As Filed with the Securities and Exchange Commission on February 20, 2004
Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Blackbaud, Inc.

(Exact name of registrant as specified in its charter)

South Carolina	**7372**	**11-2617163**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

2000 Daniel Island Drive

Charleston, South Carolina 29492
Telephone: (843) 216-6200
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert J. Sywolski

Chief Executive Officer
Blackbaud, Inc.
2000 Daniel Island Drive
Charleston, South Carolina 29492
Telephone: (843) 216-6200
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, par value $0.001 per share	$115,000,000	$14,570.50

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Includes shares subject to underwriters' over-allotment option.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated , 2004

Prospectus

shares

Common stock

This is the initial public offering of common stock of Blackbaud, Inc. All of the shares of common stock being sold in this offering are being sold by the selling stockholders named in this prospectus. We will not receive any proceeds from the sale of shares in this offering. The estimated initial public offering price is between $ and $ per share.

Prior to this offering, there has been no public market for our common stock. We have applied for listing of our common stock on The Nasdaq National Market under the symbol BLKB.

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to selling stockholders, before expenses	$	$

The selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to additional shares of common stock.

See "Risk factors" beginning on page 7 to read about factors you should consider before buying shares of our common stock.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

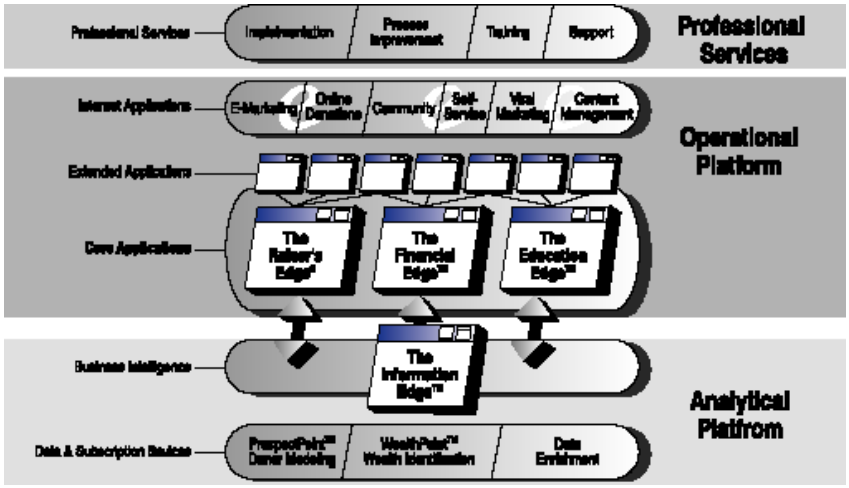
Joint book-running managers

JPMorgan **Banc of America Securities LLC**

Thomas Weisel Partners LLC **Wachovia Securities**

, 2004

The Blackbaud Solution



[Images surrounding graphic depicting the alignment of people, process and technology]

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. Offers to sell, and offers to buy, shares of our common stock are being made only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to those jurisdictions.

"Blackbaud" and "The Raiser's Edge" are registered trademarks of Blackbaud, Inc. This prospectus also includes references to registered service marks and trademarks of other entities.

Prospectus summary

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in shares of our common stock. Except as otherwise noted herein, all information in this prospectus reflects [a one-for- reverse stock split of our outstanding shares of common stock and] our reincorporation under the laws of the State of Delaware to be effected prior to the closing of the offering made hereby. You should read this entire prospectus carefully, including "Risk factors" beginning on page 7 and our consolidated financial statements and the related notes thereto, before making an investment decision. In this prospectus, unless the context requires otherwise, "Blackbaud," "we," "us" and "our" refer to Blackbaud, Inc., a Delaware corporation, and its subsidiaries.

Blackbaud, Inc.

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 their 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. In 2003, we had over 12,500 customers, over 11,900 of which pay us annual maintenance and support fees. Our customers operate in multiple verticals within the nonprofit market including religion, education, foundations, health and human services, arts and cultural, public and societal benefits, environment and animal welfare, and international and foreign affairs.

Industry

Nonprofit organizations are a large part of the U.S. economy, employing one out of every ten Americans. There are greater than 1.4 million registered U.S. nonprofit organizations according to Giving USA. In addition, there are greater than 1.5 million nonprofit organizations outside the United States. Donations to nonprofit organizations in the United States were $241 billion in 2002, having increased almost every year since 1962, with a compound annual growth rate over that period of 7.8%, according to Giving USA. In addition, these organizations received fees of approximately $550 billion in 2002 for services they provided.

Nonprofit organizations often utilize methods of fundraising that are costly and inefficient, largely because of the difficulties in effectively collecting, sharing and using information. Fundraising costs are significant, amounting to more than $0.40 for each dollar donated according to a 2001 study conducted by the Urban Institute and Indiana University. Furthermore, nonprofit organizations face distinct operational challenges, such as soliciting small cash contributions from numerous contributors and complying with unique accounting, tax and reporting issues. Because of these fundraising costs and operational challenges, we believe nonprofit organizations can benefit from software applications and services specifically designed to serve their particular needs.

Our products and services

Our suite of products and services includes:

- **The Raiser's Edge**®, a complete fundraising software solution that helps nonprofit organizations improve relationships with their donors and constituents to more effectively raise money;

- **The Financial Edge™**, a complete financial management solution that addresses the specific fund accounting needs of nonprofit organizations;

- **The Education Edge™**, a student information management software suite designed primarily for K-12 independent schools;

- **The Information Edge™**, a comprehensive business intelligence application that extracts, aggregates and analyzes data to improve strategic decision making; and

- **ProspectPoint™** and **WealthPoint™**, services that use custom statistical models developed by us to more effectively analyze customer databases to better target and build more productive relationships with their key constituents.

We have web-enabled most of our applications to allow our customers to access them over the Internet. We also offer a variety of Internet applications and consulting services that allow nonprofit organizations to leverage the Internet for online fundraising and other important operations. In addition, we provide a broad range of services, including implementation, business process improvement, training and education services, and maintenance and technical support to enable our customers to more effectively run their organizations.

Our strategy

Our objective is to maintain and leverage our position as the leading provider of software and related services designed specifically for nonprofit organizations. Key elements of our strategy to achieve this objective are to:

- grow our customer base;
- maintain and expand existing customer relationships;
- introduce additional products and services;
- leverage the Internet as a means of additional growth;
- expand international presence; and
- pursue strategic acquisitions and alliances.

Sales and marketing

We primarily sell our products and services to nonprofit organizations through our direct sales force. Our customers enter into license agreements and pay us an upfront license fee and annual maintenance and support fees for our software. We also receive fees, on a subscription and fixed price basis, for our hosted services and access to our data enrichment and analytical services. We sell the majority of our consulting and technical services on a time and materials basis.

Over the past three years we have added an average of 1,300 new customers per year. Our customers are located in 45 countries, primarily the United States, the United Kingdom and Canada. Ongoing customer relationships that illustrate our broad customer base include the American Red Cross, the Chesapeake Bay Foundation, the Crohn's & Colitis Foundation of

America, the Detroit Zoological Society, the Mayo Foundation, the New York Philharmonic, Nightingale-Bamford School, Seton Hall University, the United Way of America and Woods Hole Oceanographic Institution.

Company information

We originally incorporated in New York in 1982 and moved our operations to Charleston, South Carolina in 1989. We reincorporated in South Carolina in December 1991, engaged in a recapitalization in October 1999 and reincorporated under the laws of the State of Delaware on , 2004. Our principal executive offices are located at 2000 Daniel Island Drive, Charleston, South Carolina 29492, and our telephone number at that location is (843) 216-6200. Our web site address is *www.blackbaud.com*. The information contained on our web site is not a part of, and should not be construed as being incorporated by reference into, this prospectus.

The offering

Common stock offered by the selling stockholders	shares
Common stock to be outstanding after this offering	shares
Over-allotment option: Shares saleable by the selling stockholders	shares
Use of proceeds	We will not receive any of the proceeds from the sale of shares in this offering. The selling stockholders will receive all net proceeds from the sale of shares of our common stock in this offering.
Dividend policy	Any determination to pay cash dividends on our shares of common stock will be at the discretion of our board of directors after taking into consideration any debt agreements that might restrict or prohibit such dividends. See "Dividend policy".
Proposed Nasdaq National Market symbol	BLKB

The number of shares of common stock to be outstanding after this offering excludes:

- shares issuable upon the exercise of outstanding options awarded under our existing stock option plans at exercise prices ranging from $ to $; and

- shares authorized for future issuance under our existing stock option plans.

Unless otherwise indicated, all information contained in this prospectus:

- assumes an initial public offering price of $ per share;
- assumes that the underwriters' over-allotment option will not be exercised;
[• gives effect to the 2004 one-for- reverse split of our common stock;] and

- gives effect to our Delaware reincorporation.

Summary consolidated financial data

The following table sets forth a summary of our consolidated financial data for the periods presented. The consolidated financial statements for the year ended December 31, 1998 were audited by other auditors. The consolidated financial statements for the fiscal year ended December 31, 1999 were audited by Arthur Andersen LLP, which has since ceased operations. This summary consolidated financial data should be read together with "Selected consolidated financial data", "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements and related notes contained elsewhere in this prospectus. See "Capitalization".

Year ended December 31, (in thousands, except per share data)	**1998[2]**	**1999[2]**	**2000**	**2001**	**2002**	**2003**
Consolidated statements of operations data:						
Revenue						
License fees	$29,408	$37,938	$ 24,471	$19,300	$ 20,572	$ 21,339
Services	10,716	17,309	14,266	18,797	26,739	34,042
Maintenance and subscriptions	22,446	29,680	39,042	47,022	52,788	58,360
Other revenue	3,062	7,550	5,838	4,915	5,130	4,352
Total revenue	65,632	92,477	83,617	90,034	105,229	118,093
Cost of revenue						
Cost of license fees	709	989	1,284	1,726	2,547	2,819
Cost of services[1]	4,339	5,534	7,028	10,253	14,234	21,006
Cost of maintenance and subscriptions[1]	11,443	15,246	15,120	11,733	10,588	11,837
Cost of other revenue	1,559	2,160	1,972	2,750	3,611	3,712
Total cost of revenue	18,050	23,929	25,404	26,462	30,980	39,374
Gross profit	47,582	68,548	58,213	63,572	74,249	78,719
Sales and marketing	11,337	13,719	12,326	15,173	19,173	21,883
Research and development	9,604	13,923	13,912	14,755	14,385	15,516
General and administrative	8,937	12,833	10,390	9,031	10,631	11,085
Amortization	2,574	2,510	2,200	2,239	1,045	848
Stock option compensation	—	—	—	—	—	23,691
Total operating expenses	32,452	42,985	38,828	41,198	45,234	73,023
Income from operations	15,130	25,563	19,385	22,374	29,015	5,696
Interest income	1,032	716	241	96	138	97
Interest expense	(638)	(2,752)	(11,265)	(7,963)	(4,410)	(2,559)
Other income (expense), net	6,310	(79)	(185)	(113)	63	235
Income before provision for income taxes	21,834	23,448	8,176	14,394	24,806	3,469
Income tax provision (benefit)	158	(1,456)	3,080	5,488	9,166	3,947
Net income (loss)	$21,676	$24,904	$ 5,096	$ 8,906	$ 15,640	$ (478)
Earnings (loss) per share						
Basic	$ —	$ —	$ 0.08	$ 0.13	$ 0.23	$ (0.01)
Diluted	$ —	$ —	$ 0.08	$ 0.13	$ 0.23	$ (0.01)
Common shares and equivalents outstanding						
Basic weighted average shares	N/A	N/A	64,443	66,389	67,777	67,833
Diluted weighted average shares	N/A	N/A	64,443	66,389	67,777	67,833
Summary of stock option compensation:						
Cost of services	$ —	$ —	$ —	$ —	$ —	$ 3,342
Cost of maintenance and subscriptions	—	—	—	—	—	505
Total cost of revenue	—	—	—	—	—	3,847
Sales and marketing	—	—	—	—	—	1,817
Research and development	—	—	—	—	—	2,341
General and administrative	—	—	—	—	—	19,533
Total operating expenses	—	—	—	—	—	23,691
Total stock option compensation	$ —	$ —	$ —	$ —	$ —	$ 27,538

(1) Includes stock option compensation as set forth in Summary of stock option compensation.

(2) Earnings per share not computed for this year because we were an S corporation until our recapitalization in October 1999 and therefore the information would not be meaningful.

December 31, 2003 (in thousands)	Actual	As adjusted[3]
Consolidated balance sheet data:		
Cash and cash equivalents	$ 6,708	$
Deferred tax asset	88,765	
Working capital	(30,326)	
Total assets	120,966	
Deferred revenue	43,673	
Long-term debt and capital lease obligations, excluding current portion	5,044	
Total liabilities	61,108	
Common stock	41,613	
Total stockholders' equity	$ 59,858	$

(3) Gives effect to expenses incurred in connection with this offering.

Risk factors

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors and the other information in this prospectus, including our consolidated financial statements and the related notes thereto, before investing in our common stock. Our business, operating results and financial condition could be seriously harmed by any of the following risks. The trading price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment.

