

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 000-50600

blackbaud®

Blackbaud, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11-2617163

(I.R.S. Employer Identification No.)

65 Fairchild Street

Charleston, South Carolina 29492

(Address of principal executive offices, including zip code)

(843) 216-6200

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on which Registered</u>
Common Stock, \$0.001 Par Value	BLKB	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the registrant's Common Stock outstanding as of July 29, 2020 was 49,575,132.

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► CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the documents incorporated herein by reference, contains forward-looking statements that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These "forward-looking statements" are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements consist of, among other things, specific and overall impacts of the COVID-19 global pandemic on our financial condition and results of operations and on the markets and communities in which we and our customers and partners operate, trend analyses, statements regarding future events, future financial performance, our anticipated growth, the effect of general economic and market conditions, our business strategy and our plan to build and grow our business, our operating results, our ability to successfully integrate acquired businesses and technologies, the effect of foreign currency exchange rate and interest rate fluctuations on our financial results, the impact of expensing stock-based compensation, the sufficiency of our capital resources, our ability to meet our ongoing debt and obligations as they become due, and potential litigation involving us, all of which are based on current expectations, estimates, and forecasts, and the beliefs and assumptions of our management. Words such as "believes," "seeks," "expects," "may," "might," "should," "intends," "could," "would," "likely," "will," "targets," "plans," "anticipates," "aims," "projects," "estimates" or any variations of such words and similar expressions are also intended to identify such forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Accordingly, they should not be viewed as assurances of future performance, and actual results may differ materially and adversely from those expressed in any forward-looking statements.

Important factors that could cause actual results to differ materially from our expectations expressed in forward-looking statements include, but are not limited to, those summarized under "Part II, Item 1A. Risk factors" and elsewhere in this report, in our Annual Report on Form 10-K for the year ended December 31, 2019 and in our other SEC filings. Forward-looking statements represent our management's beliefs and assumptions only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update or revise any forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statement, whether as a result of new information, future events or otherwise.

► PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Blackbaud, Inc. Condensed Consolidated Balance Sheets (Unaudited)

(dollars in thousands)	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,531	\$ 31,810
Restricted cash due to customers	421,915	545,485
Accounts receivable, net of allowance of \$9,025 and \$5,529 at June 30, 2020 and December 31, 2019, respectively	129,675	88,868
Customer funds receivable	1,284	524
Prepaid expenses and other current assets	83,699	67,852
Total current assets	667,104	734,539
Property and equipment, net	36,539	35,546
Operating lease right-of-use assets	95,575	104,400
Software development costs, net	106,044	101,302
Goodwill	630,687	634,088
Intangible assets, net	292,187	317,895
Other assets	68,673	65,193
Total assets	\$ 1,896,809	\$ 1,992,963
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 41,029	\$ 47,676
Accrued expenses and other current liabilities	52,893	73,317
Due to customers	423,199	546,009
Debt, current portion	9,194	7,500
Deferred revenue, current portion	332,570	314,335
Total current liabilities	858,885	988,837
Debt, net of current portion	478,919	459,600
Deferred tax liability	45,108	44,594
Deferred revenue, net of current portion	4,626	1,802
Operating lease liabilities, net of current portion	86,586	95,624
Other liabilities	11,883	5,742
Total liabilities	1,486,007	1,596,199
Commitments and contingencies (see Note 9)		
Stockholders' equity:		
Preferred stock; 20,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.001 par value; 180,000,000 shares authorized, 60,901,100 and 60,206,091 shares issued at June 30, 2020 and December 31, 2019, respectively	61	60
Additional paid-in capital	491,450	457,804
Treasury stock, at cost; 11,332,912 and 11,066,354 shares at June 30, 2020 and December 31, 2019, respectively	(311,661)	(290,665)
Accumulated other comprehensive loss	(14,476)	(5,290)
Retained earnings	245,428	234,855
Total stockholders' equity	410,802	396,764
Total liabilities and stockholders' equity	\$ 1,896,809	\$ 1,992,963

The accompanying notes are an integral part of these condensed consolidated financial statements.

Blackbaud, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(dollars in thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue				
Recurring	\$ 216,260	\$ 208,468	\$ 421,127	\$ 406,562
One-time services and other	15,731	17,166	34,485	34,902
Total revenue	231,991	225,634	455,612	441,464
Cost of revenue				
Cost of recurring	91,370	86,657	180,921	171,368
Cost of one-time services and other	13,569	14,150	28,883	28,722
Total cost of revenue	104,939	100,807	209,804	200,090
Gross profit	127,052	124,827	245,808	241,374
Operating expenses				
Sales, marketing and customer success	51,954	55,009	110,689	110,464
Research and development	24,895	25,902	49,872	54,363
General and administrative	29,842	28,543	55,697	55,660
Amortization	729	1,152	1,470	2,528
Restructuring	50	730	74	2,683
Total operating expenses	107,470	111,336	217,802	225,698
Income from operations	19,582	13,491	28,006	15,676
Interest expense	(3,893)	(5,799)	(8,052)	(11,122)
Other income, net	630	2,181	1,700	2,363
Income before provision for income taxes	16,319	9,873	21,654	6,917
Income tax provision	4,496	2,733	5,192	899
Net income	\$ 11,823	\$ 7,140	\$ 16,462	\$ 6,018
Earnings per share				
Basic	\$ 0.25	\$ 0.15	\$ 0.34	\$ 0.13
Diluted	\$ 0.24	\$ 0.15	\$ 0.34	\$ 0.13
Common shares and equivalents outstanding				
Basic weighted average shares	48,239,928	47,714,621	48,138,125	47,622,740
Diluted weighted average shares	48,418,378	48,160,684	48,465,077	48,101,212
Other comprehensive loss				
Foreign currency translation adjustment	(887)	(6,018)	(6,615)	(1,428)
Unrealized gain (loss) on derivative instruments, net of tax	551	(1,939)	(2,571)	(2,871)
Total other comprehensive loss	(336)	(7,957)	(9,186)	(4,299)
Comprehensive income (loss)	\$ 11,487	\$ (817)	\$ 7,276	\$ 1,719

The accompanying notes are an integral part of these condensed consolidated financial statements.

Blackbaud, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(dollars in thousands)	Six months ended June 30,	
	2020	2019
Cash flows from operating activities		
Net income	\$ 16,462	\$ 6,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,088	43,113
Provision for credit losses and sales returns	6,677	4,646
Stock-based compensation expense	33,713	28,755
Deferred taxes	1,945	465
Amortization of deferred financing costs and discount	376	376
Other non-cash adjustments	477	1,982
Changes in operating assets and liabilities, net of acquisition and disposal of businesses:		
Accounts receivable	(48,167)	(45,071)
Prepaid expenses and other assets	(7,068)	(12,725)
Trade accounts payable	(8,984)	216
Accrued expenses and other liabilities	(26,520)	(9,014)
Deferred revenue	22,489	26,328
Net cash provided by operating activities	37,488	45,089
Cash flows from investing activities		
Purchase of property and equipment	(5,887)	(6,375)
Capitalized software development costs	(21,679)	(23,206)
Purchase of net assets of acquired companies, net of cash and restricted cash acquired	—	(109,386)
Other investing activities	—	500
Net cash used in investing activities	(27,566)	(138,467)
Cash flows from financing activities		
Proceeds from issuance of debt	202,100	329,100
Payments on debt	(185,250)	(155,150)
Employee taxes paid for withheld shares upon equity award settlement	(20,996)	(19,760)
Proceeds from exercise of stock options	4	6
Change in due to customers	(121,612)	(107,808)
Change in customer funds receivable	(828)	(3,741)
Dividend payments to stockholders	(5,960)	(11,802)
Net cash (used in) provided by financing activities	(132,542)	30,845
Effect of exchange rate on cash, cash equivalents and restricted cash	(2,229)	(526)
Net decrease in cash, cash equivalents and restricted cash	(124,849)	(63,059)
Cash, cash equivalents and restricted cash, beginning of period	577,295	449,846
Cash, cash equivalents and restricted cash, end of period	\$ 452,446	\$ 386,787

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown above in the condensed consolidated statements of cash flows:

(dollars in thousands)	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 30,531	\$ 31,810
Restricted cash due to customers	421,915	545,485
Total cash, cash equivalents and restricted cash in the statement of cash flows	\$ 452,446	\$ 577,295

The accompanying notes are an integral part of these condensed consolidated financial statements.

Blackbaud, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

(dollars in thousands)	Common stock		Additional paid-in capital	Treasury stock	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
	Shares	Amount					
Balance at December 31, 2019	60,206,091	\$ 60	\$ 457,804	\$ (290,665)	\$ (5,290)	\$ 234,855	\$ 396,764
Net income	—	—	—	—	—	4,639	4,639
Payment of dividends (\$0.12 per share)	—	—	—	—	—	(5,960)	(5,960)
Exercise of stock options and vesting of restricted stock units	210,057	—	1	—	—	—	1
Employee taxes paid for 245,358 withheld shares upon equity award settlement	—	—	—	(19,782)	—	—	(19,782)
Stock-based compensation	—	—	13,539	—	—	41	13,580
Restricted stock grants	563,947	1	—	—	—	—	1
Restricted stock cancellations	(47,456)	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	(8,850)	—	(8,850)
Balance at March 31, 2020	60,932,639	\$ 61	\$ 471,344	\$ (310,447)	\$ (14,140)	\$ 233,575	\$ 380,393
Net income	—	—	—	—	—	11,823	11,823
Exercise of stock options and vesting of restricted stock units	7,111	—	3	—	—	—	3
Employee taxes paid for 21,200 withheld shares upon equity award settlement	—	—	—	(1,214)	—	—	(1,214)
Stock-based compensation	—	—	20,103	—	—	30	20,133
Restricted stock grants	20,776	—	—	—	—	—	—
Restricted stock cancellations	(59,426)	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	(336)	—	(336)
Balance at June 30, 2020	60,901,100	\$ 61	\$ 491,450	\$ (311,661)	\$ (14,476)	\$ 245,428	\$ 410,802

Blackbaud, Inc.
Condensed Consolidated statements of stockholders' equity (continued)
(Unaudited)

(dollars in thousands)	Common stock		Additional paid-in capital	Treasury stock	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
	Shares	Amount					
Balance at December 31, 2018	59,327,633	\$ 59	\$ 399,241	\$ (266,884)	\$ (5,110)	\$ 246,477	\$ 373,783
Net loss	—	—	—	—	—	(1,122)	(1,122)
Payment of dividends (\$0.12 per share)	—	—	—	—	—	(5,901)	(5,901)
Exercise of stock options and stock appreciation rights and vesting of restricted stock units	234,453	—	3	—	—	—	3
Employee taxes paid for 239,311 withheld shares upon equity award settlement	—	—	—	(18,400)	—	—	(18,400)
Stock-based compensation	—	—	13,693	—	—	33	13,726
Restricted stock grants	663,906	1	—	—	—	—	1
Restricted stock cancellations	(43,314)	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	3,658	—	3,658
Balance at March 31, 2019	60,182,678	\$ 60	\$ 412,937	\$ (285,284)	\$ (1,452)	\$ 239,487	\$ 365,748
Net income	—	—	—	—	—	7,140	7,140
Payment of dividends (\$0.12 per share)	—	—	—	—	—	(5,901)	(5,901)
Exercise of stock options and stock appreciation rights and vesting of restricted stock units	21,726	—	3	—	—	—	3
Employee taxes paid for 17,119 withheld shares upon equity award settlement	—	—	—	(1,360)	—	—	(1,360)
Stock-based compensation	—	—	15,010	—	—	19	15,029
Restricted stock grants	12,405	—	—	—	—	—	—
Restricted stock cancellations	(29,746)	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	(7,957)	—	(7,957)
Balance at June 30, 2019	60,187,063	\$ 60	\$ 427,950	\$ (286,644)	\$ (9,409)	\$ 240,745	\$ 372,702

The accompanying notes are an integral part of these condensed consolidated financial statements.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization

We are the world's leading cloud software company powering social good. Serving the entire social good community—nonprofits, higher education institutions, K–12 schools, healthcare organizations, faith communities, arts and cultural organizations, foundations, companies and individual change agents—we connect and empower organizations to increase their impact through cloud software, services, expertise and data intelligence. Our portfolio is tailored to the unique needs of vertical markets, with solutions for fundraising and CRM, marketing, advocacy, peer-to-peer fundraising, corporate social responsibility, school management, ticketing, grantmaking, financial management, payment processing and analytics. Serving the industry for more than three decades, we are headquartered in Charleston, South Carolina, and have operations in the United States, Australia, Canada, Costa Rica and the United Kingdom.

2. Basis of Presentation

Unaudited condensed consolidated interim financial statements

The accompanying condensed consolidated interim financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial reporting. These consolidated statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to state fairly the consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of stockholders' equity, for the periods presented in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP"). The consolidated balance sheet at December 31, 2019 has been derived from the audited consolidated financial statements at that date. Operating results and cash flows for the six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2020, or any other future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations for interim reporting of the SEC. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019, and other forms filed with the SEC from time to time.

Basis of consolidation

The condensed consolidated financial statements include the accounts of Blackbaud, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Reportable segment

We report our operating results and financial information in one operating and reportable segment. Our chief operating decision maker uses consolidated financial information to make operating decisions, assess financial performance and allocate resources. Our chief operating decision maker is our chief executive officer ("CEO").

Risks and uncertainties

Impact of COVID-19

We are subject to risks and uncertainties as a result of the global COVID-19 pandemic. We expect that COVID-19 will impact all of our vertical markets across all of our geographies to some degree, but the significance and duration of the impact on our business cannot be determined at this time due to numerous uncertainties, including the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and business closures, the effectiveness of actions taken to contain the disease and other unforeseeable consequences.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we reconsider and evaluate our estimates and assumptions, including those that impact revenue recognition, long-lived and intangible assets, income taxes, business combinations, stock-based compensation, capitalization of software development costs, our allowances for credit losses and sales returns, costs of obtaining contracts, valuation of derivative instruments and loss contingencies, among others. Changes in the facts or circumstances underlying these estimates due to COVID-19 could result in material changes and actual results could materially differ from these estimates.

Response to COVID-19

To better enable us to weather the extraordinary business challenges brought about by the global COVID-19 pandemic, to protect the safety and welfare of our employees, and to further effect our long-term strategy to deliver the greatest value to our stockholders, we have taken several actions. These initial measures taken are expected to provide us the financial flexibility needed to manage a wide array of outcomes that may result from the pandemic. Some of these actions include the following:

- Temporarily closed our offices worldwide and transitioned our employees to work remotely;
- Rescinded our previously announced policy to pay an annual dividend at a rate of \$0.48 per share of common stock and discontinued the declaration and payment of all cash dividends, beginning with the second quarter of 2020 and thereafter until such time, if any, as our Board of Directors may otherwise determine in its sole discretion;
- Temporarily suspended our 401(k)-match program, whereby we have historically matched 50% of qualified U.S. employees' contributions to our 401(k) plan up to 6% of their salaries, effective with the payroll period commencing April 1, 2020;
- Temporarily froze our hiring efforts and implemented a modest and targeted headcount reduction, though we have since began backfilling sales positions;
- Michael Gianoni, our President and Chief Executive Officer, elected to forego receipt of all but that portion of his base salary necessary to fund, on a pre-tax basis, his contributions to continue to participate in our health benefits plan, between April 1, 2020 and June 16, 2020;
- Restricted non-essential employee travel and put in place other operating cost containment actions;
- All of our employees with a base salary equal to or less than \$75 thousand received financial support in the form of a one-time bonus of \$1 thousand on April 30, 2020;
- On May 1, 2020, we granted restricted stock units with a total grant date fair value of \$8.3 million to our employees that were eligible for base salary merit increases in lieu of such increases, which will vest on May 1, 2021 subject to the recipient's continued employment with us;
- On May 1, 2020, we granted performance-based restricted stock units with a total grant date fair value of \$34.4 million to our employees that were eligible for a 2020 cash bonus plan in lieu of such cash bonus, which may be earned and become eligible for vesting on May 1, 2021 subject to meeting certain performance conditions and the recipient's continued employment with us.

Recently adopted accounting pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires certain types of financial instruments, including trade receivables, to be presented at the net amount expected to be collected based on historical events, current conditions and forward-looking information. We adopted ASU 2016-13 as of the January 1, 2020 effective date and the adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). ASU 2018-15 aligns the accounting for implementation costs related to a hosting arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. We adopted ASU 2018-15 prospectively as of the January 1, 2020 effective date and the adoption did not have a material impact on our consolidated financial statements.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Recently issued accounting pronouncements

There are no recently issued accounting pronouncements that are expected to have a material impact on our financial position or results of operations when adopted in the future.

Summary of significant accounting policies

Except for the accounting policies for allowance for credit losses and allowance for sales returns below that were updated as a result of adopting ASU 2016-13, there have been no new or material changes to our significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 20, 2020.

Allowance for credit losses

Our accounts receivable consist of a single portfolio segment. Accounts receivable are recorded at original invoice amounts less an allowance for credit losses, an amount we estimate to be sufficient to provide adequate protection against lifetime expected losses resulting from extending credit to our customers. In judging the adequacy of the allowance for credit losses, we consider multiple factors including historical bad debt experience, the current aging of our receivables and current economic conditions that may affect our customers' ability to pay. A considerable amount of judgment is required in assessing these factors and if any receivables were to deteriorate, an additional provision for credit losses could be required. Accounts are written off after all means of collection are exhausted and recovery is considered remote. Provisions for credit losses are recorded in general and administrative expense.

Below is a summary of the changes in our allowance for credit losses.

(in thousands)		Balance at beginning of year (1)		Provision/ adjustment		Write-off		Recovery		Balance at June 30, 2020
2020	\$	4,011	\$	3,708	\$	(554)	\$	243	\$	7,408

(1) Upon adoption of ASU 2016-13 at January 1, 2020, we reclassified certain balances previously disclosed within the allowance for sales returns to the allowance for credit losses, as these amounts reflect the credit risk associated with our accounts receivable.

The increase in our allowance for credit losses during the six months ended June 30, 2020 was primarily due to an increase in the aging of our receivables and observed changes in some of our customers' payment behavior associated with the COVID-19 pandemic. The increase in the amount of write-offs during the six months ended June 30, 2020 was insignificant.

Allowance for sales returns

We maintain a reserve for returns and credits which is estimated based on several factors including historical experience, known credits yet to be issued, the aging of customer accounts and the nature of service level commitments. A considerable amount of judgment is required in assessing these factors. Provisions for sales returns and credits are charged against the related revenue items.

Below is a summary of the changes in our allowance for sales returns.

(in thousands)		Balance at beginning of year (1)		Provision/ adjustment		Deduction		Balance at June 30, 2020
2020	\$	1,518	\$	2,969	\$	(2,870)	\$	1,617

(1) As discussed above, we reclassified certain balances previously disclosed within the allowance for sales returns to the allowance for credit losses upon adoption of ASU 2016-13 at January 1, 2020.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

3. Goodwill and Other Intangible Assets

The change in goodwill during the six months ended June 30, 2020, consisted of the following:

(dollars in thousands)	Total
Balance at December 31, 2019	\$ 634,088
Effect of foreign currency translation	(3,401)
Balance at June 30, 2020	\$ 630,687

4. Earnings Per Share

We compute basic earnings per share by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares and dilutive potential common shares outstanding during the period. Diluted earnings per share reflect the assumed exercise, settlement and vesting of all dilutive securities using the “treasury stock method” except when the effect is anti-dilutive. Potentially dilutive securities consist of shares issuable upon the exercise of stock options, settlement of stock appreciation rights and vesting of restricted stock awards and units.

The following table sets forth the computation of basic and diluted earnings per share:

(dollars in thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Numerator:				
Net income	\$ 11,823	\$ 7,140	\$ 16,462	\$ 6,018
Denominator:				
Weighted average common shares	48,239,928	47,714,621	48,138,125	47,622,740
Add effect of dilutive securities:				
Stock-based awards	178,450	446,063	326,952	478,472
Weighted average common shares assuming dilution	48,418,378	48,160,684	48,465,077	48,101,212
Earnings per share:				
Basic	\$ 0.25	\$ 0.15	\$ 0.34	\$ 0.13
Diluted	\$ 0.24	\$ 0.15	\$ 0.34	\$ 0.13
Anti-dilutive shares excluded from calculations of diluted earnings per share	1,484,976	245,060	1,329,519	748,743

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

5. Fair Value Measurements

We use a three-tier fair value hierarchy to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets;
- Level 2 - Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Recurring fair value measurements

Assets and liabilities that are measured at fair value on a recurring basis consisted of the following, as of the dates indicated below:

(dollars in thousands)	Fair value measurement using				Total
	Level 1	Level 2	Level 3		
Fair value as of June 30, 2020					
Financial liabilities:					
Derivative instruments	\$ —	\$ 5,233	\$ —	\$ —	\$ 5,233
Total financial liabilities	\$ —	\$ 5,233	\$ —	\$ —	\$ 5,233
Fair value as of December 31, 2019					
Financial liabilities:					
Derivative instruments	\$ —	\$ 1,757	\$ —	\$ —	\$ 1,757
Total financial liabilities	\$ —	\$ 1,757	\$ —	\$ —	\$ 1,757

Our derivative instruments within the scope of Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*, are required to be recorded at fair value. Our derivative instruments that are recorded at fair value include interest rate swaps.

The fair value of our interest rate swaps was based on model-driven valuations using LIBOR rates, which are observable at commonly quoted intervals. Accordingly, our interest rate swaps are classified within Level 2 of the fair value hierarchy. The Financial Conduct Authority in the U.K. has stated that it plans to phase out LIBOR by the end of calendar year 2021. We do not currently anticipate a significant impact to our financial position or results of operations as a result of this action as we expect that our financial contracts currently indexed to LIBOR will either expire or be modified before the phase out occurs.

We believe the carrying amounts of our cash and cash equivalents, restricted cash due to customers, accounts receivable, trade accounts payable, accrued expenses and other current liabilities and due to customers approximate their fair values at June 30, 2020 and December 31, 2019, due to the immediate or short-term maturity of these instruments.

We believe the carrying amount of our debt approximates its fair value at June 30, 2020 and December 31, 2019, as the debt bears interest rates that approximate market value. As LIBOR rates are observable at commonly quoted intervals, our debt is classified within Level 2 of the fair value hierarchy.

We did not transfer any assets or liabilities among the levels within the fair value hierarchy during the six months ended June 30, 2020. Additionally, we did not hold any Level 3 assets or liabilities during the six months ended June 30, 2020.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Non-recurring fair value measurements

Assets and liabilities that are measured at fair value on a non-recurring basis include intangible assets, goodwill and operating lease right-of-use ("ROU") assets, which are recognized at fair value during the period in which an acquisition is completed or at lease commencement, from updated estimates and assumptions during the measurement period, or when they are considered to be impaired. These non-recurring fair value measurements, primarily for long-lived assets, intangible assets acquired and operating lease ROU assets, are based on Level 3 unobservable inputs. In the event of an impairment, we determine the fair value of these assets other than goodwill using a discounted cash flow approach, which contains significant unobservable inputs and, therefore, is considered a Level 3 fair value measurement. The unobservable inputs in the analysis generally include future cash flow projections and a discount rate. For goodwill impairment testing, we estimate fair value using market-based methods including the use of market capitalization and consideration of a control premium.

During the six months ended June 30, 2020, we recorded an impairment charge of \$4.3 million against certain previously capitalized software development costs that reduced the carrying value of those assets to zero. The impairment charge is reflected in cost of recurring revenue and resulted primarily from our decision to accelerate the end of customer support for certain solutions. During the six months ended June 30, 2020, we also recorded an insignificant impairment of operating lease ROU assets associated with certain leased office space we ceased using. This impairment charge is reflected in general and administrative expense.

There were no other non-recurring fair value adjustments to our long-lived assets, intangible assets, operating lease ROU assets and goodwill during the six months ended June 30, 2020.

6. Consolidated Financial Statement Details

Prepaid expenses and other assets

(dollars in thousands)	June 30, 2020	December 31, 2019
Costs of obtaining contracts ⁽¹⁾⁽²⁾	\$ 89,080	\$ 90,764
Prepaid software maintenance and subscriptions ⁽³⁾	28,975	17,384
Implementation costs for cloud computing arrangements, net ⁽⁴⁾⁽⁵⁾	10,563	7,294
Unbilled accounts receivable	8,647	6,233
Prepaid insurance	2,638	1,585
Taxes, prepaid and receivable	842	849
Security deposits	861	885
Other assets	10,766	8,051
Total prepaid expenses and other assets	152,372	133,045
Less: Long-term portion	68,673	65,193
Prepaid expenses and other current assets	\$ 83,699	\$ 67,852

(1) Amortization expense from costs of obtaining contracts was \$9.4 million and \$18.9 million for the three and six months ended June 30, 2020, respectively, \$9.8 million and \$19.4 million for the three and six months ended June 30, 2019, respectively.

(2) The current portion of costs of obtaining contracts as of June 30, 2020 and December 31, 2019 was \$32.7 million and \$33.0 million, respectively.

(3) The current portion of prepaid software maintenance and subscriptions as of June 30, 2020 and December 31, 2019 was \$24.4 million and \$16.1 million, respectively.

(4) These costs, which were previously included in prepaid software maintenance and subscriptions, primarily relate to the multi-year implementations of our new global enterprise resource planning and customer relationship management systems.

(5) Amortization expense from capitalized cloud computing implementation costs was insignificant for the three and six months ended June 30, 2020 and 2019, respectively. Accumulated amortization for these costs was insignificant as of June 30, 2020 and December 31, 2019.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Accrued expenses and other liabilities

(dollars in thousands)	June 30, 2020	December 31, 2019
Operating lease liabilities, current portion	\$ 19,316	\$ 19,784
Accrued bonuses ⁽¹⁾	5	24,617
Accrued commissions and salaries	7,601	6,980
Taxes payable	12,576	6,835
Derivative instruments	5,233	1,757
Customer credit balances	5,032	4,505
Unrecognized tax benefit	3,833	3,758
Accrued vacation costs	2,278	2,232
Accrued health care costs	2,991	2,399
Other liabilities	5,911	6,192
Total accrued expenses and other liabilities	64,776	79,059
Less: Long-term portion	11,883	5,742
Accrued expenses and other current liabilities	\$ 52,893	\$ 73,317

(1) In March 2020, we reduced our accrued bonuses due to the payment of bonuses from the prior year and, in response to the global COVID-19 pandemic, determined to replace our 2020 cash bonus plans with performance-based equity awards (See Note 2).

Other income, net

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Interest income	\$ 110	\$ 525	\$ 632	\$ 1,179
Other income, net	520	1,656	1,068	1,184
Other income, net	\$ 630	\$ 2,181	\$ 1,700	\$ 2,363

7. Debt

The following table summarizes our debt balances and the related weighted average effective interest rates, which includes the effect of interest rate swap agreements.

(dollars in thousands)	Debt balance at		Weighted average effective interest rate at	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Credit facility:				
Revolving credit loans	\$ 207,600	\$ 187,000	2.41%	3.11%
Term loans	277,500	281,250	3.02%	3.22%
Other debt	3,926	—	5.00%	—%
Total debt	489,026	468,250	2.78%	3.18%
Less: Unamortized discount and debt issuance costs	913	1,150		
Less: Debt, current portion	9,194	7,500	2.29%	3.05%
Debt, net of current portion	\$ 478,919	\$ 459,600	2.78%	3.18%

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

2017 credit facility

In June 2017, we entered into a five-year \$700.0 million senior credit facility (the "2017 Credit Facility"). At June 30, 2020, we were in compliance with our debt covenants under the 2017 Credit Facility.

Other debt

In December 2019, we entered into a 51-month \$2.2 million agreement to finance our purchase of software and related services for our internal use. The agreement is a non-interest-bearing note requiring four equal annual payments, where the first payment was due in January 2020. Interest associated with the note has been imputed at the rate we would incur for amounts borrowed under the 2017 Credit Facility.

In January 2020, we entered into an additional 39-month \$3.5 million agreement to finance our purchase of software and related services for our internal use. The agreement is a non-interest-bearing note requiring three equal annual payments, where the first payment was due in March 2020. Interest associated with the note has been imputed at the rate we would incur for amounts borrowed under the 2017 Credit Facility.

As of June 30, 2020, the required annual maturities related to the 2017 Credit Facility and other debt were as follows:

Years ending December 31, (dollars in thousands)	Annual maturities
2020 - remaining	\$ 3,750
2021	9,194
2022	475,544
2023	538
2024	—
Thereafter	—
Total required maturities	\$ 489,026

8. Derivative Instruments**Cash flow hedges**

We generally use derivative instruments to manage our variable interest rate risk. We have entered into interest rate swap agreements, which effectively convert portions of our variable rate debt under the 2017 Credit Facility to a fixed rate for the term of the swap agreements. We designated each of the interest rate swap agreements as a cash flow hedge at the inception of the contracts.

The terms and notional values of our derivative instruments were as follows as of June 30, 2020:

(dollars in thousands)	Term of derivative instrument	Notional Value
Derivative instruments designated as hedging instruments:		
Interest rate swap	July 2017 - July 2021	\$ 150,000
Interest rate swap	February 2018 - June 2021	50,000
Interest rate swap	June 2019 - June 2021	75,000
		\$ 275,000

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The fair values of our derivative instruments were as follows as of:

(dollars in thousands)	Balance sheet location	Liability Derivatives	
		June 30, 2020	December 31, 2019
Derivative instruments designated as hedging instruments:			
Interest rate swaps, current portion	Accrued expenses and other current liabilities \$	2,515 \$	—
Interest rate swaps, long-term portion	Other liabilities	2,718	1,757
Total derivative instruments designated as hedging instruments		\$ 5,233 \$	1,757

The effects of derivative instruments in cash flow hedging relationships were as follows:

(dollars in thousands)	Gain (loss) recognized in accumulated other comprehensive loss as of	Location of gain (loss) reclassified from accumulated other comprehensive loss into income	Gain (loss) reclassified from accumulated other comprehensive loss into income	
			June 30, 2020	June 30, 2020
Interest rate swaps	\$ (5,233)	Interest expense \$	(1,018)	\$ (1,223)
	June 30, 2019		Three months ended June 30, 2019	Six months ended June 30, 2019
Interest rate swaps	\$ (1,826)	Interest expense \$	244	\$ 473

Our policy requires that derivatives used for hedging purposes be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accumulated other comprehensive income (loss) includes unrealized gains or losses from the change in fair value measurement of our derivative instruments each reporting period and the related income tax expense or benefit. Changes in the fair value measurements of the derivative instruments and the related income tax expense or benefit are reflected as adjustments to accumulated other comprehensive income (loss) until the actual hedged expense is incurred or until the hedge is terminated at which point the unrealized gain (loss) is reclassified from accumulated other comprehensive income (loss) to current earnings. The estimated accumulated other comprehensive loss as of June 30, 2020 that is expected to be reclassified into earnings within the next twelve months is \$5.1 million. There were no ineffective portions of our interest rate swap derivatives during the six months ended June 30, 2020 and 2019. See Note 12 for a summary of the changes in accumulated other comprehensive income (loss) by component.

