

BLACKBAUD INC  
Form DEF 14A  
April 30, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

BLACKBAUD, INC

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 13, 2007**

To The Stockholders:

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Blackbaud, Inc. will be held on Wednesday, June 13, 2007 at 10:00 a.m. at our corporate headquarters located at 2000 Daniel Island Drive, Charleston, South Carolina 29492 for the following purposes:

1. To elect two directors for a three-year term expiring in 2010;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

These items of business are more fully described in the proxy statement accompanying this notice. Only stockholders of record at the close of business on April 27, 2007 are entitled to notice of and to vote at the meeting.

All stockholders are cordially invited to attend the meeting in person. To assure your representation at the meeting, however, you are urged to mark, sign, date and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. You may revoke your proxy in the manner described in the accompanying proxy statement at any time before it has been voted at the annual meeting. Any stockholder attending the meeting may vote in person even if he or she has returned a proxy.

For the Board of Directors,  
BLACKBAUD,INC.

Timothy V. Williams,  
*Senior Vice President, Chief Financial  
Officer and Assistant Secretary*

Charleston, South Carolina

April 30, 2007

**Your vote is important. In order to assure your representation at the meeting, please complete, sign and date the enclosed proxy as promptly as possible and return it in the enclosed envelope.**

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**BLACKBAUD, INC.**  
**PROXY STATEMENT**  
**2007 ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD JUNE 13, 2007**

**General**

The enclosed proxy is solicited on behalf of our Board of Directors of Blackbaud, Inc. for use at the annual meeting of stockholders to be held Wednesday, June 13, 2007 at 10:00 a.m., local time, at our corporate headquarters located at 2000 Daniel Island Drive, Charleston, South Carolina 29492, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. Only stockholders of record at the close of business on April 27, 2007 are entitled to notice of and to vote at the meeting.

These proxy solicitation materials and the Annual Report to Stockholders for the year ended December 31, 2006, including financial statements, were first mailed on or about May 4, 2007 to stockholders entitled to vote at the meeting.

The purposes of the meeting are:

1. To elect two directors for a three-year term expiring in 2010;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

**Record Date and Shares Outstanding**

Stockholders of record at the close of business on April 27, 2007 are entitled to notice of and to vote at the meeting. At the record date 43,927,427 shares of our common stock were issued and outstanding.

**Revocability of Proxies**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by:

Filing with our Corporate Secretary at or before the taking of the vote at the meeting a written notice of revocation bearing a later date than the proxy;

Duly executing a later-dated proxy relating to the same shares and delivering it to our Corporate Secretary at or before the taking of the vote at the meeting; or

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

Any written notice of revocation or subsequent proxy should be delivered to Blackbaud, Inc. at our headquarters located at 2000 Daniel Island Drive, Charleston, South Carolina 29492, Attention: Corporate Secretary, or hand-delivered to our Corporate Secretary before the taking of the vote at the meeting.

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**Voting**

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

**Solicitation of Proxies**

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

**Householding Matters**

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of this notice and proxy statement may have been sent to multiple shareholders in your household. If you would prefer to receive separate copies of a proxy statement either now or in the future, please contact our Corporate Secretary by writing to our principal office at 2000 Daniel Island Drive, Charleston, South Carolina 29492. Upon written request, we will provide a separate copy of this proxy statement. In addition, security holders sharing an address can request delivery of a single copy of proxy statements if you are receiving multiple copies upon written request to our Corporate Secretary at the address stated above.

**PROPOSAL ONE  
ELECTION OF DIRECTORS**

**Nominees**

Our Board of Directors consists of six directors, which are divided into three classes, each of whose members serve for a staggered three-year term. The term of office of one class of directors expires each year in rotation so that one class is elected at each annual meeting for a full three-year term. Our Class C directors, Marc E. Chardon and John P. McConnell, have been nominated to fill a three-year term expiring in 2010. The two other classes of directors, who were elected or appointed for terms expiring at the annual meetings in 2008 and 2009, respectively, will remain in office.