Risks related to our business

The market for software and services for nonprofit organizations might not grow, and nonprofit organizations might not continue to adopt our products and services.

Many nonprofit organizations have not traditionally used integrated and comprehensive software and services for their nonprofit-specific needs. We cannot be certain that the market for such products and services will continue to develop and grow or that nonprofit organizations will elect to adopt our products and services rather than continue to use traditional, less automated methods, attempt to develop software internally, rely upon legacy software systems, or use generalized software solutions not specifically designed for the nonprofit market. Nonprofit organizations that have already invested substantial resources in other fundraising methods or other non-integrated software solutions might be reluctant to adopt our products and services to supplement or replace their existing systems or methods. In addition, the implementation of one or more of our core software products can involve significant time and capital commitments by our customers, which they may be unwilling or unable to make. If demand for and market acceptance of our products and services does not increase, we might not grow our business as we expect.

We might not generate increased business from our current customers, which could limit our revenue in the future.

Our business model is highly dependent on the success of our efforts to increase sales to our existing customers. Many of our customers initially make a purchase of only one or a limited number of our products or only for a single department within their organization. These customers might choose not to expand their use of or make additional purchases of our products and services. If we fail to generate additional business from our current customers, our revenue could grow at a slower rate or even decrease. In addition, as we deploy new applications and features for our existing products or introduce new products and services, our current customers could choose not to purchase these new offerings.

If our customers do not renew their annual maintenance and support agreements for our products or if they do not renew them on terms that are favorable to us, our business might suffer.

Most of our maintenance agreements are for a term of one year. As the end of the annual period approaches, we pursue the renewal of the agreement with the customer. Historically, maintenance renewals have represented a significant portion of our total revenue, including approximately 49% of our total revenue in 2003. If our customers choose not to renew their maintenance and support agreements with us on beneficial terms, our business, operating results and financial condition could be harmed.

A substantial majority of our revenue is derived from The Raiser's Edge and a decline in sales or renewals of this product and related services could harm our business.

We derive a substantial majority of our revenue from the sale of The Raiser's Edge and related services, and revenue from this product and related services is expected to continue to account for a substantial majority of our total revenue for the foreseeable future. For example, revenue from the sale of The Raiser's Edge and related services represented approximately 72% of our total revenue in 2003. Because we generally sell licenses to our products on a perpetual basis and deliver new versions and enhancements to customers who purchase annual maintenance and support, our future license, services and maintenance revenue are substantially dependent on sales to new customers. In addition, we frequently sell The Raiser's Edge to new customers and then attempt to generate incremental revenue from the sale of additional products and services. If demand for The Raiser's Edge declines significantly, our business would suffer.

Our quarterly financial results fluctuate and might be difficult to forecast and, if our future results are below either any guidance we might issue or the expectations of public market analysts and investors, the price of our common stock might decline.

Our quarterly revenue and results of operations are difficult to forecast. We have experienced, and expect to continue to experience, fluctuations in revenue and operating results from quarter to quarter. As a result, we believe that quarter-to-quarter comparisons of our revenue and operating results are not necessarily meaningful and that such comparisons might not be accurate indicators of future performance. The reasons for these fluctuations include but are not limited to:

- the size and timing of sales of our software, including the relatively long sales cycles associated with many of our large software sales;
- budget and spending decisions by our customers;
- market acceptance of new products we release, such as our recently-introduced business intelligence tools;
- the amount and timing of operating costs related to the expansion of our business, operations and infrastructure;
- changes in our pricing policies or our competitors' pricing policies;
- seasonality in our revenue;
- general economic conditions; and
- costs related to acquisitions of technologies or businesses.

Our operating expenses, which include sales and marketing, research and development and general and administrative expenses, are based on our expectations of future revenue and are, to a large extent, fixed in the short term. If revenue falls below our expectations in a quarter and we are not able to quickly reduce our operating expenses in response, our operating results for that quarter could be adversely affected. It is possible that in some future quarter our operating results may be below either any guidance we might issue or the expectations of public market analysts and investors and, as a result, the price of our common stock might fall.

We encounter long sales and implementation cycles, particularly for our largest customers, which could have an adverse effect on the size, timing and predictability of our revenue and sales.

Potential customers, particularly our larger enterprise-wide clients, generally commit significant resources to an evaluation of available software and require us to expend substantial time, effort and money educating them as to the value of our software and services. Sales of our core software products to these larger customers often require an extensive education and marketing effort.

We could expend significant funds and management resources during the sales cycle and ultimately fail to close the sale. Our core software product sales cycle averages approximately two months for sales to existing customers and from six to nine months for sales to new customers and large enterprise-wide sales. Our implementation cycle for large enterprise-wide sales can extend for a year or more, which can negatively impact the timing and predictability of our revenue. Our sales cycle for all of our products and services is subject to significant risks and delays over which we have little or no control, including:

- our customers' budgetary constraints;
- the timing of our clients' budget cycles and approval processes;
- our clients' willingness to replace their current methods or software solutions;
- our need to educate potential customers about the uses and benefits of our products and services; and
- the timing and expiration of our clients' current license agreements or outsourcing agreements for similar services.

If we are unsuccessful in closing sales after expending significant funds and management resources or if we experience delays as discussed above, it could have a material adverse effect on the size, timing and predictability of our revenue.

We have recorded a significant deferred tax asset, and we might never realize the full value of our deferred tax asset, which would result in a charge against our earnings.

In connection with the initial acquisition of our common stock by our current stockholders in 1999, we recorded approximately $107 million as a deferred tax asset. Our deferred tax asset was approximately $89 million as of December 31, 2003, or approximately 73% of our total assets as of that date. Realization of our deferred tax asset is dependent upon our generating sufficient taxable income in future years to realize the tax benefit from that asset. In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, deferred tax assets are reviewed at least annually for impairment. Impairment would result if, based on the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. This impairment could be caused by, among other things, deterioration in performance, loss of key contracts, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products sold by our business and a variety of other factors. If an impairment were to occur in a future period, it would be recognized as an expense in our results of operations during the period of impairment. Depending on future circumstances, it is possible that we might never realize the full value of our deferred tax asset. Any future determination of impairment of a significant portion of our deferred tax asset would have an

adverse effect on our financial condition and results of operations. See our discussion of “Deferred taxes” in “Management’s discussion and analysis of financial condition and results of operations — Critical accounting policies and estimates”.

Nonprofit organizations might not use the Internet to facilitate their fundraising and organizational efforts in a manner sufficient to allow us to make a profit or even recapture our investment in this area. In addition, even if they increasingly use the Internet for these purposes, if we fail to capitalize on this opportunity, we could lose market share.

The market for online fundraising solutions for nonprofit organizations is new and emerging. Nonprofit organizations have not traditionally used the Internet or web-enabled software solutions for fundraising. We cannot be certain that the market will continue to develop and grow or that nonprofit organizations will elect to use any of our web-enabled products rather than continue to use traditional offline methods, attempt to develop software solutions internally or use standardized software solutions not designed for the specific needs of nonprofits. Nonprofit organizations that have already invested substantial resources in other fundraising methods may be reluctant to use the Internet to supplement their existing systems or methods. In addition, increasing concerns about fraud, privacy, reliability and other problems might cause nonprofit organizations not to adopt the Internet as a method for fundraising. If demand for and market acceptance of Internet-based products for nonprofits does not occur, we might not recapture our investment in this area or grow our business as we expect. On the other hand, even if nonprofits increasingly use the Internet for their fundraising and organizational efforts, if we fail to develop and offer products that meet customer needs in this area, we could lose market share.

Our failure to compete successfully could cause our revenue or market share to decline.

Our market is fragmented, competitive and rapidly evolving, and there are limited barriers to entry for some aspects of this market. We mainly face competition from four sources:

- software developers offering integrated specialized products designed to address specific needs of nonprofit organizations;
- providers of traditional, less automated fundraising services, such as services that support traditional direct mail campaigns, special events fundraising, telemarketing and personal solicitations;
- custom-developed products created either internally or outsourced to custom service providers; and
- software developers offering general products not designed to address specific needs of nonprofit organizations.

The companies we compete with, and other potential competitors, may have greater financial, technical and marketing resources and generate greater revenue and better name recognition than we do. If one or more of our competitors or potential competitors were to merge or partner with one of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. For example, a large diversified software enterprise, such as Microsoft, Oracle or PeopleSoft, could decide to enter the market directly, including through acquisitions.

Additionally, Sage and Intuit have recently made acquisitions and product development efforts in the nonprofit market. Our competitors might also establish or strengthen cooperative

relationships with our current or future resellers and third-party consulting firms or other parties with whom we have relationships, thereby limiting our ability to promote our products and limiting the number of channel partners available to help market our products. These competitive pressures could cause our revenue and market share to decline. For more information on our competitors, see “Business—Competition”.

We might not be able to manage our future growth efficiently or profitably.

We have experienced significant growth since our inception, and we anticipate that continued expansion will be required to address potential market opportunities. We will need to expand the size of our sales and marketing, product development and general and administrative staff and operations, as well as our financial and accounting controls. There can be no assurance that our infrastructure will be sufficiently scalable to manage our projected growth. For example, our anticipated growth will result in a significant increase in demands on our maintenance and support services professionals to continue to provide the high level of quality service that our customers have come to expect. If we are unable to sufficiently address these additional demands on our resources, our profitability and growth might suffer. Also, if we continue to expand our operations, management might not be effective in expanding our physical facilities and our systems, procedures or controls might not be adequate to support such expansion. Our inability to manage our growth could harm our business.

Because competition for highly qualified sales and software development personnel is intense, we might not be able to attract and retain the employees we need to support our planned growth.

To execute our continuing growth plans, we need to increase the size and maintain the quality of our sales force and software development staff. To meet our objectives successfully, we must attract and retain highly qualified sales and software development personnel with specialized skill sets focused on the nonprofit industry. Competition for qualified sales and software development personnel can be intense, and we might not be successful in attracting and retaining them. The pool of qualified personnel with experience working with or selling to nonprofit organizations is limited. Our ability to maintain and expand our sales and product development teams will depend on our ability to recruit, train and retain top quality people with advanced skills who understand sales to, and the specific product needs of, nonprofit organizations. Because the sale of software products and services designed for the nonprofit sector requires significant domain expertise, there is a shortage of sales personnel with the experience we need. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications for our business. In addition, it takes time for our new sales personnel to become productive, particularly with respect to obtaining major customer accounts. If we are unable to hire or retain qualified sales and software development personnel, or if newly hired personnel fail to develop the necessary skills or reach productivity slower than anticipated, it would be more difficult for us to sell our products and services, and we could experience a shortfall in revenue and not achieve our planned growth.

Our operating results might decline and our customers might become dissatisfied if we do not expand the size and maintain the quality of our professional services organization.

Our software sales, particularly those to large nonprofit organizations, are dependent to a large degree on our ability to provide a significant and quality level of professional services

and support to our customers. Clients that license our software typically engage our professional services organization to assist with installation, training, consulting and implementation of our software, as well as ongoing technical support. We believe that growth in our software sales depends on our ability to provide our clients with these services. We cannot be certain that our professional services business will be profitable. We plan to further increase the number of services personnel in order to meet these needs. New services personnel will require training and education and take time to reach full productivity. We might not be able to recruit the services personnel we need or retain our current services personnel because competition for qualified services personnel is intense. We are in a relatively new market and only a limited number of individuals have the skills needed to provide the services that our clients require. To meet our needs for services personnel, we may also need to use additional third-party consultants to supplement our own professional services organization, which could have a negative impact on our profit margins.

Our services revenue produces substantially lower gross margins than our license revenue, and an increase in services revenue relative to license revenue would harm our overall gross margins.

Our services revenue, which includes fees for consulting, implementation, training, data and technical services and analytics, was approximately 29% of our revenue for 2003 and approximately 25% of our revenue for 2002. Our services revenue has substantially lower gross margins than our product license revenue. An increase in the percentage of total revenue represented by services revenue would adversely affect our overall gross margins.

Services revenue as a percentage of total revenue has varied significantly from quarter to quarter due to fluctuations in licensing revenue, economic changes, changes in the average selling prices for our products and services, our customers' acceptance of our products and our sales force execution. In addition, the volume and profitability of services can depend in large part upon:

- competitive pricing pressure on the rates that we can charge for our services;
- the complexity of the customers' information technology environment and the existence of multiple non-integrated legacy databases;
- the resources directed by customers to their implementation projects; and
- the extent to which outside consulting organizations provide services directly to customers.

Any erosion of our margins for our services revenue or any adverse changes in the mix of our license versus service revenue would adversely affect our operating results.

Failure to adapt to technological change and to achieve broad adoption and acceptance of our new products and services could adversely affect our earnings.