9. Commitments and Contingencies

Leases

We have operating leases for corporate offices, subleased offices and certain equipment and furniture. As of June 30, 2020, we had operating leases for equipment that had not yet commenced with future rent payments of \$0.9 million. These operating leases are expected to commence during 2020 with lease terms of 5 years.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The components of lease expense were as follows:

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Operating lease cost ⁽¹⁾⁽²⁾	\$ 6,281	\$ 5,894	\$ 12,592	\$ 11,894
Variable lease cost	1,113	988	2,371	1,979
Sublease income	(940)	(755)	(1,853)	(1,459)
Net lease cost	\$ 6,454	\$ 6,127	\$ 13,110	\$ 12,414

(1) Includes short-term lease costs, which were immaterial.

(2) See Note 15 for a discussion of the pending purchase of our Headquarters Facility that we currently lease.

Other commitments

The term loans under the 2017 Credit Facility require periodic principal payments. The balance of the term loans and any amounts drawn on the revolving credit loans are due upon maturity of the 2017 Credit Facility in June 2022.

We have contractual obligations for third-party technology used in our solutions and for other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us. As of June 30, 2020, the remaining aggregate minimum purchase commitment under these arrangements was approximately \$90.5 million through 2024.

Solution and service indemnifications

In the ordinary course of business, we provide certain indemnifications of varying scope to customers against claims of intellectual property infringement made by third parties arising from the use of our solutions or services. If we determine that it is probable that a loss has been incurred related to solution or service indemnifications, any such loss that could be reasonably estimated would be recognized. We have not identified any losses and, accordingly, we have not recorded a liability related to these indemnifications.

Security incident

We are subject to risks and uncertainties as a result of a ransomware attack against us in May 2020 in which a cybercriminal removed a copy of a subset of data from our self-hosted environment (the "Incident"). Based on the nature of the Incident, our research and third party (including law enforcement) investigation, we have no reason to believe that any data went beyond the cybercriminal, was or will be misused, or will be disseminated or otherwise made available publicly. Our investigation into the Incident by our cybersecurity team and third-party forensic advisors remains ongoing. We incurred insignificant costs associated with the Incident during the three months ended June 30, 2020. It is expected that we will continue to experience increased costs related to our response to the Incident and our efforts to further enhance our security measures. Because we are unable at this time to reasonably estimate the possible loss or range of loss, we have not recorded a liability related to the Incident as of June 30, 2020.

Legal proceedings

We are subject to legal proceedings and claims that arise in the ordinary course of business. We make a provision for a loss contingency when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Unless otherwise specifically disclosed in this note, we have determined as of June 30, 2020, that no provision for liability nor disclosure is required related to any claim against us because (a) there is not a reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim; (b) a reasonably possible loss or range of loss cannot be estimated; or (c) such estimate is immaterial. All legal costs associated with litigation are expensed as incurred. Litigation is inherently unpredictable. However, we believe that we have valid defenses with respect to the legal matters pending against us. It is possible, nevertheless, that our consolidated financial position, results of operations or cash flows could be negatively affected in any particular period by an unfavorable resolution of one or more of such proceedings, claims or investigations.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

10. Income Taxes

Our income tax provision and effective income tax rates, including the effects of period-specific events, were:

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Income tax provision	\$ 4,496	\$ 2,733	\$ 5,192	\$ 899
Effective income tax rate	27.6%	27.7%	24.0%	13.0%

The increase in our effective income tax rate during the six months ended June 30, 2020, when compared to the same period in 2019, was primarily attributable to improved 2020 profitability and changes in jurisdictional mix and reduced 2020 non-deductible costs. Furthermore, our 2020 effective tax rate was negatively impacted by a decrease in the total discrete benefit to income tax expense related to stock-based compensation.

11. Stock-based Compensation

Stock-based compensation expense is allocated to cost of revenue and operating expenses on the consolidated statements of comprehensive income based on where the associated employee's compensation is recorded. The following table summarizes stock-based compensation expense:

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Included in cost of revenue:				
Cost of recurring	\$ 1,151	\$ 451	\$ 1,621	\$ 963
Cost of one-time services and other	1,419	340	1,814	802
Total included in cost of revenue	2,570	791	3,435	1,765
Included in operating expenses:				
Sales, marketing and customer success	3,603	2,827	6,081	5,738
Research and development	4,348	2,753	7,147	5,427
General and administrative	9,612	8,658	17,050	15,825
Total included in operating expenses	17,563	14,238	30,278	26,990
Total stock-based compensation expense	\$ 20,133	\$ 15,029	\$ 33,713	\$ 28,755

See Note 2 for discussion of the additional equity award grants we made in response to COVID-19 pandemic.

12. Stockholders' Equity

Dividends

In March 2020, in response to the global COVID-19 pandemic, our Board of Directors rescinded its previously announced policy to pay an annual dividend at a rate of \$0.48 per share of common stock and discontinued the declaration and payment of all cash dividends, beginning with the second quarter of 2020 and thereafter until such time, if any, as it may otherwise determine in its sole discretion.

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Dividends paid on common stock during the six months ended June 30, 2020, consisted of the following:

Declaration Date	Dividend per Share	Record Date	Payable Date
February 10, 2020	\$ 0.12	February 28	March 13

Changes in accumulated other comprehensive income (loss) by component

The changes in accumulated other comprehensive income (loss) by component, consisted of the following:

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Accumulated other comprehensive loss, beginning of period	\$ (14,140)	\$ (1,452)	\$ (5,290)	\$ (5,110)
By component:				
Gains and losses on cash flow hedges:				
Accumulated other comprehensive (loss) income balance, beginning of period	\$ (4,445)	\$ 566	\$ (1,323)	\$ 1,498
Other comprehensive loss before reclassifications, net of tax effects of \$71, \$628, \$1,225 and \$904	(200)	(1,759)	(3,473)	(2,522)
Amounts reclassified from accumulated other comprehensive loss to interest expense	1,018	(244)	1,223	(473)
Tax (benefit) expense included in provision for income taxes	(267)	64	(321)	124
Total amounts reclassified from accumulated other comprehensive loss	751	(180)	902	(349)
Net current-period other comprehensive income (loss)	551	(1,939)	(2,571)	(2,871)
Accumulated other comprehensive loss balance, end of period	\$ (3,894)	\$ (1,373)	\$ (3,894)	\$ (1,373)
Foreign currency translation adjustment:				
Accumulated other comprehensive loss balance, beginning of period	\$ (9,695)	\$ (2,018)	\$ (3,967)	\$ (6,608)
Translation adjustments	(887)	(6,018)	(6,615)	(1,428)
Accumulated other comprehensive loss balance, end of period	(10,582)	(8,036)	(10,582)	(8,036)
Accumulated other comprehensive loss, end of period	\$ (14,476)	\$ (9,409)	\$ (14,476)	\$ (9,409)

13. Revenue Recognition

Transaction price allocated to the remaining performance obligations

As of June 30, 2020, approximately \$854 million of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 60% of these remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

We applied the practical expedient in ASC 606-10-50-14 and have excluded the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less (one-time services); and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed (payment services and usage).

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Contract balances

Our contract assets as of June 30, 2020 and December 31, 2019 were insignificant. Our opening and closing balances of deferred revenue were as follows:

(in thousands)	June 30, 2020	December 31, 2019
Total deferred revenue	\$ 337,196	\$ 316,137

The increase in deferred revenue during the six months ended June 30, 2020 was primarily due a seasonal increase in customer contract renewals and new subscription sales of our cloud solutions. Historically, due to the timing of customer budget cycles, we have an increase in customer contract renewals at or near the beginning of our third quarter. The amount of revenue recognized during the six months ended June 30, 2020 that was included in the deferred revenue balance at the beginning of the period was approximately \$219 million. The amount of revenue recognized during the six months ended June 30, 2020 from performance obligations satisfied in prior periods was insignificant.

Disaggregation of revenue

We sell our cloud solutions and related services in three primary geographical markets: to customers in the United States, to customers in the United Kingdom and to customers located in other countries. The following table presents our revenue by geographic area based on the address of our customers:

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
United States	\$ 189,304	\$ 190,399	\$ 383,263	\$ 378,525
United Kingdom	29,535	19,307	45,359	33,105
Other countries	13,152	15,928	26,990	29,834
Total revenue	\$ 231,991	\$ 225,634	\$ 455,612	\$ 441,464

The General Markets Group ("GMG"), the Enterprise Markets Group ("EMG"), and the International Markets Group ("IMG") comprise our go-to-market organizations. The following is a description of each market group:

- The GMG focuses on sales primarily to all K-12 private schools, faith-based and arts and cultural organizations, as well as emerging and mid-sized prospects in the U.S.;
- The EMG focuses on sales primarily to all healthcare and higher education institutions, corporations and foundations, as well as large and/or strategic prospects in the U.S.; and
- The IMG focuses on sales primarily to all prospects and customers outside of the U.S.

The following table presents our revenue by market group:

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
GMG	\$ 90,453	\$ 93,259	\$ 185,906	\$ 185,774
EMG	98,199	96,710	196,322	191,875
IMG	43,167	35,614	73,248	63,736
Other	172	51	136	79
Total revenue	\$ 231,991	\$ 225,634	\$ 455,612	\$ 441,464

Blackbaud, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

14. Restructuring

During 2017, in an effort to further our organizational objectives, including improved operating efficiency, customer outcomes and employee satisfaction, we initiated a multi-year plan to consolidate and relocate some of our existing offices to highly modern and more collaborative workspaces with short-term financial commitments. We substantially completed our facilities optimization restructuring plan as of December 2019. During the three and six months ended June 30, 2019, we incurred \$0.7 million and \$2.7 million, respectively, in before-tax restructuring charges related to these activities. Such charges during the three and six months ended June 30, 2020 were insignificant.

15. Property and Equipment

Pending Headquarters Facility Purchase

In June 2020, we entered into a binding purchase and sale agreement with HPBB1, LLC, a Georgia limited liability company (the "Seller"), for the purchase and sale of the building, fixtures and other improvements and parcels of land of our headquarters facility (the "Headquarters Facility") in Charleston, South Carolina (the "Transaction"). We currently lease the Headquarters facility from the Seller. At the closing of the Transaction, we would pay the Seller a purchase price of \$76.3 million, which includes the assumption of the Seller's obligations in the aggregate principal amount of \$63.0 million and cash, which we expect to fund by borrowings under the 2017 Credit Facility. The Transaction is expected to close during the second half of 2020.

Blackbaud, Inc.
(Unaudited)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis presents financial information denominated in millions of dollars which can lead to differences from rounding when compared to similar information contained in the condensed consolidated financial statements and related notes which are primarily denominated in thousands of dollars.

Executive Summary

We are the world's leading cloud software company powering social good. Serving the entire social good community—nonprofits, higher education institutions, K–12 schools, healthcare organizations, faith communities, arts and cultural organizations, foundations, companies and individual change agents—we connect and empower organizations to increase their impact through cloud software, services, expertise and data intelligence. Our portfolio is tailored to the unique needs of vertical markets, with solutions for fundraising and CRM, marketing, advocacy, peer-to-peer fundraising, corporate social responsibility, school management, ticketing, grantmaking, financial management, payment processing and analytics. Serving the industry for more than three decades, we are headquartered in Charleston, South Carolina, and have operations in the United States, Australia, Canada, Costa Rica and the United Kingdom.

Our revenue is primarily generated from the following sources: (i) charging for the use of our software solutions in cloud and hosted environments; (ii) providing payment and transaction services; (iii) providing software maintenance and support services; and (iv) providing professional services, including implementation, consulting, training, analytic and other services.

COVID-19 Impact

The outbreak of COVID-19 in numerous countries across the globe, including each country in which we currently operate, has adversely impacted the U.S. and global economies. We began 2020 with strong execution against our financial plan. In March 2020, we began to experience disruptions to our business from COVID-19, and the pandemic continues to impact each of our markets.

To better enable us to weather the extraordinary business challenges brought about by the global COVID-19 pandemic, to protect the safety and welfare of our employees, and to further effect our long-term strategy to deliver the greatest value to our stockholders, we have taken several actions. These initial measures taken are expected to provide us the financial flexibility needed to manage a wide array of outcomes that may result from the pandemic. See Note 2 to our condensed consolidated financial statements in this report for a discussion of some of these actions. In addition to the initial actions we have taken to date, we are continuously evaluating further possible actions in order to respond quickly to rapidly changing conditions, if needed.

The economic impact of COVID-19 on the social good industry remains uncertain and, consequently, we expect that our operating environment may continue to be challenging for the remainder of 2020, and potentially beyond, as existing and prospective customers remain cautious in their purchase decisions. Notwithstanding these conditions, we remain focused on continuing to execute our four-point growth strategy and strengthening our leadership position.

Blackbaud, Inc.
(Unaudited)

Four-Point Growth Strategy

1 Delight Customers with Innovative Cloud Solutions

2 Drive Sales Effectiveness

3 Expand Total Addressable Market

4 Improve Operating Efficiency

1. Delight Customers with Innovative Cloud Solutions

Our solutions are already equipped with features that are lending themselves to the current environment and we have quickly acted upon customer feedback to add enhancements and new functionality to serve our customers, so they can continue to focus on their missions during this time. For example, we built new integration between our peer-to-peer fundraising and donor management solutions simplifying the process of raising donations and acquiring new supporters through pandemic-friendly virtual events and peer-to-peer campaigns. We simplified donation forms to expedite fundraising by allowing organizations to create campaigns quickly and easily, which is critical in the current environment. We also added new financial management capabilities, further easing the transition to working from home with tools that support collaboration and efficient cash flow management and financial operations from the cloud.

2. Drive Sales Effectiveness

The investments we have made to enhance our digital footprint are enabling us to be more prescriptive and cost-effective in our marketing efforts and to quickly adapt to changing market conditions, and over the longer term we believe the impact of COVID-19 will accelerate the existing trends driving adoption of modern cloud solutions in our market. We also introduced new pricing and financing offers based on the changing needs of our customers. Despite our optimism over the long-term, the uncertainty of the current environment has created near-term challenges in our ability to build new pipeline and bookings are falling short of budgeted expectations, which we expect to put pressure on near-term revenues. As a result, we have begun shifting investment towards digital marketing aimed at lead generation and put a greater emphasis on selling solutions with the highest lifetime value. In response to the COVID-19 pandemic, we implemented a modest and targeted headcount reduction during the second quarter, including a reduction in our sales headcount with a focus on retaining our most highly productive sales executives. After temporarily freezing our hiring efforts due to COVID-19, we have since began backfilling sales positions with a focus on 2021 bookings.

3. Expand TAM

While we remain active in the evaluation of opportunities to further expand our addressable market through acquisitions and internal product development, our top priority in the near-term is protecting our employees and continuing to support our customers at a very high standard. We have significant opportunities in front of us as we are less than 10% penetrated into a total addressable market of over \$10 billion.

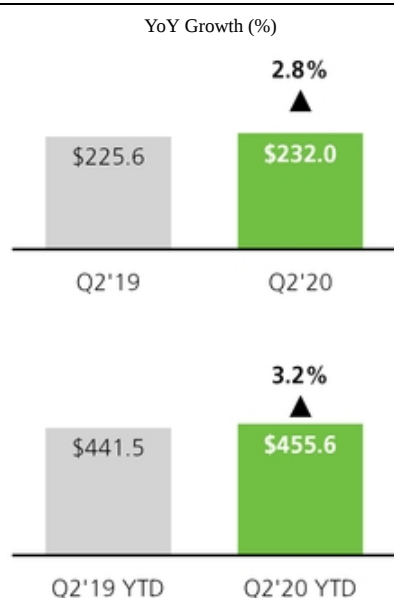
4. Improve Operating Efficiency

We have made transformational changes to our business over the last several years, which allowed us to immediately switch to a virtual work environment in March and supported our global employees' ability to work effectively from home. We are re-evaluating elements of our workforce strategy based on the lessons learned over the past few months. We have been soliciting feedback from our employees to help shape our approach to the future of work at Blackbaud.

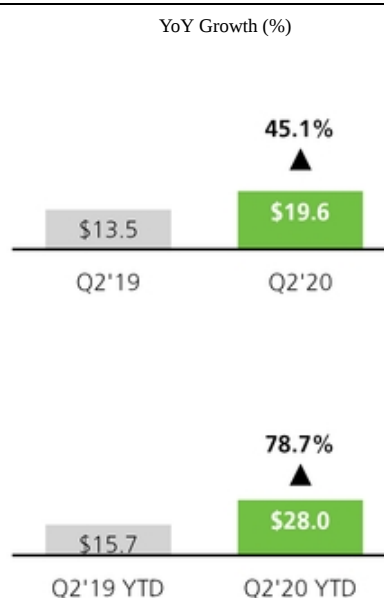
Blackbaud, Inc.
(Unaudited)

Financial Summary

Total revenue (\$M)



Income from operations (\$M)



Total revenue increased by \$6.4 million and \$14.1 million during the three and six months ended June 30, 2020, respectively, when compared to the same periods in 2019, driven largely by the following:

- + Growth in recurring revenue related to increases in transactional revenue, positive demand from customers across our portfolio of cloud solutions and increases in services embedded in our renewable cloud solution contracts
- Decreases in one-time consulting revenue primarily from less of one-time sales related to COVID-19
- Decreases in one-time analytics revenue as analytics are generally integrated in our cloud solutions

Income from operations increased by \$6.1 million and \$12.3 million during the three and six months ended June 30, 2020, respectively, when compared to the same periods in 2019, driven largely by the following:

- + Growth in total revenue, as described above
- + Reduced overall compensation costs primarily associated with the decision to replace our 2020 cash bonus plans with grants of performance-based equity awards
- + Decrease in restructuring costs of \$0.7 million and \$2.6 million, as our facilities optimization plan was largely completed as of December 31, 2019
- + Decrease in acquisition-related expenses and integration costs of \$0.8 million and \$1.9 million
- + Decrease in amortization of intangible assets from business combinations of \$2.1 million and \$3.2 million
- Increases in cost of revenue from a \$4.3 million impairment charge during the three months ended June 30, 2020, against certain previously capitalized software development costs, resulting from our decision to accelerate the end of customer support for certain solutions
- Increases in employee severance of \$4.1 million and \$0.7 million, related to a modest and targeted headcount reduction during the three months ended June 30, 2020, in response to the COVID-19 pandemic
- Increases in corporate costs of \$3.1 million and \$3.4 million, primarily related to increases in bad debt expense
- Other increases in cost of revenue related to increases in data center costs, amortization of software development costs and transaction-based costs

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(Unaudited)

There are three primary revenue categories with related business drivers that we continue to monitor closely in light of the COVID-19 pandemic:

1. *Contractual Recurring Revenue (approximately two thirds of total revenue in 2019)*

Recurring subscription contracts are typically for a term of three years at contract inception, billed annually in advance, and we have been for several years successfully shifting our legacy customer base away from annual renewals and moving them onto multi-year renewal contracts. Approximately one-half of our contracted recurring revenue will be up for renewal during 2020, with the seasonal high for renewals and collections during the third quarter driven largely by mid-year fiscal year-ends and timing of the academic school year. While our renewal rates have trended ahead of our expectations through July, our contracted recurring revenue has fallen short of our original plan due to bookings falling short of our budgeted expectations. We are closely monitoring our customer receivable balances, payment terms, and creditworthiness. We have started to experience an increase in our aging of receivables and observed changes in some of our customers' payment behavior associated with the COVID-19 pandemic.

2. *Transactional Revenue (approximately one quarter of total revenue in 2019)*

Transactional revenue is non-contractual and less predictable given the susceptibility to certain drivers such as timing and number of events and marketing campaigns, as well as fluctuations in donation volumes and tuition payments. We have historically experienced seasonal highs during the fourth quarter due to year-end giving campaigns and during the second quarter when a large number of events are held. The early disruptions caused by COVID-19 in the first quarter drove sharp initial declines in our transactional volumes. During the second quarter, many in-person events shifted online, had to be postponed or even canceled. Social good organizations are being forced to employ new strategies to maintain momentum with current supporters while capturing the attention of potential new donors. We saw a rise in virtual campaigns and events and we remain committed to supporting our customers in adapting to the new circumstances.

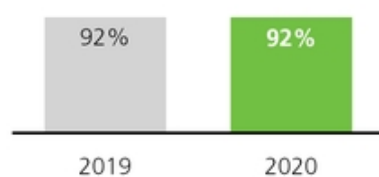
3. *Bookings*

Given our ratable revenue recognition model for our recurring subscription contracts and implementation periods, we expect that declines in our 2020 bookings performance will have a greater impact on our 2021 revenue than 2020 revenue. Of the three primary revenue categories discussed above, bookings represents the smallest potential impact on recurring revenue in 2020. One-time services and other revenue, which is tied to bookings, would have a more immediate impact on our total revenue. Our first quarter has historically been the seasonal low for bookings, with the second and fourth quarters historically being seasonally higher, and our bookings tend to be back-end loaded within individual quarters given our quarterly quota plans. Although our bookings have performed slightly better than our initial COVID-19 scenario planning, we are currently expecting a significant shortfall in 2020 bookings compared to our original plan for the year as we continue to see challenges in building pipeline. The magnitude of our 2020 bookings shortfall is expected to be impacted by the depth and duration of the COVID-19 pandemic.

Our strategy has historically relied on a balanced approach to growth and profitability. As discussed above, the pandemic has created short-term uncertainty in our revenue outlook and the early impacts on pipeline and bookings will likely limit our ability to drive near-term revenue growth at our originally planned levels. Therefore, in line with our strategy, we have made a pivot to greater emphasis on delivering shareholder value through increased profitability and cash flow, which are more controllable.

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(Unaudited)

Customer retention



Our recurring revenue contracts are generally for a term of three years at contract inception with one to three-year renewals thereafter. We anticipate a continued decrease in maintenance contract renewals as we transition our solution portfolio and maintenance customers from a perpetual license-based model to a cloud subscription delivery model. In the long term, we also anticipate an increase in recurring subscription contract renewals as we continue focusing on innovation, quality and the integration of our cloud solutions, which we believe will provide value-adding capabilities to better address our customers' needs. Due primarily to these factors, we believe a recurring revenue customer retention measure that combines recurring subscription, maintenance and service customer contracts provides a better representation of our customers' overall behavior. For the twelve months ended June 30, 2020, approximately 92% of our customers with recurring revenue contracts were retained. This customer retention rate is unchanged from our rate for the full year ended December 31, 2019.

Balance sheet and cash flow

At June 30, 2020, our cash and cash equivalents were \$30.5 million and the carrying amount of our debt under the 2017 Credit Facility was \$484.2 million. Our net leverage ratio was 2.21 to 1.00.

During the six months ended June 30, 2020, we generated \$37.5 million in cash from operations, primarily from operating cost reductions put in place in response to COVID-19 and the increased use of stock-based compensation. During the six months ended, June 30, 2020, we had a net increase in our borrowings of \$16.9 million, down from a net increase of \$58.6 million during the three months ended March 31, 2020. Historically, due to lower revenues in our first quarter, combined with the payment of bonuses from the prior year in our first quarter and the payment of certain annual vendor contracts, our cash flow from operations has been lowest in our first quarter.

During the six months ended June 30, 2020, we also had aggregate cash outlays of \$27.6 million for purchases of property and equipment and capitalized software development costs.

Recent Developments

Pending headquarters facility purchase

In June 2020, we entered into a binding purchase and sale agreement with HPBB1, LLC, a Georgia limited liability company (the "Seller"), for the purchase and sale of the building, fixtures and other improvements and parcels of land of our headquarters facility (the "Headquarters Facility") in Charleston, South Carolina (the "Transaction"). We currently lease the Headquarters facility from the Seller. At the closing of the Transaction, we would pay the Seller a purchase price of \$76.3 million, which includes the assumption of the Seller's obligations in the aggregate principal amount of \$63.0 million and cash, which we expect to fund by borrowings under the 2017 Credit Facility. The Transaction is expected to close during the second half of 2020.

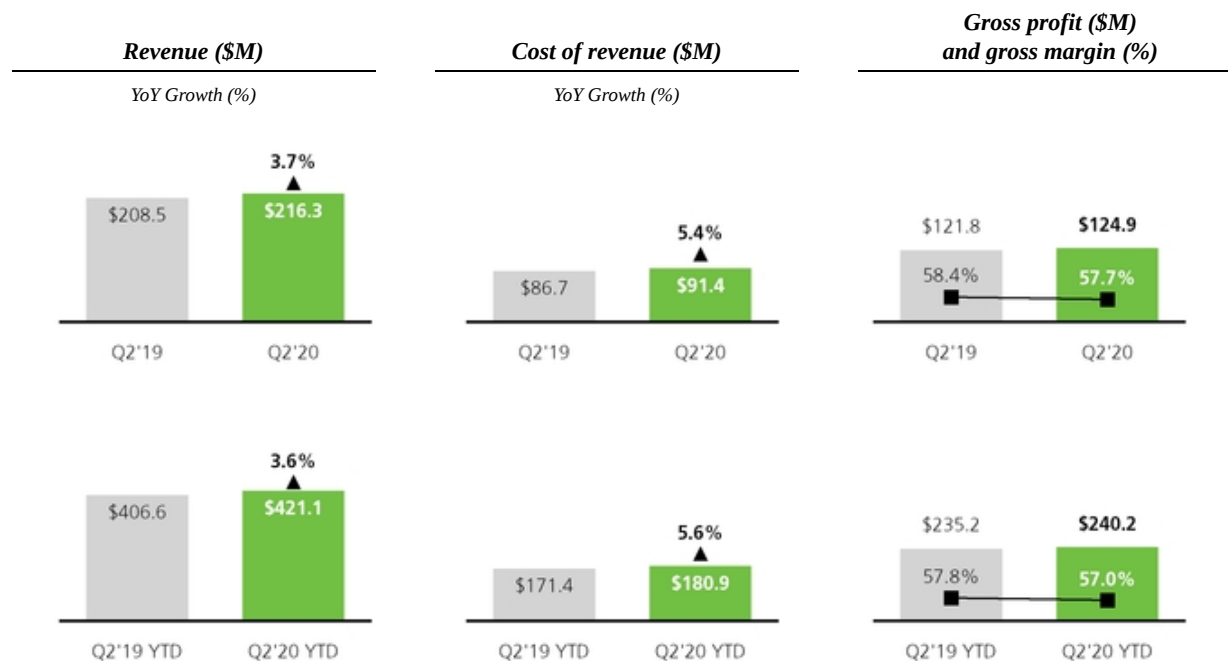
Blackbaud, Inc.
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Results of Operations

Comparison of the three and six months ended June 30, 2020 and 2019

Revenue and Cost of Revenue

Recurring



Recurring revenue is comprised of fees for the use of our subscription-based software solutions, which includes providing access to cloud solutions, hosting services, online training programs, subscription-based analytic services, such as donor acquisitions and data enrichment, and payment services. Recurring revenue also includes fees from maintenance services for our on-premises solutions, services included in our renewable subscription contracts, retained and managed services contracts that we expect to have a term consistent with our cloud solution contracts, and variable transaction revenue associated with the use of our solutions.

Cost of recurring revenue is primarily comprised of compensation costs for customer support and production IT personnel, hosting and data center costs, third-party contractor expenses, third-party royalty and data expenses, allocated depreciation, facilities and IT support costs, amortization of intangible assets from business combinations, amortization of software development costs, transaction-based costs related to payments services including remittances of amounts due to third-parties and other costs incurred in providing support and recurring services to our customers.

We continued to experience growth in sales of our cloud solutions as our customers continue to prefer cloud subscription offerings with integrated analytics, training and payment services. Recurring subscription contracts are typically for a term of three years at contract inception with one to three-year renewals thereafter. We intend to continue focusing on innovation, quality and integration of our cloud solutions, which we believe will drive future revenue growth.

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Recurring revenue increased by \$7.8 million or 3.7%, and \$14.6 million or 3.6%, during the three and six months ended June 30, 2020, respectively, when compared to the same periods in 2019, driven primarily by the following:

- + Increases in subscriptions revenue of \$11.8 million and \$22.4 million related to increases in transactional revenue, positive demand from customers across our portfolio of cloud solutions and increases in services embedded in our renewable cloud solution contracts
- Decreases in maintenance revenue of \$4.0 million and \$7.9 million primarily related to our continuing efforts to migrate customers from legacy on-premises solutions onto our solutions powered by Blackbaud SKY, our modern cloud platform

Partially offsetting the increases in subscriptions revenue were decreases in the mix of retained and managed services contracts we present in recurring. Revenue from retained and managed service contracts that we do not expect to have a term consistent with our cloud solution contracts is included in one-time services and other revenue beginning January 1, 2020. This change in presentation resulted in decreases in recurring revenue and offsetting increases to one-time services and other revenue of \$4.2 million and \$8.5 million during the three and six months ended June 30, 2020, respectively.

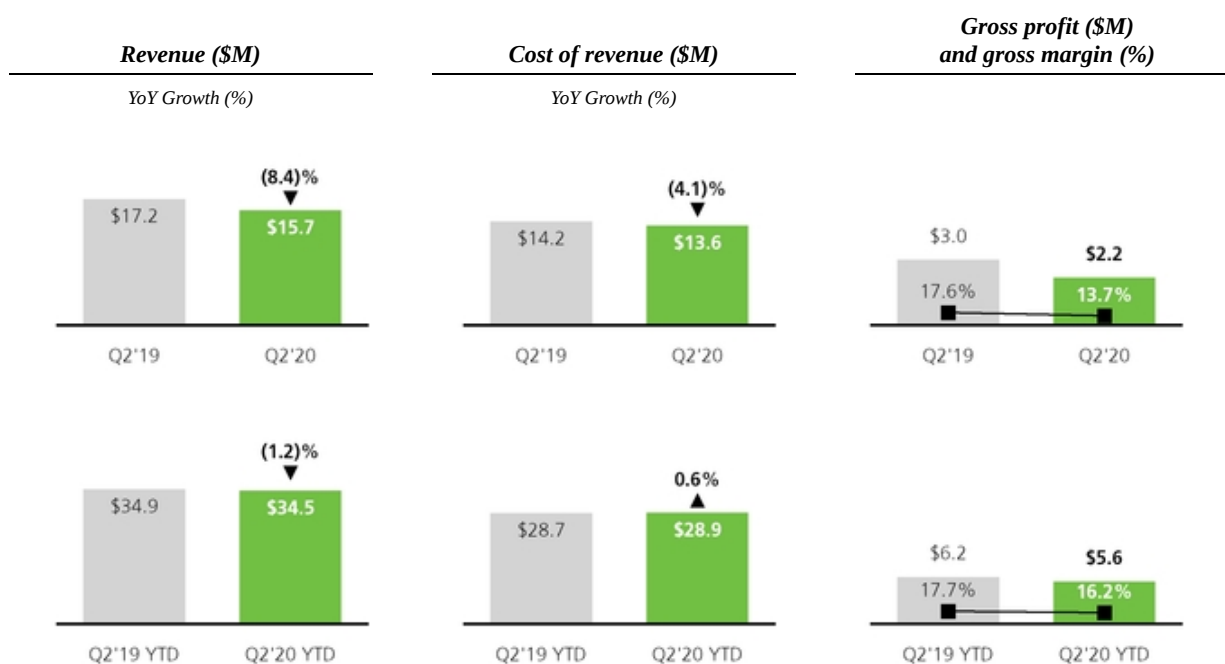
Cost of recurring revenue increased by \$4.7 million or 5.4%, and \$9.6 million or 5.6%, during the three and six months ended June 30, 2020, respectively, when compared to the same periods in 2019, driven primarily by the following:

- + Impairment charge of \$4.3 million during the three months ended June 30, 2020, against certain previously capitalized software development costs that reduced the carrying value of those assets to zero. The impairment charge resulted primarily from our decision to accelerate the end of customer support for certain solutions.
- + Increases in hosting and data center costs of \$1.7 million and \$2.2 million as we are migrating our cloud infrastructure to leading public cloud service providers
- + Increases in amortization of software development costs of \$0.8 million and \$2.2 million due to investments made on innovation, quality and the integration of our cloud solutions
- + Increases in transaction-based costs of \$0.7 million and \$3.0 million related to payment services integrated in our cloud solutions
- + For the six months ended June 30, 2020, increase in third-party contractor costs of \$1.2 million related to application security and partners delivering services embedded in our renewable cloud solution contracts
- Decreases in compensation costs primarily associated with the decision to replace our 2020 cash bonus plans with grants of performance-based equity awards
- Decreases in costs associated with certain retained and managed services contracts for which revenue is included in one-time services and other revenue beginning January 1, 2020, as discussed above

The 0.7% and 0.8% decreases in recurring gross margin for the three and six months ended June 30, 2020, respectively, when compared to the same periods in 2019, were primarily the result of the impairment of previously capitalized software development costs, and incremental costs associated with our continued shift toward selling cloud solutions, including data center costs and amortization of software development costs. We expect continued pressure on recurring gross margin largely driven by duplicate data center costs as we migrate our cloud infrastructure to leading cloud service providers.

