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, 2009

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, 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.)**

2000 Daniel Island Drive
Charleston, South Carolina 29492
(Address of principal executive offices, including zip code)

(843) 216-6200
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES ☐ NO ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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 30, 2009 was 43,844,872.

Table of Contents

BLACKBAUD, INC.

TABLE OF CONTENTS

PART I- FINANCIAL INFORMATION

Item 1. Financial statements

Blackbaud, Inc.
Consolidated balance sheets
(Unaudited)

(in thousands, except share amounts)	June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 18,537	$ 16,361
Donor restricted cash	5,514	12,363
Accounts receivable, net of allowance of $2,696 and $2,777 at June 30, 2009 and December 31, 2008, respectively	59,248	52,554
Prepaid expenses and other current assets	16,839	17,281
Deferred tax asset, current portion	6,754	6,858
Total current assets	106,892	105,417
Property and equipment, net	20,174	21,384
Deferred tax asset	62,751	64,762
Goodwill	75,130	73,615
Intangible assets, net	45,569	48,171
Other assets	480	537
Total assets	$ 310,996	$ 313,886
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 6,787	$ 7,023
Accrued expenses and other current liabilities	23,248	21,758
Donations payable	5,514	12,363
Capital lease obligations, current portion	290	384
Debt, current portion	41,610	60,049
Deferred revenue	126,892	113,802
Total current liabilities	204,341	215,379
Capital lease obligations, noncurrent	81	203
Long-term debt, net of current portion	717	1,288
Deferred revenue, noncurrent	5,597	5,838
Other noncurrent liabilities	792	670
Total liabilities	211,528	223,378
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, 51,344,233 and 51,269,081 shares issued at June 30, 2009 and December 31, 2008, respectively	51	51
Additional paid-in capital	123,470	116,846
Treasury stock, at cost; 7,512,701 and 7,494,466 shares at June 30, 2009 and December 31, 2008, respectively	(130,804)	(130,594)
Accumulated other comprehensive loss	(218)	(899)
Retained earnings	106,969	105,104
Total stockholders' equity	99,468	90,508
Total liabilities and stockholders' equity	$ 310,996	$ 313,886

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

Table of Contents

Blackbaud, Inc.
Consolidated statements of operations
(Unaudited)

(in thousands, except share and per share amounts)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Revenue				
License fees	$ 5,799	$ 9,603	$ 13,204	$ 19,238
Services	22,465	25,336	43,594	48,912
Maintenance	28,821	26,371	56,832	51,801
Subscriptions	17,773	9,010	34,496	17,795
Other revenue	1,557	2,182	3,030	4,192
Total revenue	76,415	72,502	151,156	141,938
Cost of revenue				
Cost of license fees	981	807	1,884	1,649
Cost of services	15,512	14,905	31,721	30,598
Cost of maintenance	5,432	4,595	10,580	9,299
Cost of subscriptions	7,038	3,824	13,778	7,480
Cost of other revenue	1,533	2,023	2,811	3,871
Total cost of revenue	30,496	26,154	60,774	52,897
Gross profit	45,919	46,348	90,382	89,041
Operating expenses				
Sales and marketing	15,072	15,672	31,187	30,911
Research and development	11,301	8,642	22,762	17,409
General and administrative	8,513	7,273	17,452	14,539
Amortization	192	167	378	334
Total operating expenses	35,078	31,754	71,779	63,193
Income from operations	10,841	14,594	18,603	25,848
Interest income	37	34	99	199
Interest expense	(270)	(148)	(695)	(218)
Other income (expense), net	31	49	(130)	(40)
Income before provision for income taxes	10,639	14,529	17,877	25,789
Income tax provision	4,051	5,542	7,217	9,759
Net income	$ 6,588	$ 8,987	$ 10,660	$ 16,030
Earnings per share				
Basic	$ 0.15	$ 0.21	$ 0.25	$ 0.37
Diluted	$ 0.15	$ 0.21	$ 0.25	$ 0.36
Common shares and equivalents outstanding				
Basic weighted average shares	42,577,549	42,776,609	42,531,323	43,336,989
Diluted weighted average shares	43,333,871	43,457,710	43,141,654	44,064,436
Dividends per share	$ 0.10	$ 0.10	$ 0.20	$ 0.20

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

Table of Contents

Blackbaud, Inc.
Consolidated statements of cash flows
(Unaudited)

	Six months ended June 30,	
(in thousands)	**2009**	**2008**
Cash flows from operating activities		
Net income	$ 10,660	$ 16,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,694	5,107
Provision for doubtful accounts and sales returns	1,285	2,199
Stock-based compensation expense	6,245	4,678
Excess tax benefit on exercise of stock options	(464)	(18)
Deferred taxes	3,345	2,363
Other non-cash adjustments	69	37
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	(5,655)	(20,886)
Prepaid expenses and other assets	1,208	994
Trade accounts payable	(467)	519
Accrued expenses and other current liabilities	(262)	(2,773)
Donor restricted cash	6,849	-
Donations payable	(6,849)	-
Deferred revenue	10,870	13,218
Net cash provided by operating activities	34,528	21,468
Cash flows from investing activities		
Purchase of property and equipment	(2,665)	(2,957)
Purchase of net assets of acquired companies, net of cash acquired	(2,258)	(2,895)
Net cash used in investing activities	(4,923)	(5,852)
Cash flows from financing activities		
Proceeds from issuance of debt	-	27,200
Proceeds from exercise of stock options	255	393
Excess tax benefit on exercise of stock options	464	18
Payments on debt	(19,010)	(2,708)
Payments on deferred financing fees	-	(47)
Payments on capital lease obligations	(217)	(276)
Purchase of treasury stock	-	(36,027)
Dividend payments to stockholders	(8,807)	(8,843)
Net cash used in financing activities	(27,315)	(20,290)
Effect of exchange rate on cash and cash equivalents	(114)	(122)
Net increase (decrease) in cash and cash equivalents	2,176	(4,796)
Cash and cash equivalents, beginning of period	16,361	14,775
Cash and cash equivalents, end of period	$ 18,537	$ 9,979

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

Blackbaud, Inc.
Consolidated statements of stockholders' equity and comprehensive income
(Unaudited)

(in thousands, except share amounts)	Comprehensive income	Common stock Shares	Common stock Amount	Additional paid-in capital	Treasury stock	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
Balance at December 31, 2007		50,450,675	$ 50	$ 105,687	$ (85,487)	$ 137	$ 92,716	$ 113,103
Net income	$ 29,878	-	-	-	-	-	29,878	29,878
Payment of dividends	-	-	-	-	-	-	(17,497)	(17,497)
Purchase of 1,956,168 treasury shares under stock repurchase program and surrender of 106,446 shares upon restricted stock vesting	-	-	-	-	(45,107)	-	-	(45,107)
Exercise of stock options	-	126,206	1	882	-	-	-	883
Tax impact of exercise of nonqualified stock options and restricted stock vesting	-	-	-	(1,126)	-	-	-	(1,126)
Stock options assumed in acquisition	-	-	-	172	-	-	-	172
Stock-based compensation	-		-	11,231	-	-	7	11,238
Restricted stock grants	-	727,237	-	-	-	-	-	-
Restricted stock cancellations	-	(35,037)	-	-	-	-	-	-
Translation adjustment, net of tax	(1,036)	-	-	-	-	(1,036)	-	(1,036)
Comprehensive income	$ 28,842							
Balance at December 31, 2008		51,269,081	$ 51	$ 116,846	$ (130,594)	$ (899)	$ 105,104	$ 90,508
Net income	$ 10,660	-	-	-	-	-	10,660	10,660
Payment of dividends	-	-	-	-	-	-	(8,807)	(8,807)
Surrender of 18,235 shares upon restricted stock vesting	-	-	-	-	(210)	-	-	(210)
Exercise of stock options	-	56,928	-	255	-	-	-	255
Tax impact of exercise of nonqualified stock options and restricted stock vesting	-	-	-	401	-	-	-	401
Stock-based compensation	-	-	-	5,519	-	-	12	5,531
Restricted stock grants	-	39,140	-	449	-	-	-	449
Restricted stock cancellations	-	(20,916)	-	-	-	-	-	-
Translation adjustment, net of tax	681	-	-	-	-	681	-	681
Comprehensive income	$ 11,341							
Balance at June 30, 2009		51,344,233	$ 51	$ 123,470	$ (130,804)	$ (218)	$ 106,969	$ 99,468

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

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

1. Organization

Blackbaud, Inc. (the Company), a leading global provider of software and related services designed specifically for nonprofit organizations, provides products and services that enable nonprofit organizations to increase donations, reduce fundraising costs, improve communications with constituents, manage finances and optimize internal operations. As of June 30, 2009, the Company had approximately 22,000 active customers distributed across multiple verticals within the nonprofit market including education, foundations, health and human services, religion, arts and cultural, public and societal benefits, environment and animal welfare and international foreign affairs.

2. Summary of significant accounting policies

Unaudited interim financial statements

The Company prepared its interim consolidated financial statements as of June 30, 2009, and for the three and six months ended June 30, 2009 and 2008, pursuant to the rules and regulations of the 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 operations, consolidated statements of cash flows and consolidated statements of stockholders' equity and comprehensive income for the periods presented in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The Company derived its consolidated balance sheet at December 31, 2008 from the audited consolidated financial statements at that date. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2009 or any other future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations for interim reporting of the SEC. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and other forms filed with the SEC from time to time.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company evaluates subsequent events through the date the financial statements were issued, which was August 7, 2009.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions 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. Areas of the financial statements where estimates may have the most significant effect include revenue recognition, the allowance for sales returns and doubtful accounts, valuation of long-lived and intangible assets and goodwill, stock-based compensation and provision for income taxes and valuation of deferred tax assets. Changes in the facts or circumstances underlying these estimates could result in material changes and actual results could differ from these estimates.

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

Revenue recognition

The Company's revenue is primarily generated from the following sources: (1) selling perpetual licenses of its software products; (2) providing professional services including implementation, training, consulting, hosting and other services; (3) providing software maintenance and support services; and (4) charging for the use of its software products in a hosted environment.

License fees

The Company recognizes revenue from the sale of perpetual software license rights when all of the following conditions are met:

- persuasive evidence of an arrangement exists;
- the product has been delivered;
- the fee is fixed or determinable; and
- collection of the resulting receivable is probable.

The Company deems acceptance of an agreement to be evidence of an arrangement. Delivery occurs when the product is shipped or transmitted, and title and risk of loss have transferred to the customers. The Company's typical license agreement does not include customer acceptance provisions; however, if acceptance provisions are provided, delivery is deemed to occur upon acceptance. The Company considers the fee to be fixed or determinable unless the fee is subject to refund or adjustment or is not payable within the Company's standard payment terms. Payment terms greater than 90 days are considered to be beyond the Company's customary payment terms. Collection is deemed probable if the Company expects that the customer will be able to pay amounts under the arrangement as they become due. If the Company determines that collection is not probable, it defers revenue recognition until collection.

The Company sells software licenses with maintenance, varying levels of professional services and, in certain instances, with hosting services. The Company allocates revenue to delivered components, normally the license component of the arrangement, using the residual value method based on objective evidence of the fair value of the undelivered elements, which is specific to the Company. Fair value for maintenance services associated with software licenses is based upon renewal rates stated in the agreements with customers, which vary according to the level of support service provided under the maintenance program. Fair value of professional services and other products and services is based on sales of these products and services to other customers when sold on a stand-alone basis. When a software license is sold with software customization services, generally the services are to provide customer support for assistance in creating special reports and other enhancements that will assist with efforts to improve operational efficiency and/or to support business process improvements. These services are not essential to the functionality of the software. However, when software customization services are considered essential to the functionality of the software, the Company recognizes revenue for both the software license and the services on a percent-complete basis.

Services

The Company generally bills consulting, installation and implementation services based on hourly rates plus reimbursable travel-related expenses. Revenue is recognized for these services over the period the services are performed. For service engagements of less than $10,000, the Company frequently contracts for and bills based on a fixed fee plus reimbursable travel-related expenses. The Company recognizes this revenue upon completion of the work performed.

The Company recognizes analytic services revenue from donor prospect research engagements, the sale of lists of potential donors, benchmarking studies and data modeling service engagements upon delivery.

The Company sells training at a fixed rate for each specific class, at a per attendee price or at a packaged price for several attendees, and revenue is recognized only upon the customer attending and completing training.

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

Additionally, the Company sells a fixed-rate program, which permits customers to attend unlimited training over a specified contract period, typically one year, subject to certain restrictions, and revenue is recognized ratably over this contract period.

Maintenance

The Company recognizes revenue from maintenance services ratably over the contract term, which is principally one year. Maintenance contracts are at rates that vary according to the level of the maintenance program and are generally renewable annually. Maintenance contracts also include the right to unspecified product upgrades on an if-and-when available basis. Certain support services are sold in prepaid units of time and recognized as revenue upon their usage.

Subscriptions

The Company provides hosting services to customers who have purchased perpetual rights to certain of its software products (hosting services). Revenue from hosting services, as well as data enrichment services, data management services and online training programs is recognized ratably over the service period of the contract. Any related set-up fees are also recognized ratably over the service period of the contract.

The Company is increasingly making available certain of its software products for use in hosted application arrangements without licensing perpetual rights to the software (hosted applications). Revenue from hosted applications is recognized over the subscription agreement, which generally ranges from one to three years. For contractual arrangements covering the use of hosted applications the stand alone value of the delivered items or the fair value of undelivered items in the arrangement have not been established. Such items include upfront activation, implementation and hosting of the solution. For these arrangements the Company treats the transaction as a single element and the revenue is deferred until the hosted application is deployed and in use, at which time revenue is recognized over the remaining term of the arrangement. Direct and incremental costs relating to activation and implementation are capitalized until the hosted application is deployed and in use, and then expensed over the remaining term of the arrangement.

Revenue from transaction processing fees is recognized when received. Credit card fees directly associated with processing donations for customers are included in subscription revenue net of related transaction costs.

Deferred revenue

To the extent that the Company's customers are billed or pay for the above described services in advance of delivery, such amounts are recorded in deferred revenue.

Goodwill

The change in goodwill during the six months ended June 30, 2009 consisted of the following:

(in thousands)	
Balance at December 31, 2008	$ 73,615
Additions related to business combinations	1,682
Adjustments related to business combinations	(543)
Effect of foreign currency translation	376
Balance at June 30, 2009	$ 75,130

Additions and adjustments related to business combinations are described in Note 3 to the consolidated financial statements.

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

Amortization expense

Amortization expense related to intangible assets acquired in business combinations is allocated to cost of revenue on the statements of operations based on the revenue stream to which the asset contributes. The following table summarizes amortization expense for the three and six months ended June 30, 2009 and 2008.

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Included in cost of revenue:				
Cost of license fees	$ 90	$ 43	$ 171	$ 86
Cost of services	336	334	670	668
Cost of maintenance	325	98	650	196
Cost of subscriptions	806	409	1,625	818
Cost of other revenue	18	19	37	38
Total included in cost of revenue	1,575	903	3,153	1,806
Included in operating expenses	192	167	378	334
Total	$ 1,767	$ 1,070	$ 3,531	$ 2,140

Recently adopted accounting pronouncements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (SFAS 157), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) SFAS No. 157-2, “Effective Date of FASB Statement No. 157” (FSP 157-2), which delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years The Company adopted SFAS 157 with no material impact effective January 1, 2008 for financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Effective January 1, 2009, the Company adopted SFAS 157 for the remaining non-financial assets and liabilities, which primarily included goodwill and long-lived assets subject to impairment tests. The adoption of SFAS 157 on January 1, 2009 did not have a material impact on the Company’s consolidated financial statements.

Effective January 1, 2009, the Company adopted SFAS No. 141 (revised 2007), “Business Combinations” (SFAS 141R). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R applies to business combinations for which the acquisition date is on or after January 1, 2009. The extent of the impact of SFAS 141R on future acquisitions is dependent upon the size and nature of the acquisitions. At the time of adoption on January 1, 2009, SFAS 141R did not have a material impact on the Company’s consolidated financial statements. During the six months ended June 30, 2009, the Company expensed acquisition related costs of $0.2 million that prior to the adoption of SFAS 141R would have been included in the cost of the acquisition.

Effective January 1, 2009, the Company adopted FSP FAS 142-3, “Determination of the Useful Life of Intangible Assets” (FSP FAS 142-3). FSP FAS 142-3 removes the requirement of SFAS 142 for an entity to consider, when determining the useful life of an acquired intangible asset, whether the intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions associated with the intangible asset. FSP FAS 142-3 replaces the previous useful-life assessment criteria with a requirement that an entity consider its own experience in renewing similar arrangements. If the entity has no relevant experience, it would consider market participant assumptions regarding renewal. The adoption of FSP FAS 142-3 on January 1, 2009 did not have a material impact on the Company’s consolidated financial statements.

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

Effective January 1, 2009, the Company adopted FSP EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (FSP EITF 03-6-1). FSP EITF 03-6-1 clarifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and should be included in the calculation of basic earnings per share pursuant to the two-class method. The adoption of FSP EITF 03-6-1 on January 1, 2009 did not have a material impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued FSP FAS 141R-1, “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies,” which provides additional guidance regarding the initial recognition and measurement model under SFAS 141R for assets and liabilities arising from contingencies. The FSP establishes a model for preacquisition contingencies similar to the model used under SFAS 141. Under the FSP, an acquirer is required to recognize, at fair value, an asset acquired or liability assumed in a business combination that arises from a contingency if the acquisition-date fair value can be determined during the measurement period. If the acquisition-date fair value cannot be determined, the acquirer applies the recognition criteria of SFAS 5 to determine when the contingency should be recognized. This FSP applies to business combinations for which the acquisition date is on or after January 1, 2009. At the time of adoption, the application of this FSP did not have a material impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued FSP No. SFAS 107-1 and APB No. 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (FSP FAS 107-1 and APB 28-1), which requires quarterly disclosure of information about the fair value of financial instruments within the scope of FASB Statement No. 107, “Disclosures about Fair Value of Financial Instruments.” FSP FAS 107-1 and APB 28-1 has an effective date requiring adoption by the second quarter of 2009. At the time of adoption, the application of FSP FAS 107-1 and APB 28-1 did not have a material impact on the Company’s consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (SFAS 165), which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 became effective in the second quarter of 2009. The adoption of SFAS 165 on April 1, 2009 did not have a material impact on the Company’s consolidated financial statements.

Recently issued accounting pronouncements

In June 2009, the FASB issued SFAS No. 168, “The *FASB Accounting Standards Codification* ™ and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162” (SFAS 168), which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. The Codification is not intended to change U.S. GAAP, but will significantly change the way in which the accounting literature is organized and the way U.S. GAAP is referenced by companies in their financial statements and accounting policies. SFAS 168 will become effective in the third quarter of 2009. The Company does not expect the adoption of SFAS 168 to have a material impact on its consolidated financial statements.

3. Business combinations

RLC

On April 29, 2009, the Company acquired all of the outstanding stock of RLC Customer Centric Technology B.V. (RLC), a privately held limited liability company based in the Netherlands, for €1.8 million in cash, or the equivalent of $2.4 million based on the foreign exchange rate at the time of the acquisition. The Company will also pay a maximum of €400,000, or the equivalent of $0.5 million based on the foreign exchange rate at the time of the acquisition, in earn-out payments if RLC meets revenue and EBITDA margin targets, as defined in the agreement, over the two years subsequent to the acquisition. RLC is the leading provider of software and services to nonprofits in the Netherlands. The acquisition of RLC provides the Company with a foundation to expand into the Netherlands and other Western European markets. The results of operations of RLC are included in the consolidated financial statements of the Company from the date of acquisition. During the three and six months ended June 30, 2009, total revenue and cost of revenue from the RLC operations were $0.4 million and $0.2 million, respectively.