If we fail to keep pace with technological change in our industry, such failure would have an adverse effect on our revenue and earnings. We operate in a highly competitive industry characterized by evolving technologies and industry standards, changes in customer requirements and frequent new product introductions and enhancements. During the past several years, many new technological advancements and competing products have entered the marketplace. Our ability to compete effectively and our growth prospects depend upon many factors, including the success of our existing software products and services to address the changing needs of our customers, the timely introduction and success of future software

products and services and releases and the ability of our products to perform well with existing and future technologies, including databases, applications, operating systems and other platforms. We have made significant investments in research and development and our growth plans are premised in part on generating substantial revenue from new product introductions. New product introductions involve significant risks. For example, delays in new product introductions, such as our new version of The Education Edge expected in mid-2004, or less-than-anticipated market acceptance of our new products are possible and would have an adverse effect on our revenue and earnings. We cannot be certain that our new products or future enhancements to existing products will meet customer performance needs or expectations when shipped or that they will be free of significant software defects or bugs. If they do not meet customer needs or expectations, for whatever reason, upgrading or enhancing these products could be costly and time consuming. In addition, the selling price of software products tends to decline significantly over the life of the product. If we are unable to offset any reductions in the selling prices of our products by introducing new products at higher prices or by reducing our costs, our revenue, gross margin and operating results would be adversely affected.

If our products fail to perform properly due to undetected errors or similar problems, our business could suffer.

Complex software such as ours often contains undetected errors or bugs. Such errors are frequently found after introduction of new software or enhancements to existing software. We continually introduce new products and new versions of our products. If we detect any errors before we ship a product, we might have to delay product shipment for an extended period of time while we address the problem. We might not discover software errors that affect our new or current products or enhancements until after they are deployed, and we may need to provide enhancements to correct such errors. Therefore, it is possible that, despite testing by us, errors may occur in our software. These errors could result in:

- harm to our reputation;
- lost sales;
- delays in commercial release;
- product liability claims;
- delays in or loss of market acceptance of our products;
- license terminations or renegotiations; and
- unexpected expenses and diversion of resources to remedy errors.

Furthermore, our customers may use our software together with products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our software does not cause these problems, the existence of these errors might cause us to incur significant costs, divert the attention of our technical personnel from our product development efforts, impact our reputation and cause significant customer relations problems.

Our failure to integrate third-party technologies could harm our business.

We intend to continue licensing technologies from third parties, including applications used in our research and development activities and technologies which are integrated into our products. These technologies might not continue to be available to us on commercially reasonable terms or at all. Our inability to obtain any of these licenses could delay product development until equivalent technology can be identified, licensed and integrated. This

inability in turn would harm our business and operating results. Our use of third-party technologies exposes us to increased risks, including, but not limited to, risks associated with the integration of new technology into our products, the diversion of our resources from development of our own proprietary technology and our inability to generate revenue from licensed technology sufficient to offset associated acquisition and maintenance costs.

If the security of our software, in particular our hosted Internet solutions products, is breached, our business and reputation could suffer.

Fundamental to the use of our products is the secure collection, storage and transmission of confidential donor and end user information. Third parties may attempt to breach our security or that of our customers and their databases. We might be liable to our customers for any breach in such security, and any breach could harm our customers, our business and our reputation. Any imposition of liability, particularly liability that is not covered by insurance or is in excess of insurance coverage, could harm our reputation and our business and operating results. Also, computers, including those that utilize our software, are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays or loss of data. We might be required to expend significant capital and other resources to protect further against security breaches or to rectify problems caused by any security breach.

If we are unable to detect and prevent unauthorized use of credit cards and bank account numbers and safeguard confidential donor data, we could be subject to financial liability, our reputation could be harmed and customers may be reluctant to use our products and services.

We rely on third-party and internally-developed encryption and authentication technology to provide secure transmission of confidential information over the Internet, including customer credit card and bank account numbers, and protect confidential donor data. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology we use to protect sensitive transaction data. If any such compromise of our security, or the security of our customers, were to occur, it could result in misappropriation of proprietary information or interruptions in operations and have an adverse impact on our reputation or the reputation of our customers. If we are unable to detect and prevent unauthorized use of credit cards and bank account numbers or protect confidential donor data, our business could suffer.

We rely upon patent, trademark, copyright and trade secret laws to protect our proprietary rights, which might not provide us with adequate protection.

Our success and ability to compete depend to a significant degree upon the protection of our software and other proprietary technology rights. We might not be successful in protecting our proprietary technology, and our proprietary rights might not provide us with a meaningful competitive advantage. To protect our proprietary technology, we rely on a combination of patent, trademark, copyright and trade secret laws, as well as nondisclosure agreements, each of which affords only limited protection. We currently do not have patents issued for any of our proprietary technology and we only recently filed patent applications relating to a number of our products. Moreover, we have no patent protection for The Raiser’s Edge, which is one

of our core products. Any inability to protect our intellectual property rights could seriously harm our business, operating results and financial condition. It is possible that:

- our pending patent applications may not result in the issuance of patents;
- any patents issued to us may not be timely or broad enough to protect our proprietary rights;
- any issued patent could be successfully challenged by one or more third parties, which could result in our loss of the right to prevent others from exploiting the inventions claimed in those patents; and
- current and future competitors may independently develop similar technologies, duplicate our products or design around any of our patents.

In addition, the laws of some foreign countries do not protect our proprietary rights in our products to the same extent as do the laws of the United States. Despite the measures taken by us, it may be possible for a third party to copy or otherwise obtain and use our proprietary technology and information without authorization. Policing unauthorized use of our products is difficult, and litigation could become necessary in the future to enforce our intellectual property rights. Any litigation could be time consuming and expensive to prosecute or resolve, result in substantial diversion of management attention and resources, and materially harm our business, financial condition and results of operations.

If we do not successfully address the risks inherent in the expansion of our international operations, our business could suffer.

We currently have operations in the United Kingdom, Canada and Australia, and we intend to expand further into international markets. If our revenue from international operations does not exceed the expense associated with establishing and maintaining our international operations, our business could suffer. We have limited experience in international operations and may not be able to compete effectively in international markets. In 2003, our international offices generated revenues of approximately $10.7 million, an increase of 78% over international revenue of $6.0 million for 2002. Expansion of our international operations will require a significant amount of attention from our management and substantial financial resources and may require us to add qualified management in these markets. Our direct sales model requires us to attract, retain and manage qualified sales personnel capable of selling into markets outside the United States In some cases, our costs of sales might increase if our customers require us to sell through local distributors. If we are unable to grow our international operations in a cost effective and timely manner, our business and operating results could be harmed. Doing business internationally involves additional risks that could harm our operating results, including:

- difficulties and costs of staffing and managing international operations;
- differing technology standards;
- difficulties in collecting accounts receivable and longer collection periods;
- political and economic instability;
- fluctuations in currency exchange rates;
- imposition of currency exchange controls;
- potentially adverse tax consequences;
- reduced protection for intellectual property rights in certain countries;
- dependence on local vendors;

- protectionist laws and business practices that favor local competition;
- compliance with multiple conflicting and changing governmental laws and regulations;
- seasonal reductions in business activity specific to certain markets;
- longer sales cycles;
- restrictions on repatriation of earnings;
- differing labor regulations;
- restrictive privacy regulations in different countries, particularly in the European Union;
- restrictions on the export of technologies such as data security and encryption; and
- import and export restrictions and tariffs.

Future acquisitions could prove difficult to integrate, disrupt our business, dilute stockholder value and strain our resources.

We intend to acquire companies, services and technologies that we feel could complement or expand our business, augment our market coverage, enhance our technical capabilities, provide us with important customer contacts or otherwise offer growth opportunities. Acquisitions and investments involve numerous risks, including:

- difficulties in integrating operations, technologies, services, accounting and personnel;
- difficulties in supporting and transitioning customers of our acquired companies;
- diversion of financial and management resources from existing operations;
- risks of entering new sectors of the nonprofit industry;
- potential loss of key employees; and
- inability to generate sufficient revenue to offset acquisition or investment costs.

Acquisitions also frequently result in recording of goodwill and other intangible assets, which are subject to potential impairments in the future that could harm our operating results. In addition, if we finance acquisitions by issuing equity securities or securities convertible into equity securities, our existing stockholders would be diluted, which, in turn, could affect the market price of our stock. Moreover, we could finance any acquisition with debt, resulting in higher leverage and interest costs. As a result, if we fail to evaluate and execute acquisitions or investments properly, we might not achieve the anticipated benefits of any such acquisition, and we may incur costs in excess of what we anticipate.

Claims that we infringe upon third parties' intellectual property rights could be costly to defend or settle.

Litigation regarding intellectual property rights is common in the software industry. We expect that software products and services may be increasingly subject to third-party infringement claims as the number of competitors in our industry segment grows and the functionality of products in different industry segments overlaps. We may from time to time encounter disputes over rights and obligations concerning intellectual property. Although we believe that our intellectual property rights are sufficient to allow us to market our software without incurring liability to third parties, third parties may bring claims of infringement against us. Such claims may be with or without merit. Any litigation to defend against claims of infringement or invalidity could result in substantial costs and diversion of resources. Furthermore, a party making such a claim could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our software. Our business, operating results and financial condition could be harmed if any of these events occurred.

In addition, we have agreed, and will likely agree in the future, to indemnify certain of our customers against certain claims that our software infringes upon the intellectual property rights of others. We could incur substantial costs in defending ourselves and our customers against infringement claims. In the event of a claim of infringement, we and our customers might be required to obtain one or more licenses from third parties. We, or our customers, might be unable to obtain necessary licenses from third parties at a reasonable cost, if at all. Defense of any lawsuit or failure to obtain any such required licenses could harm our business, operating results and financial condition.

If we become subject to product or general liability or errors and omissions claims, they could be time-consuming and costly.

Errors, defects or other performance problems in our software, as well as the negligence or misconduct of our consultants, could result in financial or other damages to our customers. They could seek damages from us for losses associated with these errors, defects or other performance problems. If successful, these claims could have a material adverse effect on our business. Although we possess product liability insurance and errors and omissions insurance, there is no guarantee that our insurance would be enough to cover the full amount of any loss we might suffer. Our license and service agreements typically contain provisions designed to limit our exposure to product liability claims, but existing or future laws or unfavorable judicial decisions could negate these limitation of liability provisions. A claim brought against us, even if unsuccessful, could be time-consuming and costly to defend and could harm our reputation.

If we were found subject to or in violation of any laws or regulations governing privacy or electronic fund transfers, we could be subject to liability or forced to change our business practices.

It is possible that the payment processing component of our web-based software is subject to various governmental regulations. Pending legislation at the state and federal levels could also restrict further our information gathering and disclosure practices. Existing and potential future privacy laws might limit our ability to develop new products and services that make use of data we gather from various sources. The provisions of these laws and related regulations are complicated, and we do not have extensive experience with these laws and related regulations. Even technical violations of these laws can result in penalties that are assessed for each non-compliant transaction. In addition, we might be subject to the privacy provisions of the Health Insurance Portability and Accountability Act of 1996 and the Gramm-Leach-Bliley Act and related regulations. If we or our customers were found to be subject to and in violation of any of these laws or other privacy laws or regulations, our business would suffer and we and/or our customers would likely have to change our business practices. In addition, these laws and regulations could impose significant costs on us and our customers and make it more difficult for donors to make online donations.

Increasing government regulation could affect our business.

We are subject not only to regulations applicable to businesses generally but also to laws and regulations directly applicable to electronic commerce. Although there are currently few such laws and regulations, state, Federal and foreign governments may adopt laws and regulations applicable to our business. Any such legislation or regulation could dampen the growth of the Internet and decrease its acceptance. If such a decline occurs, companies may decide in the

future not to use our products and services. Any new laws or regulations in the following areas could affect our business:

- user privacy;
- the pricing and taxation of goods and services offered over the Internet:
- the content of websites;
- copyrights;
- consumer protection, including the potential application of "do not call" registry requirements on our customers and consumer backlash in general to direct marketing efforts of our customers;
- the online distribution of specific material or content over the Internet; and
- the characteristics and quality of products and services offered over the Internet.

Our operations might be affected by the occurrence of a natural disaster or other catastrophic event in Charleston, South Carolina.

We depend on our principal executive offices and other facilities in Charleston, South Carolina for the continued operation of our business. Although we have contingency plans in effect for natural disasters or other catastrophic events, these events, including terrorist attacks and natural disasters such as hurricanes, which historically have struck the Charleston area with some regularity, could disrupt our operations. Even though we carry business interruption insurance policies and typically have provisions in our contracts that protect us in certain events, we might suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies or for which we do not have coverage. Any natural disaster or catastrophic event affecting us could have a significant negative impact on our operations.

We have a large number of outstanding employee stock options subject to variable accounting, which could cause us to record significant compensation expense and could significantly reduce our earnings in future periods.

Because we have a large number of outstanding employee stock options subject to variable accounting treatment, we expect to record significant compensation expense at the end of future periods, particularly if our stock price increases significantly. For example, in 2003 we recorded compensation expense of $27.5 million attributable to these options. This compensation expense could significantly reduce our earnings in future periods, which could cause our stock price to fall and, as a result, you could lose some or all of your investment. See our discussion of "Stock option compensation" in "Management's discussion and analysis of financial condition and results of operations — Critical accounting policies and estimates".