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(Unaudited)

One-time services and other



One-time services and other revenue is comprised of fees for one-time consulting, analytic and onsite training services, fees for retained and managed services contracts that we do not expect to have a term consistent with our cloud solution contracts, revenue from the sale of our software sold under perpetual license arrangements, fees from user conferences and third-party software referral fees.

Cost of one-time services and other is primarily comprised of compensation costs for professional services and onsite training personnel, other costs incurred in providing onsite customer training, third-party contractor expenses, data expense incurred to perform one-time analytic services, third-party software royalties, costs of user conferences, allocated depreciation, facilities and IT support costs and amortization of intangible assets from business combinations.

One-time services and other revenue decreased by \$1.4 million, or 8.4%, and \$0.4 million, or 1.2%, during the three and six months ended June 30, 2020, respectively, when compared to the same periods in 2019, driven primarily by the following:

- + Increases in the mix of retained and managed services contracts we present in one-time services and other. Revenue from retained and managed service contracts that we do not expect to have a term consistent with our cloud solution contracts is included in one-time services and other revenue beginning January 1, 2020. This change in presentation resulted in increases to one-time services and other revenue and offsetting decreases in recurring revenue of \$4.2 million and \$8.5 million during the three and six months ended June 30, 2020.
- Decreases in one-time consulting revenue of \$3.8 million and \$5.5 million, respectively, primarily from less one-time sales related to COVID-19 as well as services increasingly being embedded in our renewable cloud solution contracts. Our embedded services are recorded as recurring revenue.
- Decreases in one-time analytics revenue of \$1.2 million and \$2.1 million as analytics are generally integrated in our cloud solutions
- For the six months ended June 30, 2020, decreases in revenue from one-time training services and license fees

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Cost of one-time services and other decreased by \$0.6 million, or 4.1%, during the three months ended June 30, 2020, when compared to the same periods in 2019, driven primarily by the following:

- + Increase in costs of associated with certain retained and managed services contracts for which revenue is included in one-time services and other revenue beginning January 1, 2020, as discussed above
- Reduced amount of compensation costs primarily associated with the decision to replace our 2020 cash bonus plans with grants of performance-based equity awards

Cost of one-time services and other remained relatively consistent during the six months ended June 30, 2020, when compared to the same period in 2019.

The 3.9% and 1.5% decreases in one-time services and other gross margin during the three and six months ended June 30, 2020, respectively, when compared to the same periods in 2019, were primarily the result of the reductions in one-time consulting and analytics revenue discussed above outpacing declines in the related costs.

Operating Expenses

Sales, marketing and customer success (\$M)

Research and development (\$M)

General and administrative (\$M)

Percentages indicate expenses as a percentage of total revenue



Sales, marketing and customer success

Sales, marketing and customer success expense includes compensation costs, variable sales commissions, travel-related expenses, advertising and marketing materials, public relations costs, variable reseller commissions and allocated depreciation, facilities and IT support costs.

We see a large market opportunity in the long-term and will continue to make investments to drive sales effectiveness, which is a component of our four-point growth strategy. We have also implemented software tools to enhance our digital footprint and drive lead generation. In response to the COVID-19 pandemic, we implemented a modest and targeted headcount reduction during the second quarter, including a reduction in our sales headcount with a focus on retaining our most highly productive sales executives. After temporarily freezing our hiring efforts due to COVID-19, we have since begun backfilling sales positions with a focus on 2021 bookings.

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(Unaudited)

Sales, marketing and customer success expense decreased by \$3.1 million or 5.6%, during the three months ended June 30, 2020, when compared to the same period in 2019, primarily driven by the following:

- + Increase in employee severance costs of \$1.8 million related to a reduction in our sales headcount in response to the COVID-19 pandemic as discussed above
- Decrease in travel costs of \$1.9 million due to our restriction on non-essential employee travel in response to the COVID-19 pandemic
- Decrease in compensation costs of \$1.7 million primarily related to the decision to replace our 2020 cash bonus plans with grants of performance-based equity awards
- Decrease in commissions expense of \$0.7 million related to a decrease in commissionable sales.

Sales, marketing and customer success expense remained relatively consistent during the six months ended June 30, 2020, when compared to the same period in 2019, primarily driven by the following:

- + Increase in employee severance costs of \$0.9 million related to a reduction in our sales headcount in response to the COVID-19 pandemic as discussed above
- + Increase in compensation costs of \$0.9 million primarily associated with the elevated headcount of our direct sales force and our lead generation teams, beginning in the fourth quarter of 2018. The increase in compensation costs related to elevated headcount was partially offset by the decision to replace our 2020 cash bonus plans with grants of performance-based equity awards
- Decrease in travel costs of \$1.4 million due to our restriction on non-essential employee travel in response to the COVID-19 pandemic

Research and development

Research and development expense includes compensation costs for engineering and product management personnel, third-party contractor expenses, software development tools and other expenses related to developing new solutions or upgrading and enhancing existing solutions that do not qualify for capitalization, and allocated depreciation, facilities and IT support costs.

We continue to make investments to delight our customers with innovative cloud solutions, which is a component of our four-point growth strategy. Research and development expenses decreased by \$1.0 million or 3.9%, and \$4.5 million or 8.3%, during the three and six months ended June 30, 2020, respectively, when compared to the same periods in 2019, primarily driven by decreases in compensation costs of \$1.8 million and \$3.5 million, respectively, associated with the decision in March 2020 to replace our 2020 cash bonus plans with grants of performance-based equity awards.

Not included in research and development expense for the three months ended June 30, 2020 and 2019 were \$10.6 million and \$11.7 million, respectively, and for the six months ended June 30, 2020 and 2019 were \$21.4 million and \$22.8 million, respectively, of qualifying costs associated with development activities that are required to be capitalized under the internal-use software accounting guidance such as those for our cloud solutions, as well as development costs associated with acquired companies. Qualifying capitalized software development costs associated with our cloud solutions are subsequently amortized to cost of subscriptions revenue over the related asset's estimated useful life, which generally range from three to seven years. We expect that the amount of software development costs capitalized will be relatively consistent in the near-term as we continue making investments in innovation, quality and the integration of our solutions, which we believe will drive long-term revenue growth.

General and administrative

General and administrative expense consists primarily of compensation costs for general corporate functions, including senior management, finance, accounting, legal, human resources and corporate development, third-party professional fees, insurance, allocated depreciation, facilities and IT support costs, acquisition-related expenses and other administrative expenses.

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(Unaudited)

General and administrative expense increased by \$1.3 million or 4.6%, during the three months ended June 30, 2020 and remained relatively consistent during the six months ended June 30, 2020, when compared to the same periods in 2019, primarily driven by the following:

- + Increases in corporate costs of \$3.1 million and \$3.4 million primarily related to increases in bad debt expense
- Decreases in bonus expense of \$1.3 million and \$2.8 million primarily related to the decision to replace our 2020 cash bonus plans with grants of performance-based equity awards

Restructuring

During 2017, in an effort to further our organizational objectives, including improved operating efficiency, customer outcomes and employee satisfaction, we initiated a multi-year plan to consolidate and relocate some of our existing offices to highly modern and more collaborative workspaces with short-term financial commitments, which was substantially completed as of December 2019. During the three and six months ended June 30, 2019, we incurred \$0.7 million and \$2.7 million, respectively, in before-tax restructuring charges related to these activities. Such charges during the three and six months ended June 30, 2020 were insignificant.

Interest Expense

(dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
Interest expense	\$ 3.9	\$ 5.8	(32.9)%	\$ 8.1	\$ 11.1	(27.6)%
% of total revenue	1.7%	2.6%		1.8%	2.5%	

The decreases in interest expense in dollars and as a percentage of total revenue during the three and six months ended June 30, 2020, when compared to the same periods in 2019, were primarily due to decreases in our average daily borrowings and our weighted average effective interest rates.

Deferred Revenue

The table below compares the components of deferred revenue from our consolidated balance sheets:

(dollars in millions)	Timing of recognition	June 30, 2020	December 31, 2019	Change
Recurring	Over the period billed in advance, generally one year	\$ 322.1	\$ 302.8	6.4%
One-time services and other	As services are delivered	15.1	13.4	12.8%
Total deferred revenue ⁽¹⁾		337.2	316.1	6.7%
Less: Long-term portion		4.6	1.8	156.7%
Current portion ⁽¹⁾		\$ 332.6	\$ 314.3	5.8%

(1) The individual amounts for each year may not sum to total deferred revenue or current portion of deferred revenue due to rounding.

To the extent that our customers are billed for our solutions and services in advance of delivery, we record such amounts in deferred revenue. Our recurring revenue contracts are generally for a term of three years at contract inception with one to three-year renewals thereafter, billed annually in advance and non-cancelable. We generally invoice our customers with recurring revenue contracts in annual cycles 30 days prior to the end of the contract term.

Deferred revenue from recurring revenue contracts increased during the six months ended June 30, 2020, primarily due a seasonal increase in customer contract renewals and new subscription sales of our cloud solutions. Historically, due to the timing of customer budget cycles, we have an increase in customer contract renewals at or near the beginning of our third quarter. Deferred revenue from one-time services and other increased during the six months ended June 30, 2020, primarily due an increase in the mix of retained and managed services contracts we present in one-time services and other beginning January 1, 2020, as discussed above.

We have acquired businesses whose net tangible assets include deferred revenue. In accordance with GAAP reporting requirements, we recorded write-downs of deferred revenue from customer arrangements predating the acquisition to

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fair value, which resulted in lower recorded deferred revenue as of the acquisition date than the actual amounts paid in advance for solutions and services under those customer arrangements. Therefore, our deferred revenue after an acquisition will not reflect the full amount of deferred revenue that would have been reported if the acquired deferred revenue was not written down to fair value. Further explanation of this impact is included below under the caption "Non-GAAP financial measures".

Income tax provision

(dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
Income tax provision	\$ 4.5	\$ 2.7	64.5%	\$ 5.2	\$ 0.9	477.5%
Effective income tax rate	27.6%	27.7%		24.0%	13.0%	

The increase in our effective income tax rate during the six months ended June 30, 2020, when compared to the same period in 2019, was primarily attributable to improved 2020 profitability and changes in jurisdictional mix and reduced 2020 non-deductible costs. Furthermore, our 2020 effective tax rate was negatively impacted by a decrease in the total discrete benefit to income tax expense related to stock-based compensation.

Non-GAAP Financial Measures

The operating results analyzed below are presented on a non-GAAP basis. We use non-GAAP revenue, non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income and non-GAAP diluted earnings per share internally in analyzing our operational performance. Accordingly, we believe these non-GAAP measures are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. While we believe these non-GAAP measures provide useful supplemental information, non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies.

We have acquired businesses whose net tangible assets include deferred revenue. In accordance with GAAP reporting requirements, we recorded write-downs of deferred revenue under arrangements predating the acquisition to fair value, which resulted in lower recognized revenue than the contributed purchase price until the related obligations to provide services under such arrangements are fulfilled. Therefore, our GAAP revenues after the acquisitions will not reflect the full amount of revenue that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP measures described below reverse the acquisition-related deferred revenue write-downs so that the full amount of revenue booked by the acquired companies is included, which we believe provides a more accurate representation of a revenue run-rate in a given period and, therefore, will provide more meaningful comparative results in future periods.

The non-GAAP financial measures discussed below exclude the impact of certain transactions because we believe they are not directly related to our operating performance in any particular period, but are for our long-term benefit over multiple periods. We believe that these non-GAAP financial measures reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business.

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(Unaudited)

(dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
GAAP Revenue	\$ 232.0	\$ 225.6	2.8 %	\$ 455.6	\$ 441.5	3.2 %
Non-GAAP adjustments:						
Add: Acquisition-related deferred revenue write-down	—	0.7	(100.0)%	—	1.4	(100.0)%
Non-GAAP revenue(1)	<u>\$ 232.0</u>	<u>\$ 226.4</u>	2.5 %	<u>\$ 455.6</u>	<u>\$ 442.9</u>	2.9 %
GAAP gross profit	\$ 127.1	\$ 124.8	1.8 %	\$ 245.8	\$ 241.4	1.8 %
GAAP gross margin	54.8%	55.3%		54.0%	54.7%	
Non-GAAP adjustments:						
Add: Acquisition-related deferred revenue write-down	—	0.7	(100.0)%	—	1.4	(100.0)%
Add: Stock-based compensation expense	2.6	0.8	224.9 %	3.4	1.8	94.6 %
Add: Amortization of intangibles from business combinations	9.7	11.3	(14.5)%	20.6	22.7	(9.4)%
Add: Employee severance	0.8	—	(19,625.0)%	0.8	1.1	(27.1)%
Subtotal(1)	<u>13.0</u>	<u>12.8</u>	1.6 %	<u>24.9</u>	<u>27.1</u>	(8.1)%
Non-GAAP gross profit(1)	<u>\$ 140.1</u>	<u>\$ 137.7</u>	1.8 %	<u>\$ 270.7</u>	<u>\$ 268.4</u>	0.8 %
Non-GAAP gross margin	60.4%	60.8%		59.4%	60.6%	

(1) The individual amounts for each year may not sum to non-GAAP revenue, subtotal or non-GAAP gross profit due to rounding.

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(Unaudited)

(dollars in millions, except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
GAAP income from operations	\$ 19.6	\$ 13.5	45.1 %	\$ 28.0	\$ 15.7	78.7 %
GAAP operating margin	8.4%	6.0%		6.1%	3.6%	
Non-GAAP adjustments:						
Add: Acquisition-related deferred revenue write-down	—	0.7	(100.0)%	—	1.4	(100.0)%
Add: Stock-based compensation expense	20.1	15.0	34.0 %	33.7	28.8	17.2 %
Add: Amortization of intangibles from business combinations	10.4	12.5	(16.6)%	22.1	25.3	(12.6)%
Add: Employee severance	4.3	0.2	2,132.5 %	4.4	3.6	20.7 %
Add: Acquisition-related integration costs	(0.1)	0.5	(115.3)%	(0.1)	1.2	(108.7)%
Add: Acquisition-related expenses	0.1	0.4	(76.7)%	0.2	0.8	(72.3)%
Add: Restructuring costs	0.1	0.7	(93.2)%	0.1	2.7	(97.2)%
Subtotal(1)	34.9	30.0	16.3 %	60.4	63.7	(5.3)%
Non-GAAP income from operations(1)	\$ 54.5	\$ 43.5	25.3 %	\$ 88.4	\$ 79.4	11.3 %
Non-GAAP operating margin	23.5%	19.2%		19.4%	17.9%	
GAAP income before provision for income taxes	\$ 16.3	\$ 9.9	65.3 %	\$ 21.7	\$ 6.9	213.1 %
GAAP net income	\$ 11.8	\$ 7.1	65.6 %	\$ 16.5	\$ 6.0	173.5 %
Shares used in computing GAAP diluted earnings per share	48,418,378	48,160,684	0.5 %	48,465,077	48,101,212	0.8 %
GAAP diluted earnings per share	\$ 0.24	\$ 0.15	60.0 %	\$ 0.34	\$ 0.13	161.5 %
Non-GAAP adjustments:						
Add: GAAP income tax provision	4.5	2.7	64.5 %	5.2	0.9	477.5 %
Add: Total non-GAAP adjustments affecting income from operations	34.9	30.0	16.3 %	60.4	63.7	(5.3)%
Non-GAAP income before provision for income taxes	51.2	39.8	28.5 %	82.0	70.7	16.1 %
Assumed non-GAAP income tax provision(2)	10.2	8.0	28.5 %	16.4	14.1	16.1 %
Non-GAAP net income(1)	\$ 41.0	\$ 31.9	28.5 %	\$ 65.6	\$ 56.5	16.1 %
Shares used in computing non-GAAP diluted earnings per share	48,418,378	48,160,684	0.5 %	48,465,077	48,101,212	0.8 %
Non-GAAP diluted earnings per share	\$ 0.85	\$ 0.66	28.8 %	\$ 1.35	\$ 1.18	14.4 %

(1) The individual amounts for each year may not sum to subtotal, non-GAAP income from operations or non-GAAP net income due to rounding.

(2) We apply a non-GAAP effective tax rate of 20.0% when calculating non-GAAP net income and non-GAAP diluted earnings per share.

Non-GAAP free cash flow is defined as operating cash flow less capital expenditures, including costs required to be capitalized for software development, and capital expenditures for property and equipment.

(dollars in millions)	Six months ended June 30,		
	2020	2019	Change
GAAP net cash provided by operating activities	\$ 37.5	\$ 45.1	(16.9)%
Less: purchase of property and equipment	(5.9)	(6.4)	(7.7)%
Less: capitalized software development costs	(21.7)	(23.2)	(6.6)%
Non-GAAP free cash flow	\$ 9.9	\$ 15.5	(36.0)%

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(Unaudited)

Non-GAAP organic revenue growth

In addition, we discuss non-GAAP organic revenue growth, non-GAAP organic revenue growth on a constant currency basis and non-GAAP organic recurring revenue growth, in analyzing our performance. We believe that these non-GAAP measures are useful to investors, as a supplement to GAAP measures, for evaluating the periodic growth of our business on a consistent basis. Each of these measures of non-GAAP organic revenue growth excludes incremental acquisition-related revenue attributable to companies acquired in the current fiscal year. For companies, if any, acquired in the immediately preceding fiscal year, each of these non-GAAP organic revenue growth measures reflects presentation of full year incremental non-GAAP revenue derived from such companies as if they were combined throughout the prior period, and they include the non-GAAP revenue attributable to those companies, as if there were no acquisition-related write-downs of acquired deferred revenue to fair value as required by GAAP. In addition, each of these non-GAAP organic revenue growth measures excludes prior period revenue associated with divested businesses. The exclusion of the prior period revenue is to present the results of the divested businesses within the results of the combined company for the same period of time in both the prior and current periods. We believe this presentation provides a more comparable representation of our current business' organic revenue growth and revenue run-rate.

(dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
GAAP revenue	\$ 232.0	\$ 225.6	\$ 455.6	\$ 441.5
GAAP revenue growth	2.8%		3.2%	
Add: Non-GAAP acquisition-related revenue (1)	—	0.7	—	1.4
Non-GAAP organic revenue (2)	\$ 232.0	\$ 226.4	\$ 455.6	\$ 442.9
Non-GAAP organic revenue growth	2.5%		2.9%	
Non-GAAP organic revenue (2)	\$ 232.0	\$ 226.4	\$ 455.6	\$ 442.9
Foreign currency impact on Non-GAAP organic revenue (3)	2.0	—	2.3	—
Non-GAAP organic revenue on constant currency basis (3)	\$ 234.0	\$ 226.4	\$ 457.9	\$ 442.9
Non-GAAP organic revenue growth on constant currency basis	3.4%		3.4%	
GAAP recurring revenue	\$ 216.3	\$ 208.5	\$ 421.1	\$ 406.6
GAAP recurring revenue growth	3.7%		3.6%	
Add: Non-GAAP acquisition-related revenue (1)	—	0.7	—	1.4
Non-GAAP organic recurring revenue	\$ 216.3	\$ 209.2	\$ 421.1	\$ 408.0
Non-GAAP organic recurring revenue growth	3.4%		3.2%	

(1) Non-GAAP acquisition-related revenue excludes incremental acquisition-related revenue calculated in accordance with GAAP that is attributable to companies acquired in the current fiscal year. For companies, if any, acquired in the immediately preceding fiscal year, non-GAAP acquisition-related revenue reflects presentation of full-year incremental non-GAAP revenue derived from such companies, as if they were combined throughout the prior period, and it includes the non-GAAP revenue from the acquisition-related deferred revenue write-down attributable to those companies.

(2) Non-GAAP organic revenue for the prior year periods presented herein will not agree to non-GAAP organic revenue presented in the respective prior period quarterly financial information solely due to the manner in which non-GAAP organic revenue growth is calculated.

(3) To determine non-GAAP organic revenue growth on a constant currency basis, revenues from entities reporting in foreign currencies were translated to U.S. Dollars using the comparable prior period's quarterly weighted average foreign currency exchange rates. The primary foreign currencies creating the impact are the Australian Dollar, British Pound, Canadian Dollar and EURO.

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(Unaudited)

Seasonality

Our revenues normally fluctuate as a result of certain seasonal variations in our business. Our transaction revenue has historically been at its lowest in the first quarter due to the timing of customer fundraising initiatives and events. Our revenue from payment services has historically increased during the fourth quarter due to year-end giving. Our revenue from professional services has historically been lower in the first quarter when many of those services commence and in the fourth quarter due to the holiday season. As a result of these and other factors, our total revenue has historically been lower in the first quarter than in the remainder of our fiscal year, with the fourth quarter historically achieving the highest total revenue. Our expenses, however, do not vary significantly as a result of these factors, but do fluctuate on a quarterly basis due to varying timing of expenditures. Our cash flow from operations normally fluctuates quarterly due to the combination of the timing of customer contract renewals including renewals associated with customers of acquired companies, delivery of professional services and occurrence of customer events, the payment of bonuses, as well as merit-based salary increases, among other factors. Historically, due to lower revenues in our first quarter, combined with the payment of bonuses from the prior year in our first quarter and the payment of certain annual vendor contracts, our cash flow from operations has been lowest in our first quarter. Due to the timing of customer contract renewals and student enrollments, many of which take place at or near the beginning of our third quarter, our cash flow from operations has been lower in our second quarter as compared to our third and fourth quarters. Partially offsetting these favorable drivers of cash flow from operations in our third and fourth quarters are merit-based salary increases, which are generally effective in April each year. In addition, deferred revenues can vary on a seasonal basis for the same reasons. Our cash flow from financing is negatively impacted in our first quarter when most of our equity awards vest, as we pay taxes on behalf of our employees related to the settlement or exercise of equity awards. These patterns may change as a result of the continued shift to online giving, growth in volume of transactions for which we process payments, or as a result of acquisitions, new market opportunities, new solution introductions, the COVID-19 pandemic or other factors.

Liquidity and Capital Resources

The following table presents selected financial information about our financial position:

(dollars in millions)	June 30, 2020	December 31, 2019	Change
Cash and cash equivalents	\$ 30.5	\$ 31.8	(4.0)%
Property and equipment, net	36.5	35.5	2.8 %
Software development costs, net	106.0	101.3	4.7 %
Total carrying value of debt	488.1	467.1	4.5 %
Working capital	(191.8)	(254.3)	24.6 %

The following table presents selected financial information about our cash flows:

(dollars in millions)	Six months ended June 30,		
	2020	2019	Change
Net cash provided by operating activities	\$ 37.5	\$ 45.1	(16.9)%
Net cash used in investing activities	(27.6)	(138.5)	(80.1)%
Net cash (used in) provided by financing activities	(132.5)	30.8	(529.7)%

Our principal sources of liquidity are our operating cash flow, funds available under the 2017 Credit Facility and cash on hand. Our operating cash flow depends on continued customer renewal of our subscription and maintenance arrangements, market acceptance of our solutions and services and our customers' ability to pay. Based on current estimates of revenue and expenses, we believe that the currently available sources of funds and anticipated cash flows from operations will be adequate for at least the next twelve months to finance our operations, fund anticipated capital expenditures and meet our debt obligations. To the extent we undertake future material acquisitions, investments or unanticipated capital expenditures, we may require additional capital. In that context, we regularly evaluate opportunities to enhance our capital structure including through potential debt or equity issuances.

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To better enable us to weather the extraordinary business challenges brought about by the global COVID-19 pandemic, to protect the safety and welfare of our employees, and to further effect our long-term strategy to deliver the greatest value to our stockholders, we have taken several actions. These initial measures taken are expected to provide us the financial flexibility needed to manage a wide array of outcomes that may result from the pandemic. Some of these actions include the following:

- Rescinded our previously announced policy to pay an annual dividend at a rate of \$0.48 per share of common stock and discontinued the declaration and payment of all cash dividends, beginning with the second quarter of 2020 and thereafter until such time, if any, as our Board of Directors may otherwise determine in its sole discretion;
- Temporarily suspended our 401(k)-match program, whereby we have historically matched 50% of qualified U.S. employees' contributions to our 401(k) plan up to 6% of their salaries, effective with the payroll period commencing April 1, 2020;
- Temporarily froze our hiring efforts and implemented a modest and targeted headcount reduction, though we have since began backfilling sales positions;
- Michael Gianoni, our President and Chief Executive Officer, elected to forego receipt of all but that portion of his base salary necessary to fund, on a pre-tax basis, his contributions to continue to participate in our health benefits plan, between April 1, 2020 and June 16, 2020;
- Restricted non-essential employee travel and put in place other operating cost containment actions;
- All of our employees with a base salary equal to or less than \$75 thousand received financial support in the form of a one-time bonus of \$1 thousand on April 30, 2020;
- On May 1, 2020, we granted RSUs to our employees that were eligible for base salary merit increases in lieu of such increases, which will vest on May 1, 2021 subject to the recipient's continued employment with us; and
- On May 1, 2020, we granted PRSUs to our employees that were eligible for a 2020 cash bonus plan in lieu of such cash bonus, which may be earned and become eligible for vesting on May 1, 2021 subject to meeting certain performance conditions and the recipient's continued employment with us.

In addition to the initial actions we have taken to date, we are continuously evaluating further possible actions in order to respond quickly to rapidly changing conditions, if needed.

We have started to experience an increase in our aging of receivables and observed changes in some of our customers' payment behavior associated with the COVID-19 pandemic. We have received short-term payment relief requests as a result of COVID-19, most often in the form of payment deferral requests. We are evaluating each request on a case-by-case basis to assess the customer's ability to pay. Not all customer requests will ultimately result in modified payment terms, nor are we forgoing our contractual rights under customer agreements. We are continually monitoring our customer receivable balances, payment terms, and creditworthiness for changes that could have a significant impact on the collectability of our accounts receivables, our operating results and financial position.

At June 30, 2020, our total cash and cash equivalents balance included approximately \$21.8 million of cash that was held by operations outside the U.S. While these funds may not be needed to fund our U.S. operations for at least the next twelve months, if we need these funds, we may be required to accrue and pay taxes to repatriate the funds. We currently do not intend nor anticipate a need to repatriate our cash held outside the U.S.

Operating Cash Flow

Net cash provided by operating activities decreased by \$7.6 million during the six months ended June 30, 2020, when compared to the same period in 2019, primarily due to a \$28.0 million decrease in cash flow from operations associated with working capital, partially offset by a \$20.4 million increase in net income adjusted for non-cash expenses. Throughout both periods, our cash flows from operations were derived principally from: (i) our earnings from ongoing operations prior to non-cash expenses such as depreciation, amortization, stock-based compensation, amortization of deferred financing costs and debt discount and adjustments to our provision for credit losses and sales returns; and (ii) changes in our working capital. The increase in net income adjusted for non-cash expenses was primarily from operating cost reductions put in place in response to COVID-19 and the increased use of stock-based compensation.

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(Unaudited)

Working capital changes are composed of changes in accounts receivable, prepaid expenses and other assets, trade accounts payable, accrued expenses and other liabilities, and deferred revenue. The decrease in cash flow from operations associated with working capital during the six months ended June 30, 2020, when compared to the same period in 2019, was primarily due to:

- an increase in current period bonus payments as a result of an increase in amounts accrued as of December 31, 2019 for over-performance against 2019 targets;
- a decrease in the current period bonus accrual due to our decision to replace cash payments for our 2020 bonus plans with performance-based equity awards; and
- fluctuations in the timing of vendor payments.

Investing Cash Flow

Net cash used in investing activities of \$27.6 million decreased by \$110.9 million during the six months ended June 30, 2020, when compared to the same period in 2019.

During the six months ended June 30, 2019, we used net cash of \$109.4 million for our acquisition of YourCause and we did not make any similar investments during the same period in 2020. During the six months ended June 30, 2020, we used \$21.7 million for software development costs, which was relatively consistent with cash spent during the same period in 2019. We continue to invest in our innovative cloud solutions, as well as development activities for Blackbaud SKY, our modern cloud platform.

We also spent \$5.9 million of cash for purchases of property and equipment during the six months ended June 30, 2020, which was relatively consistent with cash spent during the same period in 2019.

Financing Cash Flow

During the six months ended June 30, 2020, we had a net increase in borrowings of \$16.9 million, down from a net increase of \$58.6 million during the three months ended March 31, 2020. Historically, due to lower revenues in our first quarter, combined with the payment of bonuses from prior year in our first quarter and the payment of certain annual vendor contracts, our cash flow from operations has been lowest in our first quarter.

We paid \$21.0 million to satisfy tax obligations of employees upon settlement of equity awards during the six months ended June 30, 2020 compared to \$19.8 million during the same period in 2019. The amount of taxes paid by us on the behalf of employees related to the settlement of equity awards varies from period to period based upon the timing of grants and vesting, as well as the market price for shares of our common stock at the time of settlement. Most of our equity awards currently vest in our first quarter. In addition, during the six months ended June 30, 2020, we paid dividends of \$6.0 million, down from \$11.8 million during the same period of 2019, as we discontinued the declaration and payment of all cash dividends, beginning with the second quarter of 2020.

Cash used in financing activities associated with changes in restricted cash due to customers decreased \$13.8 million during the six months ended June 30, 2020 when compared to the same period in 2019, as the amount of restricted cash held and payable by us to customers as of December 31, 2019 was larger than at the same date in 2018.

2017 Credit Facility

We have drawn on our credit facility from time to time to help us meet financial needs, such as financing for business acquisitions. At June 30, 2020, our available borrowing capacity under the 2017 Credit Facility was \$190.7 million. The 2017 Credit Facility matures in June 2022. The 2017 Credit Facility includes an option to request additional term loans in an aggregate principal amount of up to \$200.0 million.

At June 30, 2020, the carrying amount of our debt under the 2017 Credit Facility was \$484.2 million. Our average daily borrowings during the three and six months ended June 30, 2020 were \$526.3 million and \$508.9 million, respectively.

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(Unaudited)

The following is a summary of the financial covenants under the 2017 Credit Facility:

Financial Covenant	Requirement	Ratio as of June 30, 2020
Net Leverage Ratio	≤ 3.50 to 1.00	2.21 to 1.00
Interest Coverage Ratio	≥ 2.50 to 1.00	11.88 to 1.00

Under the 2017 Credit Facility, we also have restrictions on our ability to declare and pay dividends and our ability to repurchase shares of our common stock. In order to pay any cash dividends and/or repurchase shares of stock: (i) no default or event of default shall have occurred and be continuing under the 2017 Credit Facility, and (ii) our pro forma net leverage ratio, as set forth in the 2017 Credit Facility, must be 0.25 less than the net leverage ratio requirement at the time of dividend declaration or share repurchase. At June 30, 2020, we were in compliance with our debt covenants under the 2017 Credit Facility.