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

**The Board of Directors unanimously recommends voting FOR the two Class C nominees listed below.**

The name of and certain information regarding each Class C nominee as of April 27, 2007 is set forth below, together with information regarding our Class A and Class B directors remaining in office. This information is based on data furnished to us by the nominees and directors. There are no family relationships among our directors, director nominees or executive officers. The business address for each nominee for matters regarding Blackbaud is 2000 Daniel Island Drive, Charleston, South Carolina 29492.

Name	Director Since	Age	Position(s) With Blackbaud
<b>Class C Nominees for Terms Expiring in 2010</b>			
Marc E. Chardon	November 2005	51	President, Chief Executive Officer and Director
John P. McConnell	March 2006	56	Director
<b>Class A Directors with Terms Expiring in 2008</b>			
Marco W. Hellman	October 1999	45	Chairman of the Board of Directors
Carolyn Miles	March 2007	45	Director
<b>Class B Directors with Terms Expiring in 2009</b>			
George H. Ellis	March 2006	58	Director
Andrew M. Leitch	February 2004	63	Director

**Class C Nominees**

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

College.

*John P. McConnell* joined our Board of Directors in March 2006. Mr. McConnell served as the president and chief executive officer of A4 Health Systems, Inc. from December 1998 until its sale to Allscripts Healthcare Solutions, Inc. in March 2006. Mr. McConnell now sits on the board of directors of Allscripts. He co-founded Medic Computer Systems, Inc. in 1982 and served as its chief executive officer until its sale to Misys Plc in 1997. Mr. McConnell also has served on the board of directors of MED3000, Inc. since June 1996. Mr. McConnell serves on the advisory board for the



College of Public Health at University of North Carolina and the board of directors of the 2004 WakeMed Foundation. He holds a BS in finance from Virginia Tech.

#### **Other Directors**

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

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

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

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

#### **Required Vote**

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

### **CORPORATE GOVERNANCE MATTERS**

#### **Board Composition**

Our Board of Directors is currently composed of six directors, five of whom our Board of Directors has determined to be independent within the meaning of the Nasdaq Marketplace Rules, the Sarbanes-Oxley Act and SEC Rule 10A-3. Mr. Chardon, our President and Chief Executive Officer, is the only member of management serving as a director. Our bylaws provide that the number of directors constituting our Board of Directors shall not be less than five nor more than nine, and the exact number of directors may be fixed or changed, within this range, by resolution adopted by the affirmative vote of a majority of the directors then in office. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors.

#### **Independence of Directors**

The Board of Directors has adopted categorical standards or guidelines to assist our Board of Directors in making its independence determinations with respect to each director. These standards are published in Section 1 of our Corporate Governance Guidelines and are available under *Corporate Governance* in the *Company Investor Relations* section of our website at [www.blackbaud.com](http://www.blackbaud.com). The Board of Directors has determined that the following five directors are independent within the meaning of the Nasdaq Marketplace Rules, the Sarbanes-Oxley Act and SEC Rule 10A-3: Ms. Miles and Messrs. Ellis, Hellman, Leitch and McConnell. As part of such determination of independence, our Board of Directors has



affirmatively determined that none of these five directors have a relationship with us that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors.

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

### **Board Meetings and Committees**

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

Our Audit Committee is comprised of Chairman Andrew M. Leitch, George H. Ellis and Marco W. Hellman, and our Board of Directors has determined that Mr. Leitch is an audit committee financial expert as such term is defined in Item 401(h) of Regulation S-K promulgated by the SEC. The Audit Committee provides assistance to our Board of Directors in its oversight of the integrity of our financial statements, the qualifications and independence of our independent registered public accounting firm, the performance of our internal audit functions, the procedures undertaken by the independent registered public accounting firm and our compliance with other regulatory and legal requirements.

Our Compensation Committee is comprised of Chairman Marco W. Hellman, Andrew M. Leitch and John P. McConnell. The Compensation Committee reviews and makes recommendations to our Board of Directors concerning the compensation and benefits of our executive officers and directors, administers our equity compensation and employee benefit plans, and reviews general policy relating to compensation and benefits.

Our Nominating and Corporate Governance Committee is comprised of Chairman Marco W. Hellman, Andrew M. Leitch and George H. Ellis. The Nominating and Corporate Governance Committee is responsible for identifying and recommending qualified nominees to serve on our Board of Directors as well as developing and overseeing our internal corporate governance processes. Additionally, during 2006 the Nominating and Corporate Governance Committee required our Board of Directors and each committee to conduct self-evaluations.