The requirements of being a public company might strain our resources and distract management.

As a public company, we will be subject to a number of additional requirements, including the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002 and new Nasdaq rules promulgated in response to the Sarbanes-Oxley Act. These requirements might place a strain on our systems and resources. The Securities Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business

and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, significant resources and management oversight will be required. As a result, our management's attention might be diverted from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we might need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and we might not be able to do so in a timely fashion. Nasdaq rules require, among other things, that within a year of the date of this offering all of the members of the audit committee of our board of directors consist of independent directors. We might not be able to attract and retain independent directors for our audit committee in a timely fashion, or at all.

Risks related to this offering

We cannot assure you that a market will develop for our common stock or what the market price of our common stock will be.

Before this offering, there was no public trading market for our common stock, and we cannot assure you that one will develop or be sustained after this offering. If a market does not develop or is not sustained, it might be difficult for you to sell your shares of common stock at an attractive price or at all. We cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock will be determined through our and our selling stockholders' negotiations with the underwriters and might not bear any relationship to the market price at which it will trade after this offering or to any other established criteria of the value of our business. In future quarters our operating results might be below the expectations of public market analysts and investors and, as a result of these and other factors, the price of our common stock might decline.

The price of our common stock might be volatile.

In the three years prior to 2003, technology stocks listed on The Nasdaq National Market experienced high levels of volatility and significant declines in value from their historic highs. The trading price of our common stock following this offering might fluctuate substantially. The price of the common stock that will prevail in the market after this offering might be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and might not be related to our operating performance. The fluctuations could cause you to lose part or all of your investment in our shares of common stock. Those factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of software and technology companies;
- actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of securities analysts;
- economic conditions and trends in general and in the nonprofit industry;
- major catastrophic events, including terrorist activities, which could reduce or divert funding to, and technology spending by, our core nonprofit customer base;
- changes in our pricing policies or the pricing policies of our customers;

- changes in the estimation of the future size and growth of our market; or
- departures of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we might be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

Insiders will continue to have substantial control over us after this offering and could limit your ability to influence the outcome of key transactions, including a change of control.

Upon completion of this offering, our largest stockholder, Hellman & Friedman Capital Partners III, L.P. and its affiliates, will beneficially own approximately % of our common stock, or % if the underwriters' over-allotment option is exercised in full. In addition, our executive officers, directors and their affiliates will, in the aggregate, beneficially own or control approximately % of our common stock, or % if the underwriters' over-allotment option is exercised in full. As a result, Hellman & Friedman Capital Partners III, L.P. and its affiliates, acting alone or together with these persons, will have the ability to control all matters submitted to our stockholders for approval, including the election and removal of directors and the approval of any merger, consolidation or sales of all or substantially all of our assets. These stockholders might make decisions that are adverse to your interests. The concentration of ownership could have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

Future sales of our common stock might depress our stock price.

As of the date of this prospectus, we have 67,854,195 shares of common stock outstanding. The shares sold by the selling stockholders in this offering, or shares if the underwriters' over-allotment option is exercised in full, will be freely tradable without restriction or further registration under federal securities laws unless purchased by our affiliates. The remaining shares of common stock outstanding will be available for sale in the public market as follows:

Number of shares	Date of availability for sale
	On the date of this prospectus
	90 days after the date of this prospectus
	180 days after the date of this prospectus

The remaining shares held by existing stockholders will become eligible for sale at various times on or before .

The above table assumes the effectiveness of the lock-up agreements under which we, our executive officers and directors and our selling stockholders have agreed that, during the period beginning from the date of this prospectus and continuing to and including the date 180 days after the date of this prospectus, none of us will sell or otherwise dispose of their shares of common stock, except in limited circumstances. J.P. Morgan Securities Inc. may, in its

sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

If our common stockholders sell substantial amounts of common stock in the public market, or if the market perceives that these sales may occur, the market price of our common stock might decline. In addition, as soon as practicable after the completion of this offering, we intend to file a registration statement under the Securities Act covering shares of common stock issuable under our stock plans. Accordingly, shares registered under that registration statement will be available for sale in the open market, subject to the contractual lock-up agreements described above that prohibit the sale or other disposition of the shares of common stock underlying the options for a period of 180 days after the date of this prospectus.

As a new investor, you will experience immediate and substantial dilution.

The initial public offering price of the common stock being sold by the selling stockholders in this offering is considerably more than the net tangible book value per share of our outstanding common stock. Accordingly, investors purchasing shares of common stock in this offering will pay a price per share that substantially exceeds, on a per share basis, the value of our assets after subtracting liabilities. Investors will suffer additional dilution to the extent outstanding stock options are exercised and to the extent we issue any restricted stock to our employees under our equity incentive plans. For more information on dilution, see “Dilution.”

We might need to raise capital, which might not be available.

We will not receive any of the proceeds from the sale of shares by the selling stockholders in this offering. Accordingly, the proceeds from this offering will not be available to us to finance our operations, capital expenditures or investment activities. We might need to raise funds to meet these or other needs, and we might not be able to obtain such financing on favorable terms, if at all. If we need capital and cannot raise it on acceptable terms, we might not be able to:

- develop enhancements and additional features for our products;
- develop new products and services;
- hire, train and retain employees;
- enhance our infrastructure;
- respond to competitive pressures or unanticipated requirements;
- pursue international expansion;
- pursue acquisition opportunities; or
- continue to fund our operations.

If any of the foregoing consequences occur, our stock price might fall and you might lose some or all of your investment.

Our certificate of incorporation authorizes our board of directors to issue new series of preferred stock that may have the effect of delaying or preventing a change of control, which could adversely affect the value of your shares.

Our certificate of incorporation provides that our board of directors is authorized to issue from time to time, without further stockholder approval, up to 20,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series, including the dividend

rights, dividend rates, conversion rights, voting rights, rights of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of any series. Such shares of preferred stock could have preferences over our common stock with respect to dividends and liquidation rights. We may issue additional preferred stock in ways that might delay, defer or prevent a change of control of our company without further action by our stockholders. Such shares of preferred stock may be issued with voting rights that may adversely affect the voting power of the holders of our common stock by increasing the number of outstanding shares having voting rights, and by the creation of class or series voting rights.

Anti-takeover provisions under our charter documents and Delaware law could delay or prevent a change of control and could also limit the market price of our stock.

Our certificate of incorporation and our bylaws contain provisions that, effective from and after the date of this offering, could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable, including the following:

- our board of directors will be classified into three classes, each of which will serve for staggered three year terms; and

- we will require advance notice for stockholder proposals, including nominations for the election of directors.

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporate Law, which can prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock, although our certificate of incorporation excludes Hellman & Friedman Capital Partners III, L.P. and its affiliates and transferees from the application of these anti-takeover provisions. These and other provisions in our certificate of incorporation and our bylaws and Delaware law could make it more difficult for stockholders or potential acquirors to obtain control of our board of directors or initiate actions that are opposed by the then-current board of directors, including delaying or impeding a merger, tender offer, or proxy contest or other change of control transaction involving our company. Any delay or prevention of a change of control transaction or changes in our board of directors could prevent the consummation of a transaction in which our stockholders could receive a substantial premium over the then current market price for their shares.

Forward-looking statements

This prospectus 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. The forward-looking statements are contained principally in the sections entitled “Prospectus summary,” “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations” and “Business.” In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “intend,” “potential” or the negative of such terms or other similar expressions.

The forward-looking statements reflect our current expectations and views about future events and speak only as of the date the statements were made. The forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on the forward-looking statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is part, completely and with the understanding that our actual future results might be materially different from what we expect. We might not update the forward-looking statements, even though our situation might change in the future, unless we have obligations under U.S. federal securities laws to update and disclose material developments related to previously disclosed information. We qualify all of the forward-looking statements by these cautionary statements.

Use of proceeds

We will not receive any proceeds from the sale of the common stock by the selling stockholders. The selling stockholders will receive all net proceeds from the sale of shares of our common stock in this offering.

Dividend policy

Although we have not declared or paid any cash dividends on our capital stock since becoming a C corporation in October 1999, we might elect to do so in the future. Any such determination to pay dividends will be at the discretion of our board of directors and will depend on the amount of any outstanding indebtedness, our financial condition, results of operations, capital requirements and other factors that our board of directors may deem relevant. In addition, certain debt agreements to which we are a party contain financial covenants that could have the effect of restricting or prohibiting the payment of cash dividends.

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2003:

- on an actual basis; and
- on an as adjusted basis to give effect to expenses incurred in connection with this offering.

This table should be read in conjunction with “Management’s discussion and analysis of financial condition and results of operations” and the consolidated financial statements and accompanying notes included elsewhere in this prospectus.

December 31, 2003 **(in thousands)**	**Actual**	**As adjusted**
Cash and cash equivalents	$ 6,708	$
Long-term debt and capital lease obligations, excluding current portion	5,044	
Stockholders’ equity:		
Common stock	41,613	
Deferred stock compensation	(4,795)	
Accumulated other comprehensive income	518	
Retained earnings	22,522	
Total stockholders’ equity	59,858	
Total capitalization	$64,902	$

Dilution

The net tangible book value per share of our common stock will be substantially below the initial public offering price. You will therefore incur immediate and substantial dilution of $ per share, based on the assumed initial public offering price of $ per share. As a result, if we are liquidated, you may not receive the full value of your investment.

Dilution in net tangible book value per share represents the difference between the amount per share of our common stock that you pay in this offering and the net tangible book value per share of our common stock immediately afterwards. Net tangible book value per share represents (1) the total net tangible assets, divided by (2) the number of shares of our common stock outstanding.

Our net tangible book value at December 31, 2003 was approximately $ million, or $ per share. This amount represents an immediate dilution in net tangible book value of $ per share to you. The following table illustrates this dilution per share:

Assumed initial public offering price per share	$
Net tangible book value per share as of December 31, 2003	$
Dilution per share to you	$

As of December 31, 2003, there were options outstanding to purchase a total of 15,241,724 shares of common stock at a weighted average exercise price of $3.07 per share. To the extent outstanding options are exercised, you would experience further dilution.

Selected consolidated financial data

You should read the selected consolidated financial data set forth below in conjunction with "Management's discussion and analysis of financial condition and results of operations" and our financial statements and the related notes included elsewhere in this prospectus. The consolidated financial statements for the year ended December 31, 1998 were audited by other auditors. The consolidated financial statements for the year ended December 31, 1999 were audited by Arthur Andersen LLP, which has since ceased operations. We derived the financial data as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 from our audited financial statements included elsewhere in this prospectus.

Year ended December 31, (in thousands, except per share data)	1998[2]	1999[2]	2000	2001	2002	2003
Consolidated statements of operations data:						
Revenue						
License fees	$29,408	$37,938	$ 24,471	$19,300	$ 20,572	$ 21,339
Services	10,716	17,309	14,266	18,797	26,739	34,042
Maintenance and subscriptions	22,446	29,680	39,042	47,022	52,788	58,360
Other revenue	3,062	7,550	5,838	4,915	5,130	4,352
Total revenue	65,632	92,477	83,617	90,034	105,229	118,093
Cost of revenue						
Cost of license fees	709	989	1,284	1,726	2,547	2,819
Cost of services[1]	4,339	5,534	7,028	10,253	14,234	21,006
Cost of maintenance and subscriptions[1]	11,443	15,246	15,120	11,733	10,588	11,837
Cost of other revenue	1,559	2,160	1,972	2,750	3,611	3,712
Total cost of revenue	18,050	23,929	25,404	26,462	30,980	39,374
Gross profit	47,582	68,548	58,213	63,572	74,249	78,719
Sales and marketing	11,337	13,719	12,326	15,173	19,173	21,883
Research and development	9,604	13,923	13,912	14,755	14,385	15,516
General and administrative	8,937	12,833	10,390	9,031	10,631	11,085
Amortization	2,574	2,510	2,200	2,239	1,045	848
Stock option compensation	—	—	—	—	—	23,691
Total operating expenses	32,452	42,985	38,828	41,198	45,234	73,023
Income from operations	15,130	25,563	19,385	22,374	29,015	5,696
Interest income	1,032	716	241	96	138	97
Interest expense	(638)	(2,752)	(11,265)	(7,963)	(4,410)	(2,559)
Other income (expense), net	6,310	(79)	(185)	(113)	63	235
Income before provision for income taxes	21,834	23,448	8,176	14,394	24,806	3,469
Income tax provision (benefit)	158	(1,456)	3,080	5,488	9,166	3,947
Net income (loss)	$21,676	$24,904	$ 5,096	$ 8,906	$ 15,640	$ (478)
Earnings (loss) per share						
Basic	$ —	$ —	$ 0.08	$ 0.13	$ 0.23	$ (0.01)
Diluted	$ —	$ —	$ 0.08	$ 0.13	$ 0.23	$ (0.01)
Common shares and equivalents outstanding						
Basic weighted average shares	N/A	N/A	64,443	66,389	67,777	67,833
Diluted weighted average shares	N/A	N/A	64,443	66,389	67,777	67,833
Summary of stock option compensation:						
Cost of services	$ —	$ —	$ —	$ —	$ —	$ 3,342
Cost of maintenance and subscriptions	—					505
Total cost of revenue	—	—	—	—	—	3,847
Sales and marketing	—	—	—	—	—	1,817
Research and development	—	—	—	—	—	2,341
General and administrative	—	—	—	—	—	19,533
Total operating expenses	—	—	—	—	—	23,691
Total stock option compensation	$ —	$ —	$ —	$ —	$ —	$ 27,538

(1) Includes stock option compensation as set forth in Summary of stock option compensation.