Commitments and Contingencies

As of June 30, 2020, we had contractual obligations with future minimum commitments as follows:

(in millions)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Recorded contractual obligations:					
Debt ⁽¹⁾	\$ 489.0	\$ 9.2	\$ 479.8	\$ —	\$ —
Interest payments on debt ⁽²⁾	5.2	5.1	0.1	—	—
Operating leases ⁽³⁾	148.9	24.9	35.6	17.1	71.2
Unrecorded contractual obligations:					
Interest payments on debt ⁽⁴⁾	16.1	8.4	7.7	—	—
Purchase obligations ⁽⁵⁾	90.5	48.4	42.1	—	—
Total contractual obligations	\$ 749.8	\$ 96.1	\$ 565.4	\$ 17.1	\$ 71.2

(1) Represents principal payments only, under the following assumptions: (i) that the amounts outstanding under the 2017 Credit Facility and our other debt at June 30, 2020 will remain outstanding until maturity, with minimum payments occurring as currently scheduled, and (ii) that there are no assumed future borrowings on the 2017 Credit Facility for the purposes of determining minimum commitment amounts.

(2) Represents interest payment obligations related to our interest rate swap agreements.

(3) Our commitments related to operating leases have not been reduced by sublease income, incentive payments and reimbursement of leasehold improvements.

(4) The actual interest expense recognized in our consolidated statements of comprehensive income will depend on the amount of debt, the length of time the debt is outstanding and the interest rate, which could be different from our assumptions described in (1) above.

(5) We have contractual obligations for third-party technology used in our solutions and for other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us.

The term loan under the 2017 Credit Facility requires periodic principal payments. The balance of the term loans and any amounts drawn on the revolving credit loans are due upon maturity of the 2017 Credit Facility in June 2022.

The total liability for uncertain tax positions as of June 30, 2020 and December 31, 2019, was \$4.7 million and \$4.3 million, respectively. Our accrued interest and penalties related to tax positions taken on our tax returns was \$1.1 million and \$1.0 million as of June 30, 2020 and December 31, 2019, respectively.

Off-Balance Sheet Arrangements

As of June 30, 2020, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

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(Unaudited)

Foreign Currency Exchange Rates

Approximately 16% of our total revenue for the six months ended June 30, 2020 was generated from operations outside the U.S. We do not have significant operations in countries in which the economy is considered to be highly inflationary. Our consolidated financial statements are denominated in U.S. dollars and, accordingly, changes in the exchange rate between foreign currencies and the U.S. dollar will affect the translation of our subsidiaries' financial results into U.S. dollars for purposes of reporting our consolidated financial results. The accumulated currency translation adjustment, recorded within accumulated other comprehensive loss as a component of stockholders' equity, was a loss of \$10.6 million as of June 30, 2020 and a loss of \$4.0 million as of December 31, 2019.

The vast majority of our contracts are entered into by our U.S. or U.K. entities. The contracts entered into by the U.S. entity are almost always denominated in U.S. dollars or Canadian dollars, and contracts entered into by our U.K., Australian and Irish subsidiaries are generally denominated in British Pounds, Australian dollars and Euros, respectively. Historically, as the U.S. dollar weakened, foreign currency translation resulted in an increase in our revenues and expenses denominated in non-U.S. currencies. Conversely, as the U.S. dollar strengthened, foreign currency translation resulted in a decrease in our revenue and expenses denominated in non-U.S. currencies. During the six months ended June 30, 2020, foreign translation resulted in a decrease in our revenues and expenses denominated in non-U.S. currencies. Though we have exposure to fluctuations in currency exchange rates, primarily those between the U.S. dollar and both the British Pound and Canadian dollar, the impact has generally not been material to our consolidated results of operations or financial position. For the six months ended June 30, 2020, the fluctuation in foreign currency exchange rates reduced our total revenue and our income from operations by \$2.3 million and \$0.9 million, respectively. We will continue monitoring such exposure and take action as appropriate. To determine the impacts on revenue (or income from operations) from fluctuations in currency exchange rates, current period revenues (or income from operations) from entities reporting in foreign currencies were translated into U.S. dollars using the comparable prior year period's weighted average foreign currency exchange rates. These impacts are non-GAAP financial information and are not in accordance with, or an alternative to, information prepared in accordance with GAAP.

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2020 as compared to those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Recently Issued Accounting Pronouncements

For a discussion of the impact that recently issued accounting pronouncements are expected to have on our financial position and results of operations when adopted in the future, see Note 2 to our condensed consolidated financial statements in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have market rate sensitivity for interest rates and foreign currency exchange rates.

Interest Rate Risk

Our variable rate debt is our primary financial instrument with market risk exposure for changing interest rates. We manage our variable rate interest rate risk through a combination of short-term and long-term borrowings and the use of derivative instruments entered into for hedging purposes. Our interest rate exposure includes LIBOR rates. The Financial Conduct Authority in the U.K. has stated that it plans to phase out LIBOR by the end of calendar year 2021. We do not currently anticipate a significant impact to our financial position or results of operations as a result of this action as we expect that our financial contracts currently indexed to LIBOR will either expire or be modified before the phase out occurs. Due to

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the nature of our debt, the materiality of the fair values of the derivative instruments and the highly liquid, short-term nature and level of our cash and cash equivalents as of June 30, 2020, we believe that the risk of exposure to changing interest rates for those positions is immaterial. There were no significant changes in how we manage interest rate risk between December 31, 2019 and June 30, 2020.

Foreign Currency Risk

For a discussion of our exposure to foreign currency exchange rate fluctuations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Foreign Currency Exchange Rates” in this report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e) and 15d-15(e)) are designed only to provide reasonable assurance that they will meet their objectives. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer), of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e)) pursuant to Securities Exchange Act Rule 13a-15(b). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to provide the reasonable assurance discussed above.

Changes in Internal Control Over Financial Reporting

No changes in internal control over financial reporting occurred during the most recent fiscal quarter ended June 30, 2020 with respect to our operations, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

► PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

We are supplementing Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on February 20, 2020 (the “Annual Report”). The following risk factors should be read in conjunction with the risk factors set forth in that Annual Report.

Operational Risks

The COVID-19 pandemic (“COVID-19”) has disrupted, and is expected to continue to disrupt, our business, which is likely to adversely affect our operations and financial performance.

The outbreak of COVID-19 in numerous countries across the globe, including each country in which we currently operate, has adversely impacted the U.S. and global economies. We have experienced disruptions to our business thus far from COVID-19, and the pandemic continues to impact each of our markets. Governmental authorities have taken, and continue to take, countermeasures to slow the outbreak, including shelter-in-place and business closure orders and large-scale restrictions on travel. Furthermore, because the pandemic is a rapidly evolving situation, we cannot anticipate with any certainty the length, scope or severity of such restrictions in the jurisdictions in which we operate.

Certain vertical markets we serve are especially vulnerable to the global business disruption. For example, many arts and cultural organizations, including museums, zoos, performing arts centers and theaters, among others, have had to cancel events or have seen a significant decline in attendance due to COVID-19. Many of these organizations have also suspended their operations temporarily. In addition, we believe that a number of K-12 private schools, that would ordinarily consider purchasing our cloud solutions for the 2020-2021 academic school year, have delayed their expenditure decisions due to the uncertainty of COVID-19.

We expect that COVID-19 will impact all of our vertical markets across all of our geographies to some degree, but the significance and duration of the impact on our business cannot be determined at this time due to numerous uncertainties, including the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and business closures, the effectiveness of actions taken to contain the disease and other unforeseeable consequences. This impact could include:

- changes in customer demand;
- our relationship with, and the financial and operational capacities of our service providers, suppliers and business partners, including their ability to fulfill their obligations to us;
- further declines in our customers' ability to pay for our solutions and services;
- reduced workforce availability and productivity due to working remotely using different technologies and potential health effects and concerns;
- risks associated with our indebtedness (including available borrowing capacity, compliance with financial covenants and ability to refinance or repay indebtedness on favorable terms);
- the adequacy of our cash flow and earnings and other conditions which may affect our liquidity;
- disruptions to our technology network and other critical systems; and
- impairment charges against our goodwill and other intangible assets, operating lease right-of-use assets and other long-lived assets.

We believe that business disruption relating to the COVID-19 pandemic will continue to negatively impact the U.S. and global economies and may materially adversely impact our business, financial condition and results of operations.

Blackbaud, Inc.

If the security of our software is breached, we fail to securely collect, store and transmit customer information, or we fail to safeguard confidential donor data, we could be exposed to liability, litigation, penalties and remedial costs and our reputation and business could suffer.

Fundamental to the use of our solutions is the secure collection, storage and transmission of confidential donor and end user data and transaction data, including in our payment services. Despite the network and application security, internal control measures, and physical security procedures we employ to safeguard our systems, we may still be vulnerable to a security breach, intrusion, loss or theft of confidential donor data and transaction data, which may harm our business, reputation and future financial results.

Like many major businesses, we are, from time to time, a target of cyber-attacks and phishing schemes, and we expect these threats to continue. Because of the numerous and evolving cybersecurity threats, including advanced and persistent cyber-attacks, phishing and social engineering schemes, used to obtain unauthorized access, disable or degrade systems have become increasingly more complex and sophisticated and may be difficult to detect for periods of time, we may not anticipate these acts or respond adequately or timely. As these threats continue to evolve and increase, we may be required to devote significant additional resources in order to modify and enhance our security controls and to identify and remediate any security vulnerabilities.

A compromise of our data security that results in customer or donor personal or payment card data being obtained by unauthorized persons could adversely affect our reputation with our customers and others, as well as our operations, results of operations, financial condition and liquidity and could result in litigation against us or the imposition of penalties. We might be required to expend significant capital and other resources to further protect against security breaches or to rectify problems caused by any security breach, including notification under data privacy laws and regulations and expenses related to remediating our information security systems. Even though we carry cyber-technology insurance policies that may provide insurance coverage under certain circumstances, we might suffer losses as a result of a security breach that exceed the coverage available under our insurance policies or for which we do not have coverage. A security breach and any efforts we make to address such breach could also result in a disruption of our operations, particularly our online sales operations.

Further, the existence of vulnerabilities, even if they do not result in a security breach, may harm client confidence and require substantial resources to address, and we may not be able to discover or remedy such security vulnerabilities before they are exploited, which may harm our business, reputation and future financial results.

On July 16, 2020, we contacted certain customers to inform them about a recent security incident. Our communication to these customers included the information that in May 2020 we discovered and stopped a ransomware attack. In a ransomware attack, cybercriminals attempt to disrupt the business by locking companies out of their own data and servers. After discovering the attack, our cybersecurity team—together with independent forensics experts and law enforcement—successfully prevented the cybercriminal from blocking our system access and fully encrypting files, and ultimately expelled them from our system with no significant disruption to our operations. Prior to our locking the cybercriminal out of our system, the cybercriminal removed a copy of a subset of data from our self-hosted environment. This incident did not involve solutions in our public cloud environment (Microsoft Azure, Amazon Web Services), nor did it involve the majority of our self-hosted environment. Based on the nature of the incident, our research and third party (including law enforcement) investigation, we have no reason to believe that any data went beyond the cybercriminal, was or will be misused, or will be disseminated or otherwise made available publicly. Most of our customers were not part of the incident. The subset of customers who were part of this incident have been notified and supplied with additional information and resources. Our investigation into the incident by our cybersecurity team and third-party forensic advisors remains ongoing. It is expected that we will continue to experience increased costs related to our response to this incident and our efforts to further enhance our security measures. In addition, it is possible that the incident may result in loss of customers and partners, harm our reputation, increased costs to maintain insurance coverage, devotion of substantial management time, litigation or regulatory enforcement, claims for indemnification obligations, future cybersecurity attacks and other potential liabilities.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information about shares of common stock acquired or repurchased during the three months ended June 30, 2020. All of these acquisitions were of common stock withheld by us to satisfy tax obligations of employees due upon vesting of restricted stock awards and units. The level of acquisition activity varies from period to period based upon the timing of grants and vesting as well as employee exercise decisions.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs(1)	Approximate dollar value of shares that may yet be purchased under the plans or programs (in thousands)
Beginning balance, April 1, 2020				\$ 50,000
April 1, 2020 through April 30, 2020	175	\$ 80.18	—	50,000
May 1, 2020 through May 31, 2020	12,829	53.28	—	50,000
June 1, 2020 through June 30, 2020	8,196	63.10	—	50,000
Total	21,200	\$ 57.30	—	\$ 50,000

(1) In August 2010, our Board of Directors approved a stock repurchase program that authorized us to purchase up to \$50.0 million of our outstanding shares of common stock. We have not made any repurchases under the program to date, and the program does not have an expiration date.

Blackbaud, Inc.

ITEM 6. EXHIBITS

The exhibits listed below are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description of Document	Filed In			
		Filed Herewith	Form	Exhibit Number	Filing Date
10.1	Fifth Amendment to Lease Agreement, dated as of February 18, 2020, between HPBB1, LLC and Blackbaud, Inc.	X			
10.2	Sixth Amendment to Lease Agreement, dated as of March 17, 2020, between HPBB1, LLC and Blackbaud, Inc.	X			
10.3	Seventh Amendment to Lease Agreement, dated as of April 14, 2020, between HPBB1, LLC and Blackbaud, Inc.	X			
10.4	Eighth Amendment to Lease Agreement, dated as of May 26, 2020, between HPBB1, LLC and Blackbaud, Inc.	X			
10.5	Ninth Amendment to Lease Agreement, dated as of June 8, 2020, between HPBB1, LLC and Blackbaud, Inc.	X			
10.6	Purchase and Sale Agreement dated June 17, 2020, between HPBB1, LLC and Blackbaud, Inc.	X			
10.7	Tenth Amendment to Lease Agreement, dated as of June 26, 2020, between HPBB1, LLC and Blackbaud, Inc.	X			
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL Document.	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	X			

 **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACKBAUD, INC.

Date: August 4, 2020

By: /s/ Michael P. Gianoni

Michael P. Gianoni
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 4, 2020

By: /s/ Anthony W. Boor

Anthony W. Boor
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

FIFTH AMENDMENT TO LEASE AGREEMENT

THIS FIFTH AMENDMENT TO LEASE AGREEMENT (this “**Amendment**”) is entered into as of February 18, 2020 (the “**Effective Date**”), by and between HPBB1, LLC, a Georgia limited liability company (“**Landlord**”), and BLACKBAUD, INC., a Delaware corporation (“**Tenant**”).

RECITALS:

A. Landlord and Tenant are parties to that certain Lease Agreement dated May 16, 2016, as amended by that certain First Amendment to Lease Agreement dated August 22, 2016, that certain Second Amendment to Lease Agreement dated May 18, 2017, that certain Third Amendment to Lease Agreement dated December 11, 2017, and that certain Fourth Amendment to Lease Agreement dated February 28, 2018, and as supplemented by that certain Letter Agreement dated September 6, 2016 (collectively, the “**Lease**”), pursuant to which Landlord leased to Tenant approximately 12.98 acres of real property located in Berkeley County, South Carolina, and more particularly described in the Lease.

B. Landlord and Tenant desire to amend and modify the Lease as set forth in this Amendment.

AGREEMENT:

For and in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Recitals; Capitalized Terms.** The foregoing recitals are true and correct and are incorporated herein by this reference. Unless otherwise indicated, all capitalized terms used herein shall have the same meaning ascribed to such terms in the Lease.

2. **Article 13.** Tenant delivered the Phase 2 Notice to Landlord on December 20, 2019. Landlord delivered the Holder Phase 2 Financing Notice to Tenant on January 10, 2020. The following “Existing Dates” in Article 13 and set forth in the table below are hereby extended to the applicable “Extended Date” set forth in the table below:

Existing Date	Extended Date
(Phase 2 Exercise Deadline) – 60 days after Landlord’s receipt of the Phase 2 Notice (see Section 13.2)	March 17, 2020
(Landlord and Tenant to enter into the Phase 2 Lease) – 25 Business Days after delivery of the Holder Phase 2 Financing Notice (see Section 13.3(a))	March 17, 2020
(Delivery of Phase 2 Preliminary Budget by Landlord to Tenant) – 90 days after	May 7, 2020

delivery of the Holder Phase 2 Financing Notice (see Section 13.3(b))	
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3. **Miscellaneous.** This Amendment shall become effective only upon full execution and delivery of this Amendment by Landlord and Tenant. The Lease, as modified by this Amendment contains the parties' entire agreement regarding the subject matter covered by the Lease and this Amendment and supersedes all prior correspondence, negotiations, and agreements, if any, whether oral or written, between the parties concerning such subject matter. Except as modified by this Amendment, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Amendment, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

4. **Counterparts; PDF Signatures.** This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same instrument. Signature and acknowledgment pages, if any, may be detached from the counterparts and attached to a single copy of this document to physically form one document. Signatures given by portable document format shall be binding and effective to the same extent as original signatures.

[Rest of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment under seal as of the Effective Date.

LANDLORD:

HPBB1, LLC,
a Georgia limited liability company

By: /s/ John R. Holder

John R. Holder

President

[Seal]

TENANT:

BLACKBAUD, INC.,
a Delaware corporation

By: /s/ Jon W. Olson

Name: Jon W. Olson

Title: Sr. Vice President, General Counsel

[Seal]

SIXTH AMENDMENT TO LEASE AGREEMENT

THIS SIXTH AMENDMENT TO LEASE AGREEMENT (this “**Amendment**”) is entered into as of March 17, 2020 (the “**Effective Date**”), by and between HPBB1, LLC, a Georgia limited liability company (“**Landlord**”), and BLACKBAUD, INC., a Delaware corporation (“**Tenant**”).

RECITALS:

A. Landlord and Tenant are parties to that certain Lease Agreement dated May 16, 2016, as amended by that certain First Amendment to Lease Agreement dated August 22, 2016, that certain Second Amendment to Lease Agreement dated May 18, 2017, that certain Third Amendment to Lease Agreement dated December 11, 2017, that certain Fourth Amendment to Lease Agreement dated February 28, 2018, that certain Fifth Amendment to Lease Agreement dated February 18, 2020, and as supplemented by that certain Letter Agreement dated September 6, 2016 (collectively, the “**Lease**”), pursuant to which Landlord leased to Tenant approximately 12.98 acres of real property located in Berkeley County, South Carolina, and more particularly described in the Lease.

B. Landlord and Tenant desire to amend and modify the Lease as set forth in this Amendment.

AGREEMENT:

For and in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Recitals; Capitalized Terms.** The foregoing recitals are true and correct and are incorporated herein by this reference. Unless otherwise indicated, all capitalized terms used herein shall have the same meaning ascribed to such terms in the Lease.

2. **Article 13.** Tenant delivered the Phase 2 Notice to Landlord on December 20, 2019. Landlord delivered the Holder Phase 2 Financing Notice to Tenant on January 10, 2020. The following “Existing Dates” in Article 13 and set forth in the table below are hereby extended to the applicable “Extended Date” set forth in the table below:

Existing Date	Extended Date
(Phase 2 Exercise Deadline) – 60 days after Landlord’s receipt of the Phase 2 Notice (see Section 13.2)	April 14, 2020
(Landlord and Tenant to enter into the Phase 2 Lease) – 25 Business Days after delivery of the Holder Phase 2 Financing Notice (see Section 13.3(a))	April 14, 2020
(Delivery of Phase 2 Preliminary Budget by Landlord to Tenant) – 90 days after	June 4, 2020

delivery of the Holder Phase 2 Financing Notice (see Section 13.3(b))	
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3. **Miscellaneous.** This Amendment shall become effective only upon full execution and delivery of this Amendment by Landlord and Tenant. The Lease, as modified by this Amendment contains the parties' entire agreement regarding the subject matter covered by the Lease and this Amendment and supersedes all prior correspondence, negotiations, and agreements, if any, whether oral or written, between the parties concerning such subject matter. Except as modified by this Amendment, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Amendment, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

4. **Counterparts; PDF Signatures.** This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same instrument. Signature and acknowledgment pages, if any, may be detached from the counterparts and attached to a single copy of this document to physically form one document. Signatures given by portable document format shall be binding and effective to the same extent as original signatures.

[Rest of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment under seal as of the Effective Date.

LANDLORD:

HPBB1, LLC,
a Georgia limited liability company

By: /s/ John R. Holder

John R. Holder

President

[Seal]

TENANT:

BLACKBAUD, INC.,
a Delaware corporation

By: /s/ Jon W. Olson

Name: Jon W. Olson

Title: Sr. Vice President, General Counsel

[Seal]

SEVENTH AMENDMENT TO LEASE AGREEMENT

THIS SEVENTH AMENDMENT TO LEASE AGREEMENT (this “**Amendment**”) is entered into as of April 14, 2020 (the “**Effective Date**”), by and between HPBB1, LLC, a Georgia limited liability company (“**Landlord**”), and BLACKBAUD, INC., a Delaware corporation (“**Tenant**”).

RECITALS:

A. Landlord and Tenant are parties to that certain Lease Agreement dated May 16, 2016, as amended by that certain First Amendment to Lease Agreement dated August 22, 2016, that certain Second Amendment to Lease Agreement dated May 18, 2017, that certain Third Amendment to Lease Agreement dated December 11, 2017, that certain Fourth Amendment to Lease Agreement dated February 28, 2018, that certain Fifth Amendment to Lease Agreement dated February 18, 2020, and that certain Sixth Amendment to Lease Agreement dated March 17, 2020, and as supplemented by that certain Letter Agreement dated September 6, 2016 (collectively, the “**Lease**”), pursuant to which Landlord leased to Tenant approximately 12.98 acres of real property located in Berkeley County, South Carolina, and more particularly described in the Lease.

B. Landlord and Tenant desire to amend and modify the Lease as set forth in this Amendment.

AGREEMENT:

For and in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Recitals; Capitalized Terms.** The foregoing recitals are true and correct and are incorporated herein by this reference. Unless otherwise indicated, all capitalized terms used herein shall have the same meaning ascribed to such terms in the Lease.

2. **Article 13.** Tenant delivered the Phase 2 Notice to Landlord on December 20, 2019. Landlord delivered the Holder Phase 2 Financing Notice to Tenant on January 10, 2020. The following “Existing Dates” in Article 13 and set forth in the table below are hereby extended to the applicable “Extended Date” set forth in the table below:

Existing Date	Extended Date
(Phase 2 Exercise Deadline) – 60 days after Landlord’s receipt of the Phase 2 Notice (see Section 13.2)	May 26, 2020
(Landlord and Tenant to enter into the Phase 2 Lease) – 25 Business Days after delivery of the Holder Phase 2 Financing Notice (see Section 13.3(a))	May 26, 2020
(Delivery of Phase 2 Preliminary Budget by Landlord to Tenant) – 90 days after	July 16, 2020

delivery of the Holder Phase 2 Financing Notice (see Section 13.3(b))	
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3. **Miscellaneous.** This Amendment shall become effective only upon full execution and delivery of this Amendment by Landlord and Tenant. The Lease, as modified by this Amendment contains the parties' entire agreement regarding the subject matter covered by the Lease and this Amendment and supersedes all prior correspondence, negotiations, and agreements, if any, whether oral or written, between the parties concerning such subject matter. Except as modified by this Amendment, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Amendment, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

4. **Counterparts; PDF Signatures.** This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same instrument. Signature and acknowledgment pages, if any, may be detached from the counterparts and attached to a single copy of this document to physically form one document. Signatures given by portable document format shall be binding and effective to the same extent as original signatures.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment under seal as of the Effective Date.

LANDLORD:

HPBB1, LLC,

a Georgia limited liability company

By: /s/ John R. Holder

John R. Holder

President

[Seal]

TENANT:

BLACKBAUD, INC.,

a Delaware corporation

By: /s/ Jon W. Olson

Name: Jon W. Olson

Title: Sr. Vice President, General Counsel

[Seal]

EIGHTH AMENDMENT TO LEASE AGREEMENT

THIS EIGHTH AMENDMENT TO LEASE AGREEMENT (this “**Amendment**”) is entered into as of May 26, 2020 (the “**Effective Date**”), by and between HPBB1, LLC, a Georgia limited liability company (“**Landlord**”), and BLACKBAUD, INC., a Delaware corporation (“**Tenant**”).

RECITALS:

A. Landlord and Tenant are parties to that certain Lease Agreement dated May 16, 2016, as amended by that certain First Amendment to Lease Agreement dated August 22, 2016, that certain Second Amendment to Lease Agreement dated May 18, 2017, that certain Third Amendment to Lease Agreement dated December 11, 2017, that certain Fourth Amendment to Lease Agreement dated February 28, 2018, that certain Fifth Amendment to Lease Agreement dated February 18, 2020, that certain Sixth Amendment to Lease Agreement dated March 17, 2020, and that certain Seventh Amendment to Lease Agreement dated April 14, 2020, and as supplemented by that certain Letter Agreement dated September 6, 2016 (collectively, the “**Lease**”), pursuant to which Landlord leased to Tenant approximately 12.98 acres of real property located in Berkeley County, South Carolina, and more particularly described in the Lease.

B. Landlord and Tenant desire to amend and modify the Lease as set forth in this Amendment.

AGREEMENT:

For and in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Recitals; Capitalized Terms.** The foregoing recitals are true and correct and are incorporated herein by this reference. Unless otherwise indicated, all capitalized terms used herein shall have the same meaning ascribed to such terms in the Lease.

2. **Article 13.** Tenant delivered the Phase 2 Notice to Landlord on December 20, 2019. Landlord delivered the Holder Phase 2 Financing Notice to Tenant on January 10, 2020. The following “Existing Dates” in Article 13 and set forth in the table below are hereby extended to the applicable “Extended Date” set forth in the table below:

Existing Date	Extended Date
(Phase 2 Exercise Deadline) – 60 days after Landlord’s receipt of the Phase 2 Notice (see Section 13.2)	June 9, 2020
(Landlord and Tenant to enter into the Phase 2 Lease) – 25 Business Days after delivery of the Holder Phase 2 Financing Notice (see Section 13.3(a))	June 9, 2020
(Delivery of Phase 2 Preliminary Budget by Landlord to Tenant) – 90 days after	July 30, 2020

delivery of the Holder Phase 2 Financing Notice (see Section 13.3(b))	
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3. **Miscellaneous.** This Amendment shall become effective only upon full execution and delivery of this Amendment by Landlord and Tenant. The Lease, as modified by this Amendment contains the parties' entire agreement regarding the subject matter covered by the Lease and this Amendment and supersedes all prior correspondence, negotiations, and agreements, if any, whether oral or written, between the parties concerning such subject matter. Except as modified by this Amendment, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Amendment, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

4. **Counterparts; PDF Signatures.** This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same instrument. Signature and acknowledgment pages, if any, may be detached from the counterparts and attached to a single copy of this document to physically form one document. Signatures given by portable document format shall be binding and effective to the same extent as original signatures.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment under seal as of the Effective Date.

LANDLORD:

HPBB1, LLC,
a Georgia limited liability company

By: /s/ John R. Holder

John R. Holder
President

[Seal]

TENANT:

BLACKBAUD, INC.,
a Delaware corporation

By: /s/ Jon W. Olson

Name: Jon W. Olson
Title: Sr. Vice President, General Counsel

[Seal]

NINTH AMENDMENT TO LEASE AGREEMENT

THIS NINTH AMENDMENT TO LEASE AGREEMENT (this “**Amendment**”) is entered into as of June 8, 2020 (the “**Effective Date**”), by and between HPBB1, LLC, a Georgia limited liability company (“**Landlord**”), and BLACKBAUD, INC., a Delaware corporation (“**Tenant**”).

RECITALS:

A. Landlord and Tenant are parties to that certain Lease Agreement dated May 16, 2016, as amended by that certain First Amendment to Lease Agreement dated August 22, 2016, that certain Second Amendment to Lease Agreement dated May 18, 2017, that certain Third Amendment to Lease Agreement dated December 11, 2017, that certain Fourth Amendment to Lease Agreement dated February 28, 2018, that certain Fifth Amendment to Lease Agreement dated February 18, 2020, that certain Sixth Amendment to Lease Agreement dated March 17, 2020, that certain Seventh Amendment to Lease Agreement dated April 14, 2020, that certain Eighth Amendment to Lease Agreement dated May 26, 2020, and as supplemented by that certain Letter Agreement dated September 6, 2016 (collectively, the “**Lease**”), pursuant to which Landlord leased to Tenant approximately 12.98 acres of real property located in Berkeley County, South Carolina, and more particularly described in the Lease.

B. Landlord and Tenant desire to amend and modify the Lease as set forth in this Amendment.

AGREEMENT:

For and in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Recitals; Capitalized Terms.** The foregoing recitals are true and correct and are incorporated herein by this reference. Unless otherwise indicated, all capitalized terms used herein shall have the same meaning ascribed to such terms in the Lease.

2. **Article 13.** Tenant delivered the Phase 2 Notice to Landlord on December 20, 2019. Landlord delivered the Holder Phase 2 Financing Notice to Tenant on January 10, 2020. The following “Existing Dates” in Article 13 and set forth in the table below are hereby extended to the applicable “Extended Date” set forth in the table below:

Existing Date	Extended Date
(Phase 2 Exercise Deadline) – 60 days after Landlord’s receipt of the Phase 2 Notice (see Section 13.2)	June 23, 2020
(Landlord and Tenant to enter into the Phase 2 Lease) – 25 Business Days after delivery of the Holder Phase 2 Financing Notice (see Section 13.3(a))	June 23, 2020

(Delivery of Phase 2 Preliminary Budget by Landlord to Tenant) – 90 days after delivery of the Holder Phase 2 Financing Notice (see Section 13.3(b))	August 13, 2020
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3. **Miscellaneous.** This Amendment shall become effective only upon full execution and delivery of this Amendment by Landlord and Tenant. The Lease, as modified by this Amendment contains the parties’ entire agreement regarding the subject matter covered by the Lease and this Amendment and supersedes all prior correspondence, negotiations, and agreements, if any, whether oral or written, between the parties concerning such subject matter. Except as modified by this Amendment, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Amendment, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

4. **Counterparts; PDF Signatures.** This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same instrument. Signature and acknowledgment pages, if any, may be detached from the counterparts and attached to a single copy of this document to physically form one document. Signatures given by portable document format shall be binding and effective to the same extent as original signatures.

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PURCHASE AND SALE AGREEMENT

BETWEEN

HPBB1, LLC

AS SELLER

AND

BBHQ1, LLC

AS PURCHASER

AS OF JUNE 17, 2020

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “*Agreement*”) is made as of June 17, 2020 (the “*Effective Date*”), by and between **HPBB1, LLC**, a Georgia limited liability company (“*Seller*”) and **BBHQ1, LLC**, a Delaware limited liability company, or its permitted assigns pursuant to Section 16.3 below (“*Purchaser*”).