The Company recorded a preliminary purchase price allocation based on the estimated fair value of the assets acquired and liabilities assumed. The following table summarizes the allocation of the purchase price:

(in thousands)	
Cash and cash equivalents	$ 110
Accounts receivable	374
Other assets, current and noncurrent	165
Property and equipment	188
Intangibles	840
Goodwill	1,682
Trade accounts payable	(118)
Accrued expenses and other current liabilities	(179)
Deferred tax liability, current and noncurrent	(286)
Deferred revenue, current and noncurrent	(200)
Contingent consideration liability	(208)
	$ 2,368

The purchase price allocation is preliminary because the Company is still in the process of valuing certain contingent liabilities. The Company expects to complete the purchase price allocation when additional information becomes available, which it expects will be within one year of the acquisition date. None of the goodwill arising in the acquisition is deductible for income tax purposes. The Company is currently in the process of completing its determination of the assignment of the goodwill to reportable segments. The acquisition resulted in the identification of $0.8 million of intangible assets, all of which are subject to amortization on a straight-line basis. A liability of $0.2 million was recognized for the contingent consideration based on a probability-weighted discount cash flow valuation technique. Any change in the fair value, or any change upon final settlement, of the contingent consideration liability will be recognized in income from operations.

Kintera

On July 8, 2008, the Company acquired Kintera, a publicly traded company based in San Diego, California. Kintera is a leader in providing web-based, software-as-a-service solutions to the nonprofit market. The acquisition of Kintera added experience in on-demand solutions and expanded the Company’s online offerings. The Company acquired all of the outstanding capital stock of Kintera through a tender offer and subsequent short-form merger, paying $1.12 per share for a total of $45,660,000. The Company financed this acquisition with cash on hand and borrowings under the Company’s revolving credit facility. The total purchase price of $50.2 million includes $2.4 million in payments to Kintera management under change of control provisions, $1.9 million of direct acquisition-related costs and $0.2 million related to Kintera employee stock options assumed. The results of operations of Kintera are included in the consolidated financial statements of the Company from the date of acquisition.

In connection with the acquisition, the Company entered into employment agreements with certain members of Kintera’s management team that include bonuses which could total as much as $449,000, payable in shares of the Company’s common stock in February 2009 based on continued employment. In February 2009, the Company issued 39,140 shares of common stock at a fair market value of $11.47 per share in connection with these employment agreements. In addition, the Company entered into an employment agreement with the former CEO of Kintera that includes a targeted bonus of $330,000, payable in shares of the Company’s common stock in July 2009 conditioned upon his continued employment and achievement of certain performance targets. In August 2009, the Company issued 10,898 shares of common stock at a fair market value of $19.73 per share for a total of $215,000 in connection with this bonus arrangement. As of June 30, 2009, the Company had accrued $330,000 of stock based compensation cost in connection with this bonus arrangement.

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

During the six months ended June 30, 2009, the Company completed its purchase price allocation for Kintera, which resulted in a net decrease to goodwill of $0.5 million. The adjustments to the purchase price allocation primarily related to (i) approximately $0.5 million of an increase in deferred tax assets, net of valuation allowance, related to the state net operating loss carryforwards that were determined to be realizable in the future and changes in state rates at the time of the acquisition, (ii) approximately $0.8 million of reduction in current taxes payable and $0.6 million increase in deferred tax assets, net of valuation allowance, for certain tax items that were deemed to be more-likely-than-not to be realized in the future, and (iii) an increase in contingent tax liabilities, royalties and other preacquisition accruals of $1.4 million.

Pro forma information

The following unaudited pro forma information presents the consolidated results of operations of the Company as if the acquisition of Kintera had taken place at the beginning of 2008. The pro forma information includes the historical operating results of Kintera and adjustments for the business combination effect of the amortization charges from acquired intangible assets, interest expense, interest income and related tax effects. The pro forma information does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations.

(in thousands, except per share amounts)	**Three months ended June 30, 2008**	**Six months ended June 30, 2008**
Revenue	$ 82,489	$ 160,836
Net income	7,610	11,718
Earnings per share, basic	$ 0.18	$ 0.27
Earnings per share, diluted	0.18	0.27

eTapestry

In connection with the acquisition of eTapestry in August 2007, the Company entered into employment agreements with certain members of eTapestry's management team. Under these arrangements, an additional amount of up to $1.0 million remains contingently payable based upon performance of the acquired business for the twelve-month period ending September 30, 2009. Based on actual and expected performance, the Company had accrued, as of June 30, 2009, a liability of $0.8 million under these arrangements.

4. Earnings per share

The Company computes basic earnings per share by dividing net income available to common stockholders by the weighted average number of common shares outstanding. The Company computes diluted earnings per share by dividing net income available to common stockholders by the weighted average number of common shares and dilutive potential common shares then outstanding. Diluted earnings per share reflect the assumed conversion of all dilutive securities, using the treasury stock method. Dilutive potential common shares consist of shares issuable upon the exercise of stock options, shares of non-vested restricted stock and settlement of stock appreciation rights. Additionally, dilutive potential common shares includes shares issuable for certain contingent liabilities that will be paid in shares of common stock based on the number of shares that would be issuable if June 30, 2009 was the end of the contingency period.

Diluted earnings per share for the three and six months ended June 30, 2009 does not include the effect of 1,137,335 and 1,126,270, respectively, potential common shares equivalents, as they are anti-dilutive. There were no anti-dilutive potential common shares outstanding for the three and six months ended June 30, 2008.

Table of Contents

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

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

(in thousands, except share and per share amounts)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Numerator:				
Net income, as reported	$ 6,588	$ 8,987	$ 10,660	$ 16,030
Denominator:				
Weighted average common shares	42,577,549	42,776,609	42,531,323	43,336,989
Add effect of dilutive securities:				
Liabilities to be paid in shares of common stock	85,531	-	85,531	-
Employee stock options and restricted stock	670,791	681,101	524,800	727,447
Weighted average common shares assuming dilution	43,333,871	43,457,710	43,141,654	44,064,436
Earnings per share:				
Basic	$ 0.15	$ 0.21	$ 0.25	$ 0.37
Diluted	$ 0.15	$ 0.21	$ 0.25	$ 0.36

5. Comprehensive income

Total comprehensive income for the three and six months ended June 30, 2009 and 2008 is as follows:

(in thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net income	$ 6,588	$ 8,987	$ 10,660	$ 16,030
Foreign currency translation adjustment, net of tax	351	(54)	681	(46)
Comprehensive income	$ 6,939	$ 8,933	$ 11,341	$ 15,984

The amount of tax allocated to the translation adjustment recorded in accumulated other comprehensive income was an expense of $0.2 million and a benefit of $35,000 for the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008, a tax benefit of $0.4 million and $29,000, respectively, was allocated to the translation adjustment recorded in accumulated other comprehensive income.

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following as of June 30, 2009 and December 31, 2008:

(in thousands)	June 30, 2009	December 31, 2008
Taxes, prepaid and receivable	$ 4,155	$ 6,385
Prepaid software maintenance and royalties	5,153	3,904
Deferred sales commissions	4,598	3,047
Other	2,933	3,945
Total prepaid expenses and other current assets	$ 16,839	$ 17,281

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

7. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following as of June 30, 2009 and December 31, 2008:

(in thousands)	June 30, 2009	December 31, 2008
Accrued bonuses	$ 7,134	$ 6,905
Accrued commissions and salaries	3,826	3,703
Customer credit balances	2,708	3,028
Taxes payable	3,686	2,033
Accrued health care costs	1,473	758
Accrued accounting and legal fees	967	1,283
Other	3,454	4,048
Total accrued expenses and other current liabilities	$ 23,248	$ 21,758

8. Debt

The Company has a five-year $75.0 million revolving credit facility, which expires July 2012. Under the terms of the credit agreement, the Company may elect not more than twice over the term of the agreement to increase the amount available under the facility for an aggregate amount of up to $50.0 million, subject to certain terms and conditions. In June 2008, the Company exercised one of its options and increased the credit facility by $15.0 million to an aggregate available amount of $90.0 million. The revolving credit facility is guaranteed by the material domestic subsidiaries and is collateralized with the stock of all of the Company's subsidiaries.

Amounts borrowed under the revolving credit facility bear interest, at the Company's option, at a variable rate based (a) on the higher of the prime rate plus a margin of up to 0.5% or federal funds rate plus a margin of 0.5% to 1.0% (Base Rate Loans) or (b) LIBOR plus a margin of 1.0% to 1.5% (LIBOR Loans). The exact amount of any margin depends on the nature of the loan and the leverage ratio at the time of the borrowing. At June 30, 2009, the weighted average interest rate on the credit facility was 1.32%. The Company also pays a quarterly commitment fee on the unused portion of the revolving credit facility equal to 0.2%, 0.25% or 0.3% per annum, depending on the Company's leverage ratio.

Under the credit facility the Company has the ability to choose either Base Rate Loans or LIBOR Loans. Base rate borrowings mature in July 2012. LIBOR Loans can have one, two, three or six month maturities, and the Company has the ability to extend the maturity of these loans by rolling them at their maturity into new loans with the same or longer maturities. The Company evaluates the classification of its debt based on the maturity of individual borrowings and any roll-over of borrowings subsequent to the balance sheet date, but prior to issuance of the financial statements. During the six months ended June 30, 2009, the Company repaid $18.5 million of borrowings under the credit facility. At June 30, 2009, outstanding borrowings under the credit facility were $40.5 million, all of which were in the form of short-term LIBOR Loans, and accordingly classified as current liabilities. The fair value of the outstanding borrowings under the credit facility approximates the carrying value due to the short-term nature of the borrowings.

Note payable

As a result of the acquisition of Kintera, the Company assumed a note payable which was executed on December 1, 2007 in the amount of $3.2 million for the purchase of computer equipment. The note is collateralized by the underlying computer equipment, bears interest at a rate of 11.34% and has a maturity date of November 30, 2010. The Company recorded the note at its fair value as of the acquisition date, which resulted in an increase of $0.1 million in the carrying value. As of June 30, 2009, the note payable balance was $1.8 million, of which $1.1 million was classified as current.

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

Using a discounted cash flow technique that incorporates a market interest rate with adjustments for duration and risk profile, the Company has determined the fair value of this note payable to be $1.9 million at June 30, 2009.

9. Commitments and contingencies

Leases

The Company leases its headquarters facility from Duck Pond Creek, LLC. Two current executive officers of the Company each have a 4% ownership interest in Duck Pond Creek, LLC. The lease agreement has a term of 15 years with two five-year renewal options by the Company. The annual base rent of the lease is $3.6 million payable in equal monthly installments. The base rent escalates annually at a rate equal to the change in the consumer price index, as defined in the agreement, but not to exceed 5.5% in any year. In addition, under the terms of the lease, the lessor will reimburse the Company an aggregate amount of $4.0 million for leasehold improvements, which will be recorded as a reduction to rent expense ratably over the term of the lease. During the three and six months ended June 30, 2009 rent expense was reduced by $66,700 and $133,400, respectively, related to this lease provision. There were no such amounts recorded during the three and six months ended June 30, 2008 since this lease provision became effective under renegotiated lease terms in October 2008. The $4.0 million leasehold improvement allowance has been included in the table below of operating lease commitments as a reduction in the Company’s lease commitments ratably over the life of the lease. The timing of the reimbursements for the actual leasehold improvements are expected to vary from the amount reflected in the table below.

Additionally, the Company has subleased a portion of its headquarters facility under various agreements extending through 2010. Under these agreements, rent expense was reduced by $47,000 and $65,000 for the three months ended June 30, 2009 and 2008, respectively, and by $92,000 and $131,000 for the six month ended June 30, 2009 and 2008, respectively. The operating lease commitments in the table below have been reduced by minimum aggregate sublease commitments of $94,000 and $62,000 during the remainder of 2009 and 2010, respectively. No minimum aggregate sublease commitments exist after 2010. The Company has also received, and expects to receive through 2012, quarterly South Carolina state incentive payments as a result of locating its headquarters facility in Berkeley County, South Carolina. These amounts are recorded as a reduction of rent expense and were $0.5 million and $0.7 million for the three months ended June 30, 2009 and 2008, respectively, and were $0.9 million and $1.1 million for the six months ended June 30, 2009 and 2008, respectively.

Additionally, the Company leases various office space and equipment under operating leases. The Company also has various non-cancelable capital leases for computer equipment and furniture.

As of June 30, 2009, the future minimum lease commitments related to lease agreements, net of related sublease commitments and lease incentives, were as follows:

Year ending December 31, (in thousands)	**Operating leases**	**Capital leases**
2009 – remaining	$ 3,858	$ 184
2010	6,197	174
2011	5,729	40
2012	5,152	2
2013	4,269	-
2014 and thereafter	41,142	-
Total minimum lease payments	$ 66,347	400
Less: portion representing interest		29
Present value of net minimum lease payments		371
Less: current portion		290
Noncurrent portion		$ 81

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

Other commitments

The Company has a commitment through 2009 for naming rights on a stadium in Charleston, South Carolina. The remaining commitment under this agreement is $100,000. The Company incurred expense under this agreement of $50,000 for the three months ended June 30, 2009 and 2008, respectively, and $100,000 for the six months ended June 30, 2009 and 2008, respectively.

The Company utilizes third-party relationships in conjunction with its products. The contractual arrangements vary in length from one to three years. In certain cases, these arrangements require a minimum annual purchase commitment. The aggregate minimum purchase commitment under these arrangements is approximately $1.6 million through 2012. The Company incurred expense under these arrangements of $0.9 million and $0.6 million for the three months ended June 30, 2009 and 2008, respectively, and $1.9 million and $1.3 million for the six months ended June 30, 2009 and 2008, respectively.

Legal contingencies

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of business. The Company records an accrual for a contingency when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company does not believe the amount of potential liability with respect to these actions will have a material adverse effect upon the Company’s financial position, results of operations or cash flows.

10. Income taxes

The Company calculated the provision for income taxes for the six months ended June 30, 2009 using the 2009 projected annual effective tax rate of 38.2%, which excludes period-specific items. The Company’s effective tax rate for each of the three months ended June 30, 2009 and 2008, including the effects of period-specific events, was 38.1%, respectively. The Company’s effective tax rate for the six months ended June 30, 2009 and 2008, including the effects of period-specific events, was 40.4% and 37.8%, respectively. Period specific items recorded in the three and six months ended June 30, 2009 include an increase of $0.8 million in the valuation allowance for certain state tax credits and net operating loss carryforwards and a correction of an immaterial prior period error of $0.4 million, which reduced income tax expense.

The Company has deferred tax assets for, among other matters, federal net operating loss carryforwards, state net operating loss carryforwards and state tax credits. A portion of the state net operating loss carryforwards and state tax credits have a valuation reserve due to the uncertainty of the future ability to use such carryforwards and credits. Additionally, the Company has a valuation allowance for certain state deferred tax assets acquired from Kintera. During the six months ended June 30, 2009, the Company recorded purchase accounting adjustments related to the deferred tax assets acquired from Kintera and the related valuation allowance, which were reflected in goodwill.

The Company recorded excess tax benefits on stock option exercises and restricted stock vesting of $0.4 million and $0.7 million in stockholders’ equity during the six months ended June 30, 2009 and 2008, respectively.

The total unrecognized tax benefit that, if recognized, would impact our effective tax rate was $0.2 million as of June 30, 2009 and December 31, 2008. The total amount of interest and penalties included in the consolidated balance sheets as of June 30, 2009 and December 31, 2008 was $0.2 million.

The Company has taken positions in certain taxing jurisdictions for which it is reasonably possible that the total amounts of unrecognized tax benefits may significantly decrease within the next twelve months. The possible decrease could result from the finalization of state income tax reviews and the expiration of statutes of limitations. These positions relate to state nexus issues.

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

11. Stock-based compensation

During the six months ended June 30, 2009, the Company issued 39,140 shares of restricted stock. The aggregate grant date fair value of awards issued during the period was $449,000. No stock options or stock appreciation rights were issued in the six months ended June 30, 2009.

The Company allocates stock-based compensation expense to expense categories on the consolidated statements of operations. The following table summarizes stock-based compensation expense for the three and six months ended June 30, 2009 and 2008.

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Included in cost of revenue:				
Cost of services	$ 360	$ 302	$ 737	$ 652
Cost of maintenance	157	119	314	231
Cost of subscriptions	114	58	233	85
Total included in cost of revenue	631	479	1,284	968
Included in operating expenses:				
Sales and marketing	331	295	671	581
Research and development	686	508	1,397	1,028
General and administrative	1,377	1,037	2,893	2,101
Total included in operating expenses	2,394	1,840	4,961	3,710
Total	$ 3,025	$ 2,319	$ 6,245	$ 4,678

12. Stockholders' equity

Dividends

The following table provides information with respect to quarterly dividends paid on common stock during the six months ended June 30, 2009.

Declaration Date	Dividend per Share	Record Date	Payable Date
February 2009	$0.10	February 27	March 13
April 2009	$0.10	May 28	June 15

In July 2009, the Company's Board of Directors declared a third quarter dividend of $0.10 per share payable on September 15, 2009 to stockholders of record on August 28, 2009.

Stock surrenders

During the six months ended June 30, 2009, restricted stock holders surrendered 18,235 shares of common stock, totaling $0.2 million, to satisfy their tax obligations due upon vesting.

13. Segment information

The Company has determined that it has six reportable segments based on the way that management organizes the operating segments within the Company for making operational decisions and assessments of financial performance. Internal financial reports disaggregate certain operating information into six reportable segments. The Company's chief operating decision maker is its chief executive officer, or CEO. The CEO uses the information presented in these reports to make certain operating decisions. The CEO does not review any report presenting segment balance sheet information.

The segment revenues and direct controllable costs, which include salaries, related benefits, third-party contractors, data expense and classroom rentals, for the three and six months ended June 30, 2009 and 2008 were as follows:

Table of Contents

Blackbaud, Inc.
Notes to consolidated financial statements
(Unaudited)

(in thousands)	License fees	Consulting and education services(1)	Analytic services(2)	Maintenance	Subscriptions	Other	Total
Three months ended June 30, 2009							
Revenue	$5,799	$17,420	$5,045	$28,821	$17,773	$1,557	$76,415
Direct controllable costs	891	10,597	2,526	3,969	5,529	1,511	25,023
Segment income	4,908	6,823	2,519	24,852	12,244	46	51,392
Corporate costs not allocated(3)							5,473
Operating expenses							35,078
Interest expense, net							233
Other income, net							(31)
Income before provision for income taxes							$10,639
Three months ended June 30, 2008							
Revenue	$9,603	$20,217	$5,119	$26,371	$9,010	$2,182	$72,502
Direct controllable costs	764	10,529	2,136	3,582	2,961	2,001	21,973
Segment income	8,839	9,688	2,983	22,789	6,049	181	50,529
Corporate costs not allocated(3)							4,181
Operating expenses							31,754
Interest expense, net							114
Other income, net							(49)
Income before provision for income taxes							$14,529

(in thousands)	License fees	Consulting and education services(1)	Analytic services(2)	Maintenance	Subscriptions	Other	Total
Six months ended June 30, 2009							
Revenue	$13,204	$33,481	$10,113	$56,832	$34,496	$3,030	$151,156
Direct controllable costs	1,714	21,831	5,065	7,750	10,739	2,766	49,865
Segment income	11,490	11,650	5,048	49,082	23,757	264	101,291
Corporate costs not allocated(3)							10,909
Operating expenses							71,779
Interest expense, net							596
Other expense, net							130
Income before provision for income taxes							$17,877
Six months ended June 30, 2008							
Revenue	$19,238	$39,492	$9,420	$51,801	$17,795	$4,192	$141,938
Direct controllable costs	1,563	21,562	4,378	7,265	5,801	3,826	44,395
Segment income	17,675	17,930	5,042	44,536	11,994	366	97,543
Corporate costs not allocated(3)							8,502
Operating expenses							63,193
Interest expense, net							19
Other expense, net							40
Income before provision for income taxes							$25,789

(1) This segment consists of consulting, installation and implementation, document imaging, customer training and other educational services.
(2) This segment consists of donor prospect research and data modeling services.
(3) Various corporate costs such as depreciation, facilities and IT support costs, stock-based compensation and amortization of intangibles arising from business combinations are not allocated to the segment income as management believes that the exclusion of these costs allows the Company to better understand and manage other operating expenses and cash needs.