(2) Earnings per share not computed for this year because we were an S corporation until our recapitalization in October 1999 and therefore the information would not be meaningful.

December 31 (in thousands)	1999	2000	2001	2002	2003
Consolidated balance sheet data:					
Cash and cash equivalents	$ 4,558	$ 1,707	$ 8,744	$ 18,703	$ 6,708
Deferred tax asset	108,521	105,441	99,953	90,943	88,765
Working capital	(25,935)	(33,478)	(27,294)	(21,111)	(30,326)
Total assets	142,630	136,590	132,079	132,907	120,966
Deferred revenue	20,915	30,699	33,946	39,047	43,673
Long-term debt and capital lease obligations, excluding current portion	102,500	85,952	65,481	45,186	5,044
Total liabilities	148,473	137,410	113,742	99,400	61,108
Common stock	—	740	10,740	10,740	41,613
Total stockholders' (deficit) equity	$ (5,843)	$ (821)	$ 18,337	$ 33,507	$ 59,858

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 "Selected financial data" and our consolidated financial statements and related notes thereto appearing elsewhere in this prospectus. This discussion contains forward-looking statements. These statements reflect our current view with respect to future events and financial performance and are subject to risks, uncertainties and assumptions, including those discussed in "Risk factors". Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results might vary materially from those anticipated in the forward-looking statements.

Overview

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 their 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. In 2003, we had over 12,500 customers, over 11,900 of which pay us annual maintenance and support fees. Our customers operate in multiple verticals within the nonprofit market including religion, education, foundations, health and human services, arts and cultural, public and societal benefits, environment and animal welfare, and international foreign affairs.

We derive revenue from licensing software products and providing a broad offering of services, including consulting, training, installation, implementation, and donor prospect research and modeling services, as well as ongoing customer support and maintenance. Consulting, training and implementation are generally not essential to the functionality of our software products and are sold separately. Accordingly, we recognize revenue from these services separately from license fees.

Critical accounting policies and estimates

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenue and expenses during the reporting period and related disclosures of contingent assets and liabilities. The notes to consolidated financial statements contained herein describe our significant accounting policies used in the preparation of the consolidated financial statements. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to bad debts, intangible assets and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions or conditions.

We believe the critical accounting policies listed below affect significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue recognition

We recognize revenue in accordance with the provisions of the American Institute of Certified Public Accountants Statement of Position, or SOP, 97-2, “Software Revenue Recognition”, as amended by SOP 98-4 and SOP 98-9, as well as Technical Practice Aids issued from time to time by the American Institute of Certified Public Accountants, and in accordance with the SEC Staff Accounting Bulletin No. 101, “Revenue Recognition in Financial Statements”.

Under these pronouncements, we recognize revenue from the license of software when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed and determinable and collection of the resulting receivable is reasonably assured. We use a signed agreement as evidence of an arrangement. Delivery occurs when the product is delivered to a common carrier F.O.B. shipping point. Our typical license agreement does not include customer acceptance provisions; if acceptance provisions are provided, delivery occurs upon acceptance. We consider the fee to be fixed or determinable unless the fee is subject to refund or adjustment or is not payable within our standard payment terms. We generally consider payment terms greater than 90 days to be beyond our customary payment terms. We deem collection probable if we expect that the customer will be able to pay amounts under the arrangement as they become due. If we determine that collection is not probable, we postpone recognition of the revenue until cash collection. We generally sell software licenses with maintenance and, often times, professional services and other products and services. We allocate 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 us. Fair values for the maintenance services associated with our software licenses are based upon rates stated in our agreements. Fair value of professional services and other products and services is based upon separate sales by us of these services to other customers.

We recognize revenue from maintenance services ratably over the contract term, which is typically one year. Maintenance and subscription revenue includes fees for hosted solutions, data enrichment services and training programs. Maintenance revenue includes the right to unspecified product upgrades on an if-and-when available basis. Subscription-based revenue and any related set-up fees are recognized ratably over the period of the contracts.

Our services, which include consulting, installation and implementation services, are generally billed based on hourly rates plus reimbursable travel and lodging related expenses. We recognize revenue as these professional services are performed. We generally sell training at a fixed rate for each specific class on a per attendee or at a packaged price for several attendees. Billing for these services generally occurs in advance of the class but revenue is recognized only upon the customer attending and completing training. We recognize revenue from donor prospect research and data modeling services engagements upon delivery.

Allowance for doubtful accounts

We maintain an allowance for doubtful accounts at an amount we estimate to be sufficient to provide adequate protection against losses resulting from extending credit to our customers. In judging the adequacy of the allowance for doubtful accounts, we consider multiple factors including historical bad debt experience, the general economic environment, the need for specific customer reserves and the aging of our receivables. Any necessary provision is reflected

in general and administrative expense. A considerable amount of judgment is required in assessing these factors and if any receivables were to deteriorate an additional provision for doubtful accounts could be required.

Valuation of long-lived and intangible assets and goodwill

We review identifiable intangible and other long-lived assets for impairment annually or sooner if events change or circumstances indicate the carrying amount may not be recoverable. Events or changes in circumstances that indicate the carrying amount may not be recoverable include, but are not limited to, a significant decrease in the market value of the business or asset acquired, a significant adverse change in the extent or manner in which the business or asset acquired is used or significant adverse change in the business climate. If such events or changes in circumstances are present, the undiscounted cash flow method is used to determine whether the asset is impaired. Cash flows would include the estimated terminal value of the asset and exclude any interest charges. To the extent that the carrying value of the asset exceeds the undiscounted cash flows over the estimated remaining life of the asset, the impairment is measured using discounted cash flows. The discount rate utilized would be based on our best estimate of the related risks and return at the time the impairment assessment is made. In accordance with Statement of Financial Accounting Standard, or SFAS, No. 142, “Goodwill and Other Intangible Assets”, we test goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the fair value of the asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, which could materially adversely impact our financial position and results of operations. All of our goodwill was associated with a single acquisition and was assigned to a single reporting unit.

Stock option compensation

We account for stock option compensation under the provisions of Accounting Principles Board Opinion, or APB, No. 25, “Accounting for Stock Issued to Employees”. Under this pronouncement, there is generally no cost associated with options that are granted with an exercise price equal to or above the fair value per share of our common stock on the date of grant, as estimated by our board of directors. Because there has been no public market for our stock, our board of directors estimated fair value of our common stock by considering a number of factors, including our operating performance, significant events in our history, trends in the broad market for technology stocks and the expected valuation we would obtain in an initial public offering. Grants under two of our option plans, covering approximately 10.5 million shares, contain provisions that result in them being treated as variable awards under APB 25. The effect of this accounting is that an amount equal to the difference between the exercise price of the options and the estimated current fair value is charged to deferred compensation and amortized as an expense over the related vesting periods of the grants using the accelerated method outlined in Statement of Financial Interpretations, or FIN 28, “Accounting for Stock Appreciation Rights and Other Variable Stock Option or Awards Plans”. Under variable award accounting, the affected option grants continue to be marked to market until such time as the amount of related compensation is deemed fixed. As such, options for approximately 4.9 million shares would no longer be accounted for as variable awards upon the occurrence of an initial public offering. The option for the remaining 5.6 million shares, which is held by our Chief Executive Officer, will continue to be accounted for as a variable

award until the grant is fully exercised. The impact on our operating results of accounting for stock option compensation was as follows:

Year ended December 31, (in thousands)	2001	2002	2003
Net income (loss) as reported	$8,906	$15,640	$ (478)
Total stock option compensation	—	—	27,538
Deferred tax benefit associated with stock option compensation	—	—	(7,683)
Net income before the effect of stock option compensation	$8,906	$15,640	$19,377

We have separately disclosed stock option compensation throughout this discussion and in our financial statements and we have shown a reconciliation of stock option compensation as it relates to sales and marketing, research and development, and general and administrative expenses on the statement of operations because in managing our operations we believe such costs significantly affect our ability to better understand and manage other operating expenses and cash needs.

We have also disclosed in note 1 of the Notes to consolidated financial statements the pro forma effects of accounting for our stock option compensation in accordance with SFAS No. 123, “Accounting for Stock Based Compensation”.

Deferred taxes

Significant judgment is required in determining our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in a net deferred tax asset, which is included on our consolidated balance sheet. The final tax outcome of these matters might be different than that which is reflected in our historical income tax provisions, benefits and accruals. Any difference could have a material effect on our income tax provision and net income in the period in which such a determination is made.

Prior to October 13, 1999, we were organized as an S corporation under the Internal Revenue Code and, therefore, were not subject to federal income taxes. We historically made distributions to our shareholders to cover the shareholders’ anticipated tax liability. In connection with the recapitalization agreement, we converted our U.S. taxable status from an S corporation to a C corporation. Accordingly, since October 14, 1999 we have been subject to federal and state income taxes. Upon the conversion and in connection with the recapitalization, we recorded a one-time benefit of $107.0 million to establish a deferred tax asset as a result of the recapitalization agreement.

We must assess the likelihood that the net deferred tax asset will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance, we must include an expense within the tax provision in the statement of operations. We have not recorded a valuation allowance as of December 31, 2003, because we expect to be able to utilize all of our net deferred tax asset. The ability to utilize our net deferred tax asset is solely dependent on our ability to generate future taxable income. In the event that we adjust our estimates of

future taxable income, we may need to establish a valuation allowance, which could have a material adverse impact on our financial position and results of operations.

Contingencies

We are subject to the possibility of various loss contingencies in the normal course of business. We accrue for loss contingencies when a loss is estimable and probable.

Acquisitions

In July 2002, we acquired substantially all of the assets of AppealMaster Ltd., a software company located in the United Kingdom, for $500,000 and additional contingent payments based on future performance, which have been recorded as additional purchase price. This purchase price has been allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The excess consideration above the fair value of net assets acquired of approximately $852,000 was recorded as goodwill in July 2002. As a result of payments of contingent consideration of approximately $431,000 in 2003 and an increase of approximately $103,000 resulting from foreign currency translation in 2003, the balance of goodwill at December 31, 2003 was approximately $1,386,000. In addition, in 2002 we paid approximately $62,000 to the previous controlling shareholder for consulting services and recorded this amount as an expense.

During the three year period ended December 31, 2003 we made other acquisitions that were not significant. These acquisitions were accounted for under the purchase method of accounting and the results of operations of the acquirees have been included in the consolidated statement of operations since the acquisition dates.

Results of operations

The following table sets forth our statements of operations data expressed as a percentage of total revenue for the periods indicated.

Consolidated statements of operations, percent of total revenue

Year ended December 31,	2001	2002	2003
Revenue			
License fees	21.4%	19.5%	18.1%
Services	20.9	25.4	28.8
Maintenance and subscriptions	52.2	50.2	49.4
Other revenue	5.5	4.9	3.7
Total revenue	100.0%	100.0%	100.0%
Cost of revenue			
Cost of license fees	1.9	2.4	2.4
Cost of services	11.4	13.5	17.8
Cost of maintenance and subscriptions	13.0	10.1	10.0
Cost of other revenue	3.1	3.4	3.1
Total cost of revenue	29.4	29.4	33.3
Gross profit	70.6	70.6	66.7
Sales and marketing	16.9	18.2	18.5
Research and development	16.4	13.7	13.1
General and administrative	10.0	10.1	9.4
Amortization	2.5	1.0	0.7
Stock option compensation	—	—	20.1
Total operating expenses	45.8	43.0	61.8
Income from operations	24.8	27.6	4.9
Interest income	0.1	0.1	0.1
Interest expense	(8.9)	(4.2)	(2.2)
Other (expense) income, net	(0.1)	0.1	0.2
Income before provision for income taxes	15.9	23.6	3.0
Income tax provision	6.1	8.7	3.3
Net income (loss)	9.8%	14.9%	(0.3)%

Comparison of years ended December 31, 2001, 2002 and 2003

Revenue

Total revenue increased by $15.2 million, or 16.9%, from $90.0 million in 2001 to $105.2 million in 2002, and by $12.9 million, or 12.3%, in 2003 to $118.1 million. The increase in 2002 was attributable to increases in sales of services to our customer base and license fees arising from the sale of software to new and existing customers. These product sales also drove increases in maintenance revenues. The increase in 2003 was primarily due to further growth in services and continued growth in maintenance and subscriptions. No single customer accounted for more than 2.0% of our total revenue during 2001, 2002 or 2003.