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

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

### **Information Regarding Meetings**

During 2006, our Board of Directors held eight meetings, the Audit Committee held nine meetings, the Compensation Committee held five meetings, and the Nominating and Corporate Governance Committee held twelve meetings. No director attended fewer than 75% of the aggregate of all meetings of our Board of Directors, and the committees on which he or she served, during 2006.

Although we do not have a formal written policy with respect to Board of Directors members' attendance at our annual meetings of stockholders, we strongly encourage all directors to attend. All directors attended our 2006 annual meeting of stockholders.

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

The Nominating and Corporate Governance Committee of our Board of Directors has the responsibility for establishing the criteria for recommending which directors should stand for re-election to our Board of Directors and the selection of new directors to serve on our Board of Directors. In addition, the Committee is responsible for establishing the procedures for our stockholders to nominate candidates to our Board of Directors. Although the Committee has not formulated any specific minimum



qualifications for director candidates, it has determined that desirable characteristics include strength of character, mature judgment, career specialization, relevant technical skills, diversity and independence.

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

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

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

#### **Communications with our Board of Directors**

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

#### **Compensation Committee Interlocks and Insider Participation**

The members of the Compensation Committee for 2006 were Chairman Marco W. Hellman, Andrew M. Leitch and John P. McConnell. None of these individuals has ever served as an officer or employee of ours. Marc E. Chardon, our President and Chief Executive Officer participated in discussions and decisions regarding salaries and incentive compensation for all of our executive officers, except Mr. Chardon is excluded from discussions regarding his own salary, bonus and equity compensation. None of the members of the Compensation Committee serves or in the past has served as one of our officers or has been employed by us and none of our executive officers have served on the compensation committee or board of any company that employed any member of our Compensation Committee or Board of Directors.

#### **Compensation of Directors**

Effective July 1, 2006, we pay non-employee members of our Board of Directors, other than the chairperson of our Board of Directors and the chairperson of our Audit Committee, an annual cash retainer of \$17,500. The chairperson of our Board of Directors receives an annual cash retainer of \$50,000 and the chairperson of our Audit Committee receives an annual cash retainer of \$32,500. All non-employee directors receive \$3,000 for each of our regularly scheduled quarterly meetings of our Board of Directors attended in person and \$1,000 for each of our regularly scheduled quarterly committee meetings attended in person. In addition, we pay each non-employee director \$1,000 for each non-scheduled meeting of our Board of Directors or committee meeting attended by telephone.

With the exception of Ms. Miles, each non-employee director also receives an annual grant of restricted stock, to be granted on July 1<sup>st</sup> of each year. The number of shares pursuant to each grant shall equal \$60,000 divided by the fair market value of our common stock on the date of grant. The shares granted shall vest 100% on the first anniversary of the date of grant, subject to the director remaining a member of our Board of Directors. In addition, we pay our non-employee chairperson of our Board of Directors an additional grant of restricted stock worth \$30,000 upon the same terms as the restricted stock grants previously referenced. In lieu of restricted stock, Ms. Miles will receive, at the time of the restricted stock grant, additional cash compensation equal to \$60,000 due to her position with Save the Children and its policies on stock ownership.

Under our Non-Employee Directors Stock Ownership Guidelines, it is expected that non-employee directors will accumulate, through equity compensation, not later than three years after first receiving his or her first annual restricted stock award, \$100,000 of our common stock. Once a non-employee director has been a director for five consecutive years, he or she shall be expected to accumulate, through equity compensation, \$200,000 of our common stock. Additionally, non-employee directors should not dispose of any shares of restricted stock granted to such director until reaching the ownership targets, unless the disposition is to satisfy tax obligations resulting from the lapse of restrictions. Due to the stock ownership policies of Save the Children, Ms. Miles is exempt from the Non-Employee Directors Stock Ownership Guidelines.

Our non-employee directors are encouraged to attend director education seminars that are designed to develop skills and strategies for effective service on our Board of Directors. As such, it is our policy to reimburse non-employee directors for the reasonable and direct costs, including transportation and lodging, of attending such educational seminars. These reimbursement costs are not included in the Director Compensation for 2006 below.