AGREEMENT:

In consideration of the Earnest Money (as defined below), the mutual covenants of the parties, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Purchaser and Seller, intending to be bound, agree as follows:

ARTICLE 1 PURCHASE AND SALE

1.1. ***Agreement of Purchase and Sale.*** Subject to the terms and conditions in this Agreement, Seller agrees to sell and convey to Purchaser and Purchaser agrees to purchase the following:

1.1.1. those certain tracts or parcels of land situated in Berkeley County, South Carolina, as more particularly described on Exhibit A, together with all and singular the rights and appurtenances pertaining to such property, including any right, title, and interest of Seller in and to adjacent streets, alleys, or rights-of-way (the “*Land*”);

1.1.2. the buildings, structures, fixtures, and other improvements located on the Land (the “*Improvements*”);

1.1.3. all of Seller’s right, title and interest in and to that certain Lease Agreement dated May 16, 2016, by and between Seller and Blackbaud, Inc., the ultimate parent company of Purchaser, as amended by that certain First Amendment to Lease Agreement dated August 22, 2016, that certain Second Amendment to Lease Agreement dated May 18, 2017, that certain Third Amendment to Lease Agreement dated December 11, 2017, that certain Fourth Amendment to Lease Agreement dated February 28, 2018, that certain Fifth Amendment to Lease Agreement dated February 18, 2020, that certain Sixth Amendment to Lease Agreement dated March 17, 2020, that certain Seventh Amendment to Lease Agreement dated April 14, 2020, that certain Eighth Amendment to Lease Agreement dated May 26, 2020, that certain Ninth Amendment to Lease Agreement dated June 9, 2020, and as supplemented by that certain Letter Agreement dated September 6, 2016 (collectively, the “*Lease*”); and

1.1.4. all of Seller’s right, title and interest, if any, in and to (i) any personal property of Seller located on or about the Land (the “*Personal Property*”); (ii) all assignable warranties and guaranties (expressed or implied) existing with respect to the Improvements or the Personal Property, and (iii) all assignable trade names, logos, licenses, permits, air rights, certificates of occupancy, signs, trademarks, telephone listings and numbers relating solely to the Land and the Improvements (the “*Intangibles*”).

1.2. ***Property Defined.*** The Land, the Improvements, the Lease, the Personal Property, and the Intangibles are referred to collectively as the “*Property*”.

1.3. **Permitted Exceptions.** Seller will convey the Property subject to the matters which are, or are deemed to be, Permitted Exceptions pursuant to Article 3 hereof.

ARTICLE 2 PURCHASE PRICE & EARNEST MONEY

2.1 **Purchase Price.** The purchase price for the property is **\$76,321,920.38** (the “Purchase Price”).

2.2 **Payment of Purchase Price.**

2.2.1 There is currently a loan with respect to the Property in the total original principal amount of \$63,044,318.99 (the “Existing Loan”), as evidenced by (i) that certain 5.12% Senior Secured Note, Series A1, in the original principal amount of \$51,044,318.99, dated May 2, 2018, from Seller and payable to Wells Fargo Bank Northwest, National Association, as Trustee for the registered certificate holders of the CTL Pass-Through Trust, Series 2018 (Blackbaud) (“Lender”), and (ii) that certain 5.61% Senior Secured Note, Series A2, in the original principal amount of \$12,000,000.00, dated May 2, 2018, from Seller and payable to Lender (collectively, the “Notes”). The Notes and all other documents evidencing, securing, or relating to the Notes, as specifically listed and referred to in Exhibit B, are collectively referred to as the “Existing Loan Documents”.

2.2.2 At Closing, Purchaser shall assume the Existing Loan and receive a credit against the Purchase Price equal to the amount of the outstanding principal balance (and for avoidance of doubt, not including the unpaid interest) of the Existing Loan as of the Closing Date (as defined herein).

2.2.3 The balance of the Purchase Price (the “Cash Portion of the Purchase Price”) is payable by Purchaser in full at Closing, without reduction, adjustment or setoff (other than as expressly authorized with respect to the closing adjustments and prorations set forth in Article 11 or elsewhere in this Agreement), in cash by federal wire transfer of immediately available funds to a bank account designated by the Chicago Title Insurance Company (“Escrow Agent”) in writing to Purchaser at or prior to Closing.

2.3 **Earnest Money.** On or before the date that is two (2) Business Days after the Effective Date, Purchaser shall deposit with the Escrow Agent, the sum of \$1,000,000.00 (together with all interest earned on such sums are referred to in this Agreement as the “Earnest Money”) in good funds, either by certified bank or cashier’s check or by federal wire transfer. If requested by Purchaser, the Escrow Agent will invest the Earnest Money in government insured interest-bearing accounts satisfactory to Seller and Purchaser. The Escrow Agent will not commingle the Earnest Money with any funds of Escrow Agent or others and will promptly provide Purchaser and Seller with confirmation of the investments made. Such account will have no penalty for early withdrawal, and Purchaser accepts all risks with regard to such account. If the Earnest Money is not actually received by the Escrow Agent within the time period specified, this Agreement will become null and void and of no further force or effect whatsoever, except with respect to those certain indemnities set forth in this Agreement which shall survive the termination of this Agreement. Upon deposit of the Earnest Money, Purchaser will be deemed to have irrevocably paid to Seller a portion thereof equal to \$100.00 (“Independent Contract Consideration”), which amount Seller and Purchaser bargained for and agreed to as consideration for Seller’s execution and delivery of this Agreement. The Independent Contract Consideration is non-refundable from and after said date of delivery, and Seller shall retain the Independent Contract Consideration notwithstanding any other provision of this Agreement to the contrary and all references to a return of the Earnest Money to Purchaser shall exclude the Independent Contract Consideration

ARTICLE 3
TITLE AND SURVEY

3.1 **Title to the Property.** At Closing, Seller shall provide good and marketable title to the Property subject only to the permitted encumbrances described on Exhibit C (“Permitted Exceptions”).

3.2 **Title Commitment and Survey.** Purchaser shall request that the Escrow Agent issue to Purchaser, at Purchaser’s cost and expense, a commitment for title insurance with respect to the Land (the “Title Commitment”), along with legible copies of all documents of record referred to in this Agreement. Upon its receipt, Purchaser shall cause the Title Commitment to be delivered to Seller. Purchaser may order and cause to be delivered, at Purchaser’s cost and expense, an updated ALTA/ACSM “as-built” survey of the Property (the “Survey”) prepared or inspected by a surveyor licensed in the state in which the Property is located. If Purchaser obtains the Survey, Purchaser shall cause the Survey to be certified to Seller and shall cause the Survey to be delivered to Seller promptly after Purchaser’s receipt.

3.3 **Title Review.** Purchaser shall have until 5:00 p.m. (Charleston, South Carolina local time) on the date that is five (5) days before the expiration of the Inspection Period (as defined below) to give notice to Seller specifying any objections to matters (other than Permitted Exceptions) reflected in the Title Commitment or on the Survey (and otherwise not reflected on Seller’s existing survey) (“Title Objections”). For the avoidance of doubt, Purchaser shall have no right to object to any Permitted Exceptions. If Purchaser timely provides any Title Objections, Seller may, but shall not be obligated to cure such Title Objections. Seller shall not be obligated to incur any expense to cure any Title Objections unless Seller expressly undertakes in writing to do so. If Seller does not notify Purchaser on or before the date that is three (3) days after receipt of Purchaser’s Title Objections of Seller’s agreement to cure such Title Objections, Seller shall be deemed to have elected not to cure such Title Objections. If Seller notifies Purchaser that Seller elects not to cure any Title Objection or if Seller is deemed to have elected not to cure such Title Objections, Purchaser shall, by written notice to Seller given no later than the expiration of the Inspection Period, either (i) waive the Title Objections in question without any reduction in the Purchase Price, in which event such uncured Title Objections shall be Permitted Exceptions, or (ii) terminate this Agreement, in which case the Earnest Money will be refunded in full to Purchaser and thereupon this Agreement will be null and void and of no further force and effect whatsoever, except for the terms of this Agreement which expressly survive termination of this Agreement. If Purchaser fails to provide notice of such election before the expiration of the Inspection Period, Purchaser shall be deemed to have elected the option set forth in clause (i) of the preceding sentence. Notwithstanding the foregoing, Seller shall be obligated to cure or otherwise satisfy any mortgage, judgment lien, or construction lien liquidated in amount which has been created or suffered by Seller, other than the Existing Loan Documents (the “Monetary Title Objections”). If Seller fails to cure or otherwise satisfy any such Monetary Title Objections (which may include “bonding around” any filed construction liens), Purchaser shall be entitled to cure or otherwise satisfy such Monetary Title Objection which is not cured by Seller at or before Closing and offset the sums expended by Purchaser against the Cash Portion of the Purchase Price.

3.4 **Subsequent Title Defects.** If any matter affecting title to the Property, other than any lien, encumbrance or other title exception resulting from any act or omission of Purchaser or of Blackbaud, Inc., as tenant under the Lease, arises after the effective date of the Title Commitment, then the following provisions will apply:

3.4.1 Purchaser must notify Seller of such matter in writing within two (2) Business Days of Purchaser’s learning of such matter and, in any event, not later than Closing;

3.4.2 If the matter is one which was caused by an act or omission by Seller, then Seller will be obligated to cure such title defect not later than Closing, by either discharging the matter by payment, or by causing Escrow Agent affirmatively to insure over the matter in form acceptable to Purchaser.

3.4.3 If the matter is not described in Section 3.4.2, and Seller does not elect to cure such matter by written notice to Purchaser on or before the date that is five (5) Business Days (“*Seller’s Response Period*”) after Seller’s receipt of Purchaser’s written notice under Section 3.4.1 (and Closing will be delayed as necessary to permit Seller such period of response), then Purchaser must elect either (i) to terminate this Agreement, in which case the Earnest Money will be refunded in full to Purchaser and thereupon this Agreement will be null and void and of no further force and effect whatsoever, except for the terms of this Agreement which expressly survive termination of this Agreement; provided, however, Seller may condition the refund of the Earnest Money upon the execution and delivery by Purchaser to Seller of an instrument in recordable form that disclaims any and all continuing right, title and interest in and to the Property; or (ii) to waive such title defect and proceed with Closing pursuant to the terms and conditions of this Agreement without offset or other credit or adjustment to the Purchase Price, in which event such title defect will constitute a Permitted Exception and Purchaser waives any claim against Seller with respect to such title defect. If Purchaser elects to terminate pursuant to the preceding clause (i), Purchaser must provide Seller with prompt written notice of such election not later than five (5) Business Days after the expiration of Seller’s Response Period. A failure timely to make an affirmative election to terminate pursuant to the preceding clause (i) will be deemed an election pursuant to clause (ii) to waive such matter.

ARTICLE 4 EXISTING LOAN DOCUMENTS AND INSPECTIONS

4.1 ***Seller’s Delivery of Existing Loan Documents and Property Documents.*** On or before the date that is one (1) Business Day after the Effective Date, Seller shall deliver to Purchaser, by electronic mail or other method in the ordinary course of business, the Existing Loan Documents and the Property Documents. As used herein, the term “*Property Documents*” shall mean the documents listed on Exhibit E attached hereto.

4.2 ***Inspection Period Defined.*** As used in this Agreement, the term “*Inspection Period*” means the period commencing on the Effective Date and ending at 5:00 p.m. (Charleston, South Carolina local time) on the date that is fifteen (15) Business Days after the Effective Date.

4.3 ***Purchaser’s Right to Inspect.*** From and after the Effective Date and until the earlier to occur of termination of this Agreement or Closing, to the extent permitted under, and subject to, the terms of the Lease, Purchaser and its representatives and agents will have the right, to enter upon the Property for the purpose of examining, inspecting and testing the Property. Purchaser will provide Seller with reasonable notice regarding third party inspections, including, proposed timing of such inspections, and any anticipated need to interview specified personnel. Neither Purchaser nor any of its agents or contractors may conduct inspection activities that involve the drilling or boring into the Land or Improvements, or any other similar invasive activity without the written consent of Seller, which consent may be given or withheld at Seller’s sole discretion and may be further conditioned upon such adequate bonds and additional security as Seller may reasonably require to protect itself and the Property from loss, damage or injury.

4.4 ***Indemnity and Restoration.*** Purchaser will be responsible for any and all losses, damages, charges and other costs caused by Purchaser or Purchaser’s employees, agents or contractors or directly associated with its examinations, inspections, and other activities conducted as a part of its due diligence,

and at the if this Agreement is terminated for any reason, must return the Property to the same condition as existed before such examinations, inspections and other activities. Purchaser must discharge any liens that attach against the Property as a result of its inspections by payment, bonding off or otherwise removing such liens promptly on demand. Purchaser agrees to indemnify and hold harmless Seller from and against any and all claims, charges, actions, costs, suits, damages, injuries, or other liabilities which arise, either directly or indirectly, from Purchaser's or its agent's, contractor's, or employee's examinations, inspections, and other activities conducted as a part of its due diligence before Closing. The indemnity obligations of this Section do not apply to (a) any loss, liability, cost or expense to the extent arising from or relating to the acts or omissions of Seller or Seller's agents or consultants, (b) any diminution in value of the Property arising from or relating to matters discovered by Purchaser, (c) any latent defects in the Property discovered by Purchaser, or (d) the release or spread of any Hazardous Materials (as defined in Section 5.7), which is discovered (but not deposited) on or under the Property. Purchaser's liability pursuant to this Section 4.4 will survive the Closing and any termination of this Agreement for any reason whatsoever.

4.5 **Purchaser's Right to Terminate.** At any time before the expiration of the Inspection Period, Purchaser has the right to terminate this Agreement if Purchaser determines that the Property is not suitable to Purchaser for any reason. Any such election must be in writing delivered to Seller and Escrow Agent. If notice of such election is timely received by Seller and Escrow Agent, then Escrow Agent is irrevocably instructed to return to Purchaser the Earnest Money. Upon such termination, this Agreement will be null and void and of no further force and effect whatsoever, except for the terms of this Agreement which expressly survive termination of this Agreement.

4.6 **Continuing Agreement.** If Purchaser does not elect to terminate this Agreement prior to the expiration of the Inspection Period, then: (i) this Agreement will remain in full force and effect, and (ii) **PURCHASER WILL BE DEEMED TO HAVE ACCEPTED THE PROPERTY ON AN "AS IS" BASIS, SUBJECT ONLY TO THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT AND THE TERMS AND CONDITIONS SET FORTH IN THE DOCUMENTS EXECUTED AND DELIVERED BY SELLER AT CLOSING ("SELLER'S CLOSING DOCUMENTS")**, and (iii) Purchaser will be deemed and agreed to accept title to the Property subject to the Permitted Exceptions. **SELLER AND PURCHASER AGREE THAT THE PROPERTY WILL BE SOLD "AS IS" AND EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND IN SELLER'S CLOSING DOCUMENTS, SUCH SALE WILL BE WITHOUT REPRESENTATION OR WARRANTY BY SELLER OF ANY KIND, EXPRESS OR IMPLIED (INCLUDING, WITHOUT LIMITATION, WARRANTY OF INCOME POTENTIAL, OPERATING EXPENSES, USES, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), AND SELLER DISCLAIMS AND RENOUNCES ANY SUCH REPRESENTATION OR WARRANTY.**

4.7 **"AS IS" Defined.** As used in this Agreement, the term "AS IS" means, as and where the Property presently exists as of the expiration of the Inspection Period, including, without limitation, all faults, defects, claims, liens, and other conditions of every kind or description with respect to (i) physical and environmental condition of the Property, including defects seen and unseen and conditions natural and artificial, (ii) the Permitted Exceptions, (iii) the financial operation and condition of the Property, (iv) compliance with all laws, ordinances, rules and regulations to which the Property is subject, (v) all claims, demands, actions or causes of action that relate in any way to the property or the ownership and operation thereof, whether known or unknown, and (vi) all other matters related in any way to the ownership and operation of the Property, whether known or unknown.

4.8 **Hazardous Materials.** Except as set forth in Section 5.7 below, Seller makes no representation whatsoever regarding: (i) compliance with "Environmental Laws" as that term is defined below, (ii) the presence, location or scope of any materials, waste, contaminates, pollutants, mold, fungus, bacteria or other substances or conditions which are toxic, dangerous, radioactive, disease causing, carcinogenic, infectious, caustic, or contain petroleum products or by-products, asbestos, heavy metals, or

are defined as toxic, dangerous to health or otherwise hazardous by reference to any Environmental Laws (collectively, “*Hazardous Materials*”). As used in this Agreement, “*Environmental Laws*” means collectively Comprehensive Environmental Response, Compensation and Liability Act of 1980 (commonly known as “*CERCLA*”), as amended, the Superfund Amendments and Reauthorization Act (commonly known as “*SARA*”), the Resource Conservation and Recovery Act (commonly known as “*RCRA*”), and any other federal, state or local environmental legislation or ordinances applicable to the Property.

4.9 **Information from Seller’s Agents.** Seller shall have no liability with respect to any opinions, statements, warranties, representations, or other information furnished to Purchaser by Seller’s employees, agents, and contractors, unless expressly incorporated in this Agreement as Seller’s representations. Accordingly, Purchaser releases and discharges Seller from any and all damage, injury, or loss suffered by Purchaser as a result of: (i) any and all such statements, information, opinions and other matters furnished by such employees, agents, and contractors of Seller, except to the extent expressly incorporated in this Agreement as a representation of Seller, and (ii) any omission to disclose information or withholding of information by any such employees, agents, and contractors of Seller, unless done at the express direction or knowledge (as defined below) of Seller.

4.10 **[Section deleted]**

ARTICLE 5 SELLER’S WARRANTIES & REPRESENTATIONS

5.1 **Seller’s Authority, Etc.** Seller has been duly organized and is validly existing under the laws of the State of Georgia. Seller is duly qualified to do business and is in good standing in the State of South Carolina. Seller has the full right and authority to enter into this Agreement and to transfer all of the Property to be conveyed by Seller and to consummate or cause to be consummated the transactions contemplated in this Agreement in accordance with the terms of this Agreement. The person signing this Agreement on behalf of Seller is authorized to do so and may bind the Seller without the joinder or co-signature of any other person.

5.2 **No Litigation.** To Seller’s knowledge, there is no action, suit, arbitration, unsatisfied order or judgment, governmental investigation or proceeding pending against the Property or the transaction contemplated by this Agreement.

5.3 **Notices of Violations or Actions.** Seller has not received any written notification from any governmental or public authority (i) that the Property is in violation of any applicable fire, health, building, use, occupancy or zoning laws where such violation remains outstanding or (ii) that any work is required to be done upon or in connection with the Property pursuant to any such fire, health, building, use, occupancy or zoning laws, where such work remains outstanding. Seller has not received written notification from any governmental or public authority that the Property is the subject of any pending or threatened condemnation proceedings.

5.4 **Existing Loan Documents.** To Seller’s knowledge, Exhibit B is a true, correct, and complete list, in all material respects, of the Existing Loan Documents, and such Existing Loan Documents have not been amended or modified except as otherwise specified in Exhibit B. The Existing Loan Documents delivered or to be delivered by Seller to Purchaser pursuant to Section 4.1 are or shall be true and correct copies of such Existing Loan Documents.

5.5 **Service Contracts.** To Seller’s knowledge, except for Permitted Exceptions and contracts entered into by Holder Properties, Inc. (“HPI”) in connection with its responsibilities as manager for

Blackbaud, Inc., there are no service or other contracts in effect with respect to the Property to which Seller is a party that will be in effect as of Closing and be binding on the Property or Purchaser after Closing.

5.6 *[Section deleted]*

5.7 **Environmental Matters.** To Seller's knowledge, except as set forth in the Property Documents, (a) the Property and Seller's use of the Property are in compliance with Environmental Laws; (b) there are no Hazardous Materials on, in or under the Property requiring removal pursuant to applicable Environmental Laws; (c) there are no under or above ground storage tanks on, in or under the Property; and (d) neither Seller nor, to Seller's knowledge, or any other party has manufactured, generated, stored, released or discharged from or onto any of the Property any Hazardous Materials.

5.8 **Title.** Seller is the sole owner of, and has good, marketable and insurable fee simple title to, the Property free and clear of all mortgages, liens, encumbrances, claims, demands, easements, rights or interests of others, covenants, conditions, restrictions and encroachments of any kind or nature other than Permitted Exceptions, but only to the extent that the respective claimants are claiming by, through or under Seller. Seller has not entered into any agreement to lease, sell, or otherwise dispose of its interest in the Property or any part thereof, except for this Agreement and the Permitted Exceptions.

5.9 **Liens.** All bills and invoices for labor and material of any kind relating to the Property and incurred by Seller have been or prior to the Closing will be paid in full, and there are no mechanic's liens or claims outstanding or available to any party in connection with the Property. For avoidance of doubt, this warranty does not pertain or extend to bills and invoices incurred by HPI, as agent for Blackbaud, Inc.

5.10 **Property Documents.** To Seller's knowledge, the copies of Property Documents that will be delivered by Seller to Purchaser pursuant to Section 4.1 will constitute true, correct and complete (in all material respects) copies of the Property Documents in Seller's possession or control (or which have been within Seller's possession or control within the ninety (90) day period prior to the Effective Date).

5.11 **OFAC Regulations.**

5.11.1 Neither Seller nor the owner of any controlling interest in Seller: (i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by the office of Foreign Assets Control, Department of the Treasury ("**OFAC**") pursuant to the Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "**Order**") and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to the Order and any other applicable rules, regulations, legislation or orders (such lists are collectively referred to as the "**Lists**"); and (ii) will transfer or permit the transfer of any controlling interest in Purchaser to any person or entity who is, or any of whose beneficial owners are, listed on the Lists. In this regard, Seller represents that John Robert Holder is the only direct or indirect owner of a twenty-five percent or greater interest in Purchaser and shall promptly notify Purchaser if any additional parties obtain such a direct or indirect interest of twenty-five percent or greater prior to Closing.

5.11.2 Seller covenants and agrees that if Seller obtains knowledge that Seller or any owner of any controlling interest in Seller becomes listed on the Lists or is indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Seller will immediately notify Purchaser in writing, and in such event, Purchaser will have the right to terminate this Agreement without penalty or liability to Purchaser immediately upon delivery of written notice thereof to

Seller, in which event the Earnest Money will promptly be returned to Purchaser and neither party will have any further rights or obligations under this Agreement, except for such as specifically survive termination.

5.12 **Knowledge Defined.** References to the “knowledge” of Seller refer only to the actual knowledge of John R. Holder, Seller’s Manager, and/or Chris Smith, Executive Vice President for Property Management for HPI (building manager for Blackbaud, Inc. and Seller’s affiliate), and will not be construed, by imputation or otherwise, to refer to the knowledge of Seller, or any affiliate of Seller, or to any other officer, agent, manager, representative, advisor, or employee of Seller or any affiliate thereof or to impose upon such designated individual any duty to investigate the matter to which such actual knowledge, or the absence thereof, pertains.

5.13 **Survival of Seller’s Representations and Warranties.** The representations and warranties of Seller set forth in this Article 5 will survive Closing for a period of three hundred sixty-five (365) days after Closing. No claim for a breach of any representation or warranty of Seller will be actionable or payable (i) if the breach in question results from or is based on a condition, state of facts or other matter which was known to Purchaser or Blackbaud, Inc. prior to Closing, (ii) unless the valid claims for all such breaches collectively aggregate more than \$50,000.00, in which event the full amount of such valid claims will be actionable, up to but not exceeding the amount of the Liability Cap (as defined below), and (iii) unless written notice containing a description of the specific nature of such breach will have been given by Purchaser to Seller prior to the expiration of said three hundred sixty-five (365) day period and, if not addressed to Purchaser’s satisfaction, an action will have been commenced by Purchaser against Seller within five hundred forty (540) days after Closing. In no event will Seller’s aggregate liability to Purchaser for breach of any representation or warranty of Seller in this Agreement exceed the amount of the Liability Cap. As used in this Agreement, the term “*Liability Cap*” will mean the total aggregate amount of \$1,500,000; provided, however, this \$1,500,000 Liability Cap shall not apply to claims resulting solely from fraud consisting of intentional misrepresentations made with an intent to deceive. Any claim for fraud not asserted against Seller in writing within three hundred sixty-five (365) days after Closing and any claim of fraud asserted against Seller in writing within three hundred sixty-five (365) days after Closing but, absent an agreement between Purchaser and Seller, as to which an action has not been commenced by Purchaser against Seller within five hundred forty (540) days after Closing shall be automatically waived and released by Purchaser. As to any litigation commenced under this section, the prevailing party shall be entitled to recover from the non-prevailing party, the prevailing party’s attorneys’ fees, paralegal fees, investigative fees and costs incurred, through all appeals, bankruptcy proceedings, tribunals and collection efforts.

ARTICLE 6 PURCHASER’S WARRANTIES & REPRESENTATIONS

6.1 **No ERISA Funds.** Purchaser is not acquiring the Property with the assets of an employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (“*ERISA*”), and Purchaser is not aware of any facts or circumstances that would cause the transaction contemplated by this Agreement to be a “prohibited transaction” within the meaning of ERISA.

6.2 **Purchaser’s Authority, Etc.** Purchaser has the full right, power and authority to purchase the Property as provided in this Agreement and to carry out Purchaser’s obligations under this Agreement, and all requisite action necessary to authorize Purchaser to enter into this Agreement and to carry out its obligations under this Agreement have been, or by the Closing will have been, taken. The person signing this Agreement on behalf of Purchaser is authorized to do so and may bind the Purchaser without the joinder or cosignature of any other person.

6.3 **No Litigation.** There is no action, suit, arbitration, unsatisfied order or judgment, government investigation or proceeding pending or threatened against Purchaser which, if adversely determined, could individually or in the aggregate interfere with the consummation of the transaction contemplated by this Agreement.

6.4 **Sophisticated Investor.** Purchaser warrants and represents that it has the ability through its own employees, or through agents, independent contractors, consultants or other experts with whom it has a relationship, to evaluate fully the investment characteristics of the Property and to assess fully all issues pertaining to title to the Property, the assumption by Purchaser of the Lease, the value of the Property, the ability of Purchaser to obtain financing, the physical and environmental condition of the Property, and the compliance of the Property and the operation thereof with all applicable laws, rules, and regulations of any and all governmental agencies having jurisdiction with respect thereto, and the past and future economic performance of the Property. Accordingly, Purchaser warrants and represents that except for the express warranties and representations made by Seller in Article 5 hereof and as contained in the documents and instruments executed and delivered by Seller at Closing, Purchaser has not relied and will not rely upon any warranty, representation, statement of fact, or other information made by or furnished on behalf of Seller or any of its employees, affiliates, agents, consultants, contractors, or others, but is relying solely upon its own investigations, assessments, evaluations, and those of its own employees, agents, independent contractors, consultants and other experts with whom it is dealing in connection with the transactions contemplated by this Agreement.

6.5 **OFAC Regulations.**

6.5.1 Neither Purchaser nor the owner of any controlling interest in Purchaser: (i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Order and/or on any other Lists; and (ii) will transfer or permit the transfer of any controlling interest in Purchaser to any person or entity who is, or any of whose beneficial owners are, listed on the Lists.

6.5.2 Purchaser covenants and agrees that if Purchaser obtains knowledge that Purchaser or any owner of any controlling interest in Purchaser becomes listed on the Lists or is indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Purchaser will immediately notify Seller in writing, and in such event, Seller will have the right to terminate this Agreement without penalty or liability to Seller immediately upon delivery of written notice thereof to Purchaser, in which event the Earnest Money will promptly be returned to Purchaser and neither party will have any further rights or obligations under this Agreement, except for such as specifically survive termination.

6.6 **Structure.** Purchaser represents that all its ownership interests are owned by Blackbaud Guarantor (as defined herein) and that all of Blackbaud Guarantor's ownership interests are owned by Blackbaud, Inc.

6.7 **Survival of Purchaser's Representations and Warranties.** The representations and warranties of Purchaser set forth in this Article 6 will survive Closing for a period of three hundred sixty-five (365) days after Closing. No claim for a breach of any representation or warranty of Purchaser will be actionable or payable (i) if the breach in question results from or is based on a condition, state of facts or other matter which was known to Seller prior to Closing, (ii) unless the valid claims for all such breaches collectively aggregate more than \$50,000.00, in which event the full amount of such valid claims will be actionable, up to but not exceeding the amount of the Liability Cap, and (iii) unless written notice containing a description of the specific nature of such breach will have been given by Seller to Purchaser prior to the

expiration of said three hundred sixty-five (365) day period and, if not addressed to Seller's satisfaction, an action will have been commenced by Seller against Purchaser within five hundred forty (540) days after Closing. In no event will Purchaser's aggregate liability to Purchaser for breach of any representation or warranty of Seller in this Agreement exceed the amount of the Liability Cap; provided, however, this \$1,500,000 Liability Cap shall not apply to claims resulting solely from fraud consisting of intentional misrepresentations made with an intent to deceive. Any claim for fraud not asserted against Purchaser in writing within three hundred sixty-five (365) days after Closing and any claim of fraud asserted against Purchaser in writing within three hundred sixty-five (365) days after Closing but, absent an agreement between Purchaser and Seller, as to which an action has not been commenced by Seller against Purchaser within five hundred forty (540) days after Closing shall be automatically waived and released by Seller. As to any litigation commenced under this section, the prevailing party shall be entitled to recover from the non-prevailing party the prevailing party's attorneys' fees, paralegal fees, investigative fees and costs incurred, through all appeals, bankruptcy proceedings, tribunals and collection efforts.

6.8 **Knowledge Defined.** References to the "knowledge" of Purchaser or Blackbaud, Inc. refer only to the actual knowledge of Jon Olson, Senior Vice President and General Counsel of Purchaser, and/or Otto Orr, Director of Global Real Estate and Procurement of Purchaser, and will not be construed, by imputation or otherwise, to refer to the knowledge of Purchaser, or any affiliate of Purchaser, or to any other officer, agent, manager, representative, advisor, or employee of Purchaser or any affiliate thereof or to impose upon such designated individual any duty to investigate the matter to which such actual knowledge, or the absence thereof, pertains.

ARTICLE 7 COVENANTS AND EXECUTORY AGREEMENTS PENDING CLOSING

7.1 **Seller's Pre-Closing Covenants.** Seller hereby covenants to Purchaser that until the earlier of the termination of this Agreement or the Closing Date, Seller shall (i) duly and punctually comply with its obligations under the Lease and the Loan Documents; (ii) not enter into any maintenance or service agreement as to the Property unless Seller terminates such agreement as of the Closing Date; (iii) not encumber all or any of the Property with any lien, encumbrance or other title exception, unless Seller terminates any such lien, encumbrance and title exception and removes same from the Property as of the Closing Date; and (iv) pay any sums owed third parties for improvements made to the Property at the behest of Seller, which if not paid, would result in the third party to whom such sums are owed having lien rights as to the Property under South Carolina mechanics' and materialmen's lien statutes.

ARTICLE 8 ASSUMPTION OF THE EXISTING LOAN

8.1 **Assumption of the Existing Loan.** Subject to and conditioned upon Lender Consent (as defined below) and subject to Purchaser's express rights to terminate this Agreement prior to Closing, at Closing, Purchaser shall assume and agree to perform all of the borrower's obligations and undertakings under the Existing Loan Documents arising or accruing on or after the Closing Date (collectively, the "Loan Assumption").

8.2 **Loan Assumption.** Each of Seller and Purchaser shall use commercially reasonable efforts to obtain, and shall cooperate with each other in obtaining, the Lender Consent and effecting the Loan Assumption at Closing. Without limiting the generality of the foregoing:

8.2.1 As soon as is reasonably practicable, Seller shall provide to Purchaser any applications or forms of Lender required for the Loan Assumption and identify to Purchaser any required application fee(s) required by Lender in connection with such submission.