License Fees

Revenue from license fees is derived from the sale of our software products, typically under a perpetual license agreement. Revenue from license fees increased by $1.3 million, or 6.7%, from $19.3 million in 2001 to $20.6 million in 2002. These amounts represented 21.4% and 19.5% of total revenue for 2001 and 2002, respectively. Revenue from license fees increased by $0.7 million, or 3.4%, from $20.6 million in 2002 to $21.3 million in 2003. This amount represented 18.0% of total revenue in 2003. The increase in license fees in 2002 was primarily due to additional product sales to our installed customer base with the increase in 2003 largely resulting from licensing products to new customers.

Services

Revenue for services includes fees received from customers for consulting, installation, implementation, donor prospect research and data modeling services and customer training. Revenue from services increased by $7.9 million, or 42.0%, from $18.8 million in 2001 to $26.7 million in 2002. These amounts represented 20.9% and 25.4% of total revenue for 2001 and 2002, respectively. Revenue from services increased by $7.3 million, or 27.3%, from $26.7 million in 2002 to $34.0 million in 2003. This amount represented 28.8% of total revenue in 2003. The increase in services revenue in both years was primarily due to an increase in the number of consulting, installation, implementation, donor prospect research and data modeling services and customer training contracts with both new and existing customers. Additionally, our ability to better penetrate larger nonprofit entities increased the demand for our service offerings, and contracts with these customers include a higher percentage of total revenue from services. Consulting, installation and implementation services revenue was $7.9 million, $11.9 million and $17.5 million, in the years ended December 31, 2001, 2002 and 2003, respectively, representing 42.0%, 44.5% and 51.4% of total services revenue for those years. Donor prospect research and data modeling services accounted for $0.6 million, $2.2 million and $3.6 million, in the years ended December 31, 2001, 2002 and 2003, respectively, and represented 3.2%, 8.2% and 10.6% of total services revenue for those years. Also contributing to this increase was customer training revenue of $10.3 million, $12.7 million and $12.9 million in the years ended December 31, 2001, 2002 and 2003, respectively, representing 54.8%, 47.5% and 37.9% of total services revenue for those years.

Maintenance and subscriptions

Revenue from maintenance and subscriptions is predominantly comprised of annual fees derived from new maintenance contracts associated with new software licenses and annual renewals of existing maintenance contracts. These contracts provide customers updates, enhancements, upgrades to our software products and online, telephone and email support. Also included is revenue derived from our subscription-based services, principally hosted fundraising software solutions and certain data services. Maintenance and subscriptions revenue increased by $5.8 million, or 12.3%, from $47.0 million in 2001 to $52.8 million in 2002. These amounts represented 52.2% and 50.2% of our total revenue for 2001 and 2002, respectively. Maintenance and subscriptions revenue increased by $5.6 million, or 10.6%, from $52.8 million in 2002 to $58.4 million in 2003. This amount represented 49.4% of our total revenue in 2003. The increases are attributable to the increases in license fees, continued high rates of annual maintenance contract renewal and the development of offerings that can be sold as renewable subscriptions.

Other revenue

Other revenue includes revenue from the sale of business forms that are used in conjunction with our software products; travel and related expense reimbursements, primarily incurred during the performance of services at customer locations; user conferences; and the sale of computer-based training modules. Other revenue increased by $0.2 million, or 4.1%, from $4.9 million in 2001 to $5.1 million in 2002. These amounts represented approximately 5.5% of total revenue for 2001 and 4.9% for 2002. Other revenue decreased by $0.7 million, or 15.7%, from $5.1 million in 2002 to $4.4 million in 2003. This amount represented 3.7% of total revenue in 2003. This decrease was due primarily to the decrease in sales of computer-based training modules that we are transitioning to web-based subscription offerings.

Cost of revenue

Cost of license fees

Cost of license fees includes third-party software royalties, variable reseller commissions and costs of shipping software products to our customers. Cost of license fees increased by $0.8 million, or 47.0%, from $1.7 million in 2001 to $2.5 million in 2002. These amounts represented 9% and 12% of license fee revenue in 2001 and 2002, respectively. The cost of license fees increased by $0.3 million, or 12.0%, from $2.5 million in 2002 to $2.8 million in 2003. This amount represented 13% of license fee revenue in 2003. In 2002, we decided to stop incorporating certain third-party software in our products. We had previously paid the royalty for that software and were recognizing it over the period over which we expected to incorporate the software. Therefore, we accelerated recognition of the remaining amount in 2002, which is why the 2002 increase was larger than the 2003 increase. The increase in 2003, and the remainder of the 2002 increase, were primarily due to variable commissions paid to resellers of The Financial Edge.

Cost of services

Cost of services is primarily comprised of direct controllable costs, which include salary and benefits, third-party contractor expenses, data expenses and classroom rentals. Additionally, cost of services includes an allocation of facilities and depreciation expense, stock option compensation and other costs incurred in providing consulting, installation, implementation, donor prospect research and data modeling services and customer training. Cost of services increased by $3.9 million, or 38.8%, from $10.3 million in 2001 to $14.2 million in 2002. These amounts represented 54.5% and 53.2% of our services revenue in 2001 and 2002, respectively. Cost of services increased by $6.8 million, or 47.6%, from $14.2 million in 2002 to $21.0 million in 2003. This amount represented 61.8% of services revenue in 2003. The increase in both years was due to increased headcount associated with providing the services. The margin decrease in 2003 was attributable to $3.3 million in stock option compensation.

Further analysis of cost of services is provided below; however the costs presented are before the inclusion of various allocable corporate costs and stock option compensation.

Cost of revenue in providing consulting, installation and implementation services was $5.0 million, $6.6 million and $8.8 million in the years ended December 31, 2001, 2002 and 2003, respectively, representing 63.5%, 55.5% and 50.6% of its related revenue for 2001, 2002 and 2003, respectively. The absolute dollars increased in both years as a result of increased headcount associated with providing the services; however, the margin increased as a result of operational efficiencies.

Cost of revenue in providing donor prospect research and data modeling services was $0.4 million, $0.9 million and $1.8 million in the years ended December 31, 2001, 2002 and 2003, respectively, representing 66.2%, 40.9% and 51.1% of its related revenue for 2001, 2002 and 2003, respectively. The increase of $0.5 million from 2001 to 2002 was primarily a result of increased headcount associated with this new service. The increase of $0.9 million from 2002 to 2003 was due to data related expenses for our WealthPoint service launched in July 2003.

Cost of revenue in providing customer training and education was $3.1 million, $4.3 million and $4.2 million in the year ended December 31, 2001, 2002 and 2003, respectively, representing 30.1%, 33.9% and 32.1% of its related revenue for 2001, 2002 and 2003, respectively. The increase of $1.2 million from 2001 to 2002 was the result of increased headcount to provide training.

Cost of maintenance and subscriptions

Cost of maintenance and subscriptions is primarily comprised of salary and benefits, including non-cash stock-based compensation charges; third-party contractor expenses; data expenses; an allocation of our facilities and depreciation expenses; and other costs incurred in providing support and services to our customers. Cost of maintenance and subscriptions decreased by $1.1 million, or 9.4%, from $11.7 million in 2001 to $10.6 million in 2002. These amounts represented 24.9% and 20.1% of maintenance and subscriptions revenue in 2001 and 2002, respectively. The decrease in absolute terms in 2002 resulted primarily from reduced customer support headcount achieved through efficiency initiatives. Cost of maintenance and subscriptions increased by $1.2 million, or 11.3%, from $10.6 million in 2002 to $11.8 million in 2003. This amount represented 20.2% of maintenance and subscriptions revenue in 2003. The increase in costs and the related margin decrease in 2003 was primarily attributable to costs associated with our attempts to develop a patron management business.

Cost of other revenue

Cost of other revenue includes salaries and benefits, costs of business forms, reimbursable expenses relating to the performance of services at a customers location, and an allocation of facilities and depreciation expenses. Cost of other revenue increased by $0.8 million, or 28.6%, from $2.8 million in 2001 to $3.6 million in 2002. These amounts represented 56% and 71% of other revenue in 2001 and 2002, respectively. This increase was primarily due to increases in reimbursable costs associated with the growth of our services business. Cost of other revenue increased by $0.1 million, or 2.8%, from $3.6 million in 2002 to $3.7 million in 2003, representing 85% of our other revenue in 2003.

Operating expenses

Sales and marketing

Sales and marketing expenses include salaries and related human resource costs of our sales and marketing organizations, travel and entertainment expenses, sales commissions, advertising and marketing materials, public relations and an allocation of facilities and depreciation expenses. Sales and marketing costs increased by $4.0 million, or 26.3%, from $15.2 million in 2001 to $19.2 million in 2002. These amounts represented 16.9% and 18.2% of our total revenue in 2001 and 2002, respectively. Sales and marketing costs increased by $2.7 million, or 14.1%, from $19.2 million in 2002 to $21.9 million, excluding $1.8 million of stock option compensation which is recorded as a separate item in total operating expenses, in 2003. This amount represented 18.5% of total revenue in 2003. The increases in 2002 and 2003 were

primarily due to an increase in sales commissions attributable to increased revenue from license fees and services and an overall increase in the sales force.

Research and development

Research and development expenses include salaries and related human resource costs, third-party contractor expenses, software development tools, an allocation of facilities and depreciation expenses and other expenses in developing new products and upgrading and enhancing existing products. Research and development costs decreased from $14.8 million to $14.4 million in 2001 and 2002, respectively, representing 16.4% and 13.7% of our total revenue in 2001 and 2002, respectively. Research and development costs increased by $1.1 million, or 7.6%, from $14.4 million in 2002 to $15.5 million, excluding $2.3 million of stock option compensation which is recorded as a separate item in total operating expenses, in 2003. This amount represented 13.1% of total revenue in 2003. The increase in 2003 resulted from higher costs related to the next release of The Education Edge and the expenses associated with transferring a portion of our development work offshore.

General and administrative

General and administrative expenses consist primarily of salaries and related human resource costs for general corporate functions, including finance, accounting, legal, human resources, facilities and corporate development; third-party professional fees; insurance; and other administrative expenses. General and administrative expenses increased by $1.6 million, or 20.5%, from $9.0 million in 2001 to $10.6 million in 2002. These amounts represented 10.0% and 10.1% of total revenue in 2001 and 2002, respectively. General and administrative expenses increased by $0.5 million, or 4.7%, from $10.6 million in 2002 to $11.1 million, excluding $19.5 million of stock option compensation which is recorded as a separate item in total operating expenses, in 2003. This amount represented 9.4% of our total revenue in 2003. The increase in absolute dollars in 2002 resulted from establishing a corporate development function to investigate merger and acquisitions and research adjacent markets, partially offset by $0.6 million of 401(k) forfeitures. The amount of forfeitures in 2003 was substantially less than in 2002. We expect general and administrative expenses to increase as a result of the costs of being a public company.

Amortization

Amortization decreased by $1.2 million, or 54.6%, from $2.2 million in 2001 to $1.0 million in 2002. These amounts represented 2.5% and 1.0% of our total revenue in 2001 and 2002, respectively. Amortization decreased by $0.2 million, or 20.0%, from $1.0 million in 2002 to $0.8 million in 2003. This amount represented less than 1% of our total revenue in 2003.

Stock option compensation

Stock option compensation represents the charge taken for the difference between the estimated fair value of our common stock and the exercise price of stock option grants to personnel in sales and marketing, research and development, and general and administrative. We have separately disclosed stock option compensation throughout this discussion and in our financial statements and we have shown a reconciliation of stock option compensation as it relates to sales and marketing, research and development, and general and administrative expenses on the statement of operations because in managing our operations we believe such costs significantly affect our ability to better understand and manage other operating expenses and cash needs. We are amortizing these amounts over the vesting periods of the applicable options using the accelerated method as prescribed in FIN 28. The increase from $0 in 2001 and

2002 to $23.7 million in 2003 was primarily due to the increase in the estimated fair value of our common stock.

Interest income

Interest income was approximately $0.1 million in each of 2001, 2002 and 2003. A slight increase in 2002 was attributable to larger average cash balances throughout the year. A slight decrease in 2003 was due to the decrease in cash and cash equivalents during 2003 primarily driven by the repayment of $45.0 million in debt incurred in the October 1999 recapitalization.

Interest expense

Interest expense decreased by $3.6 million, or 45.0%, from $8.0 million in 2001 to $4.4 million in 2002. These amounts represented 8.9% and 4.2% of our total revenue in 2001 and 2002, respectively. Interest expense decreased by $1.8 million, or 40.9%, from $4.4 million in 2002 to $2.6 million in 2003. This amount represented 2.2% of our total revenue in 2003. The decreases in interest expense were directly related to repayment of debt.

Other (expense) income

Other (expense) income consists of foreign exchange gains or losses and miscellaneous non-operating income and expense items. Other (expense) income was ($0.1) million, $0.1 million and $0.2 million in 2001, 2002 and 2003, respectively.

Income tax provision

We had an effective tax rate of 38.1%, 37.0% and 113.8% in 2001, 2002 and 2003, respectively. In 2003, the unusual rate was attributable primarily to permanent differences resulting from the portion of stock option compensation associated with incentive stock options. The effect on the 2003 effective rate was due to the stock option compensation charge taken in 2003 versus prior years. We expect that our effective tax rate will be less significantly impacted by these matters in the future.