Blackbaud, Inc.

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 consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements reflect our current view with respect to future events and financial performance and are subject to risks and uncertainties, including those set forth under “Cautionary statement” included in this “Management’s discussion and analysis of financial condition and results of operations” and elsewhere in this report, that could cause actual results to differ materially from historical or anticipated results.

Executive summary

We are the leading global provider of software and related services designed specifically for nonprofit organizations. Our products and services enable nonprofit organizations to increase donations, reduce fundraising costs, improve communications with constituents, manage finances and optimize internal operations. We have focused solely on the nonprofit market since our incorporation in 1982 and have developed our suite of products and services based upon our extensive knowledge of the operating challenges facing nonprofit organizations. As of June 30, 2009, we had approximately 22,000 active customers. Our customers operate in multiple verticals within the nonprofit market, including education, foundations, health and human services, religion, arts and cultural, public and societal benefits, environment and animal welfare and international foreign affairs.

We derive revenue from selling perpetual licenses or charging for the use of our software products in a hosted environment and providing a broad offering of services, including consulting, training, installation and implementation, as well as ongoing customer support and maintenance. Furthermore, we derive revenue from providing hosting services, performing donor prospect research engagements, selling lists of potential donors, and providing benchmarking studies and data modeling services.

Overall, revenue for the second quarter of 2009 and the first six months of 2009 increased 5% and 7% compared to the same periods in 2008, respectively. The inclusion of Kintera, which we acquired in July 2008, resulted in an increase in revenue of $8.4 million and $16.1 million for the second quarter of 2009 and the first six months of 2009, respectively. Excluding the impact of the inclusion of Kintera, revenue decreased by 6% and 5% when comparing the second quarter of 2009 and the first six months of 2009 to the same periods in 2008, respectively. Further, when removing the impact of foreign currency translation, revenue decreased by 4% and 2% when comparing the second quarter of 2009 and the first six months of 2009 to the same periods in 2008, respectively.

Through the first six months of 2009, our selling environment has remained challenging as difficult and uncertain economic conditions continued to put pressure on the spending of many organizations in the nonprofit industry. Revenues associated with our perpetual license offerings and related services decreased compared with the same period in 2008 as a result of these economic conditions and reduced market demand for these offerings. However, during the second quarter of 2009 and the first six months of 2009 compared to the same periods in 2008, our recurring revenue, which is comprised of maintenance services and subscription offerings, continued to experience growth. Revenue from maintenance services and subscription offerings, which represents approximately 60% of our revenue on a combined basis, grew 31%. Approximately 20 percentage points of the 31% revenue growth is attributable to the inclusion of Kintera, for the quarter and six months ended June 30, 2009 compared with the same periods in 2008. Our business has increasingly evolved towards product sales on a subscription offering basis over the past several years and we believe this trend will continue in the future.

In the first six months of 2009, we have focused on closely managing our operating expenses and achieving our targeted level of profitability. Income from operations for the second quarter and the first six months of 2009 decreased by approximately $3.8 million and $7.2 million compared to the same periods in 2008, respectively. The decrease in income from operations is primarily attributable to an increase in stock-based compensation expense, amortization expense associated with intangible assets from our recent acquisitions, research and development expense to support our continuing product investment, and higher operating costs as a result of our acquisition of Kintera.

Blackbaud, Inc.

Item 2. Management's discussion and analysis of financial condition and results of operations (continued)

We ended the second quarter of 2009 with cash and cash equivalents totaling $18.6 million and outstanding borrowings on our credit facility of $40.5 million. During the first six months of 2009, we generated $34.5 million in cash flow from operations out of which we paid $8.8 million in dividends and repaid $18.5 million on our credit facility. Additionally, cash flow from operations allowed us to increase our cash and cash equivalents by $2.2 million.

We expect to continue to face a challenging economic environment through the remainder of 2009 as we expect that our existing and prospective customers will continue to exercise caution in expenditure decisions. However, we plan to continue to focus on expanding market share, selectively investing in our growth initiatives and strengthening our leadership position. In this environment, we will continue to focus on controlling and, as necessary, reducing the costs and expenses of our operations to achieve our targeted level of profitability.

Results of operations

Comparison of the three and six months ended June 30, 2009 and 2008

During 2008 and 2009 we acquired the following companies at the indicated dates:

- Kintera, Inc. (Kintera) – July 8, 2008
- RLC Customer Centric Technology B.V. (RLC) – April 29, 2009

The results of operations of Kintera and RLC are included in our consolidated results of operations from the date of their respective acquisition as noted above, which impacts the comparability of our results of operations when comparing 2009 to 2008. We have noted in the discussion below, to the extent meaningful, the impact of the inclusion of Kintera and/or RLC on our results of operations.

Revenue

The table below compares revenue from our statements of operations for the three and six months ended June 30, 2009 with the same periods in 2008.

	Three months ended June 30,				Six months ended June 30,			
(in millions)	2009	2008	Change	% Change	2009	2008	Change	% Change
License fees	$ 5.8	$ 9.6	$ (3.8)	(40)%	$ 13.2	$ 19.2	$ (6.0)	(31)%
Services	22.5	25.3	(2.8)	(11)%	43.6	48.9	(5.3)	(11)%
Maintenance	28.8	26.4	2.4	9 %	56.8	51.8	5.0	10 %
Subscriptions	17.8	9.0	8.8	98 %	34.5	17.8	16.7	94 %
Other	1.5	2.2	(0.7)	(32)%	3.1	4.2	(1.1)	(26)%
Total revenue	$ 76.4	$ 72.5	$ 3.9	5 %	$ 151.2	$ 141.9	$ 9.3	7 %

Total revenue increased $3.9 million, or 5%, in the second quarter of 2009 compared to the same period in 2008. Excluding the increase in revenue attributable to the inclusion of Kintera of $8.4 million, revenue decreased by $4.5 million, or 6%. The organic decrease in revenue, in the second quarter of 2009 is primarily due to decreases in license fees and services revenue, partially offset by an increase in revenue from our subscription offerings. We also experienced growth in revenue from new maintenance contracts associated with new license agreements and existing client increases.

Total revenue increased $9.3 million, or 7%, in the first six months of 2009 compared to the same period in 2008. Excluding the increase in revenue attributable to the inclusion of Kintera of $16.1 million, revenue decreased by $6.8 million, or 5%. The organic decrease in revenue is primarily due to decreases in license fees and services revenue, partially offset by an increase in subscription revenue. The increase in subscription revenue is principally due to an increase in demand for our hosting services and online data services.

Blackbaud, Inc.

Item 2. Management's discussion and analysis of financial condition and results of operations (continued)

During the second quarter and the first six months of 2009, revenue attributable to the inclusion of RLC was $0.4 million.

Segment results

We analyze our business according to our six operating segments as identified in Note 13, which are license fees, consulting and education services, analytic services, maintenance, subscriptions and other. The analyses provided below are presented on a non-GAAP basis before the inclusion of various allocable corporate costs such as depreciation, facilities and IT support costs, stock-based compensation and amortization of intangibles arising from business combinations because, in managing our operations, we believe that the exclusion of these costs allows us to better understand and manage other operating expenses and cash needs. These excluded costs are analyzed separately following the segment results analysis.

License fees

	Three months ended June 30,				Six months ended June 30,			
(in millions)	**2009**	**2008**	**Change**	**% Change**	**2009**	**2008**	**Change**	**% Change**
License fee revenue	$ 5.8	$ 9.6	$ (3.8)	(40)%	$ 13.2	$ 19.2	$ (6.0)	(31)%
Direct controllable cost of license fees	0.9	0.8	0.1	13%	1.7	1.5	0.2	13%
Segment income	$ 4.9	$ 8.8	$ (3.9)	(44)%	$ 11.5	$ 17.7	$ (6.2)	(35)%
Segment margin %	84%	92%			87%	92%		

Revenue from license fees is derived from the sale of our software products under a perpetual license agreement. The decrease in license fee revenue in the second quarter and the first six months of 2009, compared to the same periods in 2008, is principally attributable to longer sales cycle times, delays and postponement of purchasing decisions and overall caution exercised by existing and prospective customers as a result of continued challenges posed by the overall economic environment.

During the second quarter of 2009, license fee revenue decreased by $3.8 million when compared to the same period in 2008. Revenue from both license fees to new customers and sales to existing clients decreased by $1.9 million each.

During the first six months of 2009, license fee revenue decreased by $6.0 million when compared to the same period in 2008. Revenue from license fees to new customers decreased $1.3 million and sales to existing clients decreased by $4.7 million. Additionally, during the first six months of 2009, revenue related to our eCRM offering grew by $1.8 million which was offset by decreases in our core perpetual license product offerings of $7.5 million and other products of $0.3 million.

Direct controllable cost of license fees is principally comprised of third-party software royalties and variable reseller commissions. Cost of license fees in the second quarter and the first six months of 2009 compared to the same periods in 2008 increased primarily due to increases in our third-party software costs.

The decrease in segment margin in the second quarter and first six months of 2009 compared to the same periods in 2008 is the result of a decrease in sales of software while our third-party software costs increased slightly.

Consulting and education services

	Three months ended June 30,				Six months ended June 30,			
(in millions)	**2009**	**2008**	**Change**	**% Change**	**2009**	**2008**	**Change**	**% Change**
Consulting and education services revenue	$ 17.4	$ 20.2	$ (2.8)	(14)%	$ 33.5	$ 39.5	$ (6.0)	(15)%
Direct controllable cost of consulting and education services	10.6	10.5	0.1	1 %	21.8	21.6	0.2	1%
Segment income	$ 6.8	$ 9.7	$ (2.9)	(30)%	$ 11.7	$ 17.9	$ (6.2)	(35)%
Segment margin %	39 %	48 %			35 %	45 %		

Consulting and education services revenue consists of consulting, installation, implementation and education services. Consulting, installation and implementation services involve converting data from a customer's existing system, assisting in file set up and system configuration, and/or process re-engineering. Education services involve customer training activities.

During the second quarter 2009, consulting and education services revenue decreased $2.8 million as compared to the same period in 2008. Included in consulting and education services revenue in the second quarter of 2009 is $0.4 million of revenue attributable to the inclusion of Kintera. Additionally, $0.1 million of revenue attributable to RLC is included in the consulting and education services revenue for the second quarter of 2009. Excluding the impact of Kintera and RLC, consulting and education services revenue decreased $3.3 million in second quarter 2009 as compared to the same period in 2008. The decrease in revenue is principally the result of decreased volume of consulting, installation and implementation services delivered for our core software products and decreased demand for training services as existing and prospective customers continue to experience budgetary constraints associated with the challenges posed by the overall economic environment. To a lesser extent, the decrease in revenue is attributable to a reduction in the rates we charge as a result of a higher level of discounts offered on our service offerings during the second quarter of 2009 compared to the same period in 2008. During the second quarter these decreases of $5.3 million were partially offset by an increase of $2.0 million in consulting services associated with our new eCRM product offering and our internet-based products.

During the first six months of 2009, consulting and education services revenue decreased $6.0 million as compared to the same period in 2008. Included in consulting and education services revenue in the first six months of 2009 is $0.6 million of revenue attributable to the inclusion of Kintera. Additionally, $0.1 million of revenue attributable to RLC is included in the consulting and education services revenue for the first six months of 2009. Excluding the impact of the inclusion of Kintera and RLC, consulting and education services revenue decreased $6.7 million in the first six months of 2009 as compared to the same period in 2008. The decrease in revenue is principally the result of decreased volume of consulting, installation and implementation services delivered for our core software products and decreased demand for training services as existing and prospective customers continue to experience budgetary constraints associated with the challenges posed by the overall economic environment. To a lesser extent, the decrease in revenue is attributable to a reduction in the rates we charge as a result of a higher level of discounts offered on our service offerings during the first six months of 2009 compared to the same period in 2008. During the first six months of 2009, these decreases of $10.6 million were partially offset by an increase of $3.9 million in consulting services associated with our new eCRM product offering and our internet-based products.

Cost of consulting and education services is principally comprised of human resource costs, third-party contractor expenses, classroom rentals and other costs incurred in providing consulting, installation and implementation services and customer training.

During the second quarter 2009, cost of consulting and education services increased by $0.1 million. Additional headcount and other costs attributable to the inclusion of Kintera represented $0.9 million of the increase in cost of consulting and education services. In addition, costs attributable to RLC were $0.1 million for the second quarter of 2009. Excluding the impact of the inclusion of Kintera and RLC, cost of consulting and education services decreased by $0.9 million in the second quarter of 2009 compared to the same period in 2008. Human resource costs decreased by $0.2 million due to a reduction in headcount, and travel-related expenses, recruiting and other costs decreased $0.7 million.

During the first six months of 2009, cost of consulting and education services increased by $0.2 million. Additional headcount and other costs attributable to the inclusion of Kintera represented $1.8 million of the increase in cost of consulting and education services. In addition, costs attributable to RLC were $0.1 million for the first six months of 2009. During the first six months of 2009, excluding the impact of the inclusion of Kintera and RLC, cost of consulting and education services decreased by $1.7 million compared to the same period in 2008. Human resource costs decreased by $0.7 million due to a reduction in headcount, and travel-related expenses, recruiting and other costs decreased $1.0 million.

The segment margin decrease in the second quarter and first six months of 2009 compared to the same periods in 2008 is principally due to the decrease in demand for consulting and education services while the cost of consulting and education services remained relatively flat.

Blackbaud, Inc.

Item 2. Management's discussion and analysis of financial condition and results of operations (continued)

Analytic services

(in millions)	Three months ended June 30, 2009	Three months ended June 30, 2008	Change	% Change	Six months ended June 30, 2009	Six months ended June 30, 2008	Change	% Change
Analytic services revenue	$ 5.1	$ 5.1	$ -	0%	$ 10.1	$ 9.4	$ 0.7	7%
Direct controllable cost of analytic services	2.5	2.1	0.4	19%	5.1	4.4	0.7	16%
Segment income	$ 2.6	$ 3.0	$ (0.4)	(13)%	$ 5.0	$ 5.0	$ -	0%
Segment margin %	51%	59%			50%	53%		

Analytic services are comprised of donor prospect research, selling lists of potential donors, benchmarking studies and data modeling services. These services involve the assessment of current and prospective donor information of the customer and are performed using our proprietary analytical tools. The end product enables the customer to more effectively target its fundraising activities.

During the second quarter 2009, analytic services revenue remained unchanged when compared to the same period in 2008. Included in analytic services revenue in the second quarter of 2009 is $0.3 million of revenue attributable to the inclusion of Kintera. Excluding the impact of the inclusion of Kintera, analytic services revenue decreased $0.3 million in the second quarter of 2009 as compared to the same period in 2008. The rates charged for our analytic services have remained relatively constant year over year and, as such, the remaining decrease in analytic services revenue is principally the result of the decreased volume of services provided.

During the first six months of 2009, analytic services revenue increased by $0.7 million when compared to the same period in 2008. Included in analytic services revenue in the first six months of 2009 is $0.8 million of revenue attributable to the inclusion of Kintera. Excluding the impact of the inclusion of Kintera, analytic services revenue decreased $0.1 million in the first six months of 2009 as compared to the same period in 2008. The rates charged for our analytic services have remained relatively constant year over year and, as such, the remaining decrease in analytic services revenue is principally the result of the decreased volume of services provided.

Cost of analytic services is primarily comprised of human resource costs and data expense incurred to perform analytic services. The increase in cost of analytic services for the second quarter of 2009 and the first six months of 2009 compared to the same periods in 2008 is primarily attributable to human resource costs associated with additional headcount and other costs attributable to the inclusion of Kintera.

The decrease in analytic services margin in the second quarter and first six months of 2009 compared to the same periods in 2008 is primarily due to a decrease in demand for our analytic services while the cost of analytic services slightly increased.

Maintenance

(in millions)	Three months ended June 30, 2009	Three months ended June 30, 2008	Change	% Change	Six months ended June 30, 2009	Six months ended June 30, 2008	Change	% Change
Maintenance revenue	$ 28.8	$ 26.4	$ 2.4	9%	$ 56.8	$ 51.8	$ 5.0	10%
Direct controllable cost of maintenance	4.0	3.6	0.4	11%	7.7	7.3	0.4	5%
Segment income	$ 24.8	$ 22.8	$ 2.0	9%	$ 49.1	$ 44.5	$ 4.6	10%
Segment margin %	86%	86%			86%	86%		

Revenue from maintenance is comprised of annual fees derived from maintenance contracts associated with new software licenses and annual renewals of existing maintenance contracts. These contracts provide customers with updates, enhancements and upgrades to our software products and online, telephone and email support.

During the second quarter 2009, maintenance revenue increased $2.4 million when compared to the same period in 2008. Included in maintenance revenue in the second quarter of 2009 is $1.4 million of revenue attributable to the inclusion of Kintera. Additionally, $0.1 million of revenue attributable to RLC is included in maintenance revenue for the second quarter of 2009. Excluding the impact of the inclusion of Kintera and RLC, maintenance revenue increased $0.9 million in the second quarter of 2009 as compared to the same period in 2008. The increase of $0.9 million is comprised of $1.4 million from new maintenance contracts with new customers associated with new license agreements and increases in contracts with existing customers and $1.0 million from maintenance contract inflationary rate adjustments, offset by $1.5 million of maintenance contracts that were not renewed.

During the first six months of 2009, maintenance revenue increased $5.0 million when compared to the same period in 2008. Included in maintenance revenue in the first six months of 2009 is $2.8 million of revenue attributable to the inclusion of Kintera. Additionally, $0.1 million of revenue attributable to RLC is included in maintenance revenue for the first six months of 2009. Excluding the impact of the inclusion of Kintera and RLC, maintenance revenue increased $2.1 million in the first six months of 2009 as compared to the same period in 2008. The increase of $2.1 million is comprised of $3.0 million of new maintenance with new customers associated with new license agreements and increases in contracts with existing customers and $1.8 million from maintenance contract inflationary rate adjustments, offset by $2.7 million of maintenance contracts that were not renewed.

Direct controllable cost of maintenance is primarily comprised of human resource costs, third-party contractor expenses, third-party royalty costs and other costs incurred in providing support and related services to our customers. The increase in cost of maintenance in the second quarter and first six months of 2009 compared to the same periods in 2008 is principally the result of an increase in human resources costs attributable to additional headcount associated with Kintera.

The maintenance segment margin remained unchanged during the second quarter and first six months of 2009 compared to the same periods in 2008.

Subscriptions

	Three months ended June 30,				Six months ended June 30,			
(in millions)	**2009**	**2008**	**Change**	**% Change**	**2009**	**2008**	**Change**	**% Change**
Subscriptions revenue	$ 17.8	$ 9.0	$ 8.8	98%	$ 34.5	$ 17.8	$ 16.7	94%
Direct controllable cost of subscriptions	5.5	3.0	2.5	83%	10.7	5.8	4.9	84%
Segment income	$ 12.3	$ 6.0	$ 6.3	105%	$ 23.8	$ 12.0	$ 11.8	98%
Segment margin %	69%	67%			69%	67%		

Revenue from subscriptions is principally comprised of revenue from providing hosting services and access to hosted applications, access to certain data services and our online subscription training offerings.

Subscriptions revenue increased $8.8 million during the second quarter 2009 as compared to the same period in 2008. Included in subscriptions revenue in the second quarter of 2009 is $6.2 million of revenue attributable to the inclusion of Kintera's revenue from hosted applications. Excluding the impact of Kintera, subscription revenue increased $2.6 million in the second quarter 2009 as compared to the same period in 2008. The increase of $2.6 million is attributable to organic growth from increased demand for hosting services and other online data services.