8.2.2 On the day after expiration of the Inspection Period or such earlier date as may be agreed to by Seller and Purchaser, Purchaser shall submit to Seller for submission in turn to Lender an application and all related documentation reasonably anticipated to be required by Lender to be submitted by Purchaser in connection with the obtaining of the Lender Consent or the Loan Assumption in form reasonably approved by Seller and Purchaser (the “*Assumption Approval Request*”) and Purchaser shall pay any Lender any application fees required by Lender in connection with such submission which was identified by Seller and approved by Purchaser during the Inspection Period. As part of the application submitted by Seller, Seller shall request that Lender agree to release from the lien of the Mortgage (as defined in Paragraph 4 of Exhibit B hereto) the Phase 2 Property, which shall be deeded to Blackbaud Guarantor, as assignee of Blackbaud, Inc. under the Lease, contemporaneously with the Loan Assumption and Closing. Seller shall cooperate with Purchaser in obtaining the consent from Lender to release the Phase 2 Property from the Lease and the lien of the Mortgage at the Closing.

8.2.3 The Assumption Approval Request shall further provide that BB Real Property Development, LLC, a Delaware limited liability company (“*Blackbaud Guarantor*”), which is the owner of all ownership interests in Purchaser, will execute and deliver to Lender agreements guaranteeing certain standard environmental and “carveout” obligations in the same form and substance as the Existing Loan guaranties and indemnities, unless otherwise agreed to by Purchaser and Lender. Blackbaud, Inc. will capitalize the Blackbaud Guarantor with assets so as to result in net worth not less than \$10,000,000, including not less than \$5,000,000 of liquid assets and shall not permit Blackbaud Guarantor to incur debts or liabilities that would cause the Blackbaud Guarantor to fall below such amounts. If required by the Lender, Blackbaud, Inc. shall enter into an agreement, in a form reasonably acceptable to Lender providing that Blackbaud, Inc. will not permit Blackbaud Guarantor, to take any action or omit to take any action which results in Blackbaud Guarantor violating the terms of the “carve out” guaranty and environmental indemnity agreement executed by Blackbaud Guarantor as part of the Loan Assumption. If required by Lender, such “carve out” guaranty and environmental indemnity agreement shall include such covenants as may be required by Lender to ensure that such assets and liquid assets are not subject to claims of creditors or third parties that would be detrimental to Lender.

8.2.4 The Loan Assumption shall include: (i) as to Seller, a release of liability for any “carveout,” environmental or other guaranty obligations of Seller and John R. Holder, which release shall be in form and substance reasonably acceptable to Seller; and (ii) as to Purchaser, either the release of the Phase 2 Property at the Closing or the receipt by Purchaser at the Closing of reasonably satisfactory assurances from Lender that Lender will release the Phase 2 Property upon the satisfaction of the requirements of Section 3.4 of the Mortgage and Article 13 of the Lease.

8.2.5 Purchaser and Seller agree to use good faith and commercially reasonable efforts to satisfy any and all underwriting requirements of Lender with respect to the assumption of the Existing Loan by Purchaser. Seller agrees that Purchaser may require that the Lender and Seller execute a non-disclosure agreement, satisfactory to the parties, prior to receiving any non-public or confidential information regarding Purchaser, the Blackbaud Guarantor, or Blackbaud, Inc. Seller shall not disclose any non-public or confidential information regarding Purchaser, the Blackbaud Guarantor, or Blackbaud, Inc. to Lender without such a non-disclosure agreement having been signed by Lender and Seller.

8.2.6 At Purchaser's cost, Purchaser agrees to use good faith and commercially reasonable efforts to cause the Escrow Agent to issue an endorsement to the Lender's policy of title insurance issued in connection with the Existing Loan, stating that the transactions contemplated by this Agreement will not affect the lien or priority of the Existing Loan Documents as a first lien against the Property.

8.2.7 If required under the Existing Loan Documents or otherwise by Lender, Purchaser shall assume the obligations of Seller under the Special Risk Policy (as defined in the Existing Loan Documents).

8.2.8 Purchaser shall deliver to Lender any document reasonably required by the Existing Loan Documents or Lender in connection with the Lender Consent, and representations and warranties of Purchaser and Blackbaud Guarantor (as substitute guarantor), as applicable, to the effect that (i) it has the requisite power and authority to enter into the transactions contemplated by this Agreement, (ii) that neither Purchaser nor Blackbaud Guarantor (as substitute guarantor) will modify the Purchaser's or Blackbaud Guarantor's organizational documents, and (iii) that the Existing Loan Documents remain in full force and effect, unmodified and enforceable against Purchaser.

8.2.9 Purchaser agrees to use good faith and commercially reasonable efforts to cause its counsel, the identity of which shall be subject to the reasonable approval of Lender, to issue to Lender at Closing in the form customarily required by Lender (i) legal opinions satisfactory to the Lender, covering the due authorization, execution, delivery, and enforceability of the documents entered into by Purchaser in connection with the Existing Loan assumption, (ii) a non-consolidation opinion in form satisfactory to the Lender, and (iii) any other legal opinions covering such other related matters as Lender or special counsel to the beneficial holder of the Notes may reasonably require.

8.2.10 At Closing, Purchaser shall pay to Lender (i) any fees required by Lender in connection with the Loan Assumption up to an amount equal to .75% of the outstanding principal balance of the Existing Loan as of the Closing Date and Seller shall pay any fees required by Lender in excess of such maximum amount payable by Purchaser; provided, however, rather than pay such excess fees, Seller may elect to terminate this Agreement, whereupon the Earnest Money shall be returned to Purchaser and neither party shall have any further rights, duties or liabilities hereunder (other than such rights, duties and obligations that expressly survive any such termination pursuant to the terms of this Agreement), subject to Purchaser's right to vitiate any such termination by agreeing to pay such fees that Seller is unwilling to pay, and (ii) the amount of Lender's out-of-pocket costs (including reasonable attorney's fees and costs) incurred in reviewing the assumption request and any fees charged by or requirements of the rating agencies

8.3 **Loan Reserves.** Unless otherwise required by Lender, Seller shall assign to Purchaser all of its right, title and interest in and to all amounts then held as reserve or escrow deposits by Lender under the Existing Loan Documents (collectively, the "*Loan Reserves*"), and Purchaser shall reimburse Seller at Closing an amount equal to the lesser of (x) the balance of the Loan Reserves as of the Closing Date or (y) \$630,723.32, in addition to the Purchase Price, whereupon the Loan Reserves shall become the property of Purchaser. Until Closing Seller shall have the right to draw on such escrows, reserves and deposits for the purposes permitted by the Existing Loan Documents. Within three (3) days of the Effective Date, Seller shall deliver to Purchaser statements of all Reserves (as defined in the Cash Management Agreement relating to the Existing Loan) then held under the Cash Management Agreement and all deposits and withdrawals for two (2) years prior to the Effective Date and an estimate of funds available to be from Excess Cash Flow Reserve pursuant to Section 3.3 of the Cash Management Agreement for the month thirty days after the Effective Date. Any additional reserves or additional sums to be deposited in existing reserves

required by Lender in connection with Lender Consent shall be funded by Purchaser, subject to Purchaser's termination right under Section 8.5.1.

8.4 **Assumption Requirements.** At the Closing, Purchaser and Seller shall execute and deliver such loan assumption agreements and other documentation as Lender shall require, consistent with the applicable provisions of the Existing Loan Documents and any approval or consent letter issued by Lender in form and substance reasonably acceptable to Purchaser and Seller (collectively, the "*Loan Assumption Documents*").

8.5 **Assumption Deadline.**

8.5.1 If the Lender imposes requirements for the Lender Consent in addition to the requirements specifically provided in this Article which are not acceptable to Purchaser (Purchaser hereby agreeing to not unreasonably disapprove any non-substantive requirements of an administrative nature or pertaining to matter of process), the Blackbaud Guarantor, and/or Blackbaud, Inc., the Lender Disapproval (as defined below) is received at any time, or approval for the Lender Consent is not received on or before five (5) Business Days before the Outside Closing Date (the "*Assumption Deadline*"), Purchaser or Seller may terminate this Agreement by written notice to the other party, in which case Escrow Agent shall return the Earnest Money to Purchaser and thereafter neither party hereto shall have any further rights, obligations or liabilities under this Agreement except to the extent that any right, obligation or liability set forth in this Agreement expressly survives termination of this Agreement; provided, however, Purchaser shall not have the right to terminate this Agreement pursuant to this Section if Lender Disapproval or the failure of Lender to provide Lender Consent is due to the existence of a breach or default by Blackbaud, Inc., as Tenant under the Lease.

8.5.2 If the Lender Disapproval is received or the Lender Consent is not received by the Assumption Deadline due solely to a fault of Purchaser of its obligations under this Section 8.5, then this Agreement shall terminate and thereafter neither party hereto shall have any further rights, obligations or liabilities under this Agreement except to the extent that any right, obligation or liability set forth in this Agreement expressly survives termination of this Agreement. Upon such a termination, Seller shall be entitled to retain the Earnest Money and shall not be required to reimburse Purchaser for its fees, deposits and costs as provided above; such amount is agreed by and between Seller and Purchaser as liquidated damages due to the difficulty and inconvenience of ascertaining and measuring actual damages, and the uncertainty thereof and not as a penalty. As used in this Section 8.5, the term "*fault of Purchaser*" means any of (i) Purchaser's intentional failure to use commercially reasonable and good faith efforts to materially comply with any of the material terms of this Section, or (ii) Purchaser's bad faith and intentional failure to close the assumption of the Existing Loan.

8.6 **Certain Defined Terms.** For purposes of this Agreement, the term "*Lender Consent*" means the written consent of Lender and any required master servicer, the special servicer, rating agency, or the Special Risk Insurer (as defined in the Existing Loan Documents), if applicable, to, and only to, (i) the conveyance of the Property to Purchaser and the transactions contemplated by the Agreement, (ii) the assumption of the Existing Loan by Purchaser pursuant to the Loan Assumption Documents, and (iii) Lender's acceptance of Blackbaud Guarantor as substitute guarantor. "*Lender Disapproval*" shall mean that Lender or any party comprising Lender disapproves or rejects (in writing) (i) the conveyance of the Property to Purchaser and the transactions contemplated by the Agreement, (ii) the assumption of the Existing Loan by Purchaser pursuant to the Loan Assumption Documents, and/or (iii) Lender's acceptance of Blackbaud Guarantor as substitute guarantor.

**ARTICLE 9
OTHER COVENANTS AND AGREEMENTS**

9.1 **Waiver of ROFR.** Seller and Purchaser shall use commercially reasonable efforts to obtain a waiver (the “*ROFR Waiver*”) in recordable form executed by The Daniel Island Company, Inc. (or its successor) pursuant to which, The Daniel Island Company, Inc. (or its successor) waives any right of first refusal, right of first offer, or other purchase option as to the Property, if any, vested in the “Declarant” under that certain Declaration of Covenants, Conditions and Restrictions for Daniel Island Town Zone dated as of April 1, 2018 or otherwise. The form and substance of the ROFR Waiver shall be satisfactory to Seller, Escrow Agent, and Lender.

9.2 **Phase 2; Development Agreement.** At Closing, the Phase 2 Owner and HPI (or, at the election of HPI, an affiliate of HPI) (the “*Developer*”) shall enter into the Pre-Development Agreement substantially in the form of Exhibit G, under which Developer will perform certain pre-development services with respect to the development of Phase 2 (defined below). The Pre-Development Agreement shall provide that, if Purchaser or any entity controlled by, in control of or under common control with Blackbaud, Inc. or any other entity to whom Purchaser or such affiliated entity conveys the Phase 2 Property in connection with the development of Phase 2 (the “*Phase 2 Owner*”), directly or indirectly, commences the development of Phase 2 (as defined below) on or before the third anniversary of the Closing Date, the Phase 2 Owner shall retain Developer as the development manager of Phase 2, subject to reasonable approval of terms and conditions. Seller shall cause HPI and Blackbaud, Inc. shall cause the owner of Phase 2 to negotiate in good faith in attempt to agree on commercially reasonable terms as to a development agreement as to such retention of Developer as development manager of Phase 2.

As used in this Agreement, “*Phase 2*” means the (i) development of a conditioned building or buildings and parking deck on the Property and/or the Phase 2 Property, and (ii) any other ancillary improvements developed in connection with the improvements in (i) (whether located on the Phase 2 Property or other portions of the Property). As used in this Agreement, the “*Phase 2 Property*” means that real property being more particularly described on Exhibit F.

**ARTICLE 10
CONDITIONS TO CLOSING**

10.1 **Conditions of the Parties.** The obligations of the Purchaser and Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver, on or before the Closing Date, of the following conditions:

10.1.1 There shall be no injunction, restraining order or decree of any nature of any court or governmental authority that is in effect that restrains or prohibits the consummation of the transactions contemplated by this Agreement or imposes material conditions on such consummation not otherwise provided for in this Agreement;

10.1.2 The Lender Consent shall have been obtained and Lender shall have executed and delivered each of the Loan Assumption Documents that are required to be executed by Lender;

10.1.3 The ROFR Waiver shall have been obtained and The Daniel Island Company, Inc. shall have executed and delivered any documents required by Seller, Escrow Agent, and/or Lender to evidence such ROFR Waiver.

If any of the conditions set forth in this Section 10.1 are not satisfied or waived by both Seller and Purchaser in writing as of the Closing Date, either Seller or Purchaser may terminate this Agreement by delivering written notice of the same to the other party, in which event this Agreement shall terminate, the Earnest Money shall be returned immediately to Purchaser, and neither Seller nor Purchaser shall have any further liability under this Agreement (except for such liabilities as expressly survive termination of this Agreement); provided, however, (i) no party shall have the right to terminate the Agreement as a result of the failure of a condition set forth in this Section 10.1 if the failure of such condition is the result of such party's default or breach of this Agreement.

10.2 **Conditions to Purchaser's Obligations.** The obligation of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver, on or before the Closing Date, of the following conditions:

10.2.1 Seller has performed and observed in all material respects all covenants and agreements to be performed by Seller; and

10.2.2 All of the representations and warranties of Seller contained in this Agreement are true and correct in all material respects as of the date of Closing.

If any of the conditions in this Section 10.2 are not satisfied or waived in writing by Purchaser as of the Closing Date, Purchaser may terminate this Agreement by delivering written notice to Seller in which event this Agreement shall terminate, the Earnest Money shall be returned immediately to Purchaser, and neither party shall have any further liability under this Agreement (except for such liabilities as expressly survive the termination of this Agreement); provided, however, (i) if the failure of such condition is a result of a default or breach by Seller, the terms of Section 12.2 shall apply; and (ii) if the failure of the condition specified in Section 10.2.2 is a result of any act or omission of Purchaser or any affiliated or related entity (specifically including Blackbaud, Inc.), Purchaser shall not be able terminate the Agreement pursuant to this Section 10.2.

10.3 **Conditions to Seller's Obligations.** The obligation of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver, on or before the Closing Date, of the following conditions:

10.3.1 If the Existing Loan is assumed by Purchaser at Closing, Seller and John R. Holder shall have been released from any and all liability under the applicable Existing Loan Documents (including but not limited to any guarantees and indemnities) arising or accruing from and after the Closing;

10.3.2 Purchaser has performed and observed in all material respects all covenants and agreements to be performed by Purchaser under this Agreement;

10.3.3 All of the representations and warranties of Purchaser contained in this Agreement are true and correct in all material respects as of the date of Closing; and

10.3.4 The Closing shall have occurred on or before the Outside Closing Date.

If any of the conditions in this Section 10.3 are not satisfied or waived in writing by Seller as of the Closing Date, Seller may terminate this Agreement by delivering written notice to Purchaser in which event this Agreement shall terminate, the Earnest Money shall be returned immediately to Purchaser, and neither party shall have any further liability under this Agreement (except for such liabilities as expressly survive

the termination of this Agreement); provided, however, if the failure of such condition is a result of a default or breach by Purchaser, the terms of Section 12.1 shall apply.

ARTICLE 11 CLOSING

11.1 **Time and Place.** The consummation of the transaction contemplated by this Agreement (“Closing”) will be held at the offices of the Purchaser’s attorney, as agent for the Escrow Agent, through an escrow closing arrangement, or effected via a “mail away” closing (i.e. in which funds are sent via wire transfer and closing documents are delivered via overnight delivery or courier delivery service to the Purchaser’s attorney), on the later to occur of the date that is the tenth (10th) Business Day after the later of (i) the date of the expiration of the Inspection Period, and (ii) the date that Lender Consent is received (such date, the “Closing Date”); provided, however, subject to Section 12.3, in no event shall the Closing Date occur later than the date that is one hundred eighty (180) days after the Effective Date (the “Outside Closing Date”). At Closing, Seller and Purchaser shall perform their respective obligations set forth in this Article 11 and elsewhere in this Agreement (to the extent not previously performed), and the performance by each of them will be a concurrent condition of the performance of the obligations of the other. For avoidance of doubt, Closing will be deemed not to have occurred until all wire transfers required to be sent to Seller in connection with the Closing shall have been received by the recipient no later than 5:00 pm (Charleston, South Carolina local time). If such wires are received after 5:00 pm (Charleston, South Carolina local time), the Closing shall be deemed to have occurred on the following day.

11.2 **Seller’s Obligations at Closing.** At Closing, Seller shall:

11.2.1 execute and deliver to Purchaser, in recordable form, a Special Warranty Deed in the form of Exhibit H (the “Deed”), conveying the Land and Improvements, subject only to the Permitted Exceptions; provided, however, if approved by Lender in accordance with Article 8, Seller shall also execute and deliver to Blackbaud, Inc. or an affiliated or related entity, in recordable form, a Special Warranty Deed in the form of Exhibit H, conveying the Phase 2 Property, subject only to the Permitted Exceptions;

11.2.2 execute and deliver to Purchaser the Assignment and Assumption of Lease in the form attached hereto as Exhibit I, pursuant to which Seller will transfer and assign its interest in the Lease to Purchaser and Purchaser will assume all obligations of Seller with respect to the Lease;

11.2.3 execute (or cause to be executed by John R. Holder) and deliver to Purchaser any Loan Assumption Documents required to be executed by Seller and/or John R. Holder as guarantor/indemnitor under the Existing Loan Documents;

11.2.4 execute and deliver to Purchaser any documentation reasonably necessary, to consummate the assignment to Purchaser of that certain Fee In Lieu of Tax and Incentive Agreement dated as of August 22, 2016, between Seller, Blackbaud, Inc., and Berkeley County, South Carolina (the “FILOT Agreement”) and the assumption by Purchaser of Seller’s duties, obligations and liabilities under the FILOT Agreement, which documentation shall be in form and content satisfactory to Seller and Purchaser;

11.2.5 execute and deliver the General Assignment of Intangibles and Personal Property in the form attached hereto as Exhibit K pursuant to which Seller will assign its interest in the Intangibles to Purchaser;

11.2.6 join with Purchaser in the execution of a Tenant Notice in the form of Exhibit L, which Purchaser covenants and agrees to send to the Blackbaud, Inc., informing Blackbaud, Inc. of the sale of the Property and of the assignment to Purchaser of Seller's interest in, and obligations under, the Lease (including, if applicable any security deposits) and directing that all rent and other sums payable after the Closing under the Lease will be paid as set forth in the notice;

11.2.7 deliver to the Escrow Agent such evidence as the Escrow Agent may reasonably require as to Seller's authority to sell the Property and the authority of the person or persons executing documents on behalf of Seller;

11.2.8 deliver to Purchaser a Certificate of Non-Foreign Status in the form of Exhibit M, duly executed by Seller stating that Seller is not a "foreign person" as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and the 1984 Tax Reform Act;

11.2.9 cause the delivery, at the Property, original signed counterparts (or copies if the originals are not available) of licenses and permits, if any, in the possession of Seller or Seller's agents, together with such leasing and property files and records which are material in connection with the continued operation, leasing and maintenance of the Property;

11.2.10 deliver to Purchaser possession and occupancy of the Property, subject to the Permitted Exceptions;

11.2.11 execute and deliver a closing statement (the "*Closing Statement*") for the purchase and sale of the Property, in form and substance reasonably acceptable to Purchaser and Seller;

11.2.12 execute (or cause Developer to be execute) and deliver to Purchaser the Pre-Development Agreement;

11.2.13 execute and deliver to Purchaser the mutual release of claims under the Lease in the form attached as Exhibit N (the "*Mutual Release*"), whereby Seller, Purchaser and Blackbaud, Inc. release each other from all claims under the Lease, except for indemnities relating to the period of time before Closing and any third party claims (Blackbaud, Inc. agrees to execute the Mutual Release as the Closing);

11.2.14 Deliver a SC Certificate of Compliance under SC Code Section 12-54-124 et seq., dated within thirty (30) days of the Closing Date and stating that all tax returns have been filed and that all taxes generated by Seller's business have been paid;

11.2.15 Deliver a SC Forms I-290 and I-295 as applicable in order to comply with all non-resident withholding requirements of SC Code Section 12-8-580 et seq., and, if applicable, such sums as are required to be withheld to the extent required under such forms, which sums, if any, shall be held by Escrow Agent as required by applicable law;

11.2.16 deliver to the Escrow Agent any customary documents of assurance required by the Escrow Agent to issue to the Purchaser an Owner Policy of Title Insurance and any required endorsements of the title insurance policy of Lender subject to the Permitted Exceptions and in the base form without endorsement; and

11.2.17 deliver such additional documents as are reasonably required to consummate the transaction contemplated by this Agreement, provided such additional documents do

not impose upon Seller any additional obligations or expenses not otherwise provided for under this Agreement.

11.3 ****Purchaser's Obligations at Closing.** At Closing, Purchaser will:

11.3.1 pay to Seller the full amount of the Cash Portion of the Purchase Price in the manner and subject to the adjustments and credits described in Article 2 and Section 11.4;

11.3.2 join Seller in execution of the instruments described in subsections 11.2.2, 11.2.4, 11.2.5, and 11.2.6;

11.3.3 execute and deliver to Seller the Mutual Release (Blackbaud, Inc. agrees to join in the execution of such Mutual Release);

11.3.4 execute (and Blackbaud, Inc. shall cause Blackbaud Guarantor, as substitute guarantor to execute) and deliver to Seller and Lender any Loan Assumption Documents required to be executed by Purchaser and/or Blackbaud Guarantor (as substitute guarantor) in accordance with Article 8;

11.3.5 execute and deliver to Seller the Pre-Development Agreement; and

11.3.6 deliver to Seller such evidence as Seller's counsel and/or the Escrow Agent may reasonably require as to the authority of the person or persons executing documents on behalf of Purchaser.

11.4 **Credits and Prorations.**

11.4.1 Since the rent paid under the Lease is used to fund all Reserves (as defined in the Cash Management Agreement relating to the Existing Loan) and such Reserves relate to operating expenses that would typically be prorated between a purchaser and seller, rather than prorating individual items of income and expense, only the amounts permitted to be disbursed from the Excess Cash Flow Reserve for the month of Closing shall be prorated (as Purchaser's affiliate, Blackbaud, Inc. is paying all operating expenses through the payment of its rent).

11.4.2 Notwithstanding anything contained in the foregoing provisions, at Closing, Blackbaud, Inc. shall pay to Seller any and all unpaid amounts due under the Lease relating to the period before the date of Closing.

11.4.3 If the annual reconciliation of tenant pass-throughs for the 2020 calendar year results in there being amounts due and payable by Blackbaud, Inc. relating to Seller's period of ownership, Purchaser will collect such amounts and pay same over to Seller promptly upon Purchaser's receipt. If such reconciliation results in there being refunds due and payable to Blackbaud, Inc. on account of the pass through of specifically designated expenses incurred during Seller's period of ownership, Seller will pay to Purchaser the amount of any such documented pass-through of expenses promptly upon receipt of a written request therefor from Purchaser, whereupon Purchaser will promptly disburse the appropriate refunds to Blackbaud, Inc.

11.4.4 The provisions of this Section 11.4 will survive the Closing.

11.5 **Closing Costs.** Purchaser will be responsible for the cost of (i) the Title Commitment, Purchaser's ALTA Owner Policy of Title Insurance and of any endorsements thereto and all search and exam fees related thereto, (ii) any update of the Seller's existing survey or any new Survey that Purchaser orders, (iii) any financing, including without limitation any mortgage taxes and any Loan Policy of Title Insurance (provided that availability of financing will not be a condition precedent to Closing), (iv) all transfer taxes incurred in connection with this transaction, (v) any fees required by Lender in connection with the Loan Assumption, subject, however, to the terms of Section 8.2.10: and (vi) the amount of Lender's out-of-pocket costs (including reasonable attorney's fees and costs) incurred in reviewing the Loan Assumption request and any fees charged by or requirements of the rating agencies. Seller will be responsible for the payment of any recording fees incurred in connection with this transaction. Seller and Purchaser will each pay the fees of their respective attorneys' incurred in connection with this transaction. Seller and Purchaser will split equally any closing escrow fees.

ARTICLE 12 DEFAULT

12.1 **Default by Purchaser.** If Purchaser fails to consummate the purchase and sale of the Property contemplated under this Agreement for any reason other than Seller's default or the permitted termination of this Agreement by either Seller or Purchaser as in this Agreement expressly provided, Seller will be entitled, as its **SOLE REMEDY**, to terminate this Agreement and receive the Earnest Money as liquidated damages for the breach of this Agreement, it being agreed between the parties hereto that the actual damages to Seller in the event of such breach are impractical to ascertain and the amount of the Earnest Money is a reasonable estimate thereof. Nothing contained in this Section 12.1, however, will limit, restrict or impair the right of Seller to pursue legal or equitable remedies to enforce the obligations of Purchaser (i) under any indemnity provided by Purchaser under this Agreement, (ii) under Article 9, (iii) with respect to the surviving representations and warranties made by Purchaser under Article 6 or (iv) under any of the documents and instruments executed and delivered to Seller pursuant to the terms and conditions hereof.

12.2 **Default by Seller.** If Seller fails to consummate the purchase and sale of the Property contemplated under this Agreement for any reason other than Purchaser's default or the permitted termination of this Agreement by Seller or Purchaser as in this Agreement expressly provided, Purchaser may elect as its **SOLE REMEDY** either to (i) terminate this Agreement and receive the return of the Earnest Money and in the event such termination resulted from a material willful default of Seller, Seller shall reimburse Purchaser for its out of pocket costs incurred in pursuing the purchase of the Property, including reasonable attorney's fees and costs, subject to a cap of \$500,000, or (ii) require specific performance of this Agreement by Seller by filing suit within sixty (60) days of the deadline for the Closing Date (the failure to file suit by such deadline shall be conclusively deemed to have resulted in the waiver of such right to sue for specific performance. Nothing contained in this Section 12.2, however, will limit, restrict or impair the right of Purchaser to pursue legal or equitable remedies to enforce the obligations of Seller (i) under any indemnity provided by Seller under this Agreement, (ii) with respect to the surviving representations and warranties made by Seller under Article 5 or (iii) under any of the documents and instruments executed and delivered to Purchaser pursuant to the terms and conditions hereof.

12.3 **Notice and Cure.** Neither Seller nor Purchaser will be deemed to be in default under this Agreement until and unless such party has been given written notice of its failure to comply with the terms hereof and thereafter does not cure such failure within thirty (30) days after receipt of such notice. If either Seller or Purchaser undertakes any such cure, if necessary to effectuate such cure, the Closing Date shall be extended for each day of the cure period, but not for a period to exceed thirty (30) days. Notwithstanding the foregoing, this Section 12.3 will not be applicable to a Purchaser's failure to deposit the Earnest Money on the date required under this Agreement or to a party's failure to make any deliveries required of such

party on the Closing Date. The Closing Date will be automatically extended, if necessary, to provide such thirty day cure period.

ARTICLE 13 RISK OF LOSS

13.1 **Minor Damage.** In the event of loss or damage to the Property or any portion thereof which is not “major” (as defined below), this Agreement will remain in full force and effect provided Seller performs any necessary repairs which Seller is obligated to make under the Lease or, at Purchaser’s option, assigns to Purchaser all of Seller’s right, title and interest to any claims and proceeds Seller may have with respect to any casualty insurance policies or condemnation awards relating to the premises in question. If Purchaser elects for Seller to perform repairs upon the Property, Seller will use reasonable efforts to complete such repairs promptly and the date of Closing will be extended a reasonable time in order to allow for the completion of such repairs. If Purchaser elects for Seller to assign a casualty claim to Purchaser, the Purchase Price will be reduced by an amount equal to the deductible amount under Seller’s insurance policy. Upon Closing, full risk of loss with respect to the Property will pass to Purchaser.

13.2 **Major Damage.** In the event of a “major” loss or damage, either Seller or Purchaser may terminate this Agreement by written notice to the other party, in which event the Earnest Money will be returned to Purchaser. If neither Seller nor Purchaser elects to terminate this Agreement within ten (10) days after Seller sends Purchaser written notice of the occurrence of major loss or damage, then Seller and Purchaser will be deemed to have elected to proceed with Closing, in which event Seller will, at Purchaser’s option, either (i) perform any necessary repairs which Seller is obligated to make under the Lease, or (ii) assign to Purchaser all of Seller’s right, title and interest to any claims and proceeds Seller may have with respect to any casualty insurance policies or condemnation awards relating to the portion of the Property in question. If Purchaser elects for Seller to perform repairs upon the Property, Seller will use reasonable efforts to complete such repairs promptly and the date of Closing will be extended a reasonable time in order to allow for the completion of such repairs. If Purchaser elects for Seller to assign a casualty claim to Purchaser, Seller will credit to Purchaser at Closing an amount equal to the deductible amount under Seller’s insurance policy. Upon Closing, full risk of loss with respect to the Property will pass to Purchaser.

13.3 **Definition of “Major” Loss or Damage.** For purposes of Sections 13.1 and 13.2, “major” loss or damage refers to loss or damage to the Property due to a casualty or any loss due to a condemnation or any portion thereof such that permits Blackbaud, Inc. to terminate the Lease pursuant to the terms of the Lease (irrespective of whether Blackbaud, Inc. actually terminates the Lease).

ARTICLE 14 BROKERAGE COMMISSIONS

Seller and Purchaser represent to each other that they have acted directly and independently with the other as principals and that neither Seller nor Purchaser have retained or authorized the services of any broker or finder with respect to the transaction contemplated under this Agreement. Seller agrees to indemnify and hold Purchaser harmless from and against all claims, liabilities, and obligations for any broker commission, finder’s fee, or other compensation in connection with this Agreement claimed by or through Seller. Purchaser agrees to indemnify and hold Seller harmless from and against all claims, liabilities, and obligations for any broker commission, finder’s fee, or other compensation in connection with this Agreement claimed by a broker claiming by, through or under Purchaser. This Section 14 shall survive Closing or the earlier termination of this Agreement.

ARTICLE 15
ESCROW

15.1 **Escrow Agent** . The Escrow Agent has agreed to act as escrow agent for the convenience of the parties without fee or other charges for such services as escrow agent. The Escrow Agent will not be liable: (i) to any of the parties for any act or omission to act except for its own gross negligence, bad faith or willful misconduct; (ii) for any legal effect, insufficiency, or undesirability of any instrument deposited with or delivered by the Escrow Agent or exchanged by the parties under this Agreement, whether or not the Escrow Agent prepared such instrument (except for the Title Commitment and title policy); (iii) for any loss or impairment of funds that have been deposited in escrow while those funds are in the course of collection, or while those funds are on deposit in a financial institution, if such loss or impairment results from the failure, insolvency or suspension of a financial institution approved by Purchaser, unless the Escrow Agent fails to move such funds to another financial institution in accordance with joint written instructions from Seller and Purchaser to the Escrow Agent, (iv) for the expiration of any time limit or other consequence of delay, unless a properly executed written instruction, accepted by the Escrow Agent, has instructed the Escrow Agent to comply with such time limit; or (v) for the default, error, action or omission of either Seller or Purchaser to the escrow. The Escrow Agent will be entitled to rely, in good faith, on any document or paper received by it, believed by the Escrow Agent, in good faith, to be bona fide and genuine.