Quarterly results of operations (unaudited)

(in thousands, except per share data)	Quarter ended March 31, 2002	June 30, 2002	Sept. 30, 2002	Dec. 31, 2002	March 31, 2003	June 30, 2003
Revenue						
License fees	$ 5,105	$ 6,177	$ 4,622	$ 4,669	$ 4,504	$ 5,671
Services	5,424	6,902	7,614	6,800	7,744	8,629
Maintenance and subscriptions	12,562	12,861	13,530	13,835	14,099	14,390
Other revenue	1,112	1,208	1,085	1,724	962	1,150
Total revenue	24,203	27,148	26,851	27,028	27,309	29,840
Cost of revenue						
Cost of license fees	519	722	628	677	567	890
Cost of services[(1)]	3,169	3,268	3,801	3,998	4,911	5,181
Cost of maintenance and subscriptions[(1)]	2,693	2,676	2,618	2,600	2,835	2,972
Cost of other revenue	539	814	852	1,407	805	908
Total cost of revenue	6,920	7,480	7,899	8,682	9,118	9,951
Gross profit	17,283	19,668	18,952	18,346	18,191	19,889
Sales and marketing	4,213	4,644	4,887	5,430	5,062	5,475
Research and development	3,614	3,659	3,635	3,477	3,620	3,585
General and administrative	2,269	2,539	2,999	2,823	2,823	2,529
Amortization	560	389	48	48	48	85
Stock option compensation	—	—	—	—	5,446	5,768
Total operating expenses	10,656	11,231	11,569	11,778	16,999	17,442
Income from operations	6,627	8,437	7,383	6,568	1,192	2,447
Interest income	22	27	45	44	26	22
Interest expense	(1,106)	(1,026)	(968)	(1,310)	(863)	(759)
Other income (expense), net	—	—	—	63	15	84
Income before provision for income taxes	5,544	7,438	6,460	5,364	370	1,794
Income tax provision	2,065	2,750	2,360	1,991	421	2,040
Net income (loss)	$ 3,479	$ 4,688	$ 4,100	$ 3,373	$ (51)	$ (246)
Earnings (loss) per share						
Basic	$ 0.05	$ 0.07	$ 0.06	$ 0.05	$ (0.00)	$ (0.00)
Diluted	$ 0.05	$ 0.07	$ 0.06	$ 0.05	$ (0.00)	$ (0.00)
Common shares and equivalents outstanding						
Basic weighted average shares	67,777	67,777	67,777	67,777	67,777	67,846
Diluted weighted average shares	67,777	67,777	67,777	67,777	67,777	67,846
Summary of stock option compensation:						
Cost of services	$ —	$ —	$ —	$ —	$ 836	$ 836
Cost of maintenance and subscriptions	—	—	—	—	126	126
Total cost of revenue	—	—	—	—	962	962
Sales and marketing	—	—	—	—	336	375
Research and development	—	—	—	—	456	560
General and administrative	—	—	—	—	4,654	4,833
Total operating expenses	—	—	—	—	5,446	5,768
Total stock option compensation	$ —	$ —	$ —	$ —	$ 6,408	$ 6,730

[Additional columns below]

[Continued from above table, first column(s) repeated]

(in thousands, except per share data)	Quarter ended Sept. 30, 2003	Dec. 31, 2003
Revenue		
License fees	$ 5,252	$ 5,912
Services	9,515	8,154
Maintenance and subscriptions	14,782	15,089

Other revenue	795	1,445
Total revenue	30,344	30,600
Cost of revenue		
Cost of license fees	653	709
Cost of services[(1)]	5,255	5,659
Cost of maintenance and subscriptions[(1)]	3,225	2,806
Cost of other revenue	843	1,155
Total cost of revenue	9,976	10,329
Gross profit	20,368	20,271
Sales and marketing	5,454	5,892
Research and development	4,302	4,010
General and administrative	2,690	3,043
Amortization	667	47
Stock option compensation	6,111	6,365
Total operating expenses	19,224	19,358
Income from operations	1,144	913
Interest income	22	27
Interest expense	(594)	(344)
Other income (expense), net	(198)	334
Income before provision for income taxes	374	931
Income tax provision	426	1,061
Net income (loss)	$ (52)	$ (129)
Earnings (loss) per share		
Basic	$ (0.00)	$ (0.01)
Diluted	$ (0.00)	$ (0.01)
Common shares and equivalents outstanding		
Basic weighted average shares	67,854	67,854
Diluted weighted average shares	67,854	67,854
Summary of stock option compensation:		
Cost of services	$ 835	$ 835
Cost of maintenance and subscriptions	126	127
Total cost of revenue	961	962
Sales and marketing	490	616
Research and development	623	702
General and administrative	4,998	5,048
Total operating expenses	6,111	6,366
Total stock option compensation	$ 7,072	$ 7,328

(1) Includes stock option compensation set forth in Summary of stock option compensation.

Quarterly results of operations (unaudited)

	Quarter ended							
	March 31, 2002	June 30, 2002	Sept. 30, 2002	Dec. 31, 2002	March 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003
Revenue								
License fees	21.1%	22.8%	17.2%	17.3%	16.5%	19.0%	17.3%	19.3%
Services	22.4	25.4	28.4	25.2	28.4	28.9	31.4	26.6
Maintenance and subscriptions	51.9	47.4	50.4	51.2	51.6	48.2	48.7	49.3
Other revenue	4.6	4.4	4.0	6.4	3.5	3.9	2.6	4.7
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenue								
Cost of license fees	2.1	2.7	2.3	2.5	2.1	3.0	2.2	2.3
Cost of services	13.5	12.4	14.2	15.7	18.0	17.4	17.3	18.5
Cost of maintenance and subscriptions	10.5	9.4	9.5	9.4	10.4	10.0	10.6	9.2
Cost of other revenue	2.2	3.0	3.1	5.3	3.0	3.0	2.8	3.8
Total cost of revenue	28.4	27.4	29.2	32.9	33.4	33.3	32.9	33.8
Gross profit	71.6	72.6	70.8	67.1	66.6	66.7	67.1	66.2
Sales and marketing	17.7	17.3	18.6	19.6	18.5	18.3	18.0	19.3
Research and development	14.8	13.4	13.6	12.7	13.3	12.0	14.2	13.1
General and administrative	9.2	9.3	11.3	10.2	9.0	8.5	8.9	11.1
Amortization	2.3	1.4	0.2	0.2	0.2	0.3	2.2	0.2
Stock option compensation	—	—	—	—	19.9	19.3	20.1	20.8
Total operating expenses	44.1	41.5	43.6	42.7	60.9	58.5	63.4	64.4
Income from operations	27.6	31.1	27.2	24.4	5.7	8.2	3.8	1.8
Interest income	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Interest expense	(4.6)	(3.8)	(3.6)	(4.9)	(3.2)	(2.5)	(2.0)	(1.1)
Other income (expense), net	—	—	—	0.2	0.1	0.3	(0.7)	1.1
Income before provision for income taxes	23.1	27.4	23.8	19.9	2.7	6.0	1.2	1.9
Income tax provision	8.5	10.1	8.8	7.4	3.1	6.8	1.4	2.1
Net income (loss)	14.6%	17.3%	15.0%	12.6%	(0.4)%	(0.8)%	(0.2)%	(0.3)%

Liquidity and capital resources

At December 31, 2003, cash and cash equivalents totaled $6.7 million, reflecting a decrease of $12.0 million from a balance of $18.7 million at December 31, 2002. The decrease in cash and cash equivalents during 2003 was primarily the result of repayment of $45.0 million in debt incurred in connection with our October 1999 recapitalization. As of December 31, 2003, $5.0 million of that debt remained outstanding. We expect to repay that amount prior to the effectiveness of this offering.

Our principal source of liquidity is our operating cash flow, which depends on continued customer renewal of our maintenance and support agreements and market acceptance of our products and services. The credit agreement we entered into in connection with our recapitalization in October 1999 includes a $15.0 million revolving credit facility that expires in September 2005. This facility bears interest at a variable rate based on the prime rate, federal funds rate or a eurodollar market rate, plus a margin of between 1.25% and 3.25% based on our consolidated leverage ratio. Amounts outstanding under this facility are secured by a lien on our assets and the facility is subject to standard covenants, which we were in compliance with as of December 31, 2003. As of that date, there were no amounts outstanding under this facility. We believe that the currently available sources of funds and anticipated cash flows from operations will be adequate to finance current operations and anticipated capital expenditures for at least the next 12 months.

Operating cash flow

Net cash provided by operating activities during the year ended December 31, 2001 of $25.0 million was primarily due to net income excluding non-cash items such as an increase in deferred revenues; reduction of the deferred tax asset; depreciation and amortization; a $4.5 million decrease in accounts receivable, resulting from increased collection efforts; and a $2.9 million decrease in trade accounts payable, accrued expenses and other liabilities.

Net cash provided by operating activities during the year ended December 31, 2002 of $32.5 million was primarily due to net income excluding non-cash items such as an increase in deferred revenues, reduction of the deferred tax asset and depreciation and amortization. These were partially offset by increases in accounts receivable and prepaid and other assets.

Net cash provided by operating activities during the year ended December 31, 2003 of $36.6 million, included a net income of $0.5 million, $32.3 million in non-cash items, and a $4.7 million increase in working capital. The $32.3 million in non-cash items is primarily comprised of $27.5 million related to stock option compensation resulting from the application of variable accounting to certain of our stock option grants; $4.5 million in depreciation, amortization and impairment of intangible assets; and a $2.2 million reduction of the deferred tax asset. Also contributing was an increase in deferred revenue of $4.4 million that arose from the sale of services that have not yet been delivered and increased maintenance agreements, partially offset by increases in accounts receivable and prepaid and other assets.

Investing cash flow

Net cash used in investing activities for the year ended December 31, 2001 was $3.0 million. This included $2.5 million for the purchase of property and equipment and $0.5 million paid in connection with an acquisition.

Net cash used in investing activities for the year ended December 31, 2002 was $2.0 million. This included $1.5 million for the purchase of property and equipment and $0.5 million paid in connection with the acquisition of AppealMaster Ltd.

Net cash used in investing activities for the year ended December 31, 2003 was $3.7 million. This included $2.7 million for the purchase of property and equipment, $0.4 million in contingent payments related to the acquisition of AppealMaster in 2002, and other acquisition-related costs.

Financing cash flow

Net cash used in financing activities for the year ended December 31, 2001 was $15.0 million. We made payments of $24.5 million on our term loan and $0.5 million on capital leases. Partially offsetting these payments were proceeds from the sale of common stock of $10.0 million.

Net cash used in financing activities for the year ended December 31, 2002 was $20.5 million. We made payments of $19.7 million on our term loan and $0.8 million on capital leases.

Net cash used in financing activities for the year ended December 31, 2003 was $45.1 million, which primarily consisted of principal payments made on our term loan. In addition, we paid $0.3 million on capital leases relating to furniture and equipment. Partially offsetting these payments was $0.2 million we received as proceeds from the issuance of common stock associated with the exercise of stock options.

Commitments and contingencies

As of December 31, 2003, we had $5.0 million of outstanding long-term debt under the term loan related to our October 1999 recapitalization and were in compliance with all of the covenants of the related debt agreement. We expect to retire this debt prior to effectiveness of this offering.

At December 31, 2003 we had future minimum lease commitments of $25.2 million. These commitments have been reduced by the future minimum sublease commitments under various sublease agreements extending through 2007. The future minimum lease commitments are as follows (amounts in thousands):

	Payments due by period						
	2004	**2005**	**2006**	**2007**	**2008**	**Thereafter**	**Totals**
Operating leases	$4,105	$4,282	$4,373	$4,385	$4,779	$7,930	$29,854
Capital leases	153	44	—	—	—	—	197

In addition, we have a commitment of $200,000 payable annually through 2009 for certain naming rights with an entity owned by a minority shareholder of ours. We incurred expense under this agreement of $200,000 per year for each of the three years ended December 31, 2001, 2002 and 2003.

New accounting pronouncement

In January 2002, the Emerging Issues Task Force of the FASB, or EITF, reached a consensus on EITF Issue 01-14, “Income Statement Characterization of Reimbursements Received for “Out-of-Pocket” Expenses Incurred”, which requires that reimbursements received for out-of-pocket expenses incurred be characterized as revenue in the income statement. We adopted EITF 01-14 effective January 1, 2002 and have made the appropriate reclassifications as required by EITF 01-14. Income resulting from reimbursable expenses is included in other revenues and the associated expenses are included in other cost of sales on the face of the income statement.

In July 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities”, which is effective for exit or disposal activities that are initiated after December 31, 2002. We adopted SFAS No. 146 during fiscal year 2003. SFAS No. 146 nullifies EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)”, and requires that a liability for costs associated with an exit or disposal activity be recognized as incurred. The impact of SFAS No. 146 will be dependent upon decisions made by us in the future and has had no impact on us to date.