#### **DIRECTOR COMPENSATION FOR 2006**

Name	<b>Fees Earned or Paid in</b>	<b>Stock</b>	<b>Option</b>	<b>All Other Compensation</b>	<b>Total</b>
	<b>Cash</b>	<b>Awards (1)</b>	<b>Awards(1)</b>	<b>(2)</b>	
George H. Ellis	\$46,500	\$ 7,510		\$ 370	\$ 54,380
Marco W. Hellman	\$50,000	\$47,372	\$29,290	\$ 555	\$127,217
Andrew M. Leitch	\$79,500	\$25,498	\$11,335	\$ 370	\$116,703
John P. McConnell	\$35,500	\$ 7,510		\$ 370	\$ 43,380
Paul V. Barber (3)	\$20,000				\$ 20,000
Dr. Sandra Hernandez (3)	\$ 6,000				\$ 6,000
David R. Tunnell (3)					

(1) The reported amounts represent the amount of compensation expense we recognized in 2006 (as the requisite service period per SFAS 123R) pertaining to restricted stock and options

awarded to our directors in 2006 as well as in prior fiscal years. Following SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The grant-date fair value of restricted stock awards granted in 2006 were \$60,000 for Messrs. Ellis, Leitch and McConnell and \$90,000 for Mr. Hellman. No option awards were granted to our directors in 2006.

- (2) Includes only dividends paid on shares of restricted stock granted as equity compensation.
- (3) Dr. Hernandez resigned from our Board of Directors on March 16, 2006, while Messrs. Tunnell and Barber resigned from our Board of Directors on

June 30, 2006.



The table below shows the number of shares of restricted stock and stock options held by non-employee directors that were received as compensation as of December 31, 2006.

Name	Restricted Stock (1)	Stock Options(2)
George H. Ellis	2,643	
Marco W. Hellman	3,965	22,500
Andrew M. Leitch	2,643	18,274
John P. McConnell	2,643	
David R. Tunnell (3)		
Paul V. Barber (3)		
Dr. Sandra Hernandez (3)		

(1) The 2,643 (Messrs. Ellis, Leitch and McConnell) and 3,965 (Mr. Hellman) shares of restricted stock granted on July 1, 2006 vest 100% on July 1, 2007.

(2) Mr. Hellman's stock options vest in four equal installments beginning on July 22, 2005. 13,274 of Mr. Leitch's stock options vested in three equal installments beginning on February 17, 2005 and 5,000 of the options vest in four equal installments beginning on July 22, 2005.

- (3) Dr. Hernandez resigned from our Board of Directors on March 16, 2006, while Messrs. Tunnell and Barber resigned from our Board of Directors on June 30, 2006.

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

The Audit Committee of our Board of Directors has selected the independent registered public accounting firm of PricewaterhouseCoopers LLP to audit our consolidated financial statements for the fiscal year ending December 31, 2007 and recommends that stockholders vote for ratification of such appointment. Notwithstanding the selection and ratification, the Audit Committee, in its discretion, may appoint a different independent registered public accounting firm at any time, if it believes doing so would be in our best interests and the best interests of our stockholders. In the event of a negative vote on ratification, the Audit Committee will reconsider, but might not change, its selection.

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

**Vote Required**

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

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

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

**SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of April 16, 2007, unless otherwise noted below, for the following:

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

each director;

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

all directors and executive officers as a group.

Applicable percentage ownership is based on 43,926,727 shares of common stock outstanding as of April 16, 2007, unless otherwise noted below, together with applicable options for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC, based on factors including voting and investment power with respect to shares. Common stock subject to options currently exercisable, or exercisable within 60 days after April 16, 2007, are deemed outstanding for the purpose of computing the percentage ownership of the person holding those options, but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated, the address for each listed stockholder is c/o Blackbaud, Inc., 2000 Daniel Island Drive, Charleston, South Carolina 29492.