15.2 **Interpleader Action.** In the event of any dispute as to the disposition of the Earnest Money or any other monies held in escrow, the Escrow Agent will give written notice to all parties advising same that, in the absence of written instructions signed by both Purchaser and Seller received within the next ten (10) days, the Escrow Agent may interplead the Earnest Money by filing an interpleader action in the Circuit Court of Berkeley County, South Carolina (to the jurisdiction of which both parties consent) or may continue to hold the Earnest Money and take no action until the Escrow Agent receives such joint written instructions or an order of a court as to the disposition of same. If the Escrow Agent receives the aforesaid written instructions, it will continue to hold the Earnest Money pursuant to such written instructions. If the Escrow Agent does not receive the aforesaid written instructions, it may pay into the registry of the court the Earnest Money and any other monies held in escrow or may continue to hold the Earnest Money and take no action until the Escrow Agent receives such joint written instructions or an order of a court as to the disposition of same, whereupon the Escrow Agent will be relieved and released from any further liability as escrow agent under this Agreement. The Escrow Agent will not be liable for the Escrow Agent's compliance with any legal process, subpoena, writs, orders, judgments and decree of any court, whether issued with or without jurisdiction, and whether or not subsequently vacated, modified, set aside or reversed.

ARTICLE 16
MISCELLANEOUS

16.1 **Confidentiality.** Purchaser and its representatives will hold in strictest confidence all data and information obtained with respect to Seller, its business or the Property that is not otherwise available to the public, whether obtained before or after the execution and delivery of this Agreement, and will not disclose the same to others; provided, however, that it is understood and agreed that Purchaser may disclose such data and information to the employees, consultants, accountants, investors, partners, and attorneys of Purchaser in connection with the evaluation of the transaction contemplated under this Agreement and as otherwise required under applicable law, including disclosed under securities laws. If this Agreement is terminated or Purchaser fails to perform under this Agreement, Purchaser will promptly return to Seller any statements, documents, schedules, exhibits or other written information obtained from Seller in connection with this Agreement or the transaction contemplated in this Agreement. In lieu of delivering to Seller such statements, documents, schedules, exhibits or other written information, Purchaser may elect to destroy the same, in which case Purchaser agrees to certify to Seller such destruction upon the written request of Seller. This Section 16.1 will survive Closing or the earlier termination of this Agreement.

16.2 **Discharge of Obligations.** The acceptance of the Deed by Purchaser will be deemed to be a full performance and discharge of every representation and warranty made by Seller in this Agreement and every agreement and obligation on the part of Seller to be performed pursuant to the provisions of this Agreement, except those which are in this Agreement specifically stated to survive Closing.

16.3 **Assignment.** Purchaser may assign its rights under this Agreement only as set forth in Section 16.20 or upon the following conditions: (i) the assignee of Purchaser must be an affiliate of Purchaser or an entity controlling, controlled by, or under common control with Purchaser, (ii) all of the Earnest Money must have been delivered in accordance herewith, (iii) the assignee of Purchaser must assume all obligations of Purchaser under this Agreement, but Purchaser will remain primarily liable for the performance of Purchaser's obligations, (iv) any such assignment shall be acceptable to Lender, and (v) a copy of the fully executed written assignment and assumption agreement will be delivered to Seller at least ten (10) days before Closing. Any transfer, directly or indirectly, of any stock, partnership interest or other ownership interest in Purchaser to any person or entity that would not be qualified to be a permitted assignee of Purchaser's interest under this Agreement without Seller's written approval, which approval may be given or withheld in Seller's sole discretion, will constitute a default by Purchaser under this Agreement. Any assignment or attempted assignment by Purchaser of this Agreement or any rights under this Agreement which does not satisfy the conditions of the first sentence of this Section 16.3 will be void ab initio, of no force or effect and Purchaser will remain fully liable for the performance of its obligations under this Agreement.

16.4 **Notices.** All notices, demands, requests, consents, approvals and other communications required or permitted to be given under this Agreement shall be in writing and may be given by either Seller or Purchaser or their counsel and shall be addressed or delivered to the parties at their respective addresses set forth below (i) in person, (ii) next Business Day delivery by a reliable and recognized air freight delivery service, such as Federal Express or UPS, (iii) sent by postage prepaid United States mail, certified or registered, return receipt requested, or (iv) via email (so long as notice is also sent by at least one of the other methods provided above). Copies of any notices delivered under this Agreement shall, concurrently with the delivery thereof, be delivered to the additional parties set forth below by the same means of delivery used for delivery of the notices to the contracting parties (except in the case of personal delivery, in which case either one or more of the alternate means of delivery may be selected for the delivery of copies). The date of notice given by personal delivery shall be the date of such delivery. The effective date of notice will be one (1) Business Day after the date such notice is deposited with a nationally recognized overnight courier, two (2) days after the date such notice is deposited with the United States Postal Service, or upon the personal delivery thereof. The effective date of notice by email will be the date when sent by email transmission. Initial notice addresses hereunder are as follows:

If to Seller: c/o Holder Properties, Inc.
 3300 Cumberland Boulevard, Suite 200
 Atlanta, Georgia 30339
 Attn: Adam Sonenshine
 Email: ASonenshine@holderproperties.com

With a copy to: Eversheds Sutherland (US) LLP
 999 Peachtree Street, NE, Suite 2300
 Atlanta, Georgia 30309
 Attn: James B. Jordan
 Email: JimJordan@eversheds-sutherland.com

If to Purchaser: c/o Blackbaud, Inc.
2000 Daniel Island Drive
Charleston, South Carolina 29492
Attn: Otto Orr and Jon Olson
Email: OttoOrr@blackbaud.com
JonOlson@blackbaud.com

with a copy to: Parker Poe
200 Meeting Street, Suite 201
Charleston, South Carolina 29401
Attn: Paul VanWagenen
Email: PaulVanWagenen@parkerpoe.com

If to Escrow Agent Chicago Title Insurance Company
3600 Forest Drive, Suite 301
Columbia, SC 29204
Attn: Jennifer W. Rubin, Esq.
Email: Jennifer.rubin@ctt.com

16.5 **Modifications.** This Agreement cannot be changed orally, and no executory agreement will be effective to waive, change, modify, or discharge it in whole or in part unless such executory agreement is in writing and is signed by the parties against whom enforcement of any waiver, change, modification, or discharge is sought.

16.6 **Calculation of Time Periods.** Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday under the laws of the State of South Carolina, in which event the period will run until the end of the next day which is neither a Saturday, Sunday or legal holiday under the laws of the State of South Carolina (a "Business Day"). Unless stated otherwise in this Agreement, the final day of any such period will be deemed to end at 5:00 p.m. (Charleston, South Carolina local time).

16.7 **Successors and Assigns.** The terms and provisions of this Agreement are to apply to and bind the permitted successors and assigns of the parties hereto.

16.8 **Entire Agreement.** This Agreement, including the Exhibits and Schedules, contains the entire agreement between the parties pertaining to the subject matter hereof and fully supersedes all prior written or oral agreements and understandings between the parties pertaining to such subject matter.

16.9 **Further Assurances.** Each party agrees that it will without further consideration execute and deliver such other documents and take such other action, whether prior or subsequent to Closing, as may be reasonably requested by the other party to consummate more effectively the purposes or subject matter of this Agreement. Without limiting the generality of the foregoing, Purchaser will, if requested by Seller, execute acknowledgments of receipt with respect to any materials delivered by Seller to Purchaser with respect to the Property. The provisions of this Section 16.9 will survive Closing.

16.10 **Counterparts; Electronic Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Agreement. To facilitate execution and delivery of this Agreement, the parties may execute and exchange counterparts of the signature pages via e-mail by .PDF file. The signature of a party to any

counterpart may be appended to any other counterpart. Further, the parties agree that signatures by DocuSign, Sign-n-Send or other similar electronic signing software will be deemed to be originals.

16.11 **Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement will nonetheless remain in full force and effect.

16.12 **Applicable Law.** Seller and Purchaser irrevocably (i) agree that any suit under this Agreement will in all respects be governed by and construed in accordance with the laws of the State of South Carolina and, as applicable, the substantive federal laws of the United States and (ii) submit to the jurisdiction of any state or federal court sitting in Berkeley County, South Carolina in any action or proceeding arising out of or relating to this Agreement and irrevocably agree that all claims in respect of such action or proceeding will be heard and determined in a state or federal court sitting in Berkeley County, South Carolina.

16.13 **No Third-Party Beneficiary.** Except with respect to the rights of HPI, Developer, Blackbaud, Inc., the Blackbaud Guarantor, and the Escrow Agent under this Agreement (specifically including, but not limited to, those provisions under Article 9, the provisions of this Agreement and of the documents to be executed and delivered at Closing are and will be for the benefit of Seller and Purchaser only and are not for the benefit of any third-party, and accordingly, no third-party will have the right to enforce the provisions of this Agreement or of the documents to be executed and delivered at Closing.

16.14 **Captions.** The section headings appearing in this Agreement are for convenience of reference only and are not intended, to any extent and for any purpose, to limit or define the text of any section or any subsection hereof.

16.15 **Construction.** The parties acknowledge that the parties and their counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

16.16 **Termination of Agreement.** It is understood and agreed that if either Purchaser or Seller terminates this Agreement pursuant to a right of termination granted under this Agreement, such termination will operate to relieve Seller and Purchaser from all obligations under this Agreement, except for such obligations as are specifically stated in this Agreement to survive the termination of this Agreement.

16.17 **Exculpation of Seller and Related Parties.** Notwithstanding anything to the contrary contained in this Agreement or in any exhibits attached hereto or in any documents executed in connection herewith, it is expressly understood and agreed by and between the parties hereto that: (i) the recourse of Purchaser or its successors or assigns against Seller in connection with this Agreement, including, without limitation, with respect to any alleged act or omission of Seller or any representative of Seller, any misrepresentation (whether allegedly intentional or unintentional) by or on behalf of Seller, or any breach by or on the part of Seller of any representation, warranty, covenant, undertaking, indemnity or agreement contained in this Agreement or in any of the Seller's Closing Documents, and any attorneys' fees provided for under Section 16.20 (collectively, "*Seller's Undertakings*") will not exceed the lesser of (a) the Liability Cap or (b) Seller's interest in the Property and in any event will not survive Closing for more than three hundred sixty-five (365) days unless written notice containing a description of the specific nature of such breach will have been given by Purchaser to Seller prior to the expiration of said three hundred sixty-five (365) day period and, if not addressed to Purchaser's satisfaction, an action will have been commenced by Purchaser against Seller for said breach within five hundred forty (540) days of Closing, and (ii) no personal liability or personal responsibility of any sort with respect to any of Seller's Undertakings or any alleged

breach thereof is assumed by, or will at any time be asserted or enforceable against, Seller or its affiliates, or against any of their respective shareholders, directors, officers, employees, agents, advisors, constituent partners, members, beneficiaries, trustees or representatives.

16.18 **Exculpation of Purchaser and Related Parties.** Notwithstanding anything to the contrary contained in this Agreement or in any exhibits attached hereto or in any documents executed in connection herewith, it is expressly understood and agreed by and between the parties hereto that: (i) the recourse of Seller or its successors or assigns against Purchaser, the Blackbaud Guarantor, or Blackbaud, Inc. (the “*Blackbaud Parties*”) in connection with this Agreement, including, without limitation, with respect to any alleged act or omission of the Blackbaud Parties or any representative of the Blackbaud Parties, any misrepresentation (whether allegedly intentional or unintentional) by or on behalf of the Blackbaud Parties, or any breach by or on the part of the Blackbaud Parties, of any representation, warranty, covenant, undertaking, indemnity or agreement contained in this Agreement or in any of the Blackbaud Parties’ Closing Documents, and any attorneys’ fees provided for under Section 16.20 (collectively, “*Blackbaud’s Undertakings*”) will not exceed the Liability Cap and in any event will not survive Closing for more than three hundred sixty-five (365) days unless written notice containing a description of the specific nature of such breach will have been given by Seller to Purchaser prior to the expiration of said three hundred sixty-five (365) day period and, if not addressed to Seller’s satisfaction, an action will have been commenced by Seller against the Blackbaud Party for said breach within five hundred forty (540) days of Closing, and (ii) no personal liability or personal responsibility of any sort with respect to any of Blackbaud’s Undertakings or any alleged breach thereof is assumed by, or will at any time be asserted or enforceable against, the Blackbaud Parties or their affiliates, or against any of their respective shareholders, directors, officers, employees, agents, advisors, constituent partners, members, beneficiaries, trustees or representatives.

16.19 **Time of the Essence.** Time is of the essence in this Agreement.

16.20 **Attorneys’ Fees.** If either party files a lawsuit in connection with this Agreement or any provisions contained in this Agreement, then the party that prevails in such action shall be entitled to recover from the non-prevailing party, reasonable attorneys’ fees and costs of court incurred in such lawsuit. This covenant shall survive the Closing or termination of this Agreement.

16.21 **Like-Kind Exchange.** Seller and Purchaser acknowledge that either party may desire to structure the transaction as an exchange of “like-kind” property which will qualify as such under Section 1031 of the Internal Revenue Code of 1986 and regulations thereunder, as amended, and each party agrees to reasonably cooperate to facilitate such tax deferred exchange, with the party desiring such treatment to be solely responsible for all costs to both parties, including reasonable attorneys’ fees actually incurred, associated with such exchange.

[signature pages follow]

ESCROW AGENT JOINDER

By its execution below, Escrow Agent acknowledges its receipt of a copy of this Agreement and of the Earnest Money in the amount of \$1,000,000, and agrees to hold and disburse the Earnest Money in accordance with the terms and conditions of this Agreement, subject to the terms of the Escrow Agreement between Escrow Agent, Seller, and Purchaser dated as of June __, 2020.

CHICAGO TITLE INSURANCE COMPANY

By: __
Name: __
Title: __

Escrow Agent Joinder to Purchase and Sale Agreement
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PPAB 5645124v6

SCHEDULE OF EXHIBITS:

- EXHIBIT A LEGAL DESCRIPTION OF THE LAND**
- EXHIBIT B EXISTING LOAN DOCUMENTS**
- EXHIBIT C PERMITTED EXCEPTIONS**
- EXHIBIT D CERTIFICATE OF RELEASE**
- EXHIBIT E SCHEDULE OF PROPERTY DOCUMENTS**
- EXHIBIT F LEGAL DESCRIPTION OF THE PHASE 2 PROPERTY**
- EXHIBIT G FORM OF PRE-DEVELOPMENT AGREEMENT**
- EXHIBIT H FORM OF DEED**
- EXHIBIT I FORM OF ASSIGNMENT AND ASSUMPTION OF LEASE**
- EXHIBIT J [INTENTIONALLY OMITTED]**
- EXHIBIT K GENERAL ASSIGNMENT OF INTANGIBLES AND PERSONAL PROPERTY**
- EXHIBIT L FORM OF TENANT NOTICE**
- EXHIBIT M FORM OF CERTIFICATE OF NON-FOREIGN STATUS**
- EXHIBIT N FORM OF MUTUAL RELEASE**

Schedule of Exhibits

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PPAB 5659809v2

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

ALL that certain piece, parcel, lot or tract of land together with all buildings, fixtures and other improvements thereon, if any, situate, lying and being in the City of Charleston, County of Berkeley being shown and designated as **"PARCEL Q-5-1 DANIEL ISLAND COMPANY, INC. (4.00 acres)"** on that certain Subdivision Plat by Thomas & Hutton Engineering entitled, "FINAL SUBDIVISION PLAT OF A PORTION OF PARCEL Q-5 (14.00 Ac.) (TMS# 275-00- 00-155) TO CREATE PARCEL Q-5-1 (4.00 Ac.), PARCEL Q-5-2 (8.97 Ac.) AND A NEW PORTION OF FAIRCHILD STREET (1.03 Ac.), CITY OF CHARLESTON, BERKELEY COUNTY, SOUTH CAROLINA," prepared for and owned by Daniel Island Company, Inc. dated April 14, 2016, and recorded in the Register of Deeds for Berkeley County, SC on July 13, 2016, in Book Plat Cab S at Page 163i.

AND ALL those certain pieces, parcels, lots or tracts of land together with all buildings, fixtures and other improvements thereon, if any, situate, lying and being in the City of Charleston, County of Berkeley being shown and designated as **"PARCEL Q-5-2 HPBB1, LLC 4.87 acres"** and **"PARCEL Q-5-3 HPBB1, LLC 4.10 acres"** on that certain Subdivision Plat by Thomas & Hutton Engineering entitled, "A FINAL SUBDIVISION PLAT OF PARCEL Q-5-2 (8.97 Ac.) TMS# 275-00-00-270 TO CREATE PARCEL Q-5-2 (4.87 Ac.) & PARCEL Q-5-3 (4.10 Ac.), CITY OF CHARLESTON, BERKELEY COUNTY, SOUTH CAROLINA," prepared for and owned by HPBB1, LLC dated June 28, 2016, and recorded in the Register of Deeds for Berkeley County, SC on October 11, 2016, in Book Plat Cab S at Page 250i. PARCEL Q-5-1 -- TMS No. 275-00-00-155 PARCEL Q-5-2 -- TMS No. 275-00-00-270 PARCEL Q-5-3 -- TMS No. 275-00-00-272.

THE ABOVE PARCELS BEING that property conveyed by that Limited Warranty Deed from The Daniel Island Company, Inc. to HPBB1, LLC dated September 6, 2016 and recorded September 8, 2016 in Record Book 2268, page 406 of the Berkeley County, South Carolina records.

Exhibit A to Purchase and Sale Agreement

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PPAB 5659809v2

EXHIBIT B

SCHEDULE OF EXISTING LOAN DOCUMENTS

1. Note Purchase Agreement, dated as of May 2, 2018, between Seller and Lender
2. 5.12% Senior Secured Note, Series A1, due April 15, 2038, dated May 2, 2018, from Seller, to Lender
3. 5.61% Senior Secured Note, Series A2, due April 15, 2038, dated May 2, 2018, from Seller, to Lender
4. Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing Statement, dated as of May 2, 2018, from Seller, to Lender, and recorded in Book 2736, Page 416, in the ROD Office for Berkeley County, South Carolina (the "Mortgage")
5. Assignment of Leases and Rents, dated as of May 2, 2018, from Seller, to Lender, and recorded in Book 2736, Page 517, in the ROD Office for Berkeley County, South Carolina
6. UCC-1 Financing Statement, listing Seller as "Debtor", and Lender as "Secured Party", and recorded on May 2, 2017 in Book 2736, Page 539, in the ROD Office for Berkeley County, South Carolina
7. UCC-1 Financing Statement, listing Seller as "Debtor", and Lender as "Secured Party", and recorded on May 3, 2017 as Instrument 0602018-03856, in the Records of the Clerk of Superior Court for Fulton County, Georgia
8. Indemnity and Guaranty Agreement, dated as of May 2, 2018, from John R. Holder, for the benefit of Lender
9. Hazardous Materials Indemnity Agreement, dated as of May 2, 2018, from Seller and John R. Holder, for the benefit of Lender
10. Cash Management Agreement, dated as of May 2, 2018, between Seller and Lender
11. Letter of Direction, dated as of May 2, 2018, between Lender and Seller
12. Waiver of Appraisal Rights, dated as of May 2, 2018, from Seller and John R. Holder, for the benefit of Lender
13. Subordination, Nondisturbance and Attornment Agreement, dated as of May 2, 2018, among Seller, Tenant, and Lender
14. Lease Enhancement Insurance Policy No. 38412372 Issued by Lexington Insurance Company with an effective date of May 1, 2018

EXHIBIT C

PERMITTED EXCEPTIONS

1. The current year's and subsequent year's real property taxes and assessments, which taxes and assessments are not yet due and payable.
2. Any recapture, reassessment or similar taxes or increase in taxes caused by Purchaser's removing the Property from its present classification, subsequent changes in use by Purchaser or failure of Purchaser to apply for any available ad valorem tax classification (all of which are the responsibility of Purchaser).
3. All local, state, and federal laws, ordinances, and governmental regulations, including but not limited to, building and zoning laws, ordinances and regulations, now or hereafter in effect and relating to the Property.
4. Any state of facts relevant to title which an accurate survey or an inspection of the Properties would reveal, including but not limited to the location of boundary lines, improvements, parties in possession and encroachments.
5. The rights of upper and lower riparian owners to the free and unobstructed flow of the water of any rivers, streams or creeks without diminution or pollution, and the consequence of any past or future change in the location of same.
6. Title to that portion of the property lying between the high and low water marks of any navigable rivers, streams or creeks, and rights of upper and lower riparian owners in and to same.
7. The Lease.
8. The Existing Loan Documents.
9. The FILOT Agreement.
10. Declaration of Covenants, Conditions and Restrictions for Daniel Island Town Center Shared Parking Facilities dated August 19, 1999, and recorded August 20, 1999, in the ROD Office for Berkeley County, South Carolina in Book 1723 at Page 278; First Supplement to Declaration of Covenants, Conditions and Restrictions for Daniel Island Town Center Zone Shared Parking Facilities dated November 10, 2000, and recorded November 28, 2000, in the Berkeley County ROD Office in Book 2090 at Page 206; Supplement to Declaration of Covenants, Conditions and Restrictions for Daniel Island Town Center Zone and Declaration of Covenants, Conditions and Restrictions for Daniel Island Town Center Shared Parking Facilities dated September 24, 2014, and recorded September 26, 2014, in the Berkeley County ROD Office in Book 10982 at Page 125; and Supplement to Both (I) Declaration of Covenants, Conditions and Restrictions for Daniel Island Town Center Zone and (II) Declaration of Covenants, Conditions and Restrictions for Daniel Island Town Center Shared Parking Facilities dated September 8, 2016, and recorded September 8, 2016, in the ROD Office for Berkeley County, South Carolina in Book 2268 at Page 415
11. Amended and Restated Declaration of Covenants, Conditions and Restrictions for Daniel Island Town Center Zone dated April 1, 2018, and recorded April 3, 2018, in the ROD Office for Berkeley County, South Carolina in Book 2711 at Page 238; including Right of First Refusal and Option to Repurchase described therein; as amended and supplemented from time to time.
12. Notice of Transfer Fee Covenant dated March 21, 2012, and recorded March 26, 2012, in the Berkeley County ROD Office in Book 9379 at Page 144.
13. Third Amended and Restated Declaration of Easements and Covenant to Share Costs for Daniel Island dated April 1, 2018, and recorded April 3, 2018, in the ROD Office for Berkeley County, South Carolina in Book 2711 at Page 322.
14. Development Agreement by and among the Harry Frank Guggenheim Foundation, Daniel Island Development Company, Inc. and the City of Charleston dated June 1, 1995, and recorded June 23, 1995, in the ROD Office for Berkeley County, South Carolina in Book 681 at Page 300; as amended by First Amendment to Daniel Island Development Agreement dated June 9, 1997, and recorded June 25, 1997, in the ROD Office for Berkeley County, South Carolina in Book 1092 at Page 275; as amended by Second Amendment to Development Agreement (Daniel Island) dated November 24, 1998, and recorded July 20, 1999, in the ROD Office for Berkeley County, South Carolina in Book 1695 at Page 7 4; as amended by Third Amendment to Development Agreement (Daniel Island) dated March 8, 2000, and recorded May 18, 2000, in the ROD Office for Berkeley County, South Carolina in Book 1931 at Page 187; as affected by Assignment and Assumption of Rights and Easements as recorded in Book 1093 at Page 290; as affected by Assignment and Assumption of Rights and Easements as recorded in Book 1093 at Page 298.
15. Cooperation Agreement Between Owner Parties to The City Development Agreement by and between Daniel Island Investments, LLC and The Daniel Island Company, Inc. dated November 9, 1998, and recorded November 9, 1998, in the Berkeley County ROD Office in Book 1478 at Page 242.
16. Exceptions as stated in that certain deed from Daniel Island Development Company, Inc. unto The Daniel Island Company, Inc. dated June 24, 1997, and recorded June 25, 1997, in the Berkeley County ROD Office in Book 1093 at Page 276; as affected by Assignment and Assumption of Rights and Easements as recorded in Book 1093 at Page 290.
17. Utility Easement Electrical and Gas Lines Parcel Q/5 from The Daniel Island Company, Inc. unto South Carolina Electric & Gas Company dated September 14, 2004, and recorded October 5, 2004, in the Berkeley County ROD Office in Book 4276 at Page 0134.

18. Easement from Daniel Island Company, Inc. unto South Carolina Electric & Gas Company dated October 31, 2014, and recorded November 17, 2014, in the Berkeley County ROD Office in Book 11073 at Page 194.
19. Right-of-Way Easement Water & Sewer from The Daniel Island Company, Inc. unto the Commissioners of Public Works dated February 17, 2015, and recorded July 2, 2015, in the Berkeley County ROD Office in Book 11475 at Page 58.
20. Temporary Construction, Parking and Access Easement Agreement from The Daniel Island Company, Inc. to HPDI, LLC dated September 24, 2014, and recorded September 26, 2014, in the ROD Office for Berkeley County, South Carolina in Book 10982 at Page 109.
21. Memorandum of Lease Agreement by and between HPBB1, LLC, a Landlord, and Blackbaud, Inc., as Tenant, dated September 8, 2016, and recorded September 8, 2016, in the ROD Office for Berkeley County, South Carolina in Book 2268 at Page 432; as amended by that Amendment to
Memorandum of Lease Agreement dated May 2, 2018 and recorded May 2, 2018, in the ROD Office for Berkeley County in Book 2736 at Page 409.
22. Declaration of Easements and Agreement to Share Costs by and between HPBB1, LLC and Blackbaud, Inc. dated September 8, 2016, and recorded September 8, 2016, in the ROD Office for Berkeley County, South Carolina in Book 2268 at Page 438.
23. Drainage Easement Agreement by and between Daniel Island Town Association, Inc. and HPBB1, LLC dated September 8, 2016, and recorded September 8, 2016, in the ROD Office for Berkeley County, South Carolina in Book 2268 at Page 423.
24. Right-of-Way Easement Sewer from The Daniel Island Company, Inc. unto the Commissioners of Public Works of the City of Charleston dated February 15, 2016 and recorded April 3, 2018, in the ROD Office for Berkeley County, South Carolina in Book 2711 at Page 428. This policy insures against loss or damage which the Insured shall sustain by reason of a final judgment or decree from a court of competent jurisdiction which constitutes a final determination and denies the right to maintain the existing improvements on the Land because of the encroachment, prior to the voluntary removal or destruction by fire or other hazard of the encroachment.
25. Right-of-Way and Utility Easement from HPBB1, LLC unto the Commissioners of Public Works for the City of Charleston dated October 10, 2017 and recorded April 3, 2018, in the ROD Office for Berkeley County, South Carolina in Book 2711 at Page 411.
26. All matters set forth on that certain plat by Thomas & Hutton Engineering entitled "PLAT OF VARIOUS NEW C.P.W. EASEMENTS THROUGH THE PROPERTY OF HPBB1, LLC", prepared for and owned by HPBB1, LLC, dated September 6, 2017 and recorded on April 3, 2018 in the ROD Office for Berkeley County in Plat Cabinet Q at Page 187h.
27. [insert specific description of any additional matters deemed to be Permitted Exceptions under Section 3.3 or Section 3.4.]
28. [insert specific description of any lien, encumbrance or other title exception resulting from any act or omission of Purchaser or of Blackbaud, Inc., as tenant under the Lease]

EXHIBIT D

[INTENTIONALLY OMITTED]

Exhibit D
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EXHIBIT E
Property Documents

1. Copies of the Lease
2. Title Policies
3. Survey
4. Copies of the income and expense statements pertaining to the operation of the Property as regularly provided to Seller by HPI
5. Copies of all environmental and geotechnical reports pertaining the Property
6. Copies of the as-built plans for the Improvements
7. Copies of the most recent FILOT statement for the Property
8. Certificates of Occupancy for the Improvements
9. Copies of all warranties
10. A summary of all insurance claims submitted by Seller since receipt of Certificate of Occupancy and any pending insurance claims relating to the Property
11. Inspection Reports relating to matters arising after completion of construction that are the responsibility of Seller, as Landlord, under the Lease
12. Maintenance Reports relating to matters arising after completion of construction that are the responsibility of Seller, as Landlord, under the Lease
13. Documents regarding construction defects regarding construction performed by Seller
14. Warranties and construction contracts regarding construction performed by Seller as to which Seller or an affiliate is a counterparty

Notes:

1. If there are no documents in the possession or control of Seller (or within the possession or control of Seller within the 3 month period ending on the Effective Date) falling within one or more of the categories referenced above, Seller shall note this when it delivers the Property Documents to Seller.
2. Documents in the possession or control of HPI, in its capacity, as Manager for Blackbaud, Inc. shall not constitute "Property Documents". Seller acknowledges and agrees, however, that Blackbaud, Inc. will request copies of any such documents from HPI in its capacity as Manager and such possession and this Note shall not, in itself, be construed to exclude any information or documents from the scope of required disclosures under this Agreement. Instead, such documents possessed by HPI shall, in fact, constitute Property Documents if such documents fall within the scope of nos. 1-14 above.

EXHIBIT F

LEGAL DESCRIPTION OF PHASE 2 PROPERTY

ALL those certain pieces, parcels, lots or tracts of land together with all buildings, fixtures and other improvements thereon, if any, situate, lying and being in the City of Charleston, County of Berkeley being shown and designated as "**PARCEL Q-5-3 HPBB1, LLC 4.10 acres**" on that certain Subdivision Plat by Thomas & Hutton Engineering entitled, "A FINAL SUBDIVISION PLAT OF PARCEL Q-5-2 (8.97 Ac.) TMS# 275-00-00-270 TO CREATE PARCEL Q-5-2 (4.87 Ac.) & PARCEL Q-5-3 (4.10 Ac.), CITY OF CHARLESTON, BERKELEY COUNTY, SOUTH CAROLINA," prepared for and owned by HPBB1, LLC dated June 28, 2016, and recorded in the Register of Deeds for Berkeley County, SC on October 11, 2016, in Book Plat Cab S at Page 250i. PARCEL Q-5-1 -- TMS No. 275-00-00-155 PARCEL Q-5-2 -- TMS No. 275-00-00-270 PARCEL Q-5-3 -- TMS No. 275-00-00-272

Exhibit F to Purchase and Sale Agreement

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PPAB 5659809v2

EXHIBIT G

PRE-DEVELOPMENT AGREEMENT

THIS PRE-DEVELOPMENT AGREEMENT (this “*Agreement*”) is entered into _____, 202__ (the “*Effective Date*”) between * _____, a _____ (“*Developer*”), and * _____, a _____ (“*Owner*”).

RECITALS

A. Contemporaneously herewith, HPBB1, LLC, a Georgia limited liability company and an affiliate of Developer (the “*Seller*”) has conveyed to Owner that certain real property located in Berkeley County, South Carolina (the “*Project*”), such real property being more particularly described on Exhibit A (the “*Real Property*”) and are discussing a potential transaction in which Developer would develop a build-to-suit office project for Owner on the Real Property (the “*Project*”).

