave taken during 2007.

**Benefits and Perquisites.** It is the Compensation Committee's goal to generally provide the same benefits to our executive officers as is provided to all of our employees. Accordingly, the executive officers are entitled to receive certain cash benefits which are received by all of our eligible employees. These benefits include a matching contribution to our 401(k) plan, payment of life and disability insurance premiums and dividends paid on restricted stock. Certain executive officers also receive an automobile allowance and/or an equipment subsidy which the Compensation Committee believes enhances the recruitment and retention of these individuals.

**Performance-Based Annual Bonus.** Our corporate annual cash bonus plan provides for the payment of cash bonuses based on our performance in relation to predetermined company objectives and individual performance goals. Bonus targets in 2007 were equal to approximately 85% of base salary for Mr. Chardon, 50% of base salary for Messrs. Williams and Cumbaa and 40% of base salary for Messrs. Gartley and Longfield.

Each individual's maximum potential bonus is determined based on the achievement of objective, corporate performance goals. For 2007, the performance metrics of the annual cash bonus plan included revenue (70% weighting) and adjusted EBIT (30% weighting). For purposes of the corporate annual cash bonus plan, adjusted EBIT means the sum of the following determined on a consolidated basis, without duplication, for us and our subsidiaries in accordance with generally accepted accounting principles: (a) net income plus (b) the sum of the following to the extent deducted in determining net income (i) income and franchise taxes, (ii) interest expense, and (iii) bonus expense less (c) interest income and any extraordinary gains.

The determination of an individual's maximum potential bonus is based on the following matrix.

	Performance/Payout			
	Below Threshold	Threshold	Target	Maximum
Revenue as % of Target	<90%	90%	100%	120%
Adjusted EBIT as % of Target	<90%	90%	100%	120%
Maximum Individual Potential Bonus as % of Target	0%	50%	100%	200%

The threshold revenue and adjusted EBIT must both be achieved for any bonus to be paid under the plan.

Messrs. Williams, Gartley and Longfield's bonus awards are determined entirely on the foregoing. Eighty percent (80%) of Mr. Chardon's bonus is based on the achievement of corporate performance as described above,





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while twenty percent (20%) of Mr. Chardon's bonus is based on the Compensation Committee's subjective evaluation of Mr. Chardon's performance during the year. Mr. Cumbaa's annual cash bonus is determined based on a blend of corporate performance as described above (50%) and the achievement of revenue goals for the professional services business unit (50%) for which Mr. Cumbaa has responsibility.

Our revenue and adjusted EBIT performance in 2007 was 100.8% and 101.6% of target, respectively, which results in a maximum potential bonus under the plan equal to 105% of target payout. The Non-Equity Incentive Plan Compensation column contained in the Summary Compensation Table below details the payments made to the named executive officers under the 2007 annual cash bonus plan.

As discussed above, based on our revenue and adjusted EBIT performance in 2007, the maximum potential bonus for achievement of our corporate goals was equal to 105%. Accordingly, the 2007 bonus for each of Messrs. Williams, Gartley and Longfield were equal to 105% of their target bonus amount. Mr. Chardon received \$391,230 for the corporate performance component of his 2007 bonus (105% of the 80% of total target bonus assigned to corporate performance). Mr. Chardon also received \$139,725 for the individual component of his 2007 bonus, which is equal to 150% of the 20% of total target bonus assigned to individual performance. The Compensation Committee set the individual component of Mr. Chardon's 2007 bonus at 150% due to Mr. Chardon's strong leadership and performance during 2007, a year in which our total revenue increased 34% compared to 2006 and during which we acquired and began the successful integration of three companies.

Mr. Cumbaa received \$62,352 for the corporate performance component of his 2007 bonus (105% of the 50% of total target bonus assigned to corporate performance). Mr. Cumbaa also received an additional \$64,728 for the component of his bonus related to our professional business unit meeting certain revenue goals. The revenue performance for this business unit was equal to 109% of target, and accordingly, Mr. Cumbaa was awarded 109% of the 50% of his target bonus for this component.

Mr. Chardon recommended and the Compensation Committee approved the payments to the named executive officers, except for himself.