	Shares Owned	Shares Under Exercisable Options(1)	Total Shares Beneficially Owned	Percentage Beneficially Owned
<b>Five Percent Stockholders, Directors And Executive Officers</b>				
FMR Corp. <sup>(2)</sup> 82 Devonshire Street, Boston, Massachusetts 02109			4,532,816	10.3%
Waddell & Reed Financial, Inc. <sup>(3)</sup> 6300 Lamar Avenue Overland Park, Kansas 66202			2,872,900	6.5%
Munder Capital Management <sup>(4)</sup> 480 Pierce Street Birmingham, Michigan 48012			2,604,742	5.9%
Timothy V. Williams	13,473	375,000	388,473	*
Marc E. Chardon	53,443	267,789	321,232	*
Marco W. Hellman	117,988	11,250	129,238	*
Christopher R. Todd	78,473		78,473	*
Richard S. Braddock, Jr.	34,662	14,436	49,098	*
Gerard J. Zink	32,608	7,154	39,762	*
Andrew M. Leitch	5,843	15,774	21,617	*
George H. Ellis	2,643		2,643	*
John P. McConnell	2,643		2,643	*
Carolyn Miles				
All executive officers and directors as a group (17 persons)	519,022	889,500	1,408,522	3.2%

\* Less than one percent.

(1)

Includes only  
options  
exercisable  
within 60 days  
of April 16,  
2007.

(2) According to  
the information  
contained in the  
Schedule 13G  
amendment  
filed by FMR  
Corp. with the  
SEC on  
February 12,  
2007, FMR  
Corp. reported  
that, as of  
January 31,  
2007, it or  
certain of its  
affiliates  
beneficially  
owned in the  
aggregate  
4,532,816  
shares, that it  
had sole voting  
power with  
respect to  
1,466,615  
shares and sole  
dispositive  
power with  
respect to  
4,532,816  
shares.

(3) According to  
the information  
contained on  
Schedule 13G  
filed with the  
SEC on  
February 9,  
2007, Waddell  
& Reed  
Financial, Inc.  
reported that, as  
of December 31,

2006, it or certain of its affiliates beneficially owned 2,872,900 shares, and that it had sole voting and dispositive power as to 2,872,900 shares.

- (4) According to the information contained on Schedule 13G filed with the SEC on February 14, 2007, Munder Capital Management reported that, as of December 31, 2006, it had sole voting power as to 2,321,092 shares and sole dispositive power as to 2,604,742 shares.

**EXECUTIVE COMPENSATION AND OTHER MATTERS  
COMPENSATION COMMITTEE REPORT**

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

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis section of this proxy statement with our management. Based on this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our proxy statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2006.

**THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

Marco W. Hellman, Chairman

Andrew M. Leitch

John P. McConnell

**COMPENSATION DISCUSSION AND ANALYSIS**

**Objectives and Philosophy of Executive Compensation Program**

Our objective and philosophy is to establish executive compensation, whether through salary, cash-based bonus plans or indirectly through appreciation of equity awards, that will ultimately contribute toward enhancing stockholder value. With this philosophy and these objectives in mind, our Compensation Committee designs compensation plans and incentives to link the financial interests of our executive officers to the attainment and furtherance of our long-term business strategies, and in turn, the interests of our stockholders. Accordingly, our executive officers are primarily rewarded for successfully meeting quantitative performance goals which are directly related to generating positive returns for our stockholders.

In making decisions affecting our executive compensation, the Compensation Committee reviews the nature and scope of the executive officer's responsibilities, their level of experience and their past performance in executing our short and long-term objectives. The Compensation Committee also considers peer group and industry-wide compensation trends in setting compensation levels. To assist them in making this assessment, the Compensation Committee engages third-party compensation consultants. During 2006, the Compensation Committee engaged Longnecker and Associates as our compensation consultants. Our Senior Vice President of Human Resources facilitates communication between the Compensation Committee and Longnecker and Associates and provides management input to the executive compensation process. This process entails not only an assessment of how an executive's compensation ranks among others holding similar positions within a peer group, but also takes into account the different elements (e.g., cash, equities, short or long-term) of compensation awarded to other peer company executives. Additionally, as part of the executive compensation analysis, we determine how our executive compensation policy compares with peers on performance factors, including earnings per share, revenue, revenue growth, EBIT, EBIT growth and EBIT margin.