B. Commencing on the Effective Date and running through the earlier of (i) the date that Developer and Owner have either entered into a Development Agreement pursuant to the terms of Section 6 below, (ii) the negotiation process described in such Section has concluded without Developer and the Phase 2 Owner (defined below) having entered into the Development Agreement, and (iii) the third anniversary of the Effective Date has occurred without Owner having delivered the Notice to Proceed (defined below) or having commenced construction of the Project (such time period is hereinafter referred as the “*Term*”), Owner wishes to hire Developer to perform Pre-Development Services when required.

C. Developer and Owner now wish to agree on the basis for which Developer will proceed with the Pre-Development Services in connection with and on behalf of Owner.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1. **Pre-Development Services.** Upon Owner’s decision to proceed with the development of Phase 2 of the Project, Owner shall provide Developer a written notice to proceed (the “*Notice to Proceed*”) , whereupon Developer shall diligently undertake the following activities (collectively, the “*Pre-Development Services*”):

- (a) to the extent not previously engaged by Owner, conduct a process to procure and engage a design and construction team for the Project, including without limitation, an architect, civil engineer, contractor, and other consultants Developer and Owner deem necessary;
- (b) commence a high-level design program for the Project;
- (c) pursue and use commercially reasonable efforts to secure all governmental and quasi-governmental approvals and entitlements necessary to develop the Project;
- (d) assist Owner as needed or desired in securing governmental incentives for the Project;
- (e) secure and structure optimal financing for the Project; and
- (f) perform all other pre-development services and due diligence Developer and Owner reasonably believe are necessary.

Developer's obligation to diligently undertake Pre-Development Services is subject to the parties' continuing agreement on the scope of the Pre-Development Services and the Pre-Development Costs (as defined below) relating to such Pre-Development Services, as described in Section 3 below.

2. **Cooperation and Communications.** Developer and Owner shall cooperate in good faith on the Pre-Development Services. Developer shall keep Owner or a third party representative designated by Owner informed about the progress of the Pre-Development Services by, among other means, arranging regular meetings (virtual or otherwise) at times mutually agreed to by the parties. Developer shall share with Owner and its employees and advisors all third-party due diligence materials developed on behalf of Developer with respect to the Project and each party will cooperate in good faith in the review and evaluation of all such diligence materials.

3. **Pre-Development Budget.** Promptly after Developer has received the Notice to Proceed or upon request from Owner specifying the requested scope of Pre-Development Services, Developer shall provide to Owner for its review and comment a preliminary budget setting forth the estimated pursuit costs for the Pre-Development Services, including, without limitation, a portion of the overhead (salaries and benefits, etc.) of Developer's development team (based on an allocation of the time to be spent on pre-development work by members of Developer's development team that is reasonable in light of the Pre-Development Services then being performed), along with any reasonable out-of-pocket expenses (the "*Pre-Development Costs*"). The budget is subject to Owner's review and comment and reasonable approval and the budget approved by Owner is hereinafter referred to as the "*Pre-Development Budget*". As circumstances change and additional resources are required in connection with Pre-Development Services, Developer may submit to Owner, for its approval, an updated Pre-Development Budget.

4. **Reimbursement of Pre-Development Costs.** Developer shall provide Owner with draw requests detailing the Pre-Development Costs incurred by Developer in connection with the Pre-Development Services not more often than once per month. Owner shall pay directly third party vendors providing Pre-Development Services pursuant to Section 4(a) and shall pay to Developer Pre-Development Costs incurred by Developer (including sums owed third party vendors under contract with Developer), in both cases, within thirty (30) days after the receipt of the applicable draw request, but in no event shall Owner be required to pay any Pre-Development Costs if the Pre-Development Costs would result in the Pre-Development Budget being exceeded. If a draw request is not timely paid, the payment will accrue interest at the lesser of (i) ten percent (10%) per annum, and (ii) the greatest interest rate permitted by applicable law.

5. **Exclusivity.** During the Term of this Agreement, Owner will not and will not permit any affiliate of Owner to enter into any arrangement to act as development manager of the Project other than the arrangement contemplated by this Agreement; provided that this covenant shall not preclude owner from engaging or continuing the engagement of engineers, architects, attorneys, and other consultants and advisers to perform portions of the Pre-Development Services on a more limited basis, provided that such direct engagement with service providers not be part of an attempt to circumvent Developer's performance under this Agreement.

6. **Development Agreement.** If Owner or any entity controlled by, in control of or under common control with Owner or Blackbaud, Inc. or any other entity to whom Owner or such affiliated entity conveys the Real Property in connection with the development of the Project (the "Phase 2 Owner"), directly or indirectly, commences the construction of the Project on or before the third anniversary of the Effective Date, the Phase 2 Owner shall retain Developer as the development manager of Phase 2, subject to reasonable approval of terms and conditions. Owner and Developer shall negotiate in good faith in attempt to agree on commercially reasonable terms as to a development agreement as to such retention of Developer.

7. **Confidentiality.** Developer shall not and shall not permit its employees or affiliates to, either directly or indirectly, disclose or communicate to any person, group of persons or entity, any written information, documents, analyses, compilations, studies, tests or reports relating to the Project or otherwise reflecting the performance of the Pre-Development Services and furnished or made available by the other party or its respective employees, affiliates, agents, contractors or counsel (collectively, the “*Confidential Information*”); provided, however, the Confidential Information will not include any such written information, documents, analyses, compilations, studies, tests or reports that (i) are already known and documented by the receiving party, (ii) is or becomes publicly known through no wrongful act of the receiving party, (iii) is rightfully received from a third party without any restriction known to the receiving party and without breach of this Agreement, or (iv) is independently developed by the receiving party or its employee, affiliate, agent, contractor or counsel. Notwithstanding the foregoing to the contrary, Developer may disclose such of the Confidential Information (a) as such party deems reasonably necessary or desirable to its employees, affiliates, agents, contractors, counsel, and potential financing sources, provided that those to whom such Confidential Information is disclosed are informed of the confidential nature of such Confidential Information, (b) if compelled to do so by any governmental authority, pursuant to law or otherwise by legal proceedings, or (c) in connection with any litigation involving this Agreement. Further notwithstanding the foregoing to the contrary, Owner acknowledges and agrees that Developer may disclose such details of the Project to third parties as Developer deems reasonably necessary in furtherance of the Pre-Development Services.

8. **Miscellaneous.**

(a) All notices, demands, requests, consents, approvals and other communications required or permitted to be given under this Agreement shall be in writing and may be given by either Developer or Owner and shall be addressed or delivered to the parties at their respective addresses set forth below (i) in person, (ii) next business day delivery by a reliable and recognized air freight delivery service, such as Federal Express or UPS, (iii) sent by postage prepaid United States mail, certified or registered, return receipt requested, or (iv) via email (so long as notice is also sent by at least one of the other methods provided above). The effective date of notice will be one (1) business day after the date such notice is deposited with a nationally recognized overnight courier, two (2) days after the date such notice is deposited with the United States Postal Service, or upon the personal delivery thereof. The effective date of notice by email will be the date when sent by email transmission. Initial notice addresses hereunder are as follows:

If to Developer: c/o Holder Properties, Inc.
 3300 Cumberland Boulevard
 Suite 200
 Atlanta, GA 30339
 Attention: John Holder and Adam Sonenshine
 Email: jholder@holderproperties.com, and asonenshine@holderproperties.com

If to Owner: c/o Blackbaud, Inc.
 2000 Daniel Island Drive
 Charleston, South Carolina 29492
 Attention: Otto Orr
 Email: OttoOrr@blackbaud.com

(b) If either party files a suit to enforce its rights under this letter, the prevailing party in such suit will be entitled to collect from the other party its reasonable attorneys' fees and costs of litigation incurred in connection with such suit.

(c) Neither party may assign this Agreement without the prior written approval of the other party, which approval will not be unreasonably withheld, conditioned, or delayed. Subject to the preceding sentence, this Agreement will bind and inure to the benefit of the parties and their successors and assigns.

(d) This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Agreement. To facilitate execution and delivery of this Agreement, the parties may execute and exchange counterparts of the signature pages via e-mail by .PDF file. The signature of a party to any counterpart may be appended to any other counterpart. Further, the parties agree that signatures by DocuSign, Sign-n-Send or other similar electronic signing software will be deemed to be originals.

(e) This Agreement will be interpreted, construed and enforced according to the laws of the State of South Carolina.

(f) The provisions of this Agreement are and will be for the benefit of Developer and Owner only and are not for the benefit of any third party, and accordingly, no third party may rely on or enforce the provisions of this Agreement.

(g) This Agreement sets forth the entire understanding between the parties regarding the matters described herein and supersedes all prior agreements, whether oral or written.

(h) This Agreement may not be modified or amended except by a writing signed by both parties.

[signatures on following page]

The parties have signed and delivered this Agreement as of the Effective Date.

[_____]

By: __
Name: _____
Title: _____

[_____]

By: __
Name: __
Title: __

[EXHIBIT A AND EXHIBIT B TO BE ATTACHED]

EXHIBIT H
FORM OF DEED

This document prepared by and
please return to:

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHARLESTON)

TITLE TO REAL ESTATE

KNOW ALL MEN BY THESE PRESENTS, that HPBB1, LLC, a Georgia limited liability company (hereinafter called "*Grantor*"), for and in consideration of Ten Dollars and 00/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has granted, bargained, sold and released, and hereby does grant, bargain, sell and release unto _____, a _____ (hereinafter the "*Grantee*"), the following described property and easements, subject to the matters, exceptions, lease agreements, covenants, restrictions, conditions, reservations, easements and limitations set forth on Exhibit B (collectively, the "*Permitted Exceptions*"), to wit:

SEE EXHIBIT A ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE

DERIVATION:

_____ from _____ dated _____ and recorded with the Berkeley County Register of Deeds Conveyance in Book _____, page _____.

ASSESSOR'S TAX PARCEL NO.: _____

GRANTEE'S ADDRESS: _____

TO HAVE AND TO HOLD all and singular the above-described parcels of land and premises, together with all and singular the rights, members, hereditaments, improvements, easements and appurtenances thereunto belonging or in any wise appertaining (collectively, the "*Premises*"), subject to the Permitted Exceptions, unto the Grantee, and the Grantee's successor and assigns forever.

Subject to the Permitted Exceptions, the Grantor does hereby bind itself and its successors to warrant and forever defend all and singular said premises unto the Grantee and the Grantee's successors and assigns, against the Grantor and the Grantor's successors and assigns, and against the claims of all persons owning,

holding or claiming by, through or under Grantor, but not otherwise, subject to the rights of tenants in possession, and all matters of record.

IN WITNESS WHEREOF, the Grantor, by its duly authorized signatory, has executed this instrument under seal as of this _____ day of _____, 202__.

GRANTOR:

SIGNED, sealed and delivered
in the presence of: _____, a

Witness No. 1

By: _____

Witness No. 2

Name: _____

Title: _____

STATE OF _____)
COUNTY OF _____)

ACKNOWLEDGMENT

I, _____, Notary Public for the State of South Carolina, do hereby certify that the above signed _____ as _____ for _____, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this _____ day of _____, 2020.

SWORN TO before me this
_____ day of _____, 202__.

Notary Public
My commission expires _____
(SEAL)

[EXHIBITS A AND EXHIBIT B TO BE ATTACHED]

EXHIBIT I

FORM OF ASSIGNMENT AND ASSUMPTION OF LEASE

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, HPBB1, LLC, a Georgia limited liability company, having its principal office at 3300 Cumberland Boulevard, Suite 200, Atlanta, Georgia 30339 (“Assignor”), hereby sells, transfers, assigns and sets over unto _____, having its principal office at _____ (“Assignee”), its legal representatives, successors and assigns, all of Assignor’s right, title and interest in, to and under (i) that certain Lease Agreement dated May 16, 2016, by and between Seller and Blackbaud, Inc., as amended by that certain First Amendment to Lease Agreement dated August 22, 2016, that certain Second Amendment to Lease Agreement dated May 18, 2017, that certain Third Amendment to Lease Agreement dated December 11, 2017, that certain Fourth Amendment to Lease Agreement dated February 28, 2018, that certain Fifth Amendment to Lease Agreement dated February 18, 2020, that certain Sixth Amendment to Lease Agreement dated March 17, 2020, that certain Seventh Amendment to Lease Agreement dated April 14, 2020, that certain Eighth Amendment to Lease Agreement dated May 26, 2020, that certain Ninth Amendment to Lease Agreement dated June 8, 2020, and as supplemented by that certain Letter Agreement dated September 6, 2016 (as amended and supplemented, the “Lease”), affecting the real estate legally described in the Agreement (as hereinafter defined) (the “Property”), and (ii) the rent therein referred except, however, unpaid amounts due under the Lease relating to periods of time prior to the Closing Date (as defined in that certain Purchase and Sale Agreement, as may be amended and assigned, by and between Assignor and Assignee, dated as of _____, 2020 (the “Agreement”)).

Assignee does hereby accept the foregoing Assignment and Assumption of Lease subject to the terms and conditions herein and in the Lease, and does hereby assume, without exculpation, as of the date hereof, and become responsible for and agree to perform, discharge, fulfill and observe all of the obligations, terms, covenants, provisions and conditions under the Lease arising from and after the Closing Date and Assignee agrees to be liable for the observance and performance thereof as fully as though Assignee was the original landlord or lessor thereunder.

This Assignment and Assumption of Lease will be binding upon and will inure to the benefit of Assignor and Assignee and their respective beneficiaries, legal representatives, heirs, successors and assigns.

This Assignment and Assumption of Lease may be executed and delivered in any number of counterparts, each of which so executed and delivered will be deemed to be an original and all of which will constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption of Lease this ____ day of _____, 202__.

Assignor:

[_____]

By: _____

Name: _____

Its: _____

Assignee:

[_____]

By: _____

Name: _____

Its: _____

Exhibit I to Purchase and Sale Agreement

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EXHIBIT J

[INTENTIONALLY OMITTED]

Exhibit J to Purchase and Sale Agreement
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PPAB 5659809v2

EXHIBIT K

GENERAL ASSIGNMENT OF INTANGIBLES AND PERSONAL PROPERTY

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, HPBB1, LLC, a Georgia limited liability company, having its principal office at 3300 Cumberland Boulevard, Suite 200, Atlanta, Georgia 30339 (“Assignor”), hereby sells, transfers, assigns and sets over unto _____, having its principal office at _____ (“Assignee”), its legal representatives, successors and assigns, all of Assignor’s right, title and interest, if any, in and to the following, to the extent transferable or assignable: (i) all assignable warranties and guaranties (expressed or implied) existing with respect to the Improvements, (ii) all assignable trade names, logos, licenses, permits, air rights, certificates of occupancy, signs, trademarks, telephone listings and numbers relating solely to the Land and the Improvements, (iii) all development rights benefiting the Land and the Improvements (excluding Assignors rights under the Predevelopment Agreement); (iv) all rights, claims or awards benefiting the Property; (v) all personal property of Assignor located on or about the Land; (vi) all rights to receive a reimbursement, credit or refund from the applicable agency or entity of any deposits or fees paid in connection with the development of the Property, including, but not limited to utility deposit refunds; and (vii) all rights, claims, counterclaims, defenses, indemnities or actions, whether at common law, or pursuant to any other applicable federal, state or other laws which Seller may have against any third party with respect to the Property, including, without limitation, those relating to the existence of any “Hazardous Materials” (as defined in the Option Contract) in, at, on, under or about the Property. .

This General Assignment of Intangibles and Personal Property will be binding upon and will inure to the benefit of Assignor and Assignee and their respective beneficiaries, legal representatives, heirs, successors and assigns.

This General Assignment of Intangibles and Personal Property may be executed and delivered in any number of counterparts, each of which so executed and delivered will be deemed to be an original and all of which will constitute one and the same agreement.

Notwithstanding anything to the contrary contained in this General Assignment of Intangibles and Personal Property, it is expressly understood and agreed by and between the parties hereto that any liability of Assignor hereunder will be limited as set forth in Sections 5.8 and 16.17 of that certain Purchase and Sale and Sale Agreement, as may be amended and assigned, by and between Assignor and Assignee, dated as of _____, 2020 (the “Agreement”).

All capitalized terms used herein unless otherwise defined herein have the same meaning as set forth in the Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this General Assignment of Intangibles this _____ day of _____, 202__.

Assignor:

[_____]

By: _____

Name: _____

Its: _____

Assignee:

[_____]

By: _____

Name: _____

Its: _____

EXHIBIT L
FORM OF TENANT NOTICE

NOTICE TO TENANT

_____, 202__

(tenant name and address)

Re: NOTICE OF CHANGE OF OWNERSHIP
_____ (name of/address of property)

Ladies and Gentlemen:

On _____, 202__, _____ (prior owner), transferred the referenced property to _____ (new owner).

All future rental payments should be made payable to and delivered to the following address:

Any notices sent in connection with the lease should be sent to the address above with a copy to:

Very truly yours,

_____ (new owner)

By: _____
Name: _____
Its: _____

EXHIBIT M

FORM OF CERTIFICATE OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by HPBB1, LLC, a Georgia limited liability company (“*Seller*”), the undersigned hereby certifies the following on behalf of the Seller:

1. Seller is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. Seller is not a disregarded entity as defined in §1.1445-2(b)(2)(iii);
3. Seller’s U.S. employer identification number is _____; and
4. Seller’s address is 3300 Cumberland Boulevard, Suite 200, Atlanta, Georgia 30339.

Seller understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury the undersigned declares that it has examined this certification and to the best of its knowledge and believe it is true, correct and complete, and it further declares that it has authority to sign this document on behalf of Seller.

Dated: _____, 202__.

[_____]

By: _____

Name: _____

Its: _____

EXHIBIT N

FORM OF MUTUAL RELEASE

MUTUAL RELEASE OF CLAIMS

This **MUTUAL RELEASE OF CLAIMS** (“*Agreement*”) is made and entered into effective this ___ day of _____, 202__, by and between HPBB1, LLC, a Georgia limited liability company (“*HPBB1*”), Blackbaud BBHQ1, LLC, a Delaware limited liability company (“*Blackbaud Purchaser*”) and Blackbaud, Inc., a Delaware corporation (“*Blackbaud*”) (Blackbaud Purchaser and Blackbaud are hereinafter collectively referred to as the “*Blackbaud Parties*”).

BACKGROUND:

A. HPBB1, as “Landlord”, and Blackbaud, as “Tenant”, entered into that certain Lease Agreement, dated May 16, 2016, as amended by that certain First Amendment to Lease Agreement, dated August 22, 2016, that certain Second Amendment to Lease Agreement, dated May 18, 2017, that certain Third Amendment to Lease Agreement, dated December 11, 2017, that certain Fourth Amendment to Lease Agreement, dated February 28, 2018, that certain Fifth Amendment to Lease Agreement, dated February 18, 2020, that certain Sixth Amendment to Lease Agreement, dated March 17, 2020, that certain Seventh Amendment to Lease Agreement, dated April 14, 2020, that certain Eighth Amendment to Lease Agreement, dated May 26, 2020, that certain Ninth Amendment to Lease Agreement, dated June 8, 2020, and as supplemented by that certain Letter Agreement, dated September 6, 2016 (as amended and assigned, the “*Lease*”).

B. Pursuant to the terms of that certain Purchase and Sale Agreement (as may be amended and assigned, the “*Purchase Agreement*”), dated _____, 2020, by and between HPBB1 and Blackbaud Purchaser, on _____, 202__, HPBB1 conveyed to Blackbaud Purchaser all of HPBB1’s right, title, and interest in and to the Premises (as defined in the Lease).

C. In connection with the closing of the transactions under the Purchase Agreement and pursuant to that certain Assignment and Assumption of Lease by and between Blackbaud Purchaser and HPBB1, dated as of the date of this Agreement, HPBB1 assigned to Blackbaud Purchaser its interest as “Landlord” under the Lease, and Blackbaud Purchaser assumed all obligations of “Landlord” under the Lease accruing on and after the Closing Date.

D. In connection with the assignment of HPBB1’s interest in the Lease, HPBB1 and the Blackbaud Parties desire to enter into this Agreement for the purpose of releasing one another from any and all present and future, known and unknown, foreseeable or unforeseeable claims arising out of or relating to the Lease.

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, and in further consideration of the following mutual promises, covenants, and undertakings, the parties agree as follows:

1. Mutual Release.

a. As a material inducement for HPBB1 to enter into this Agreement, each of the Blackbaud Parties, for itself and its related and affiliated entities, officers, directors, employees and agents, successors and assigns, does fully, finally, irrevocably, and unconditionally release, acquit, and forever discharge HPBB1 and its related and affiliated entities (including, without limitation, Holder Properties, Inc.), attorneys, managers, members, officers, directors, employees and agents, successors, and assigns of and from any and all present and future, known and unknown, foreseeable or unforeseeable claims, liabilities, obligations, promises, damages, causes of action, rights, demands, costs, lawsuits, debts, and expenses, of any kind or nature whatsoever, whether in law or in equity (“*Claims*”) arising out of or relating to the Lease including, without limitation, claims relating to the construction of the improvements pursuant to the terms of Exhibit B to the Lease and that certain Side Letter Agreement (re: Punchlist Items), dated May 2, 2018, by and between Blackbaud and Holder Properties, Inc., but (i) excluding any Claims related to HPBB1’s obligation under Section 7.3(c) and Section 12.12 of the Lease to indemnify the Blackbaud Parties for certain claims made by third parties, and (ii) excluding any Claims under property management agreements with Holder Properties, Inc. for the Premises.

b. As a material inducement for the Blackbaud Parties to enter into this Agreement, HPBB1, for itself and its related and affiliated entities (including, without limitation, Holder Properties, Inc.), officers, directors, employees, and agents, successors and assigns, does fully, finally, irrevocably and unconditionally release, acquit and forever discharge each of the Blackbaud Parties and its related and affiliated entities, attorneys, managers, members, officers, directors, employees, and agents, successors and assigns of and from any and all Claims arising out of or relating to the Lease , but (i) excluding any Claims related to Blackbaud’s obligations under Section 7.3(b), Article 11 and Section 12.12 of the Lease to indemnify HPBB1 for certain claims made by third parties, and (ii) excluding any Claims under that certain Indemnification Agreement dated August 22, 2016 by and between Blackbaud and HPBB1 related to the FILOT Agreement as to the Premises.

c. The parties agree that the release set forth in this Section 1 shall be and remain in effect in all respects as a complete general release and covenant not to sue as to the Claims released. In no event, however, shall this Section 1 be read as a release by either party of any matters not arising out of or relating to the Lease.

d. For avoidance of doubt, this Agreement does not serve to release claims that either party has under the Purchase Agreement.

2. Non-Admission of Liability. The parties acknowledge that this Agreement constitutes a compromise and that this Agreement shall not in any way be construed as an admission of liability by any of them.

3. Documentation. The parties agree to prepare and execute such papers and documents as may be necessary to effectuate the undertakings and responsibilities in this Agreement.

4. Waiver. No waiver with respect to any portion of this Agreement shall apply to

any other portion of the Agreement, and a waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion. No course of dealing by any party, and no failure, omission, delay, or forbearance by any party in exercising such party's rights or remedies shall be deemed a waiver of any such rights or remedies or a modification of this Agreement.

5. Severability. Should any term or provision of this Agreement be declared or determined by a court to be illegal or invalid, the remaining terms and provisions shall not be affected, and the term or provision held to be invalid shall be deemed not to be a part of this Agreement.

6. Governing Law. All matters relating to the interpretation, construction and enforcement of this Agreement shall be governed by the laws of the State of South Carolina.

7. Representations or Warranties; Review by Counsel.

a. Except as set forth in this Section 7, none of the parties to this Agreement make any representations or warranties, express or implied, to any other party to this Agreement. Except as set forth in this Section 7, none of the parties to this Agreement have relied upon and none of the parties to this Agreement will rely upon, either directly or indirectly, any representation or warranty of the other party to this Agreement.

b. Each party to this Agreement represents that (i) it has full authority to execute and perform its obligations under this Agreement and that this Agreement shall be a binding and enforceable obligation of such party, (ii) it is a knowledgeable party and has been afforded a full and fair opportunity to review and discuss this Agreement with qualified consultants and legal counsel, and (iii) that it is relying on its own expertise and that of its own attorneys and consultants in entering into this Agreement.

c. HPBB1 represents and warrants that HPBB1 has not assigned any right, title, or interest in and to Claims that HPBB1 may have against the Blackbaud Parties or any of its related and affiliated entities, employees and agents and successors and assigns.

d. Each of the Blackbaud Parties represents and warrants that Blackbaud Parties has not assigned any right, title, or interest in and to Claims that each of the Blackbaud Parties may have against HPBB1 or any of its related and affiliated entities, employees and agents and successors and assigns.

8. Indemnification. Each party (the "*Indemnifying Party*") shall indemnify, defend, and hold the other party harmless from and against any and all loss, cost, claims, liabilities, or expenses relating to or arising out of the breach by the Indemnifying Party of the Indemnifying Party's obligations, representations, and warranties under this Agreement.

9. Entire Agreement; Counterparts. This Agreement sets forth the entire agreement among the parties, supersedes any and all prior agreements or understandings between the parties, whether written or oral, and may not be modified orally. This Agreement shall inure to the benefit of, and be binding upon, any successors, or assigns. This Agreement may be

executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Agreement. To facilitate execution and delivery of this Agreement, the parties may execute and exchange counterparts of the signature pages via e-mail by .PDF file. The signature of a party to any counterpart may be appended to any other counterpart. Further, the parties agree that signatures by DocuSign, Sign-n-Send or other similar electronic signing software will be deemed to be originals.

[signatures commence on following page]

Exhibit N to Purchase and Sale Agreement
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IN WITNESS WHEREOF, this Mutual Release of Claims has been executed by the parties.

HPBB1, LLC, a Georgia limited liability company

By: _____

Name: _____

Its: _____

The foregoing instrument was acknowledged before me this _____ day of _____, 202__, by _____ who is the _____ of HPBB1, LLC, a Georgia limited liability company. He/she is personally known to me or has produced _____ as identification.

(Print Name) _____

Notary Public, State of _____

My commission expires:

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BLACKBAUD, INC., a Delaware corporation

By: _____

Name: _____

Its: _____

The foregoing instrument was acknowledged before me this _____ day of _____, 202__, by _____ who is the _____ of Blackbaud, Inc. He/she is personally known to me or has produced _____ as identification.

(Print Name) _____
Notary Public, State of _____

My commission expires:

BBHQ1, LLC, a Delaware limited liability company

By: _____

Name: _____

Its: _____

The foregoing instrument was acknowledged before me this _____ day of _____, 202__, by _____ who is the _____ of HPBB1, LLC, a Delaware limited liability company. He/she is personally known to me or has produced _____ as identification.

(Print Name) _____
Notary Public, State of _____

My commission expires

TENTH AMENDMENT TO LEASE AGREEMENT

THIS TENTH AMENDMENT TO LEASE AGREEMENT (this “**Amendment**”) is entered into as of June 26, 2020 (the “**Effective Date**”), by and between HPBB1, LLC, a Georgia limited liability company (“**Landlord**”), and BLACKBAUD, INC., a Delaware corporation (“**Tenant**”).

RECITALS:

A. Landlord and Tenant are parties to that certain Lease Agreement dated May 16, 2016, as amended by that certain First Amendment to Lease Agreement dated August 22, 2016, that certain Second Amendment to Lease Agreement dated May 18, 2017, that certain Third Amendment to Lease Agreement dated December 11, 2017, that certain Fourth Amendment to Lease Agreement dated February 28, 2018, that certain Fifth Amendment to Lease Agreement dated February 18, 2020, that certain Sixth Amendment to Lease Agreement dated March 17, 2020, and that certain Seventh Amendment to Lease Agreement dated April 14, 2020, and that certain Eighth Amendment to Lease Agreement dated May 26, 2020, and that certain Ninth Amendment to Lease Agreement dated June 8, 2020 and as supplemented by that certain Letter Agreement dated September 6, 2016 (collectively, the “**Lease**”), pursuant to which Landlord leased to Tenant approximately 12.98 acres of real property located in Berkeley County, South Carolina, and more particularly described in the Lease.

B. Landlord and Tenant desire to amend and modify the Lease as set forth in this Amendment.

AGREEMENT:

For and in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Recitals; Capitalized Terms.** The foregoing recitals are true and correct and are incorporated herein by this reference. Unless otherwise indicated, all capitalized terms used herein shall have the same meaning ascribed to such terms in the Lease.

2. **Article 13.** Tenant delivered the Phase 2 Notice to Landlord on December 20, 2019. Landlord delivered the Holder Phase 2 Financing Notice to Tenant on January 10, 2020. The following “Existing Dates” in Article 13 and set forth in the table below are hereby extended to the applicable “Extended Date” set forth in the table below:

Existing Date	Extended Date
(Phase 2 Exercise Deadline) – June 23, 2020	45 days after the Trigger Date
(Landlord and Tenant to enter into the Phase 2 Lease) –June 23, 2020	45 days after the Trigger Date

(Delivery of Phase 2 Preliminary Budget by Landlord to Tenant) – August 13, 2020	96 days after Trigger Date
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Note: As used in this Section 2, the term “Trigger Date” shall mean, as applicable (i) the effective date of any termination of that certain Purchase and Sale Agreement anticipated to be executed by and between Landlord, as Seller, and BBHQ1, LLC, an affiliate of Tenant, as Purchaser, including any termination of such Purchase and Sale Agreement (the “**Purchase Agreement**”) due to a default or breach thereunder by “Seller” or “Purchaser”, or (ii) closing of the acquisition contemplated under the Purchase Agreement.

3. **Payment to JLL**. Landlord and Tenant agree that if Landlord and Tenant proceed with Phase 2 being developed by Landlord pursuant to a Phase 2 Lease, the final budget as to Phase 2 shall include amounts paid to JLL as to the Phase 2 Lease pursuant to the terms of that certain JLL Commission Agreement dated March 28, 2016, as amended pursuant to the terms of that certain Waiver of Commission Agreement dated June __, 2020 executed by Jones Lang LaSalle Brokerage, Inc., Jones Lang LaSalle Americas, Inc., Landlord, HPI, Tenant and BBHQ1, LLC.

4. **Miscellaneous**. This Amendment shall become effective only upon full execution and delivery of this Amendment by Landlord and Tenant. The Lease, as modified by this Amendment contains the parties’ entire agreement regarding the subject matter covered by the Lease and this Amendment and supersedes all prior correspondence, negotiations, and agreements, if any, whether oral or written, between the parties concerning such subject matter. Except as modified by this Amendment, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Amendment, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

8. **Counterparts; PDF Signatures**. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same instrument. Signature and acknowledgment pages, if any, may be detached from the counterparts and attached to a single copy of this document to physically form one document. Signatures given by portable document format shall be binding and effective to the same extent as original signatures.

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Blackbaud, Inc.

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael P. Gianoni, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blackbaud, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2020

By: /s/ Michael P. Gianoni

Michael P. Gianoni

President and Chief Executive Officer

(Principal Executive Officer)

Blackbaud, Inc.

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony W. Boor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blackbaud, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2020

By: /s/ Anthony W. Boor

Anthony W. Boor

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Blackbaud, Inc.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Blackbaud, Inc. (the "Company") for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Michael P. Gianoni, President and Chief Executive Officer, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2020

By: /s/ Michael P. Gianoni

Michael P. Gianoni

President and Chief Executive Officer

(Principal Executive Officer)

Blackbaud, Inc.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Blackbaud, Inc. (the "Company") for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Anthony W. Boor, Executive Vice President and Chief Financial Officer, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2020

By: /s/ Anthony W. Boor

Anthony W. Boor

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)