Subscriptions revenue increased $16.7 million during the first six months of 2009 as compared to the same period in 2008. Included in subscriptions revenue in the first six months of 2009 is $11.7 million of revenue attributable to the inclusion of Kintera's revenue from hosted applications. Excluding the impact of Kintera, subscription revenue increased $5.0 million in the first six months of 2009 as compared to the same period in 2008. The increase of $5.0 million is attributable to organic growth from increased demand for hosting services and other online data services.

Direct controllable cost of subscriptions is primarily comprised of human resource costs, third-party royalty and data expenses, hosting expenses, and other costs incurred in providing support and services to our customers.

During the second quarter 2009, cost of subscriptions increased by $2.5 million when compared to the same period in 2008. Additional headcount and increases in data expense, hosting and other costs attributable to the inclusion of Kintera represented $2.0 million of the increase in costs of subscriptions. Excluding the impact of the inclusion of Kintera, cost of subscriptions increased by $0.5 million in the second quarter of 2009 compared to the same period in 2008. The increase of $0.5 million in cost of subscriptions is principally due to an increase in data expense, hosting and other costs.

During the first six months of 2009, cost of subscriptions increased by $4.9 million when compared to the same period in 2008. Additional headcount and increases in data expense, hosting and other costs attributable to the inclusion of Kintera represented $4.0 million of the increase in costs of subscriptions. Excluding the impact of the inclusion of Kintera, cost of subscriptions increased by $0.9 million in the first six months of 2009 compared to the same period in 2008. The increase of $0.9 million in cost of subscriptions is principally due to an increase in data expense, hosting and human resource costs.

Blackbaud, Inc.

Item 2. Management's discussion and analysis of financial condition and results of operations (continued)

The increase in subscriptions segment margin during the second quarter and the first six months of 2009 compared to the same periods in 2008 is predominantly due to an increase in demand for our internet products and our continued focus on closely managing our operating costs.

Other revenue

(in millions)	Three months ended June 30, 2009	Three months ended June 30, 2008	Change	% Change	Six months ended June 30, 2009	Six months ended June 30, 2008	Change	% Change
Other revenue	$ 1.5	$ 2.2	$ (0.7)	(32)%	$ 3.1	$ 4.2	$ (1.1)	(26)%
Direct controllable cost of other revenue	1.5	2.0	(0.5)	(25)%	2.9	3.8	(0.9)	(24)%
Segment income	$ -	$ 0.2	$ (0.2)	(100)%	$ 0.2	$ 0.4	$ (0.2)	(50)%
Segment margin %	0%	9%			6%	10%		

Other revenue includes the sale of business forms that are used in conjunction with our software products; reimbursement of travel and related expenses, primarily incurred during the performance of services at customer locations; fees from user conferences; and sale of hardware in conjunction with The Patron Edge. Other revenue decreased in the second quarter and the first six months of 2009 primarily due to a decrease in reimbursable travel-related costs from our services businesses and a decrease in fees from user conferences.

Direct controllable cost of other revenue includes human resource costs, costs of business forms, costs of user conferences and reimbursable expense relating to the performance of services at customer locations. The decrease in the second quarter and the first six months of 2009 compared to the same periods in 2008 is due to a decrease in reimbursable expenses related to providing services at customer locations and a decrease in the costs of user conferences.

U.S. GAAP gross profit

Segment income does not include an allocation of corporate costs, stock-based compensation expense and amortization expense. The following schedule reconciles total segment income to gross profit as stated on the statements of operations.

(in millions)	Three months ended June 30, 2009	Three months ended June 30, 2008	Change	% Change	Six months ended June 30, 2009	Six months ended June 30, 2008	Change	% Change
License fees	$ 4.9	$ 8.8	$ (3.9)	(44)%	$ 11.5	$ 17.7	$ (6.2)	(35)%
Consulting and education services	6.8	9.7	(2.9)	(30)%	11.7	17.9	(6.2)	(35)%
Analytic services	2.6	3.0	(0.4)	(13)%	5.0	5.0	-	0%
Maintenance	24.8	22.8	2.0	9%	49.1	44.5	4.6	10%
Subscriptions	12.3	6.0	6.3	105%	23.8	12.0	11.8	98%
Other	-	0.2	(0.2)	(100)%	0.2	0.4	(0.2)	(50)%
Total segment income	$ 51.4	$ 50.5	$ 0.9	2%	$ 101.3	$ 97.5	$ 3.8	4%
Less corporate costs not allocated to segment expenses:								
Stock-based compensation expense	0.6	0.5	0.1	20%	1.2	1.0	0.2	20%
Amortization of intangible assets acquired in business combinations	1.6	0.9	0.7	78%	3.1	1.8	1.3	72%
Corporate overhead costs	3.3	2.8	0.5	18%	6.6	5.7	0.9	16%
Gross profit as stated in statements of operations	$ 45.9	$ 46.3	$ (0.4)	(1)%	$ 90.4	$ 89.0	$ 1.4	2%
Gross margin %	60%	64%			60%	63%		

Stock-based compensation expense and amortization expense are analyzed separately following the operating expenses section.

Allocated corporate overhead costs are comprised of depreciation, facilities and IT support costs. The increase in corporate overhead costs allocated to cost of revenue during the second quarter of 2009 and the first six months of 2009 is primarily attributable to the increase in facilities costs associated with the inclusion of Kintera.

Operating expenses

The operating expenses analyzed below are presented on a non-GAAP basis; that is, they exclude stock-based compensation expense. We believe that the exclusion of these costs allows us to better understand and manage other operating expenses and cash needs. Stock-based compensation expense is analyzed, in total, in the section following the operating expense analysis.

Blackbaud, Inc.

Item 2. Management's discussion and analysis of financial condition and results of operations (continued)

Sales and marketing

(in millions)	Three months ended June 30, 2009	2008	Change	% Change	Six months ended June 30, 2009	2008	Change	% Change
Sales and marketing expense excluding stock-based compensation	$ 14.8	$ 15.4	$ (0.6)	(4)%	$ 30.5	$ 30.3	$ 0.2	1%
Add: Stock-based compensation	0.3	0.3	-	0%	0.7	0.6	0.1	17%
Sales and marketing expense	$ 15.1	$ 15.7	$ (0.6)	(4)%	$ 31.2	$ 30.9	$ 0.3	1%
% of revenue (excluding stock-based compensation)	19%	21%			20%	21%		

Sales and marketing expense includes salaries and related human resource costs, travel-related expenses, sales commissions, advertising and marketing materials, public relations and an allocation of depreciation, facilities and IT support costs.

During the second quarter of 2009, sales and marketing expense decreased $0.6 million when compared to the same period in 2008. Included in sales and marketing expense in the second quarter of 2009 is $1.3 million of human resource and other costs attributable to the inclusion of Kintera. Excluding the sales and marketing expense attributable to Kintera, sales and marketing expense decreased $1.9 million. The remaining decrease of $1.9 million is primarily attributable to decreases in human resource costs of $0.5 million, commission expense of $0.5 million and $0.9 million of travel-related expenses and other sales and marketing related costs.

During the first six months of 2009, sales and marketing expense increased $0.2 million when compared to the same period in 2008. Included in sales and marketing expense in the first six months of 2009 is $2.8 million of human resource and other costs attributable to the inclusion of Kintera. Excluding the sales and marketing expense attributable to Kintera, sales and marketing expense decreased $2.6 million. The remaining decrease of $2.6 million is primarily attributable to decreased human resource costs of $0.3 million, commission expense of $1.0 million and a reduction in travel-related expenses and other sales and marketing related costs of $1.3 million.

Human resource, travel-related and other costs decreased in both periods as a result of our focus on closely managing our operating expenses during the first six months of 2009. Commission expense in both periods decreased due to lower commissionable sales.

As a percentage of revenue, sales and marketing expense in the second quarter and the first six months of 2009 decreased compared to the same periods in 2008, principally due to a decrease in commission expense associated with the decline in license fees and services revenue and a decrease in travel-related expenses.

Research and development

(in millions)	Three months ended June 30, 2009	2008	Change	% Change	Six months ended June 30, 2009	2008	Change	% Change
Research and development expense excluding stock-based compensation	$ 10.6	$ 8.1	$ 2.5	31%	$ 21.4	$ 16.4	$ 5.0	30%
Add: Stock-based compensation	0.7	0.5	0.2	40%	1.4	1.0	0.4	40%
Research and development expense	$ 11.3	$ 8.6	$ 2.7	31%	$ 22.8	$ 17.4	$ 5.4	31%
% of revenue (excluding stock-based compensation)	14%	11%			14%	12%		

Research and development expenses include human resource costs, third-party contractor expenses, software development tools and other expenses related to developing new products, upgrading and enhancing existing products and an allocation of depreciation, facilities and IT support costs. Research and development costs increased during the second quarter and the first six months of 2009 principally due to an increase in headcount associated with our increased investment in our products.

During the second quarter of 2009, research and development costs increased $2.5 million when compared to the same period in 2008. The increase in research and development costs attributable to human resource costs was $2.2 million, of which $1.6 million is due to the inclusion of Kintera. The remaining increase of $0.3 million is attributable to higher allocated costs.

During the first six months of 2009, research and development costs increased $5.0 million when compared to the same period in 2008. The increase in research and development costs attributable to an increase in human resource costs was $4.5 million, of which $3.2 million is due to the inclusion of Kintera. Further increases of $0.6 million are attributable to higher allocated costs, partially offset by decreased recruiting costs of $0.1 million.

Research and development expense as a percentage of revenue increased in the second quarter 2009 and the first six months of 2009 compared to the same periods in 2008 primarily due to an increased investment in our product initiatives.

General and administrative

(in millions)	Three months ended June 30, 2009	Three months ended June 30, 2008	Change	% Change	Six months ended June 30, 2009	Six months ended June 30, 2008	Change	% Change
General and administrative expense excluding stock-based compensation	$ 7.1	$ 6.3	$ 0.8	13%	$ 14.6	$ 12.4	$ 2.2	18%
Add: Stock-based compensation	1.4	1.0	0.4	40%	2.9	2.1	0.8	38%
General and administrative expense	$ 8.5	$ 7.3	$ 1.2	16%	$ 17.5	$ 14.5	$ 3.0	21%
% of revenue (excluding stock-based compensation)	9%	9%			10%	9%		

General and administrative expense consists primarily of human resource costs for general corporate functions, including finance, accounting, legal, human resources, corporate development, third-party professional fees, insurance, an allocation of depreciation, facilities and IT support costs, and other administrative expenses.

During the second quarter of 2009 and the first six months of 2009 compared to the same periods in 2008, the increase in general and administrative expense was primarily due to an increase in human resource costs attributed to the inclusion of Kintera. Excluding the costs attributable to Kintera, general and administrative expense decreased by $0.1 million for the second quarter 2009 and remained unchanged for the first six months of 2009 compared to the same periods in 2008.

As a percentage of revenue, general and administrative costs increased by one percentage point in the first six months of 2009 compared to the same period in 2008 due to the increased headcount associated with the acquisition of Kintera.

Stock-based compensation

Beginning on January 1, 2006, we adopted SFAS No. 123(R), using the modified prospective transition method. SFAS No. 123(R) requires us to recognize compensation expense related to stock-based awards granted to employees. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period.

Table of Contents

Our consolidated statements of operations for the three and six months ended June 30, 2009 and 2008 include the amounts of stock-based compensation illustrated below:

(in millions)	Three months ended June 30, 2009	Three months ended June 30, 2008	Change	% Change	Six months ended June 30, 2009	Six months ended June 30, 2008	Change	% Change
Included in cost of revenue:								
Cost of services	$ 0.4	$ 0.3	$ 0.1	33 %	$ 0.7	$ 0.7	$ -	- %
Cost of maintenance	0.1	0.1	-	- %	0.3	0.2	0.1	50 %
Cost of subscriptions	0.1	0.1	-	- %	0.2	0.1	0.1	100 %
Total included in cost of revenue	0.6	0.5	0.1	20 %	1.2	1.0	0.2	20 %
Included in operating expenses:								
Sales and marketing	0.3	0.3	-	- %	0.7	0.6	0.1	17 %
Research and development	0.7	0.5	0.2	40 %	1.4	1.0	0.4	40 %
General and administrative	1.4	1.0	0.4	40 %	2.9	2.1	0.8	38 %
Total included in operating expenses	2.4	1.8	0.6	33 %	5.0	3.7	1.3	35 %
Total	$ 3.0	$ 2.3	$ 0.7	30 %	$ 6.2	$ 4.7	$ 1.5	32 %

Stock-based compensation is comprised of expense from common stock awards, stock options, restricted stock awards and stock appreciation rights. The table below summarizes the stock-based compensation by award type for the three and six months ended June 30, 2009 and 2008.

(in millions)	Three months ended June 30, 2009	Three months ended June 30, 2008	Change	% Change	Six months ended June 30, 2009	Six months ended June 30, 2008	Change	% Change
Stock-based compensation from:								
Common stock	$ 0.2	$ -	$ 0.2	- %	$ 0.7	$ -	$ 0.7	- %
Stock options	0.1	0.3	(0.2)	(67) %	0.1	0.7	(0.6)	(86) %
Restricted stock awards	2.1	1.5	0.6	40 %	4.2	3.1	1.1	35 %
Stock appreciation rights	0.6	0.5	0.1	20 %	1.2	0.9	0.3	33 %
Total stock-based compensation	$ 3.0	$ 2.3	$ 0.7	30 %	$ 6.2	$ 4.7	$ 1.5	32 %

During the second quarter and the first six months of 2009, we expensed $0.2 million and $0.7 million, respectively, related to compensation and incentive arrangements payable in common stock associated with business acquisitions completed in 2007 and 2008. The decrease in compensation expense from stock options for the second quarter and the first six months of 2009 compared to the same periods in 2008 is the result of using the accelerated method for recognizing stock-based compensation expense associated with stock options, which results in the recognition of more expense in the earlier periods of vesting when compared with the straight-line method. We have not granted stock options since 2005 and all historical awards will be fully vested by the end of 2009.

Stock-based compensation expense from restricted stock awards and stock appreciation rights increased in the second quarter and the first six months of 2009 compared to the same periods in 2008 due to the issuance of additional grants in the second half of 2008, partially offset by the vesting of grants issued in prior years.

The total amount of compensation costs related to non-vested awards not yet recognized was $21.8 million as of June 30, 2009. This amount will be recognized as expense over a weighted average period of 1.7 years.

Blackbaud, Inc.

Item 2. Management's discussion and analysis of financial condition and results of operations (continued)

Amortization

We allocated amortization expense to cost of revenue according to the nature of the respective identifiable intangible asset and to the extent it is directly associated with revenue. Amortization expense included in our consolidated statements of operations for the three and six months ended June 30, 2009 and 2008 is illustrated below:

	Three months ended June 30,				Six months ended June 30,			
(in millions)	2009	2008	Change	% Change	2009	2008	Change	% Change
Included in cost of revenue:								
Cost of license fees	$ 0.1	$ 0.1	$ -	- %	$ 0.2	$ 0.1	$ 0.1	100 %
Cost of services	0.4	0.3	0.1	33 %	0.7	0.7	-	- %
Cost of maintenance	0.3	0.1	0.2	200 %	0.6	0.2	0.4	200 %
Cost of subscriptions	0.8	0.4	0.4	100 %	1.6	0.8	0.8	100 %
Cost of other revenue	-	-	-	- %	-	-	-	- %
Total included in cost of revenue	1.6	0.9	0.7	78 %	3.1	1.8	1.3	72 %
Included in operating expenses	0.2	0.2	-	- %	0.4	0.3	0.1	33 %
Total	$ 1.8	$ 1.1	$ 0.7	$ 64 %	$ 3.5	$ 2.1	$ 1.4	$ 67 %

The increase in amortization expense for the second quarter and the first six months of 2009 compared to the same periods in 2008 is directly attributable to the acquisition of Kintera in July 2008, which resulted in the recognition of $17.0 million in identifiable intangible assets.

Interest expense

Interest expense was $0.3 million in the second quarter of 2009 compared with $0.1 million in the same period in 2008. Interest expense was $0.7 million in the first six months of 2009 compared with $0.2 million in the same period in 2008. These increases are directly related to the greater amount and duration of borrowing outstanding under our credit facility during the first half of 2009 compared to 2008.

Income tax provision

We record income tax expense in our consolidated financial statements based on an estimated annual effective income tax rate, prior to any quarter-specific items. The 2009 estimated annual effective tax rate of 38.2%, which excludes period-specific items, was applied as the effective rate for the six months ended June 30, 2009. Our actual effective rate for the each of the quarters ended June 30, 2009 and 2008 was 38.1%. Our actual effective rates for each of the six months ended June 30, 2009 and 2008 were 40.4% and 37.8%, respectively. The higher effective rate in the first six months of 2009 was attributable to a decrease in the amount of benefit we were able to recognize for certain state income tax credits, partially offset by a correction of an immaterial prior period error which reduced income tax expense by $0.4 million.

Our deferred tax assets and liabilities are recorded at an amount based upon a U.S. federal income tax rate of 35.0% and appropriate statutory tax rates of various foreign, state and local jurisdictions in which we operate. If our tax rates change in the future, we will adjust our deferred tax assets and liabilities to an amount reflecting those income tax rates. Any change will affect the provision for income taxes during the period in which the determination is made.

The total unrecognized tax benefit that, if recognized, would have impacted our effective rate as of June 30, 2009 and December 31, 2008 was $0.2 million. As of June 30, 2009 and December 31, 2008, the total amount of accrued interest and penalties included in the consolidated balance sheets was $0.2 million.

We have taken positions in certain taxing jurisdictions for which it is reasonably possible that the total amounts of unrecognized tax benefits may significantly change in the next twelve months. The possible decrease could result from the finalization of state income tax reviews and the expiration of statutes of limitations.

Liquidity and capital resources

At June 30, 2009, cash and cash equivalents totaled $18.6 million, compared to $16.4 million at December 31, 2008. The $2.2 million increase in cash and cash equivalents during the first six months of 2009 is principally the result of generating $34.5 million of cash from operations offset by $18.5 million in debt repayments on our credit facility, $8.8 million in dividends paid to stockholders and $2.3 million used to acquire RLC.

Our principal source of liquidity is our operating cash flow, which depends on continued customer renewal of our maintenance, support and subscription agreements and market acceptance of our products and services. 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, pay dividends and repay any outstanding debt that is due. Dividend payments are not guaranteed and our Board of Directors may decide, in its absolute discretion, at any time and for any reason, not to declare or pay further dividends and/or repurchase our common stock.

At June 30, 2009, outstanding borrowings under our credit facility were $40.5 million. We have drawn on our credit facilities from time to time to help us meet short-term financial needs, such as business acquisitions and share repurchases. Under our credit facility, we may elect not more than twice over the five-year term of the agreement to increase the aggregate amount available up to $50.0 million. We exercised one of these options for an additional $15.0 million in June 2008, which increased our aggregate amount available to $90.0 million. We believe our credit facility provides us with the financial flexibility that we need because of its size and terms. During the first six months of 2009, we were focused on generating cash flow from operations to allow us to maintain our cash and cash equivalents balance to a desired level of liquidity and repay borrowings. We plan to continue to focus on generating cash flow from operations during the remainder of 2009, which should enable us to maintain our desired level of liquidity to preserve financial flexibility, while also reducing our debt balance.

Operating cash flow

Net cash provided by operating activities for the first six months of 2009 of $34.5 million increased $13.1 million when compared to the same period in 2008. Throughout both periods, our cash flows from operations were derived principally from: (i) our earnings from on-going operations prior to non-cash expenses such as depreciation, amortization and stock-based compensation and adjustments to our provision for sales returns and allowances; (ii) the tax benefit associated with our deferred tax asset, which reduces our cash outlay for income tax; and (iii) changes in our working capital.