Our primary goal in establishing executive compensation is to link executive compensation to overall financial performance as measured by objective standards, and to fairly assess each executive's performance with respect to his or her particular duties and objectives. At the same time, the Compensation Committee is mindful of the importance of compensating its executive officers in a manner and at a level that will retain them as employees and incent them to perform at their highest level. As a general policy, the Compensation Committee does not favor non-cash benefits or perquisites to executive officers that are not available to our employees generally, but instead prefers cash or equity-based awards based on the achievement of objective goals established under annual bonus and long-term incentive plans.

## Executive Compensation

We have a compensation program which consists of two principal components or elements: cash-based compensation and equity-based compensation. These two principal components are intended to attract, retain, motivate and reward executives who are expected to manage both the short-term and long-term success of our company.

### Cash-Based Compensation

Cash-based compensation consists of salary and a discretionary performance-based annual bonus. The salaries and bonuses of each of the executive officers, other than Marc E. Chardon, our Chief Executive Officer, for the year ended December 31, 2006 were reviewed and approved by the Compensation Committee upon the recommendation of Mr. Chardon.

**Base Salary.** The salaries of our executive officers are based on peer group studies, individual and corporate performance and historical compensation practices for such officers. By rewarding our executive officers with a competitive salary, we are able to attract and retain the highly qualified personnel with the specialized skill sets required to achieve our short and long-term objectives resulting in enhanced stockholder value.

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

Name	2006 Salary	2007 Salary	\$ Increase	% Increase
Marc E. Chardon	\$ 525,000	\$ 543,375	\$ 18,375	3.50%
Timothy V. Williams	\$ 275,000	\$ 286,000	\$ 11,000	4.00%
Richard S. Braddock, Jr.	\$ 220,000	\$ 227,700	\$ 7,700	3.50%
Christopher R. Todd	\$ 255,000	\$ 263,925	\$ 8,925	3.50%
Gerard J. Zink	\$ 255,000	\$ 263,925	\$ 8,925	3.50%

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

**Performance-Based Annual Bonus.** Our corporate annual cash bonus plan provides for the payment of cash bonuses based on our performance in relation to predetermined company objectives. For 2006, the corporate annual cash bonus plan was based primarily on objective performance goals - ones that measured and accorded the Compensation Committee deemed appropriate weight to revenue (70%) and Adjusted EBIT (30%). For the corporate annual cash bonus plan, Adjusted EBIT means the sum of the following determined on a consolidated basis, without duplication, for us and our subsidiaries in accordance with generally accepted accounting principles: (a) net income plus (b) the sum of the following to the extent deducted in determining net income (i) income and franchise taxes, (ii) interest expense, and (iii) bonus expense less (c) interest income and any extraordinary gains. Additionally, unlike Messrs. Chardon and Williams, Messrs. Braddock, Todd and Zink's annual cash bonus plan targets consist of a blend of the corporate annual cash bonus plan explained above and the performance of business units for which they have responsibility.

Each executive officer other than Mr. Chardon had a bonus target ranging between 40% and 50% of his or her base salary. In January 2006, the Compensation Committee approved revenue, Adjusted EBIT and business unit performance goals in order to measure the objective performance goals at the end of the year. Based on our achievement of these goals, executive officers would be eligible to receive between 0% and 200% of their bonus. The minimum performance required before any bonus is paid is 90% of revenue and Adjusted EBIT. If either revenue or Adjusted EBIT is less than 90% of budget, no bonuses are awarded under the plan. On the other hand, executive officers are eligible for bonus payouts up to a maximum of 200% of their bonus targets if revenue and Adjusted EBIT is 120% of the budgeted amounts. The above criteria represent the minimum and maximum available bonus payments as actual bonus payouts are determined on an evaluation of the executive officer's overall performance. Based on our



performance in 2006, the payout under the corporate annual cash bonus plan was calculated as 83.9% of the targeted bonus.