**Equity Incentive Programs.** Long-term equity incentives, including restricted stock, stock-settled stock appreciation rights ( SARs ) and stock options granted pursuant to our 2004 Stock Plan and stock options granted pursuant to our 2001 and 1999 Stock Option Plans, are intended to help align the interests of executive officers with our stockholders. Since 2005, we granted executive officers a mix of stock options or SARs and restricted stock. In 2006, 75% of an executive's award was granted in the form of SARs that vest 100% after three years and 25% was granted in the form of restricted stock that vest in equal annual installments over four years.

As part of its engagement in 2007, the Compensation Committee instructed Compensia to evaluate the Company's executive equity program and identify improvement opportunities that would support the Committee's objectives of:

retaining key executives that have performed well for stockholders to date;

continuing to incentivize executives to increase stockholder value; and

aligning the financial interests of management with those of its stockholders.

At the conclusion of this process, the Compensation Committee approved a framework that serves as the basis for the named executive officers (other than the Chief Executive Officer) equity awards listed in the Grant of Plan-Based Awards Table below. The details and rationale behind the approved equity award framework is as follows:

beginning in November 2007, equity grant value was delivered 50% in SARs and 50% in restricted stock to provide a better balance between retention and incentives to increase stockholder value;

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many executives are substantially vested in their past equity awards, and thus, there is less retention value from existing awards;

the vesting schedule for SARs will now be the same as restricted stock (four equal annual amounts from the date of grant) which will conform to market norms and also enhance retention because of the additional year of vesting; and

equity awards will be targeted to the 50<sup>th</sup> percentile of our market, which is higher than our historical practices. This strategy supports our overall objective of paying our executives competitively, yet through variable compensation that will align the financial interests of executives with those of stockholders

Finally and for 2007 only, the Compensation Committee agreed to award equity at two times the 50<sup>th</sup> percentile, or approximately the 75<sup>th</sup> percentile. This action was taken to address retention concerns at the executive level that arose due to the significant vested position of most executives and historically below market equity awards. The Compensation Committee fully intends and expects to make equity awards closer to the 50<sup>th</sup> percentile levels in 2008.

In connection with entering into the employment agreement with Mr. Chardon on November 28, 2005, we granted Mr. Chardon an option to purchase 800,000 shares of our common stock. This stock option vested as to 25% of the shares on the first anniversary of the date of grant (November 28, 2006), with 1/12 of the shares vesting every three months thereafter until fully vested. We also granted Mr. Chardon 34,938 shares of restricted common stock on November 28, 2005, 25% of which have or shall vest on the first, second, third and fourth anniversary of the date of grant. On November 9, 2006 and November 6, 2007, the Compensation Committee granted 21,028 and 22,500 shares of restricted stock, respectively, to Mr. Chardon, 25% of which shall vest on the first, second, third and fourth anniversary of the date of grant as provided in his agreement. Mr. Chardon's employment agreement provides for an annual grant of restricted stock at a value of no less than \$562,500.

The table below lists the SARs and restricted stock awards made to each named executive officer in 2007, including Mr. Chardon's restricted share grant. These grants were made on November 6, 2007, and the closing price of our common stock on the Nasdaq Global Select Market on that date was \$26.97. Grant levels are structured in consideration of peer group practice with respect to the economic value of equity compensation (i.e., the Black-Scholes value of stock options and SARs and fair value of restricted stock on the date of grant), individual performance, criticality of role, the expected future contribution and long-term retention of the executive and our performance compared to the peer group.

Name	Number of SARs	Number of Restricted Shares
Marc E. Chardon		22,500
Timothy V. Williams	53,333	16,000
Charles T. Cumbaa	53,333	16,000
Lee W. Gartley	43,333	13,000
Charles L. Longfield	36,133	10,840

**2007 Total Compensation.** The Compensation Committee believes it is fulfilling our compensation objectives and in particular, rewarding executive officers in a manner that supports our strong pay-for-performance philosophy. Executive compensation is tied directly to our performance and is structured to ensure that there is an appropriate balance between our long-term and short-term performance, a balance between our operational performance and stockholder return, and effective retention of management team that the Compensation Committee has been critical to Blackbaud's success and stockholder value creation.

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**Equity Grant Policy**

We do not have any programs, plans or practices with respect to the timing of equity grants in coordination with the