Working capital changes that impact the statement of cash flows are in accounts receivable, other current assets, accounts payable, accrued expenses, accrued liabilities and deferred revenue. Net collections of accounts receivable and the change in deferred revenue represented a net increase of $5.2 million in the first six months of 2009 and a net decrease of $7.7 million in the first six months of 2008 in cash associated with working capital changes. The increase in cash associated with these working capital changes is principally due to a difference in the timing of maintenance billings when comparing 2009 to 2008. In the second quarter 2008, a substantial portion of customer billings were delayed in timing due to our conversion to a new accounting system in April 2008. Changes in our balances of accounts payable, accrued expenses, accrued liabilities and other current assets represented a net increase of $0.5 million in the first six months of 2009 and a net decrease of $1.3 million in the first six months of 2008 in cash associated with working capital changes. The primary driver of the decrease in the net cash outflow associated with these accounts is fluctuations in the timing of vendor and income taxes payments.

Investing cash flow

Net cash used in investing activities in the first six months of 2009 was $4.9 million compared to $5.9 million in the same period in 2008. The decrease in cash used for investing activities was principally due to a decrease in payments related to business acquisitions and property and equipment. We invested $2.3 million in the acquisition of RLC during the first six months of 2009. In the first six months of 2008, $2.9 million of cash was used for payment of contingent purchase price obligations under arrangements associated with historical acquisitions, including the Target Companies and Campagne. In addition, we invested $2.7 million in property and equipment in the first six months of 2009 compared to $3.0 million in the same period in 2008.

Financing cash flow

Net cash used in financing activities for the first six months of 2009 was $27.3 million compared to $20.3 million in the same period in 2008. The increase in cash used in financing activities for the first six months of 2009 is primarily due to the repayment of borrowings under our credit facility. In the first six months of 2008, we borrowed funds which were principally used to repurchase our stock. These amounts partially offset each other when determining the cash used in or generated from financing activities.

Commitments and contingencies

As of June 30, 2009, we had $42.3 million of outstanding debt and future minimum lease commitments of $71.5 million as follows (amounts in millions):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating leases	$ 71.1	$ 4.2	$ 13.0	$ 10.2	$ 43.7
Capital leases	0.4	0.2	0.2	-	-
Debt and interest	42.8	42.0	0.8	-	-
Total	$ 114.3	$ 46.4	$ 14.0	$ 10.2	$ 43.7

Our commitments related to operating leases as shown above have not been reduced by the future minimum lease commitments under sublease agreements that expire in 2010. The outstanding debt of $40.5 million under our credit facility is reflected in the table above as a commitment for less than one year based on the maturities of the underlying individual borrowings. However, we have the ability to extend the maturities of these borrowings by rolling them into new borrowings with the same or longer maturities through the expiration of the credit facility in July 2012.

Included in the table above is interest expense of $0.5 million. The actual interest expense recognized in our consolidated statements of operations will depend on the amount of debt, interest rate and length of time the debt is outstanding, which could be different from our assumptions used in the table above.

As of June 30, 2009, we had accrued an estimate of $0.2 million related to contingent consideration in connection with the acquisition of RLC. Please refer to Note 3 in our notes to the consolidated financial statements for further information. We are unable to determine the actual amount, if any, for which this liability will be settled, and accordingly, we have not included this amount in the table above.

As of June 30, 2009, we had accrued $0.3 million of state taxes and $0.2 million of interest and penalties related to uncertain tax positions taken in current and prior years. Please refer to Note 10 in our notes to the consolidated financial statements for further information. We are unable to determine the period in which these liabilities will be settled, and accordingly, we have not included these amounts in the table above.

We utilize third-party relationships in conjunction with our products. The contractual arrangements vary in length from one to three years. In certain cases, these arrangements require a minimum annual purchase commitment. The total minimum purchase commitments under these arrangements at June 30, 2009 are $1.6 million through 2012. We incurred expense under these arrangements of $0.9 million and $0.6 million for the three months ended June 30, 2009 and 2008, respectively, and $1.9 million and $1.3 million for the six months ended June 30, 2009 and 2008, respectively.

In February 2009, our Board of Directors approved our annual dividend of $0.40 per share for 2009. Dividends at the annual rate would aggregate to $17.6 million, assuming 44 million shares of common stock are outstanding. Our ability to continue to declare and pay dividends may be restricted by, among other things, the terms of our credit facility, general economic conditions and our ability to generate operating cash flow.

Off-balance sheet arrangements

We do not believe we currently have any off-balance sheet arrangements, financings or other relationships with unconsolidated entities or other persons.

Foreign currency exchange rates

Approximately 12% of our total net revenue for the six-month period ended June 30, 2009 was derived from operations outside the United States. 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 as a separate component of stockholders' equity, was $0.2 million and $0.9 million at June 30, 2009 and at December 31, 2008, respectively.

The vast majority of our contracts are entered into by our U.S., Canadian or U.K. entities. The contracts entered into by the U.S. entity are almost always denominated in U.S. dollars, contracts entered into by our Canadian subsidiary are generally denominated in Canadian dollars, and contracts entered into by our U.K. subsidiary, Australian subsidiary and Netherlands subsidiary are generally denominated in pounds sterling, Australian dollar and euro, respectively. Historically, as the U.S. dollar weakened, foreign currency translation resulted in an increase in our reported revenues and expenses denominated in non-U.S. currencies. Recently, the U.S. dollar has strengthened against many non-U.S. currencies, including the British pound and Canadian dollar. As a result, the foreign currency translation has since resulted in a decrease in our reported revenues and expenses denominated in non-U.S. currencies. Though we do not believe our increased exposure to currency exchange rates have had a material impact on our results of operations or financial position, we intend to continue to monitor such exposure and take action as appropriate.

Cautionary statement

We operate in a highly competitive environment that involves a number of risks, some of which are beyond our control. The following statement highlights some of these risks.

Statements contained in this Form 10-Q that are not historical facts are or might constitute forward-looking statements under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained. Forward-looking statements involve known and unknown risks that could cause actual results to differ materially from expected results. Factors that could cause actual results to differ materially from our expectations expressed in the report include general economic risk; lengthy sales and implementation cycles, particularly in larger organizations; uncertainty regarding increased business and renewals from existing customers; continued success in sales growth; risk associated with successful implementation of multiple integrated software products; management of integration of recently acquired companies and other risks associated with acquisitions; the ability to attract and retain key personnel; risks related to our dividend policy and stock repurchase program, including potential limitations on our ability to grow and the possibility that we might discontinue payment of dividends; risks relating to restrictions imposed by the credit facility; risks associated with management of growth; technological changes that make our products and services less competitive; and the other risk factors set forth from time to time in our other SEC filings. For more detail, see "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 3. Quantitative and qualitative disclosures about market risk

We have market rate sensitivity for interest rates and foreign currency exchange rates. Our variable rate debt is our primary financial instrument with market risk exposure for changing interest rates. We manage interest rate risk through a combination of short-term and long-term borrowings and a mix between borrowings indexed at prime, federal funds and LIBOR rates. Due to the nature of our short-term investments and debt, we have concluded that we face no material market risk exposure. Therefore, no quantitative tabular disclosures are required. For a discussion of our exposure to foreign currency exchange rate fluctuations, see the “Foreign currency exchange rates” section of “Management’s discussion and analysis of financial condition and results of operations” in this report.

Item 4. Controls and procedures

Evaluation of disclosure controls and procedures

Disclosure controls and procedures (as defined in Exchange Act Rule 13a-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 and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e)) pursuant to 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

As previously reported and as further discussed in our Annual Report on Form 10-K dated December 31, 2008, we acquired Kintera on July 8, 2008. Management is in the process of assessing and integrating internal control over financial reporting for the acquisition. No change in internal control over financial reporting occurred during the most recent fiscal quarter with respect to our operations, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 2. Unregistered sales of equity securities and use of proceeds

The following table provides information about shares of common stock repurchased during the three months ended June 30, 2009 under our stock repurchase program, as well as common stock withheld by us to satisfy tax obligations of employees due upon vesting of restricted stock.

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plan or programs (in thousands)
Beginning balance, April 1, 2009				$30,770
April 1, 2009 through April 30, 2009	-	-	-	$30,770
May 1, 2009 through May 31, 2009	636	$14.98	-	$30,770
June 1, 2009 through June 30, 2009	133	$15.39	-	$30,770
Total	769	$15.05	-	$30,770

(1) During the period, there were no shares repurchased. The shares represent shares withheld by us to satisfy the tax obligations of employees due upon vesting of restricted stock.

Item 4. Submission of matters to a vote of security holders

Our stockholders voted on three items at the 2009 Annual Meeting of Stockholders held on June 16, 2009:

1. The election of two Class B directors for a three-year term expiring in 2012;
2. The approval of our Amended and Restated Certificate of Incorporation; and
3. The approval of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

The nominees for directors were elected based upon the following votes:

Nominee	Votes for	Votes withheld
George H. Ellis	41,089,612	151,375
Andrew M. Leitch	41,089,059	151,928

Marc E. Chardon and John P. McConnell continued their terms as Class C directors, with terms expiring in 2010, and Timothy Chou, Marco W. Hellman and Carolyn Miles continued their terms as Class A directors, with terms expiring in 2011.

Our Amended and Restated Certificate of Incorporation was approved as follows:

Votes for	Votes against	Abstentions	Broker non-votes
29,608,944	8,706,133	912,384	2,013,526

Blackbaud, Inc.

PART II. OTHER INFORMATION

The appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm was approved as follows:

Votes for	Votes against	Abstentions
41,133,402	71,613	35,971

Item 6. Exhibits

Exhibits:

10.42*	Share Purchase Agreement between RLC Group B.V., as the Seller, and Blackbaud, Inc., as the Purchaser.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
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.

* The registrant has requested confidential treatment with respect to portions of this exhibit. Those portions have been omitted from the exhibit and filed separately with the U.S. Securities and Exchange Commission.

Blackbaud, Inc.

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 7, 2009	By: /s/ Marc E. Chardon Marc E. Chardon President and Chief Executive Officer
Date: August 7, 2009	By: /s/ Timothy V. Williams Timothy V. Williams Senior Vice President and Chief Financial Officer

*Portions of this document marked [*] are requested to be treated confidentially.

EXECUTION COPY

SHARE PURCHASE AGREEMENT

between

RLC GROUP B.V.

as the Seller,

and

BLACKBAUD, INC.
as the Purchaser

---

for the acquisition by
the Purchaser of the entire issued share
capital of RLC Customer Centric Technology B.V.

NautaDutilh
Amsterdam

TABLE OF CONTENTS

Schedules

Annexes to Schedule 4 (Representations and Warranties)

SHARE PURCHASE AGREEMENT

THE UNDERSIGNED

1. **Blackbaud, Inc.**, a corporation organised under the laws of the state of Delaware, United States of America, whose corporate seat is at Charleston, South Carolina, hereinafter referred to as the "Purchaser";

   and

2. **RLC Group B.V.**, a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organised under the laws of the Netherlands, whose corporate seat is at Amsterdam, hereinafter referred to as the "Seller";

WHEREAS

A. The Purchaser provides non-profit organisations with software and services, enabling them to improve operational efficiency, build strong relationships and raise more funds to support their missions;

B. The Company develops, supplies, and implements Customer Relations Management ("CRM") software under the names Charibase, Publicbase, Microdirect and OneDirect, which software is mainly targeted at and used by fundraisers and membership organizations but also municipal governments (the "Business");

C. The Seller has full right and title to the Shares and wishes to sell the Shares to the Purchaser;

D. The Purchase wishes to purchase the Shares from the Seller;

E. The Seller and the Purchaser have signed a letter of intent dated 1 December 2008 (the "LOI"), which sets forth the basic terms and conditions upon which the Purchaser considers to purchase and acquire the Shares from the Seller;

F. After signing the LOI, the Purchaser has with the help of professional advisers performed a due diligence investigation into the Company through access to an electronic data room; interviews with management; site visits and an exchange of questions and answers via the electronic data room but also via direct e-mail between the Seller, who was also assisted by professional advisors, and the Purchaser and their advisors;

G. Parties have entered into the Escrow Agreement;

H. The Seller has provided the Purchaser with all relevant information in relation to the registration of the transfer of the domain names as mentioned in Annex 11.2.

I. The Seller has provided the Purchaser with the March Figures;

J. The Parties wish to lay down in this Agreement the terms and conditions of the sale and purchase of the Shares.

NOW HEREBY AGREE AS FOLLOWS

1. INTERPRETATION

1.1 Definitions

The following capitalised terms and expressions in this Agreement shall have the following meanings:

Accounts	the audited balance sheet as at the Balance Sheet Date and the profit and loss account of the Company for the period ended on the Balance Sheet Date together with the explanatory notes thereto
Agreement	this share purchase agreement and all Schedules and Annexes thereto
Annex	an annex to a Schedule
Articles of Association	the articles of association (*statuten*) of the Company, attached as <u>Annex 3.5</u> to <u>Schedule 4</u>
Authority	a supranational, national, provincial, municipal or other governmental authority or court of a relevant

	jurisdiction (including any subdivision thereof)
Balance Sheet Date	31 December 2008
Bank	ABN AMRO Bank N.V.
Business Day	a day which is not a Saturday or a Sunday and which is not a public holiday or a bank holiday in the Netherlands and the United States of America
Civil Law Notary	civil law notary Wijnand Bossenbroek or another civil law notary of NautaDutilh, or any of their deputies
Claim	any claim for payment made by the Purchaser under this Agreement
Closing	the completion of the Transaction on the date of this Agreement
Closing Amount	has the meaning ascribed thereto in Clause 3.1
Company	RLC Customer Centric Technology B.V. a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organised under the laws of the Netherlands, whose corporate seat is at Amsterdam
Compensation	an amount to be paid by the Seller under a Claim pursuant to Clause 8.1
Current Account Facility	has the meaning ascribed thereto in Clause 3.4 e
Damages	damages as referred to in articles 6:95 and 6:96 Dutch Civil Code, including reimbursement for reasonable actual costs of legal advice

Deed of Transfer	the notarial deed of transfer of the Shares referred to in Clause 2.2
Director	a member of a board of management (*bestuurder*) or of a supervisory board (*commissaris*) or any other Person holding a similar position in a company in a jurisdiction other than the Netherlands
Disclosed Information	all documents and written information included on the CD-Roms attached as Schedule 5
Dutch GAAP	the accounting principles generally accepted in the Netherlands with respect to annual accounts
Earn Out Amounts	has the meaning ascribed thereto in Clause 3.1
EBITDA	earnings less costs (excluding interest, tax, depreciation, amortisation, costs for intercompany licenses, intercompany services and other intercompany charges charged by the Purchaser and its group to the Company and bonuses to Management), all in accordance with Dutch GAAP and consistent with past practice
EBITDA Margin	the total EBITDA divided by the Revenue multiplied by 100% (for example: If EBITDA shall be 150,000 and the Revenue shall be 1,000,000, the EBITDA Margin shall be 150,000/1,000,000 * 100% = 15%)
Effective Date	1 January 2009

Employees	the employees of the Company listed in Annex 12.1 to Schedule 4
Encumbrances	any rights of pledge, mortgage or usufruct, liens or attachments or similar charges
Escrow Account	the bank account with the bank, account number [*], in the name of [*] with reference to [*]
Escrow Agent	the Civil law Notary
Escrow Agreement	the agreement between the Seller, the Purchaser and the Escrow Agent of copy of which is included in Schedule 2
Escrow Amount	the amount of EUR 250,000 (two hundred fifty thousand euro) to be paid into the Escrow Account
Foundation	Stichting Softwarebeheer RLC Customer Centric Technology, a foundation organised under the laws of the Netherlands, with its statutory seat at Amsterdam
Fiscal Unity	the fiscal unity between RLC Management B.V. the Seller and the Company for Dutch corporate income tax purposes on the basis of article 15 of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*)
Group Credit Facility	the group credit facility provided in respect of account number [*] by ABN AMRO Bank N.V. to the Company

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

Insurance Policies	the insurance policies listed in Annex 9.1 to Schedule 4
Lease Agreement	the lease agreement listed in Annex 7.2 to Schedule 4
Management	[*] and [*]
March Figures	the figures of the Company relating to the period from 1 January 2009 up to and including 31 March 2009 based on Dutch GAAP showing the assets, liabilities and financial position and result of the Company, which have been prepared on a basis consistent with that applied with respect to the preceding three (3) financial years
NautaDutilh	NautaDutilh N.V., lawyers, civil law notaries and tax advisers, acting as advisers to Purchaser
Notary's Account	the bank account in the name of [*] with ABN AMRO Bank N.V., account number [*]
Parties	the parties to this Agreement
Permits	licenses, exemptions, consents or other authorisations or clearances, howsoever named, granted by an Authority
Person	a natural person or a partnership, company, association, cooperative, mutual insurance society, foundation or any other body which operates externally as an independent unit or organisation
Purchase Price	the purchase price for the Shares referred

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

	to in Clause 3.1 consisting of the Closing Amount and the Earn Out Amounts
Real Property Rented	the real property listed in Annex 7.2 to Schedule 4
Representations and Warranties	the representations and warranties set out in Schedule 4
Revenue	all revenue of the Company as defined under Dutch GAAP and consistent with past practice
RLC Management B.V.	RLC Management B.V. a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organised under the laws of the Netherlands, whose corporate seat is as Amsterdam
Schedule	a Schedule to this Agreement
Shares	all of the 360 issued and outstanding shares with a nominal value of EUR 50 (fifty) euro each in the share capital of the Company with numbers 1 through 360
Tax	a tax, levy, duty, or other charge or withholding of a similar nature, as well as any contribution (including but not limited to any social security or employee social security scheme) and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by a Tax Authority, including but not limited to any penalty, interest or costs payable in connection with any failure to pay or any delay in paying any of the same due by the Company, the Foundation, the Fiscal Unity or the Seller respectively

Tax Authority	an Authority competent to impose and/or collect Tax
Tax Liability	a liability of the Company or the Foundation to make or suffer a payment of Taxation, whether or not actually paid, including an effective liability of the Company arising from the loss or unavailability in whole or in part of any loss, allowance, credit, relief, deduction, set-off or right to a repayment of Taxation, disregarding a tax group (*fiscale eenheid*) with a member of Purchaser's Group to which the Company may belong after the date of this Agreement
Third Party Claim	a claim made by a third party against the Company
Transaction	the transaction contemplated by this Agreement.

1.2 Interpretation

a. No provision of this Agreement shall be interpreted adversely against a Party solely because that Party was responsible for drafting that particular provision.

b. Words denoting the singular shall include the plural and vice versa. Words denoting one gender shall include another gender.

c. English language words used in this Agreement intend to describe Dutch legal concepts only and the consequences of the use of those words in English law or any other foreign law shall be disregarded.

d. This Agreement has been drawn up in English. In the event of any discrepancy between the English text of this Agreement or any agreement resulting therefrom or relating thereto and any translation thereof, the English language version shall prevail.

Subject to Clause 1.2.c, the English language version shall also prevail for interpretation purposes.

e. References to any Dutch legal concept shall, in respect of any jurisdiction other than the Netherlands, be deemed to include the concept which in that jurisdiction most closely approximates the Dutch legal concept.

f. The words “include”, “included” or “including” are used to indicate that the matters listed are not a complete enumeration of all matters covered.

g. The headings used in this Agreement are for convenience or reference only and are not to affect the construction of this Agreement or to be taken into consideration in the interpretation of this Agreement.

h. Unless otherwise stated, references to Clauses are to Clauses of this Agreement.

1.3 Schedules and Annexes

Any Schedule and Annex referred to in this Agreement forms an integral and inseparable part of this Agreement.

2. PURCHASE, SALE AND TRANSFER OF THE SHARES

2.1 Purchase and sale of the Shares

Subject to the terms and conditions set out in this Agreement, the Purchaser hereby purchases the Shares from the Seller and the Seller hereby sells the Shares to the Purchaser.

2.2 Transfer of the Shares

On the date of this Agreement the Seller shall transfer the Shares to the Purchaser through the execution of the Deed of Transfer before the Civil Law Notary. A draft of the Deed of Transfer is attached hereto as Schedule 1.