***Equity Incentive Programs***

Long-term equity incentives, including restricted stock, stock-settled stock appreciation rights ( SARs ) and stock options granted pursuant to our 2004 Stock Plan and stock options granted pursuant to our 2001 and 1999 Stock Option Plans, align the financial interests of management and employees with those of its stockholders. Prior to 2006, we granted stock options to eligible employees and directors as incentives. In order to continue to align employee incentives with stockholder interests and because we determined that a change in our equity compensation structure would be both beneficial to us and to our employees, in 2005 we began awarding shares of restricted stock to eligible employees and directors instead of stock options. We believe that restricted stock grants that vest over time or SARs, first awarded in 2006, that fully vest three years after the date of grant, are particularly strong incentives because they become more valuable to the executive officers as the fair market value of our common stock increases and the executive officer must remain employed for a fixed period of time in order for the stock or SARs to fully vest.

We do not have any programs, plans or practices with respect to the timing of equity grants in coordination with the release of material nonpublic information. Likewise, we do not time the release of material nonpublic information for the purpose of affecting the value of equity or other compensation granted to our named executive officers. As a policy, the Compensation Committee grants equity awards during periods considered to be our open trading windows (beginning two business days following our earnings release and ending one month prior to the end of the fiscal quarter).

Each of our named executive officers (other than Mr. Chardon, whose equity compensation is discussed in detail below) received a grant of 1,886 shares of restricted common stock and 24,774 SARs on November 9, 2006. These restricted stock grants vest over four years with 25% of the shares vesting on each of the first, second, third and fourth anniversaries of the date of grant. The SARs fully vest on the third anniversary of the date of grant and expire on the fifth anniversary of the date of grant. The SARs can be exercised any time after vesting until they expire and shall be settled in shares of our common stock at the time of exercise. The number of shares issued upon the exercise of the SARs is calculated as the difference between the share price of our stock on the date of exercise and the date of grant multiplied by the number of SARs and then divided by the share price on the exercise date. The Board of Directors or the Compensation Committee may grant future shares of restricted stock or SARs with vesting schedules that differ from this schedule.

The number of shares of restricted stock and number of SARs granted to each executive, other than Mr. Chardon, is determined by the Compensation Committee upon the recommendation of Mr. Chardon. In making its determination, the Compensation Committee considers the executive's position, his or her individual performance, existing equity awards held by the executive and other relevant factors.

**Compensation of Chief Executive Officer**

Marc E. Chardon became our President and Chief Executive Officer on November 28, 2005. In determining the compensation for Mr. Chardon, the Compensation Committee considered comparative financial and compensation data of selected peer companies. The Compensation Committee set Mr. Chardon's base salary for 2005 and 2006 at \$525,000. However, in January 2007, the Compensation Committee increased Mr. Chardon's base salary for 2007 to \$543,375, an increase of 3.5%. Mr. Chardon is also entitled to receive an annual bonus, 80% of which is based on attainment of revenue and Adjusted EBIT goals and 20% of which is based on the subjective evaluation of Mr. Chardon's performance by the Compensation Committee. Mr. Chardon's bonus is targeted at \$450,000, but can increase to \$900,000 if we exceed our revenue and Adjusted EBIT goals and Mr. Chardon qualifies for the full amount of the subjective portion of his bonus. In addition, Mr. Chardon's bonus may be less than \$450,000 if we do not meet our revenue and Adjusted EBIT goals or he does not qualify for the full amount of the subjective portion of his bonus. Based upon our performance and the performance of Mr. Chardon in 2006, Mr. Chardon's bonus was 86.6% of his targeted bonus, or 74.3% of his base salary.

In connection with entering into the employment agreement with Mr. Chardon, we granted to Mr. Chardon an option to purchase 800,000 shares of our common stock. This stock option vested as to 25% of the shares on the first anniversary of the date of grant (November 28, 2006), with 1/12 of the shares vesting every three months thereafter until fully vested. We also granted Mr. Chardon 34,938 shares of restricted common stock on November 28, 2005, 25% of which have or shall vest on the first, second, third and fourth anniversary of the date of grant. On November 9,

2006, the Compensation

Committee granted 21,028 shares of restricted stock to Mr. Chardon, 25% of which shall vest on the first, second, third and fourth anniversary of the date of grant as provided in his agreement.