2.3 Acknowledgement

The Seller shall procure that the Company will acknowledge the transfer of the Shares by co-signing the Deed of Transfer and will immediately enter such transfer in it register of shareholders.

2.4 Effective Date

Subject to Closing taking place, the Shares and the Company shall be for the risk and benefit of the Purchaser as of the Effective Date.

3. PURCHASE PRICE AND PAYMENT

3.1 Purchase Price

The Purchase Price shall consist of an amount to be paid at closing of EUR 1,800,000 (one million eight hundred thousand euro (the “**Closing Amount**”) and certain amounts to be paid after Closing subject to certain conditions being fulfilled as provided for in Clause 3.2 below (the “**Earn Out Amounts**”).

3.2 Earn Out

First Earn Out:

The Purchaser shall pay to the Seller the amount of the First Earn out on [*] (or, if later, ultimately on the [*] Business Day after the relevant EBITDA Statement as defined in Clause 3.3 shall have been finally established in accordance with Clause 3.3), provided that (i) the EBITDA Margin for the period of [*] shall be at least [*]% and (ii) the total Revenue of the Company for the period of [*] shall be at least EUR [*] ([*] euro), all as established in accordance with Clause 3.3.

The First Earn Out amount, if payable in accordance with this Clause 3.2, shall be:

(i) EUR [*] ([*] euro) if the total Revenue of the Company for the period of [*] as established in accordance with Clause 3.3 shall be between EUR [*] ([*]

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

euro and EUR [*] ([*] euro); or

(ii) EUR [*] ([*] euro) if the total Revenue of the Company for the period of [*] as established in accordance with Clause 3.3 shall be equal to or above EUR [*] ([*] euro).

Second Earn Out

The Purchaser shall pay to the Seller the amount of the Second Earn Out on [*] (or, if later, ultimately on the [*] Business Day after the relevant EBITDA Statement as defined in Clause 3.3 shall have been finally established in accordance with Clause 3.3), provided that (i) the EBITDA Margin for the period of [*] shall be at least [*]%; and (ii) the total Revenue of the Company for the period of [*] shall be at least EUR [*] ([*] euro), all as established in accordance with Clause 3.3.

The Second Earn Out amount, if payable in accordance with this Clause 3.2, shall be:

(i) EUR [*] ([*] euro) if the total Revenue of the Company for the period of [*], as established in accordance with Clause 3.3, shall be between EUR [*] ([*] euro) and EUR [*] ([*] euro); or

(ii) EUR [*] ([*] euro) if the total Revenue of the Company for the period of [*], as established in accordance with Clause 3.3, shall be between EUR [*] ([*] euro) and EUR [*] ([*] euro); or

(iii) EUR [*] ([*] euro) if the total Revenue of the Company for the period of [*], as established in accordance with Clause 3.3, shall be equal to or above EUR [*]

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

([*] euro).

3.3 EBITDA Statement

As soon as possible and in any event no later than [*] Business Days after [*] and [*] respectively, the Purchaser shall cause the Company, for the purpose of establishing the EBITDA Margin and the Revenue for the period of [*] and [*] respectively, to prepare a draft statement setting out such EBITDA Margin and Revenue in accordance with Dutch GAAP applied on a basis consistent with the Accounts and past practice (the “EBITDA Statement”) and the Purchaser shall cause the Company to submit this draft EBITDA Statement to the Seller and the Purchaser for it to review. Any objections to this draft EBITDA Statement shall be notified by one Party to the other Party within [*] Business Days of the draft EBITDA Statement being submitted.

Where no objections have been submitted against the draft EBITDA Statement within the aforesaid objection period of [*] Business Days, the EBITDA Margin and the Revenue reflected therein for the relevant period shall be binding on the Parties.

Where any objection has been made, the Parties shall try to resolve the issue. Should they fail to do so within [*] Business Days of the end of the aforesaid objection period of [*] Business Days (the “**Disagreement Date**”), then any such unresolved issue (for the purpose of this Clause the “**Open Issues**”) shall be submitted to and settled by an accountant of an independent reputable firm or accountants (for the purpose of this Clause to be referred to as the “**Accountant**”) to be jointly appointed by the Parties within [*] Business Days of the Disagreement Date or, if the Parties fail to agree on such appointment within that period, by the Chairman of the Netherlands Institute of Registered Accountants (“**NIVRA**”). The Parties shall immediately upon such appointment submit the EBITDA Statement and statements of their respective positions in writing to the Accountant. The Accountant shall determine the further procedural rules at his discretion.

The Parties undertake to procure that the Accountant shall finally resolve the Open Issues by way of a binding advice (*bindend advies*) in accordance with this Agreement and that the Accountant shall notify the Parties of his decision, inter alia certifying the final version of the EBITDA Statement and the resulting EBITDA margin and Revenue for

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

the relevant period which he has established, as promptly as possible and in any event no later than [*] Business Days after his appointment. The fees and expenses arising out of the engagement of the Accountant shall be borne by the party which has on balance been put in the wrong as decided by the Accountant.

The failure of either the Seller or the Purchaser to timely submit to the Accountant a written statement of its position or to otherwise fail to respond to any request of the Accountant for information shall not preclude or delay the Accountant's determination of the Open Issues on the basis of the information which will have been submitted.

The Parties shall, and the Purchaser shall procure that the Company shall, give all information and assistance to the Accountant requested by the Accountant for the preparation of his binding advice. Simultaneously with providing such information to the Accountant, the Parties shall provide each other with the same information.

3.4 Payment

The Closing Amount shall be paid on the date of this Agreement in same day funds. The Purchaser shall transfer the Closing Amount on the date of this Agreement to the Notary's Account with reference to file number [*].

The Civil Law Notary is hereby instructed by the Parties to release the Closing Amount immediately after the Deed of Transfer shall have been executed as follows

a. an amount of EUR [*] ([*] euro) to be transferred to the bank account of the Seller with ABN AMRO Bank (account number [*]); and

b. an amount of EUR [*] ([*] euro) to be transferred to the bank account of the Seller with Rabobank Randmeren (account number [*]); and

c. an amount of EUR [*] ([*] euro) to be transferred to the current account of RLC Management B.V. (account number [*]), whereupon all of the Encumbrances over any assets of the Company under the Credit

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

Facility will be released in accordance with the letter from the Bank attached as Schedule 3; and

d. an amount of EUR 250,000 (two hundred fifty thousand euro) (the Escrow Amount) to be kept in the Escrow Account in accordance with the provisions of the Escrow Agreement; and

e. an amount of EUR [*] ([*] euro) to be transferred to the bank account of the Company with ABN AMRO Bank N.V. (account number [*]) constituting the settlement and termination of the current account (*rekening courant*) relationship between the Company and the Seller (the "**Current Account Facility**");

The Earn Out Amounts, if payable in accordance with Clause 3.2 and subject to the deduction of any amount referred to in Clause 8.1, shall be paid on the dates mentioned in Clause 3.2 in same day funds. The Purchaser shall transfer the Earn Out Amount to the bank account of the Seller with Rabobank Randmeren (account number [*]).

4. CONDUCT OF BUSINESS

Since the Balance Sheet Date until the date of this Agreement, the Company has operated its business in a normal and prudent manner consistent with past practice and has preserved good relationships with customers and suppliers and good relationships with the Employees and the trade unions and furthermore has continued to maintain the Real Property Rented and other goods in use by the Company in good working order and state of maintenance and repair.

5. PRE-CLOSING COVENANTS AND NO LEAKAGE

5.1 The Seller guarantees that since the Balance Sheet Date until the date of this Agreement, the Company has not, without the prior written consent of the Purchaser or except as explicitly disclosed in writing by the Seller to the Purchaser prior to entering into this Agreement:

a. incurred or increased any interest bearing financial debt;

b. assumed, guaranteed or otherwise became liable for the obligations or, or made any loans or advances to, any other Person, other than to the Seller under the Current Account

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

Facility, which has been terminated as of the date of this Agreement after which no such liabilities exist;

c. waived or released any right of material value without adequate consideration;

d. acquired or disposed of any business or any material asset, other than in the ordinary course of business, consistent with past practice and at arm's length terms;

e. entered into, amended or terminated any material agreement with a value in excess of a total aggregate amount of EUR [*] ([*] euro) as listed in Schedule 7;

f. with respect to its Employees except as required by law, amended any of their terms of employment or awarded any incentives, other than customary annual increases/incentives consistent with past practice, nor paid them any bonuses, other than the [*];

g. made or became obligated to make any capital expenditures in an amount exceeding a total aggregate amount of EUR [*] ([*] euro) as listed in Schedule 8;

h. mortgaged, pledged, subjected to any lien, charged or otherwise encumbered any of its material assets;

i. made any alteration in the manner of keeping its books, accounts or records, except to the extent required by law and/or Dutch GAAP;

j. amended its articles of association;

k. issued any shares in its share capital, or issued or sold any securities convertible into or exchangeable for or carrying the right to subscribe for any shares in its capital;

l. declared, authorised paid or made any dividends or other distribution, or reduced its paid-up capital with respect to its shares, other than a dividend payment in respect of the year 2008

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

in the amount of EUR [*];

m. made any payments to or on behalf of the Seller or any of its affiliates (not being the Company), other than under the Current Account Facility, which has been terminated as of the date of this Agreement after which no such liabilities exist;

n. made any payments in connection with the Transaction other than as contemplated in this Agreement;

o. entered into any agreement obligating it to do any of the foregoing.

5.2 The Seller agrees to reimburse the Purchaser on a euro for euro basis for any breach of this Clause 5, increased with interest thereon at a rate of [*] euribor + [*]%.

5.3 The obligation of the Seller to reimburse the Purchaser pursuant to this Clause 5 shall terminate on the date falling [*] after the date of this Agreement, unless prior to that date the Purchaser has notified the Seller in writing of a breach of this Clause 5.

6. CLOSING

6.1 Place of Closing

Closing shall take place on the date of this Agreement at the offices of NautaDutilh in Amsterdam.

6.2 Release of guarantees

The Seller shall procure prior to or at Closing the release of the Company from any guarantee or Encumbrance given by the Company or existing over the assets of the Company under the Group Credit Facility, subject to the payment to the Bank of the outstanding amount under the Group Credit Facility as set out in the Release Letter attached hereto as Schedule 3.

6.3 Release of guarantees

The Purchaser shall procure, as soon as possible after the date of this Agreement but in any event no later than ten (10) Business Days after the

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

date of this Agreement, the release of the Seller from the guarantee given by the Seller in the amount of EUR 22,413 (twenty two thousand four hundred and thirteen euro) in respect of the Lease Agreement.

6.4 Further action to be taken at Closing

At Closing the Parties shall take such action and shall sign such documents as shall be required to be taken or signed in order to complete the Transaction, including:

a. payment of the Closing Amount by the Purchaser into the Notary's Account in accordance with Clause 3.4;

b. termination of the management agreements with ESMB B.V. and R.G. Schneiders Beheer B.V.;

c. execution by [*] and [*] and each of their personal holding companies of a statement whereby they commit themselves to the Company that they shall each transfer any and all intellectual property rights held or acquired by them in exercise of their activities on behalf of the Company, in the form attached hereto as Schedule 6;

d. execution of employment agreements between (i) the Company and [*], and (ii) the Company and [*];

e. resignation of the Seller and the granting of discharge (*decharge*) to the Seller and appointment of the Purchaser in the position of managing director of the Company;

f. resignation of [*] as board member of the Foundation and appointment of Marc Chardon and Timothy V. Williams as new board members of the Foundation;

g. execution of the Deed of Transfer;

h. termination of the fiscal unity between the Company and the Seller with effect from the date of this Agreement (which shall take place by operation of law);

i. transfer of an amount of:

    a. EUR [*] ([*] euro) out of the

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

Notary's Account to the bank account of the Seller at ABN AMRO Bank;

b. EUR [*] ([*] euro) out of the Notary's Account to the bank account of the Seller at Rabobank Randmeren;

c. EUR [*] ([*] euro) to the Bank; and

d. EUR [*] ([*] euro) to be transferred to the bank account of the Company, all of the foregoing in accordance with Clause 3.4.

7. REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties

The Seller represents and warrants to the Purchaser that each of the Representations and Warranties set out in Schedule 4 is true and accurate at the date of this Agreement, save to the extent:

a. that any disclosures have explicitly, specifically and unambiguously been made in Schedule 4;

b. fairly disclosed in the Disclosed Information (Schedule 5).

For the purpose of this Clause any disclosures shall be deemed to have been "fairly" made if the Purchaser (or any of its attorneys, accountants, advisors, representatives, and or affiliates), by reviewing the Disclosed Information as a reasonably professional purchaser assisted by legal and tax advisors, could reasonably be expected to have been aware of such facts or circumstances constituting a breach of the Representations and Warranties.

For the avoidance of doubt, if for example (i) a reference is included in one of the documents which has been included in the Disclosed Information which refers to a document that has not been made part of the Disclosed Information the latter document shall not be considered fairly disclosed, or (ii) documents are included in the Disclosed Information in which uncommon abbreviations were included to which abbreviations was not given a meaning in the documents itself, such document shall not be considered fairly disclosed, insofar as it concerns this abbreviation and the context in which it has been made.

The Purchaser hereby warrants to the Seller that upon signing of this Agreement the Purchaser has not awareness of any breach of the

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

Representations and Warranties.

The Purchaser acknowledges that the Representations and Warranties are the only representations and warranties given by the Seller on which the Purchaser may rely (and has relied) in entering into this Agreement.

The Purchaser does not rely on and hereby waives the right to invoke any warranties that are in any way contained in or implied by Dutch law or any other relevant jurisdiction, including but not limited to sections 7:17 and 7:20-23 of the Dutch Civil Code.

7.2 Separate Representations and Warranties

Each of the Representations and Warranties shall be construed as a separate representation and/or warranty and shall not be limited by the terms of any of the other Representations and/or Warranties, either expressly or by means of reference.

8. COMPENSATION

8.1 General principle

In the event of a breach of any of the Representations and Warranties or of the covenants referred to in Clause 4 and 5, the Purchaser has the right to submit to the Seller a Claim for Compensation. In the event, the Seller shall pay to the Purchaser or, at the option of the Purchaser, to the Company, by way of correction to the Purchase Price an amount, necessary to compensate the Purchaser's Damages. For the avoidance of doubt, if the breach of any of the Representations and Warranties or the covenants referred to in Clause 4 and 5 results in Damages of the Company, those Damages shall be attributed to the Purchaser and the Purchaser shall be entitled to request compensation from the Seller for those Damages.

8.2 Information with respect to Claim

Where the Purchaser considers making a Claim for Compensation it shall, within a reasonable period of discovery of the circumstances giving rise to such Clam, notify the Seller giving reasonable particulars of the facts relating to such Claim and its best estimate of the likely amount of the Claim. Such a notification given within such period shall be considered a notification within the meaning of Article 7:23(1) of the Civil Code.

8.3 Defence against Third Party Claims

Where a Claim of the Purchaser for Compensation is based upon or relates to a Third Party Claim, the Purchaser shall notify the Seller of such Third Party Claim as soon as possible after becoming aware thereof. As soon as possible following the date of that notification the Parties shall consult each other on the course of action to be taken. The Purchaser shall, however, at its sole discretion and subject only to any restriction under any insurance policy, be entitled to take, or procure the Company to take, any action necessary to defend the Third Party Claim. The Purchaser shall use its reasonable best endeavours to strike a fair balance between the interests of the Seller in keeping the Compensation as low as possible and the interests of the Purchaser and the Company to maintain good business relations with the third party concerned.

The Parties will cooperate with each other in dealing with any Third Party Claim and will allow each other access to all relevant books and records during normal business hours and at the place where the same are normally kept, with full right to make copies thereof or take extracts therefrom. Such books and records shall be subject to a duty of confidentiality except for disclosure necessary for resolving such Third Party Claim or otherwise required by applicable law or stock exchange rules.

8.4 Effect of Tax, specific provisions and insurance

In determining the amount of Compensation and whether the threshold referred to in Clause 9.2.2 is reached the following factors shall be taken into account

a. any Tax refund received by the Company or any reduction in Tax payable by the Company to the extent that such refund or reduction is directly attributable to the facts giving rise to the Claim; and/or

b. the release of any specific provision in the Accounts, which is directly attributable to the facts giving rise to the Claim; and/or

c. any amount received by the Company under any insurance policy or from any third party, to the extent that such amount is directly attributable to the facts giving rise to the Claim.

8.5 Payment without deductions

All sums payable by the Seller to the Purchaser or the Company pursuant to any Claim for Compensation shall be paid free and clear of any deductions or withholdings whatsoever save only as may be required by law. Where any deduction or withholding is required by law from any Compensation (save to the extent that the Purchaser or the Company may be credited for such deduction or withholding), the Seller shall be obliged to pay to the Purchaser or the Company such greater sum as will, after such deduction or withholding, leave the Purchaser or the Company with the same amount as it would have been entitled to receive in the absence of any such deduction or withholding.

8.6 No claims against Directors or Employees

The Seller shall refrain from bringing any claim against any Director, Employee of the Company or against [*] or [*] or their personal holding companies in respect of any information supplied (or not supplied) by such person to the Purchaser or any of the persons authorised by the Purchaser in connection with the Company, save in the event of willful intent or gross negligence.

9. LIMITATIONS TO COMPENSATION FOR BREACH OF REPRESENTATIONS AND WARRANTIES OR COVENANTS

9.1 Limitations in time

Without prejudice to any rights the Purchaser may have under the Representations and Warranties set out in Sections 3, 4 and 18 of Schedule 4, which shall survive the date of this Agreement until [*] ([*]) [*] after the applicable statutory limitation period, and without prejudice to any rights the Purchaser may have under Clause 10.2 and 11.3 which shall not be limited to a maximum duration, the Purchaser shall no longer be entitled to start new claims for any Compensation for breach of this Agreement upon expiry of [*] ([*]) [*] from the date of this Agreement

The above shall apply instead of Article 7:23(2) of the Civil Code.

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

9.2 Limitations as to amount of Compensation for breach of Representations or Warranties

9.2.1 Maximum Compensation

Without prejudice to any rights the Purchaser may have under any of the Representations and Warranties set out in Sections 3, 4 and 18 of Schedule 4, and Clause 10.1 (i), 10.1 (ii) which shall be limited with respect to the amount of the Compensation payable to a maximum of EUR [*], and without prejudice to any rights the Purchaser may have under Clause 10.2 and Clause 11.3 which shall not be limited to a maximum amount, the Purchaser shall not be entitled to claim any Compensation for breach under this Agreement insofar as the aggregate Compensation due exceeds EUR [*] ([*] euro), it being understood that with respect to all claims taken together in respect to breaches of the Agreement, the aggregate liability of any Seller shall not exceed an amount equal to EUR [*] ([*] euro) [*].

9.2.2 Threshold

The Purchaser shall not be entitled to any Compensation with respect to any Claim or Claims for breach of any of the Representations and Warranties unless the aggregate amount of Compensation due exceeds EUR [*] ([*] euro), but in that event the Seller shall be liable for the whole amount of such Claim(s) and not merely for the excess.

10. SPECIFIC INDEMNITIES

10.1 The Seller agrees that it shall fully indemnify and hold harmless the Purchaser or, at the option of the Purchaser, the Company, on a euro for euro basis in relation to the period up to and including the date of this Agreement:

(i) for any damages (which shall include any severance payment), including Taxes, reasonable costs (which shall include costs of

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

legal advice), fines, penalties and interest suffered or payable by the Company relating to the possible qualification by any Tax Authority or any competent court of [*], [*] and/or [*] as employees (for Tax or civil law purposes) of the Company;

(ii) [*];

10.2 Subject to Clause 11.2, the Seller agrees that it shall fully indemnify and hold harmless the Purchaser or, at the option of the Purchaser, the Company, on a euro for euro basis in relation to the period between the Effective Date up to and including the date of this Agreement for any Tax Liability of the Company and/or the Foundation including all costs and expenses incurred by the Purchaser or the Company or the Foundation in respect thereof, insofar it exceeds EUR [*] ([*] euro). For the purpose of this Clause 10.2, a Tax Liability of the Company shall include a liability of RLC Management B.V. to make or suffer a payment of corporate income tax relating to the period between the Effective Date up to and including the date of this Agreement to the extent such liability can be allocated or arises from taxable income that can be allocated to the Company, but only if the calculation for the allocation to the Company of the taxable income included in such Tax assessment is provided in a form reasonably acceptable to the Purchaser.

11. FISCAL UNITY

11.1 The Seller hereby indemnifies and holds the Purchaser and the Company harmless from and shall compensate the Purchaser and the Company for any Tax Liability which, as a result of the Fiscal Unity, will be for the account of the Company, and which in the absence of such Fiscal Unity would have been for the account of the Seller or RLC Management B.V., as a consequence of the application of section 24 of the Dutch 1990 Tax

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

Collection Act (*Invorderingswet 1990*).

11.2 The Purchaser hereby indemnifies and holds the Seller harmless from and shall compensate the Seller for any Taxes (whether actually paid or not or incurred by means of set-off, the loss of a deductible item, the loss of tax losses or otherwise) which, as a result of the Fiscal Unity will be for the account of the Seller or RLC Management B.V. and which in the absence of the Fiscal Unity would have been for the account of the Company, as a consequence of the application of section 24 of the Dutch 1990 Tax Collection Act (*Invorderingswet 1990*), to the extent any Tax payable by the Company is actually reduced.

11.3 The Seller agrees that it shall fully indemnify and hold harmless the Purchaser or, at the option of the Purchaser, the Company, on a euro for euro basis in relation to the period up to and including the date of this Agreement:

(i) for any Tax Liability of the Company in connection with the application of Article 39 of the Tax Collection Act 1990 (Invorderingswet 1990) including all costs and expenses incurred by the Purchaser and/or the Company in respect thereof;

(ii) for any claim by the Seller or a related entity in respect of the utilization of Tax losses or the allocation of Tax, whether by agreement or by law, over the members of the Fiscal Unity, including all costs and expenses incurred by the Purchaser and/or the Company in respect thereof.

12. CONDUCT OF TAX AFFAIRS

12.1 To the extent not yet submitted to the relevant Taxation Authority at the date of this Agreement, the Seller shall be responsible for, and have the conduct of preparing, submitting to and agreeing with all relevant Tax Authorities:

(a) all Tax returns and computations of the Company, including claims and/or surrenders as a result of the Company being part of the Fiscal Unity prior to the date of this Agreement, for all Tax accounting periods of the Company ending on or before the date of this Agreement; and

(b) in connection with article 13 of the Fiscal Unity Regulation 2003

(*Besluit fiscale eenheid 2003*), a balance sheet and profit and loss account of the Company as per the date of the Fiscal Unity is terminated,

and in connection therewith:

(a) all returns, computations, documents and substantive correspondence relating thereto (together with the documents referred to above in Clause 12.1 a and b, the "**Tax Documents**") shall be submitted in compliance with past practice in draft form by the Seller to the Purchaser or its duly authorised agents for comment;

(b) the Purchasers and the Seller shall provide to the other, or their duly authorised agents information and assistance which may reasonably be required to prepare, submit and agree all such outstanding Tax Documents;

(c) if a time limit applies in relation to any Tax Document, the Seller shall ensure that the Purchaser receives the Tax Document no later than fifteen (15) Business Days before the expiry of the time limit;

(d) the Seller shall take into account all reasonable comments and suggestions made by the Purchaser or its duly authorised agents and the Tax Documents shall not be submitted to a Taxation Authority without the prior written consent of the Purchaser;

(e) the Tax Documents shall be duly, timely, correctly and in compliance with applicable law be submitted to the relevant Taxation Authority;

(f) the Seller shall procure that the Purchaser is kept fully informed of the progress of all matters relating to the Tax affairs of the Company in relation to Tax accounting periods ending on or before the date of this Agreement; and

(g) the Seller shall as soon as practicable deliver to the Purchaser copies of all correspondence sent to or received from any Taxation Authority.

12.2 The Seller hereby agrees to procure that any existing authority held by any employee or agent of or adviser to the Seller or its affiliate insofar the Seller has the authority to do so, to sign Tax Documents on behalf of the Company shall be cancelled with effect from the date of this Agreement.

12.3 In relation to Tax accounting periods of the Company ending after the date of this Agreement, the Purchaser (or its duly authorised agents) shall be responsible for, and have the conduct of preparing, submitting to and agreeing with the relevant Taxation Authority all Tax returns and computations of the Company. The Seller and its affiliate shall provide to the Purchaser or its duly authorised agents information and assistance which may reasonably be required to prepare, submit and agree all such Tax returns and computations.

13. CONDUCT OF TAX CLAIMS

13.1 The Purchaser shall promptly notify the Seller, or as the case may be, the Seller shall promptly notify the Purchaser, in writing and within ten (10) Business Days upon receipt of a notice of any pending or threatened audit investigation or assessment with respect to Tax matters of the Company for any period or portion thereof ending prior to the date of this Agreement. In such event:

(a) the Seller shall be entitled to elect to (i) control the conduct of any such audits or other proceeding relating to Tax matters of the Company, and (ii) settle and compromise any such audit or proceeding, provided, however, that such settlement or compromise shall be effected only with the consent of the Purchaser not to be unreasonably withheld or delayed. The Purchaser agrees to render the Seller such assistance as may reasonably be requested in order to ensure the proper and adequate defense of any such audit or proceeding;

(b) in the event that the Seller elects not to assume the defence of such claim or action, the Purchaser shall have the right to employ counsel and to settle and compromise any such claim or action, provided, however, that such settlement or compromise shall be effected only with the consent of the Seller, which consent shall not be unreasonably withheld or delayed. The Seller agrees and shall procure that its affiliates agree to render the Purchaser such assistance as may reasonably be requested in order to ensure the proper and adequate defence of any such claim or proceeding;

(c) the party conducting the defence of any such claim or proceeding shall at all times keep the other party informed of any developments in the defence of any such claim or proceeding and of its intentions as to how to proceed.

13.2 The Purchaser shall promptly notify the Seller, or as the case may be, the Seller shall promptly notify the Purchaser, in writing and within ten (10) Business Days upon receipt of a notice of any pending or threatened audit investigation or assessment with respect to Tax matters of the Company for any period or portion thereof ending for any period or part thereof ending after the date of this Agreement but starting before the date of this Agreement . In such event:

(a) the Purchaser shall be entitled to elect (i) to control the conduct of any such audits or other proceeding relating to Tax matters of the Company, provided that the Seller shall be entitled to participate in the defence of such audits or other proceedings, and (ii) settle and compromise any such audit or proceeding, provided, however, that, subject to the Seller accepting liability for a claim for Taxation under this Agreement resulting from such audit or other proceeding, such settlement or compromise shall be effected only with the consent of the Seller, which consent shall not be reasonably withheld or delayed. The Seller agrees and shall procure that its affiliates agree to render the Purchaser such assistance as may reasonably be requested in order to ensure the proper and adequate defence of any such audit or proceeding;

(b) the Purchaser shall at all times keep the Seller informed of any developments in the defence of any such claim or proceeding and of its intentions as to how to proceed.

14. NON-COMPETITION

The Seller hereby undertakes towards both the Purchaser and the Company that it will not itself or allow any of the companies of its group without the prior written consent of the Purchaser for a period of [*] ([*]) years from the date of this Agreement

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

a. in any capacity or in any way whatsoever in the Netherlands, either directly or indirectly be engaged in or concerned with, or approach any Person with a view to being engaged in or concerned with, the conduct of any business which competes with the Business as conducted on the date of this Agreement;

b. persuade or cause, or attempt to persuade any employee or any distributor or commercial agent of the Company to terminate his relationship with the Company, or employ or engage any such person within [*] ([*]) [*] of the effective termination of his relationship with the Company, or take any action that may result in the impairment of the relationship between such employee or distributor or commercial agent and the Company;

c. persuade or cause or attempt to persuade any customer, supplier of or Person otherwise doing business with the Company to terminate his relationship with the Company or take any action that may result in the impairment of such relationship or assist or cause or attempt to assist any competitor of the Company in the conduct of any business referred to in Clause a. hereof;

d. use the abbreviation “RLC” or any combination including such abbreviation, or the logo of the Company. Within a period of [*] ([*]) [*] from Closing the Seller shall change its name as to delete “RLC” therefrom.

Without limiting the generality of the foregoing, the Seller shall refrain from knowingly taking any action which may adversely affect the Business. The Seller shall also ensure that none of the companies of its group shall take any such action.

15. CONFIDENTIALITY

15.1 Confidentiality

Each Party undertakes that it will not at any time disclose or use, with detrimental effect for the other Party, any confidential information concerning this Agreement or any agreement resulting therefrom or relating thereto, or concerning the business and affairs of the other Party, except

a. to the extent required by applicable law or stock exchange rules

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

or by any Authority but in that case only after consultation with the other Party about the timing and content of such disclosure;

b. to its professional advisers subject to a duty of confidentiality and only to the extent necessary for any lawful purpose; and

c. to the extent that at the date hereof or hereafter such information is public knowledge other than through unlawful disclosure of which that Party at the time of disclosure was or could reasonably have been aware that it was unlawful.

15.2 Announcement

Any press release issued by either Party in relation to this Agreement or the Transaction requires the prior consent of the other Party (which shall not unreasonably be withheld).

16. PENALTY CLAUSE

In the event that the Seller breaches any of its obligations under Clause 14 of this Agreement it shall immediately, without any further action or formality being required, become liable to the Purchaser for an immediately due and payable penalty of EUR [*] ([*] euro) for each such breach and for a periodic penalty payment of EUR [*] ([*] euro) for each day such breach continues, without the Purchaser having to prove any loss or damage, and without prejudice to the right of the Purchaser to claim damages in addition if there are grounds for so doing. Payment under this Clause to the Purchaser shall constitute full release towards the Seller.

17. MISCELLANEOUS

17.1 Invalid provisions

In the event that a provision of this Agreement is null and void or unenforceable (either in whole or in part), the remainder of this Agreement shall continue to be effective to the extent that, given this Agreement's substance and purpose, such remainder is not inextricably related to the null and void or unenforceable provision. The Parties shall make every effort to reach agreement on a new clause which differs as little as possible from the null and void or unenforceable provision, taking into account the substance and purpose of this Agreement.

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

17.2 Further action

If at any time after Closing any further action is necessary or desirable in order to implement this Agreement, each Party shall at its own cost execute and deliver any further documents and take all necessary action as may reasonably be requested from each of it.

17.3 Amendment

No amendment to this Agreement shall have any force or effect unless it is in writing and signed by the Parties.

17.4 Costs

Save as regards the costs of making the data room a virtual data room which shall be [*], and the costs (including disbursements) associated with maintaining the Escrow Account (as provided for in the Escrow Agreement), which shall be borne by the [*], each Party shall bear its own costs in connection with the preparation, negotiation and signing of this Agreement, including brokers' and consultants' fees.

17.5 No implied waiver; no forfeit of rights

a. Any waiver under this Agreement must be given by notice to that effect.

b. Where a Party does not exercise any right under this Agreement (which shall include the granting by a Party to any other Party of an extension of time in which to perform its obligations under any provision hereof), this shall not be deemed to constitute a forfeit of any such rights (*rechtsverwerking*).

17.6 Entire Agreement

This Agreement constitutes the entire agreement and understanding of the Parties with respect to its subject matter and replaces and supersedes all prior agreements, arrangements, undertakings or statements regarding such subject matter, including the LOI.

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

17.7 No rescission

To the extent permitted by law, the Seller and the Purchaser hereby waive their rights under Clauses 6:265 to 6:272 inclusive and 6:228, respectively of the Civil Code to rescind (*ontbinden*) or nullify (*vernietigen*) on the ground of error (*dwaling*), or demand in legal proceedings the rescission (*ontbinding*) or nullification (*vernietiging*) of, this Agreement or nullification.

17.8 Notice

17.8.1 Any notice or other communication under or in connection with this Agreement shall be in writing and delivered by hand or sent by facsimile, by courier, or by registered mail and shall be effective, in the absence of earlier receipt:

a. if sent by facsimile, 2 (two) business hours after receipt. Receipt shall be deemed to have occurred when transmission of such facsimile communication has been completed and a positive transmission report has been produced by the transmitting machine. For the purposes of this provision, "business hour" shall mean any time between 09.00 and 18.00 hours on a Business Day in the country of the addressee.

b. if sent by courier service, 3 (three) days after dispatch,

c. if sent by registered mail, 3 (three) days after dispatch.

17.8.2 Notice under the Agreement shall be sent to the addresses of the Parties as specified below:

If to the Purchaser	Blackbaud, Inc.
Address	2000 Daniel Island Drive, Charleston, SC, 29492-7541
Fax number	001 84 32 16 61 00
Attn	General Counsel
With copy to	NautaDutilh N.V.
Address	Postbus 7113, 1007 JC Amsterdam
Fax number	0031 20 71 71 111
Attn	Lieke van der Velden

If to the Seller	RLC Group B.V.
Address	Zeeweg 28, 3853 LM Ermelo
Attn	Edwin Schalk
With copy to	Loyens & Loeff
Address	P.O. box 2888, 3000 CW Rotterdam
Fax number	0031 10 41 25 839
Attn	Jan-Willem van Rooij

or such other address as the Party to be given notice may have notified to the other Parties from time to time in accordance with this Clause for that purpose.

17.8.3 The provisions of this Clause shall not apply in relation to the service of documents for the purpose of litigation.

17.9 Assignment or encumbrance

Either Party may at any time assign the Agreement (*contractsoverneming*) or assign or encumber any of its rights thereunder to any of its affiliated companies, provided that such Party remains liable for its obligations under this Agreement. In such an event, the other party undertakes to cooperate to the extent necessary to effect such assignment expeditiously. Other than as provided for in this clause neither Party may assign this Agreement or assign or encumber any of its rights thereunder without the prior written consent of the other Party.

17.10 Civil Law Notary

The Parties are aware of the fact that the Civil Law Notary works with NautaDutilh, the firm that advises the Purchaser in the Transaction. With reference to the Code of Conduct (*Verordening beroeps- en gedragsregels*) established by the Royal Notarial Professional Organisation (*Koninklijke Notariële Beroepsorganisatie*), the Parties hereby explicitly agree (i) that the Civil Law Notary shall execute any notarial deeds related to this Agreement and (ii) that the Purchaser is assisted and represented by NautaDutilh in relation to this Agreement and any agreements that may be concluded, or disputes that may arise, in connection therewith.

17.11 Choice of Law

This Agreement shall be exclusively governed by and construed in accordance with the laws of the Netherlands, without regard to any conflict of law rules under Dutch private international law.

17.12 Disputes

17.12.4 The Parties agree to pursue the settlement of any dispute in connection with this Agreement in accordance with the Arbitration Rules of the Netherlands Arbitration Institute (*Nederlands Arbitrage Instituut*) as at present in force.

a. The arbitral proceedings and all documents delivered to or by the arbitrators shall be conducted in the English language.

b. The place of arbitration shall be Amsterdam.

c. The arbitral tribunal shall comprise three arbitrators.

d. The arbitral tribunal shall decide in accordance with the rules of law.

e. The Parties shall not be precluded from applying for injunctive relief in summary proceedings (*kort geding*) before any competent court instead of arbitrators.

f. Consolidation of the arbitral proceedings with other arbitral proceedings pending in the Netherlands, as provided for in Article 1046 of the Code of Civil Procedure, shall be excluded.

This Agreement has been signed in counterparts on 29 April 2009.

For and on behalf of
Blackbaud Inc.

____
By
Title

For and on behalf of
RLC Group B.V.

____
By
Title

For and on behalf of
RLC Group B.V.

____
By
Title

Schedule 4
(Representations and Warranties)

SCHEDULE 4

TO THE SHARE PURCHASE AGREEMENT DATED 29 APRIL 2009 BY AND BETWEEN BLACKBAUD, INC. AS PURCHASER AND RLC GROUP B.V. AS SELLER ("the Agreement")

REPRESENTATIONS AND WARRANTIES

Section 1 – Interpretation

1.1 Defined terms used in the Agreement shall have the same meanings when used in this Schedule.

1.2 Whenever the expression "to the best knowledge of the Seller" or any similar expression is used in this Schedule, such expression shall mean the knowledge of [*] and [*], which persons shall be deemed to have made reasonable efforts to obtain reasonably detailed information from the Seller, the Company or the Foundation.

Schedule 2 – Information provided

2.1 All of the Disclosed Information which has been given by or on behalf of the Seller to the Purchaser or any of its advisors or employees in the course of the negotiations leading to the Agreement is true and accurate in all material respects.

2.2 The Seller does not know of any information which may reasonably be considered to be material to the Purchaser's decision to enter into this Agreement which has not been disclosed to the Purchaser.

Section 3 – The Company

3.1 The Company has been duly incorporated and is validly existing under the laws of the jurisdiction of its incorporation.

3.2 No proposal has been made or resolution adopted for the dissolution or liquidation of the Company, no circumstances exist which may result in the dissolution or liquidation of the Company, and no proposal has been made or resolution adopted for a statutory merger (*juridische fusie*) or division (*splitsing*), or a similar arrangement under the laws of any applicable jurisdiction, of the Company.

3.3 The Company has not been (i) declared bankrupt (*failliet verklaard*) or (ii) granted a temporary or definitive moratorium of payments (*surséance van*

[*] Confidential treatment requested; certain information omitted and filed separately with the SEC.

betaling) or (iii) made subject to any insolvency or reorganisation proceedings or (iv) involved in negotiations with any one or more of its creditors or taken any other step with a view to the readjustment or rescheduling of all or part of its debts, nor has, to the best knowledge of the Seller, any third party applied for a declaration of bankruptcy or any such similar arrangement for the Company under the laws of any applicable jurisdiction.

3.4 No resolution has been adopted by any corporate body of the Company, which has not been fully implemented.

3.5 The current articles of association of the Company read in conformity with the copy thereof attached hereto as Annex 3.5.

3.6 The Company meets all material registration requirements under applicable law.

3.7 The Company has no Directors (*bestuurders*) or proxyholders (*procuratiehouders*) or their equivalents under any jurisdiction other than the Netherlands.

3.8 The Company does not have branches nor has had interests in other Persons. The Company is not a party to any partnership agreement (*v.o.f., c.v., maatschap* or equivalent).

3.9 The Company has not granted powers of attorney, which are still in force, to any third party (including any of the Employees) authorising such third party to represent it for any special purpose.

Section 4 – Shares

4.1 The Seller has full right and title to the Shares. Apart from the obligations resulting from the Agreement, there are no obligations with respect to any of the Shares, for example pursuant to trust, shareholders' or voting agreements or agreements restricting the transfer of such shares or the payment of dividends, or agreements pursuant to which approval therefore is required. No restrictions on the transfer of the Shares exist other than as set out in the Articles of Association.

4.2 The Company has not issued any profit sharing certificates (*winstbewijzen*) or granted any other rights to share in its profits (*winst-rechten*), nor granted any other rights to third parties (including but not limited to Employees) entitling such third parties to share in its profits, other than as provided for in the Company's employee manual.

4.3 The shares of the Company are fully paid-up and are free and clear of any Encumbrances. No rights, including but not limited to option rights, warrants, convertibles and similar rights, have been granted or issued relating to any shares (whether already issued or not) in the share capital of the Company.

Section 5 – Accounts

5.1 The Accounts:

(i) have been prepared in accordance with Dutch GAAP applied on a basis consistent with that applied with respect to the preceding three (3) financial years of the Company;

(ii) give a true and fair view (*getrouw beeld*) of the assets, liabilities and financial position of the Company on the Balance Sheet Date, developments during the financial year and the results of the Company; and

(iii) are not distorted by any items of an unusual or non-recurring nature or affected by transactions with Persons directly or indirectly related to the Seller other than as listed in Schedule 4.