**Tax Deductibility of Executive Compensation**

The Compensation Committee also considers the potential impact of Section 162(m) of the Internal Revenue Code of 1986, as amended. Section 162(m) disallows a tax deduction for any publicly held corporation for individual compensation exceeding \$1 million in any taxable year for Mr. Chardon and the other senior executive officers, except for compensation that is performance-based under a plan that is approved by the stockholders and that meets certain other technical requirements. It is the policy of the Compensation Committee to periodically review and consider whether particular compensation and incentive payments to our executives will be deductible for federal income tax purposes. Based on our current compensation plans and policies and proposed regulations interpreting this provision of the Code, we believe that, for the near future, there is little risk that we will lose any significant tax deduction for executive compensation. However, the Compensation Committee retains the ability to evaluate the performance of our executives and to compensate executives appropriately, even if it may result in the non-deductibility of certain compensation under federal tax law.

**SUMMARY COMPENSATION TABLE FOR 2006**

The following table sets forth information concerning compensation paid or accrued to our Chief Executive Officer, our Chief Financial Officer and the other three most highly compensated officers in 2006. For purposes of this proxy statement, we refer to the executive officers named in the table below as the named executive officers.

Name and Principal Position	Year	Salary	Stock Awards (1)	Option Awards (1)	Non-Equity Incentive		Total
					Plan Compensation (2)	All Other Compensation (3)	
Marc E. Chardon President and Chief Executive Officer	2006	\$ 525,000	\$ 166,822	\$ 4,844,739	\$ 389,880	\$ 81,668	\$ 6,008,109
Timothy V. Williams Senior Vice President and Chief Financial Officer	2006	\$ 275,000	\$ 48,486	\$ 9,805	\$ 114,538	\$ 20,735	\$ 468,564
Richard S. Braddock, Jr. Senior Vice President of Marketing	2006	\$ 220,000	\$ 48,486	\$ 122,431	\$ 75,893	\$ 3,815	\$ 470,625
Christopher R. Todd Senior Vice President of Sales	2006	\$ 255,000	\$ 48,486	\$ 11,529	\$ 105,000	\$ 19,781	\$ 439,796
Gerard J. Zink Senior Vice President of Customer Support	2006	\$ 255,000	\$ 48,486	\$ 11,198	\$ 97,818	\$ 21,604	\$ 434,106

(1) The reported amounts represent the amount of compensation expense we recognized in 2006 (as the requisite service

period per SFAS 123R) pertaining to unvested restricted stock, stock options and SARs awarded to our executive officers in 2006 as well as in prior fiscal years.

Following SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. All assumptions made regarding the valuation of equity awards can be referenced in Note 11

Stock-based compensation to the consolidated financial statements located in our most recent Annual Report on Form 10-K filed on February 28, 2007.

- (2) The amounts were awarded in February 2007, but were earned based on meeting certain pre-established

performance targets under our annual incentive bonus plan for the year ending December 31, 2006 as discussed in the Compensation Discussion and Analysis section of this proxy statement.

- (3) Includes \$7,500 for a matching contribution under our 401(k) plan for each named executive officer, with the exception of Mr. Braddock who did not participate, and the following for each individual:

For Mr. Chardon, \$52,835 for relocation expenses, \$10,000 for legal fees related to the negotiation of his employment agreement, \$10,643 for dividends paid on restricted stock and a payment of \$690 for life and disability insurance premiums;

For Mr. Williams, \$8,400 for an automobile allowance, \$3,545 for dividends paid on restricted stock and payments of \$1,290 for life and disability insurance premiums;

For Mr. Braddock, \$3,545 for dividends paid on restricted stock and payments of \$270 for life and disability insurance premiums;

For Mr. Todd, \$6,000 for an automobile allowance, \$3,545 for dividends paid on restricted stock, \$2,466 for his spouse's travel costs to a sales awards meeting and payments of \$270 for life and disability insurance premiums; and

For Mr. Zink, \$8,400 for an automobile allowance, \$3,545 for dividends paid on restricted stock, \$1,859 for an equipment subsidy and payments of \$300 for life and disability insurance premiums.

**GRANT OF PLAN-BASED AWARDS FOR 2006**

The following table provides information regarding grants of plan-based awards made to our executive officers in 2006.

<b>Estimated Future Payouts</b>	<b>All Other Stock  Awards; Number of</b>	<b>All Other Option  Awards; Number of</b>	<b>Exercise or</b>	<b>Closing</b>	<b>Grant- Date Fair Value of</b>
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