5.2 On the Balance Sheet Date, the Company had no obligations, liabilities or commitments, contingent or otherwise, matured or unmatured, which were not included in the Accounts or for which no adequate provisions have been made therein.

5.3 The accounts receivable included in the Accounts have been valued at no more than their face value.

5.4 The Company has not failed to fulfil its obligations to timely publish its annual accounts for the financial years 2005, 2006 and 2007.

5.5 The Company has always kept its books in accordance with the applicable statutory requirements.

Section 6 – Events since the Balance Sheet Date

6.1 Since the Balance Sheet Date up to the date of this Agreement there have been no adverse material changes in the financial position of the Company.

Section 7 – Real property

A. Real Property Owned

7.1 The Company and the Foundation do not own any real property nor have made any commitment, contingent or otherwise, to become an owner of any real property.

B. **Real Property Rented**

7.2 The Foundation rents no real property and the Foundation has not made any commitment, contingent or otherwise, to rent any real property.

7.3 The Real Property Rented has been rented from the owner on the terms and conditions as included in the Lease Agreement as included in Annex 7.3. No other agreements, whether verbal or in writing, pertaining to the Real Property Rented exist with the lessor thereof and no obligations have been assumed by the Company other than those which appear from the Lease Agreement.

7.4 All obligations towards the lessor arising from the Lease Agreement and which have become due have been complied with. There are no rent disputes pending or threatened.

7.5 None of the Real Property Rented has been sub-leased by the Company to any Person and no other right of use or enjoyment of any of the Real Property Rented has been granted or promised by the Company to any Person.

7.6 Other than the creation of internal walls, air-conditioning in the server room and the installation of wiring, the Company has not made any changes to the Real Property Rented which by the end of the Lease agreement must be undone.

7.7 The present use is not and to the best of the Seller's knowledge will not be restricted or impaired by any applicable law or regulation of any Authority.

7.8 The Real Property Rented is fit for its present use and is in good state of maintenance and repair.

Section 8 – Company Property

8.1 For the purposes of this Section 8 **-**, the term "Company Property" shall mean all goods (other than Real Property Rented) being used by the Company and/or shown on the balance sheet of the Company.

8.2 The Company has full title to the Company Property. No item of the Company Property to which the Company has full title is subject to, other than retention rights in the ordinary course of business, any Encumbrances, leases, options to lease or rights of use of any nature whatsoever, whether contractual or otherwise.

8.3 The Company is entitled to the unrestricted use of all Company Property required to enable the Company to conduct its business as it is currently conducted and such property is in a good state of maintenance and repair.

Section 9 – Insurance

9.1 The Company has concluded the Insurance Policies and maintains them in full force and effect. The Company has not entered into any insurance policies other than the Insurance Policies.

9.2 All premiums on the Insurance Policies, which have become due and payable on or before the Closing Date have been paid and the Company has fulfilled all its obligations under the Insurance Policies.

9.3 No notifications have been received with regard to the non-renewal of any Insurance Policy or continuation or renewal on less favourable terms and conditions other than customary annual increases. To the best knowledge of the Seller there are no circumstances attributable to the Company which may nullify any Insurance Policy or which may cause premiums or deductibles to be increased.

9.4 Where relevant, the Insurance Policies offer the Company adequate cover against all risks normally insured against by Persons carrying on a similar business as the Company, such as fire, third party liability and business interruption.

Section 10 – Information technology

10.1 **Definitions**

The following capitalised terms and expressions in this section shall have the following meanings:

CRM Software:	any software (i) directly or indirectly provided by the Company to the customers of the Company, and (ii) any software developed (or under development) by (or for) the Company, including all carriers containing such software and Documentation
Documentation:	any documentation pertaining to the Software, including functional and technical specifications, aimed at instructing users of the Software about its functions

Hardware:	any equipment containing Software which is owned and/or used by (or used for the benefit of) the Company, as well as all connections involving such equipment
Software:	Standard Software, and CRM Software
Source Code:	any source code, including code which can be compiled to Software in executable code form, as well as all documentation necessary for the maintenance and further development of that source code and Software, including detailed technical documentation, specifications, data models and algorithms relating thereto and including all carriers containing such software and documentation
Standard Software:	any software which is used by (or for the benefit of) the Company on the date of the Agreement, including all carriers containing such software and documentation

10.2 Annex 10.2 contains a complete and exhaustive list of all CRM Software.

10.3 The Company has at its disposal and has a right to use all Standard Software and the Documentation of that Standard Software. The Company physically possesses and owns all Hardware.

10.4 The Foundation and/or the Company has at its disposal and owns all rights, including property rights and IP Rights (see definition in Section 11.1), to the CRM Software, the Documentation of the CRM Software and the Source Code of the CRM Software. The Company and/or the Foundation have not disclosed and are not obliged, other than in terms of customer agreements in event of a default (as defined in those customer agreements) by the Company, to disclose to any third party (including escrow agents) any Source Code relating to the CRM Software.

10.5 All the rights referred to in Section 10.3 and 10.4 are free of Encumbrances. Neither the Agreement nor the Closing will affect any of the rights referred to in Sections 10.3 and 10.4 or the Software or cause the Purchaser or the Company to perform any action for (or for the benefit of) any Person in connection with these rights or the Software, including payment of an (increased or additional) royalty or licence fee or disclosure of any Source Code relating to the CRM Software to any third party (including escrow agents). None of the rights referred to in Sections 10.3 and 10.4 infringes or has infringed any rights of any Person and to the best of Seller’s knowledge no Person is challenging or has challenged any of these rights.

10.6 In the period of twelve (12) months immediately preceding the Closing, there have been no failures or interruptions in the operation of the Hardware and/or Software which have had a material adverse effect on the conduct of the Company's businesses. To the best of Seller's knowledge, no material upgrades to or material investments in the Hardware and/or Software will be reasonably necessary during a period of twelve (12) months from the Closing.

10.7 The Source Code of the CRM Software is of such quality that a reasonably skilled expert will be able to: (i) understand, modify and make additions to the CRM Software therewith in order to (amongst other things) (a) correct defects in the CRM Software and (b) modify and add functionality thereto as well as (ii) generate the object code of the latest version of the CRM Software in use from and by means of the Source Code.

10.8 The Company has in place disaster recovery plans and procedures for its Hardware and Software and has taken all reasonable steps and implemented all reasonable procedures to safeguard its Hardware and Software and prevent unauthorised access thereto.

10.9 To the Seller's best knowledge, the Software contains no viruses, disabling code or devices or any other codes that may adversely affect the use of the Software. The Company has taken all reasonable steps to ensure that the Software is free of viruses, disabling codes or devices or any other codes that may adversely affect the use of the Software.

Section 11 – Intellectual property

11.1 **Definitions**

The following capitalised terms and expressions in this Section shall have the following meanings:

IP Rights:	all Registered IP Rights and Non Registered IP Rights
Non Registered IP Rights:	all national and international intellectual property rights not capable of being registered in a public register, including copyrights, moral rights and/or database rights, trade names and Know-how, as well as any similar rights necessary for the Company to operate its business

Registered IP Rights: all national and international intellectual property rights capable of being registered in a public register, including patent rights, and/or trademark rights, and/or any applications for such rights, as well as any similar rights necessary for the Company to operate its business

11.2 The Foundation is the sole owner/holder of the source code of the CRM Software and all IP Rights related to the CRM Software. The Company is the sole owner/holder of the IP Rights necessary for the Company to operate its business. The Company is the sole owner/holder of the Registered IP Rights listed in Annex 11.2, other than Publicbase.nl and relatiebeheer.org which will be owned by the Company shortly after the date of this Agreement for which no further action is required by the Seller. All IP Rights of the Foundation and the Company are free of Encumbrances.

11.3 The Foundation and/or the Company have taken all legal and/or practical measures necessary to preserve and maintain the Registered IP Rights to which it is entitled. None of those Registered IP Rights has lapsed and/or is subject to a claim for its invalidity and all those Registered IP Rights are valid or will be granted for all territories applied for.

11.4 The Company is fully authorised to exploit the IP Rights listed in Annex 11.2, and the Company is fully and exclusively authorised to make use of these IP Rights. The carrying on of the business and the use of the IP Rights of the Company does not infringe upon intellectual property rights of any third party nor has any third party threatened litigation related to the IP Rights. The rights of the Company to make use of and/or exploit the aforementioned IP Rights will continue after the Closing Date unaffected by the Closing. No royalty or other fee will be required to be paid by the Company or the Foundation to any Person in respect of the use of any IP Rights by the Company. Nether the Company nor the Foundation has granted any right whatsoever to third parties with respect to its IP Rights.

Section 12 – Employees and Pensions

12.1 The Foundation does not employ and has not employed any employees.

12.2 The Company has no employees other than the Employees. Annex 12.2 is a complete list of all Employees specifying their full names, age, duration of employment with the Company, salary and any material individual terms of employment, current position as well as who of them are currently on sick leave for more than three (3) weeks. Save as disclosed in Annex 12.2, no Person has a management agreement or an agreement for the rendering of services (*overeenkomst tot het verrichten van enkele diensten*) with the Company, but for Management.

12.3 The Company is not bound by any collective labour agreement.

12.4 The Company is not under any obligation to pay to any former employees or Directors any remuneration or provide them with any fringe benefit.

12.5 There are no delays and during the past two (2) years there have been no delays in the fulfillment of any payment obligations towards the Employees or former employees or Directors that could lead to a dispute with the Company. All holidays the Employees are entitled to have been used or been financially compensated for or have been provided for in the Accounts.

12.6 The Company has not paid any bonuses and no bonuses are payable to the Employees other than as accrued for in the Accounts or mentioned in Annex 12.2.

12.7 There is no dispute pending and to the best knowledge of the Seller, there is no dispute threatening between the Company and any of the Employees, other than the potential dispute with Mr. van Hoek as disclosed in the data room and the Disclosed Information. During the past two (2) years there have been no labour disputes between the Company and the Employees and/or any trade union and to the best of the Seller's knowledge no circumstances exist that may lead to a collective labour dispute. To the best of the Sellers' knowledge, none of the Employees is expected to terminate his employment agreement with the Company.

12.8 The Company has not installed a works council (*ondernemingsraad*), nor is it in the process of establishing a works council (*ondernemingsraad*).

12.9 The pension arrangements of the Company as disclosed in the Disclosed Information ("the Pension Arrangements"), apply to all Employees or former employees and the Company is not a party to any pension arrangement relating to any of the Employees, including pension insurance or excess (*excedent*) insurance, other than the Pension Arrangements.

12.10 All premiums that have fallen due in respect of the Pension Arrangements have been paid or are adequately provided for. The Company has not any obligation with respect to Pension Arrangements, whether or not conditional or contingent, including but not limited to back-service obligations, which are not fully funded or adequately provided for.

Section 13 – Agreements and commitments

13.1 The Agreement does not conflict with, or result in the termination of or accelerate the performance required under, any agreement to which the Company is a party, other than the Group Credit Facility which will be terminated on Closing, or for the financial consequences of which it is liable, or constitute a default thereunder or result in the creation of any Encumbrance upon any asset of the Foundation or the Company. There is to the best knowledge of the Seller no reason to expect that any customer or supplier of the Company will terminate or limit its business with the Company as a result of or in connection with the Agreement.

13.2 The Company has fulfilled all of its material obligations required to be performed by it pursuant to any material agreement to which it is a party, nor is any such material agreement invalid, voidable, or to the best knowledge of the Seller likely to be rescinded or terminated.

13.3 Save as disclosed in Annex 13.3, the Company is not a party to any agreement which (a) involves a value to the Company in excess of EUR 15,000 (fifteen thousand euro), (b) which cannot readily be performed by it on time and without undue or unusual expenditure or effort, or (c) which restricts the Company’s ordinary course of business, other than employment agreements with the Employees.

13.4 The Company is not a party to any joint venture agreements, shareholders’ agreements, consortium agreements or profit sharing agreements (other than the profit sharing scheme with Employees relating to 2008). The Company is not a party to any agency agreement, distribution agreement, franchise agreement, exclusive sales agreement, exclusive purchase agreement or any agreement under which it has non-compete obligations.

13.5 The Company has not issued any declaration promising to refrain from granting any mortgage or pledge (*negatieve hypotheek-of pandverklaring*).

13.6 No party to any agreement with the Company is in default thereunder in such a manner as to materially adversely affect the financial or commercial position of the Company and no circumstances exist that could have such effect.

13.7 The Company has not concluded any loan agreement (either as a lender or as a borrower) or obtained any credit facility other than the Group Credit Facility. Neither the Seller nor any third party has given any guarantee or security in respect of any loan agreement or credit facility granted to the Company which will continue beyond the Closing.

13.8 The Company neither acts as a surety for, nor has it issued any guarantee or provided any security in favour of, any third party or the Seller, or agreed to do any of the foregoing other than in respect of the Group Credit Facility.

The Company has not filed any declaration pursuant to Article 2:403 Civil Code or withdrawn any such declaration within the three (3) year period preceding the Closing Date.

13.9 The Company is not a party to any agreement with the Seller or any Person related in any way to the Seller which will continue beyond the Closing.

13.10 The Company does not have a contractual relationship with Kalff en de Jager B.V. (formerly known as RLC Customer Contracts Services B.V.) which will continue after Closing.

13.11 The Company is not jointly or severally liable for any obligation of RLC Group B.V., RLC Management B.V., ESMB B.V., R.G. Schneiders B.V. or Technofonds Flevoland B.V, other than in respect of the Group Credit Facility, which will no longer be in place after Closing.

Section 14 – Subsidies, grants, aids or benefits

14.1 Other than the subsidy received from the province of Flevoland on 24 June 2008 (the "Subsidy"), the Company has not received nor is expected to receive any subsidy, grant, aid or benefit in whatever form from any Authority.

14.2 The Company has at all times complied with any and all conditions attached to or in connection with the grant of the Subsidy. To the best knowledge of the Seller there is no reason to expect that the Subsidy must be repaid whether by virtue of the Transaction or otherwise.

Section 15 – Violations and litigation

15.1 The Company has at all times complied in all material respects with all applicable laws and regulations.

15.2 The Company is not engaged in, subject to any criminal, civil or administrative proceedings or investigation, and to the best knowledge of the Seller no such proceedings or investigations are threatening against the Company.

Section 16 – Environmental

To the best knowledge of the Seller, the Company has since the Seller acquired the Shares not violated any provision of any applicable environmental law or regulation.

Section 17 – Bank accounts

Annex 17 lists all bank accounts used by the Company.

Section 18 – Taxes

18.1 The Company or RLC Management B.V. (in its capacity as parent company of the Fiscal Unity) has always duly, timely and correctly paid all Taxes for which it has been assessed, or which have become due, or which have arisen or accrued with regard to the period up to and including the date of this Agreement, or, insofar these Taxes have not been paid, they have been adequately and fully provided for in the Accounts.

18.2 The Company or RLC Management B.V. (in its capacity as parent company of the Fiscal Unity) has duly, timely and to the best of the Seller' knowledge correctly made all filings, returns, payments and withholdings, given all notices, maintained all records and supplied all other information in relation to Taxes which it was required to make, give, maintain or supply and all such returns, payments, withholdings, notices, records and information were to the best of Seller's knowledge complete and accurate.

18.3 The Company is not liable to pay any penalty, fine, interest or similar amount in relation to Taxes and to the best knowledge of the Seller there are no facts which are likely to cause the Company to become liable to pay any such penalty, fine, surcharge or interest.

18.4 The Company has not entered into any arrangement (including but not limited to "rulings") with any Tax Authority nor is subject to a special regime with regard to (the payment of) Taxes.

18.5 The Company is not liable for Taxes due by any person or entity other than the Company.

18.6 Neither in the current financial year nor in the preceding three financial years has the Company claimed, utilized or requested exemptions or deferrals in relation to Taxes, including but not limited to exemption or deferrals of Taxes relating to reorganizations or mergers.

18.7 There neither is nor has been any dispute, including but not limited to litigation, between the Company and any Tax Authority, nor has the Company been the subject of any extraordinary investigation by any Tax Authority and there are to the best knowledge of the Seller no facts which are likely to give rise to any such dispute or investigation.

18.8 For Tax purposes, the Company is and has been resident only in the jurisdiction in which it is incorporated and does not have nor had a permanent establishment or permanent representative or other taxable presence to any jurisdiction other than that in which it is resident for Tax purposes. The Company does not constitute or has constituted a permanent establishment or is or has been a permanent representative of another Person.

18.9 The Company has not tainted (share) capital (*besmet fusie aandelenkapitaal en/of agio*) within the meaning of Article 3a of the Dutch Dividend Tax Act 1965.

18.10 The Company is not a real estate investment company within the meaning of Article 4 of the Dutch Legal Transfer Act 1970 ("*Wet op belastingen van het rechtsverkeer"*).

18.11 The Company has complied in all respect with the requirements and provisions of the Turnover Tax Act 1968 ("*Wet op de omzetbelasting 1968"*) and all regulations and orders made there under (the "VAT legislation") and has made and maintained up to date records, invoices, accounts and other documents required by or necessary for the purpose of the VAT legislation and the Company has at all time punctually made all payments and filed all returns required hereunder.

18.12 The Company has not claimed any reduction of Tax pursuant to Article 13ca of the Dutch Corporate Income Tax Act 1969.

18.13 No claim has been made by the Company or with respect to its business for the depreciation of any asset for Tax purposes, which may be disallowed. Neither in the current financial year nor in the preceding financial years have the Company's assets been written down for Tax purposes other than in accordance with consistent accounting principles.

18.14 The tax book value of the Company's assets and liabilities as per the date of this Agreement are not lower than the values of the Company's assets and liabilities as set out in the Accounts. There is no and there has not been any goodwill in the Company's tax accounts.

18.15 Save for the Fiscal Unity, the Company has not at any time had its Tax affairs dealt with on a consolidated basis or any other basis which allows a combined filing, profit calculation or payments of Tax for more than one Person.

18.16 The Company meets the statutory requirements regarding its administrative duties (*administratieplicht*), including the retention (*bewaarplicht*) thereof and has not entered into an agreement with any Tax Authority regarding the retention period of specific documentation and/or the conversion thereof. The Company has an acceptable reasoning and adequate documentation to support it position on transfer pricing.

18.17 The Company does not own nor has agreed to acquire any asset, has agreed to enter into any other transaction, nor has received or agreed to receive any services or facilities, including but not limited to the benefit of any license agreement, the consideration for which was or is in excess of or below the relevant market value or market price or was or is determined otherwise than on an arm's length basis.

18.18 All interest and other sums payable under any obligation incurred by the Company, as well as any currency exchange result, are wholly allowable as deductions in computing the income of the Company for Tax purposes.

18.19 The Company has not been a party to any transaction or series of transactions which is or forms part of a scheme for the avoidance of Tax or which can reasonably be considered as such.

18.20 No transactions as referred to in Article 15ai of the Dutch Corporate Income Tax Act 1969 (*wet op de vennootschapsbelasting 1969*) have occurred during the current financial year and the past three financial years within the Fiscal Unity.

EXHIBIT 31.1

Blackbaud, Inc.

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

I, Marc E. Chardon, certify that:

1. I have reviewed this 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 7, 2009

By: /s/ Marc E. Chardon
Marc E. Chardon
President and Chief Executive Officer

EXHIBIT 31.2

Blackbaud, Inc.

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

I, Timothy V. Williams, certify that:

1. I have reviewed this 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 7, 2009

By: /s/ Timothy V. Williams

Timothy V. Williams
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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, 2009 as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Marc E. Chardon, 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 as of, and for, the periods presented in the Report.

Date: August 7, 2009

By: /s/ Marc E. Chardon
Marc E. Chardon
President and Chief Executive Officer

EXHIBIT 32.2

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, 2009 as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Timothy V. Williams, Senior 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 as of, and for, the periods presented in the Report.

Date: August 7, 2009

By: /s/ Timothy V. Williams
Timothy V. Williams
Senior Vice President and Chief Financial Officer