In January 2003, we adopted FIN 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34”. The interpretation requires that upon issuance of a guarantee, the entity must recognize a liability for the fair value of the obligation it assumes under that guarantee. The initial recognition and measurement provisions of FIN No. 45 are effective for guarantees issued or modified after December 31, 2002. The adoption of this interpretation has not had a material impact on our consolidated financial position, consolidated results of operations, or liquidity.

In January 2003, the FASB issued FIN 46, “Consolidation of Variable Interest Entities.” This statement was subsequently amended under the provisions of FIN 46-R, which is effective for

public entities no later than the end of the first reporting period ending after March 15, 2004. This interpretation clarifies the application of Accounting Research Bulletin No. 51, “Consolidated Financial Statements”, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The adoption of this interpretation has not had a material impact on our consolidated financial position, consolidated results of operations, or liquidity.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity.” This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability. Many of those instruments were previously classified as equity. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 has not had a material impact on our financial position.

Qualitative and quantitative disclosure about market risk

Due to the nature of our short-term investments and our lack of material debt, we have concluded that we face no material market risk exposure. Therefore, no quantitative tabular disclosures are required.

Foreign currency exchange rates

Approximately 5.7% and 9.1% of our total net revenue for the years ended December 31, 2002 and 2003, respectively, was derived from our operations outside the United States. We do not have significant operations in countries in which the economy is considered to be highly inflationary. Our 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. Accumulated currency translation adjustments recorded as a separate component of shareholders’ equity were ($0.2) and $0.3 million at December 31, 2002 and 2003, respectively.

The vast majority of our contracts are entered into by our U.S. or U.K. entities. The contracts entered into by the U.S. entity are almost always denominated in U.S. dollars and contracts entered into by our U.K. subsidiary are generally denominated in pounds sterling. In recent years, the U.S. dollar has weakened against many non-U.S. currencies, including the British pound. During this period, our revenues generated in the United Kingdom have increased. 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 intended to continue to monitor such exposure and take action as appropriate.

Business

Overview

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 their 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. In 2003, we had over 12,500 customers, over 11,900 of which pay us annual maintenance and support fees. Our customers operate in multiple verticals within the nonprofit market including religion, education, foundations, health and human services, arts and cultural, public and societal benefits, environment and animal welfare, and international and foreign affairs.

Industry background

The nonprofit industry is large and growing

Nonprofit organizations are a large part of the U.S. economy, employing one out of every ten Americans. There are greater than 1.4 million registered U.S. nonprofit organizations, according to Giving USA. In addition, there are greater than 1.5 million nonprofit organizations outside the United States. Donations to nonprofit organizations in the United States were $241 billion in 2002, having increased almost every year since 1962, with a compound annual growth rate over that period of 7.8%, according to Giving USA. In addition, these organizations received fees of approximately $550 billion in 2002 for services they provided. Worldwide, nonprofit organizations employ more than 19 million people and account for $1.1 trillion in total annual expenditures, according to the Johns Hopkins Comparative Nonprofit Sector Project.

Traditional methods of fundraising are costly and inefficient

Many nonprofit organizations manage fundraising programs using manual methods or stand-alone software applications not specifically designed to meet the needs of nonprofit organizations. These fundraising methods are often costly and inefficient, largely because of the difficulties in effectively collecting, sharing and using information to maximize donations and minimize related costs. Some nonprofit organizations have developed proprietary software, but doing so can be expensive, requiring these organizations to hire technical personnel for development, implementation and maintenance functions. General purpose software and Internet applications typically offer stand-alone solutions with limited functionality that might not efficiently integrate multiple databases.

Fundraising costs are significant, amounting to more than $0.40 for each dollar donated according to a 2001 study conducted by the Urban Institute and Indiana University. According to a recent Harvard Business Review article entitled, “The Non Profit Sector’s $100 Billion Opportunity,” McKinsey & Company estimates that improvements in the efficiency of delivery of their services could result in savings to the nonprofit sector in excess of $55 billion annually.

The nonprofit industry faces particular operational challenges

Nonprofit organizations face distinct operational challenges. For example, nonprofit organizations generally must efficiently:

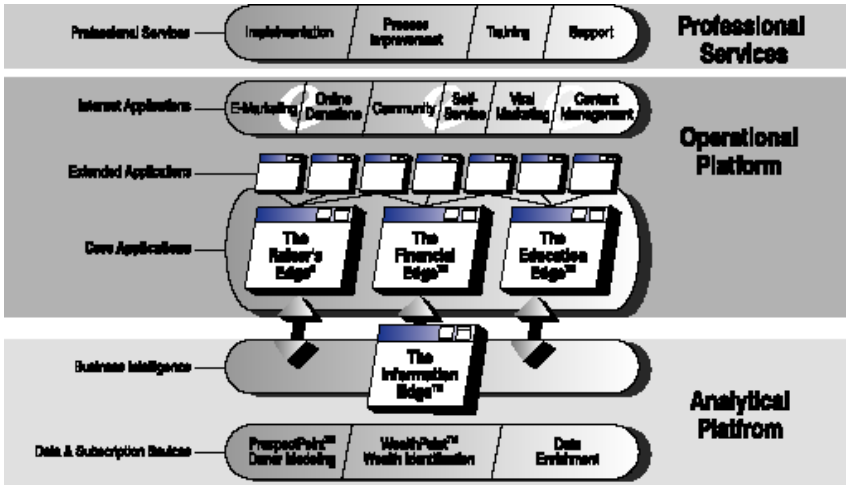
- solicit small cash contributions from numerous contributors to fund operations;
- manage complex relationships with the large numbers of constituents that support their organizations;
- comply with complex accounting, tax and reporting issues that differ from traditional businesses;
- solicit cash and in-kind contributions from businesses to help raise money or deliver products or services;
- provide a wide array of programs and services to individual constituents; and
- improve the data collection and sharing capabilities of their employees, volunteers and donors by creating and providing distributed access to centralized databases.

Because of these challenges, we believe nonprofit organizations can benefit from software applications specifically designed to serve their particular needs.

The Blackbaud solution

Our suite of products and services addresses the fundraising costs and operational challenges facing nonprofit organizations by providing them with software tools and services that help them increase donations, reduce the overall cost of managing their business and the fundraising process and improve communications with their constituents. We provide an operational platform through our three core software applications: The Raiser’s Edge, The Financial Edge and The Education Edge. In addition, we offer 34 applications providing distinct, add-on functionality tailored to meet the specific needs of our diverse customer base. To complement our operational platform, we offer a suite of analytical tools and related services that enable nonprofit organizations to extract, aggregate and analyze vast quantities of data to help them make better-informed operational decisions. We also help our customers increase the return on their technology investment by providing a broad array of complementary professional services, including implementation, business process improvement, education services, as well as maintenance and technical support.

Our solution is illustrated as follows:



Nonprofit organizations use our products and services to increase donations

Approximately 10,500 of our active customers currently subscribe to our annual maintenance and support for The Raiser's Edge. In 2002, these customers raised an aggregate of more than $26 billion in contributions. These customers use The Raiser's Edge to help them with their fundraising and donor management efforts. The complexity of managing constituent relationships and nonprofits' reliance on charitable contributions make managing the fundraising process the critical business function for nonprofits. The Raiser's Edge allows nonprofit organizations to establish, maintain and develop their relationships with current and prospective donors. Our fundraising products and services enable nonprofit organizations to use a centralized database, as well as the Internet and an array of analytical tools to facilitate and expand their fundraising efforts. We believe our products and services help nonprofit organizations increase donations by enabling them to:

- facilitate the management of complex personal relationships with constituents;
- enable the solicitation of large numbers of potential donors using automated and efficient methods;
- deliver personalized messages that help inform and drive constituent action;
- provide an easy-to-use system that allows the sharing and use of critical fundraising information;
- allow organizations to receive online donations through our NetSolutions product, which integrates with an organization's website;
- utilize our Internet-based offerings and tools to support online volunteer and events management; and
- simplify and automate business processes to allow nonprofits to more effectively pursue their missions.

In addition, our array of predictive donor modeling and wealth identification products and services, including ProspectPoint and WealthPoint, integrate important third-party data, including financial, geographic and demographic information, together with sophisticated analytical techniques to assist nonprofits in their efforts to more effectively identify and target willing and able donors. The result is that organizations are able to lower fundraising costs while at the same time increase donations.

We help nonprofit organizations operate more effectively and efficiently

Our products and services combine a comprehensive suite of software and analytical tools with a centralized database to help employees more effectively and efficiently manage the key aspects of their nonprofit organization's operations. Our products automate nonprofit business processes to create efficiencies for our customers, which helps to reduce the overall costs of operating their organizations. For example, The Raiser's Edge and our other core products automate data collection processes, which eliminates cumbersome and inaccurate manual processes. In addition, nonprofits use The Financial Edge, which integrates with The Raiser's Edge, to eliminate duplicate entry of gift data and streamline processes for posting the results of fundraising activities to the organization's general ledger. Nonprofit constituents can use The Financial Edge to view information in a single, integrated dashboard view that illustrates key performance metrics and detailed information on specific campaigns, funds and programs. These efficient communications are often critical to a nonprofit's ability to effectively strengthen relationships with important supporters, while making effective use of valuable internal resources.

We provide solutions that address many of the technological and business process needs of our customers, including:

- donor relationship management;
- financial management and reporting;
- cost accounting information for projects and grants;
- integration of financial data and donor information under a centralized system;
- student information systems designed for the K-12 market;
- data analysis and reporting tools and services;
- management of complex volunteer networks; and
- results tracking for multiple campaigns.

Our strategy

Our objective is to maintain and leverage our position as a leading provider of software and related services designed specifically for nonprofit organizations. Key elements of our strategy to achieve this objective are to:

Grow our customer base

We intend to expand our industry-leading customer base and enhance our market position. While we have established a strong presence in the nonprofit industry, we believe that the fragmented nature of the industry presents an opportunity for us to continue to increase our market penetration. We plan to achieve this objective by leveraging our experience in the nonprofit sector, our existing customer base and our strong brand recognition. We also intend to expand our overall sales efforts, especially national accounts, enterprise-focused sales teams and third-party sales channels.

Maintain and expand existing customer relationships

We have historically had success selling maintenance renewal and additional products and services to existing customers. In each of the past three years, an average of over 94% of our customers have renewed their maintenance and support plans for our products. We plan to continue to capitalize on our existing customer base by increasing both the number of our products and services they use and the frequency with which they use them. As part of this strategy, we have established a dedicated sales team to focus exclusively on selling products and services to our existing customers.

Introduce additional products and services

We intend to leverage our expertise and experience in developing leading products for the nonprofit industry to introduce additional products and related services, to continue to build stronger relationships with existing customers and to attract new customer relationships. We believe that our existing proprietary software and services can form the foundation for an even wider range of products and services for nonprofit organizations. Our current product offerings share approximately one-third of our proprietary code, and we anticipate that future product offerings will also share this backbone. We believe that this shared code allows us to more cost efficiently expedite the development and rollout of new products.

Leverage the Internet as a means of additional growth

We intend to continue to enhance our existing products and develop new products and services to allow our customers to more fully utilize the Internet to effectively achieve their missions. Although online fundraising composed less than 1% of all charitable contributions in 2002, we believe online donations will continue to grow as a percentage of total contributions and that nonprofits will continue to benefit from the trend of increased online donations. As such, we have web-enabled our core applications and currently offer a variety of Internet applications and consulting services that allow nonprofit organizations to utilize our fundraising, accounting and administration products to leverage the Internet for online fundraising, e-marketing, alumni and membership directories, newsletters, event management and volunteer coordination. For example, through the end of 2003, we had sold our NetSolutions product, which is our online fundraising application, to over 850 customers.

Expand international presence

We believe that the United Kingdom, Canada and Australia as well as other international markets represent growing market opportunities. We currently have international offices in Glasgow, Scotland, Toronto, Canada and Sydney, Australia. We believe the overall market of international nonprofit organizations is changing as donations to nonprofit organizations are increasing in response to reductions in governmental funding of certain activities and expansion of U.S.-based nonprofit organizations into international locations. We believe these markets are currently underserved, and we intend to increase our presence in international markets by expanding our sales and marketing efforts, leveraging our installed base of customers to sell complementary products and services and continuing to offer and develop new products tailored to these international markets.

Pursue strategic acquisitions and alliances

We intend to continue to selectively pursue acquisitions and alliances in the future with companies that provide us with complementary technology, customers, personnel with significant relevant experience, increase access to additional geographic and specific vertical markets. We have completed three acquisitions in the past three years and are currently involved in a number of strategic relationships. We believe that our size and our history of leadership in the nonprofit sector make us an attractive acquiror or partner for others in the industry.

Products

The Raiser's Edge

The Raiser's Edge is the leading software application specifically designed to manage a nonprofit organization's fundraising activity. The Raiser's Edge enables nonprofit organizations to communicate with their constituents, manage fundraising activities, expand their development efforts and make better-informed decisions through its powerful segmentation, analysis, and reporting capabilities. We released version 7.6 of The Raiser's Edge in August 2003. The functionality included in our current version of The Raiser's Edge is the result of over 20 years of improvement incorporating the suggestions of our customers and innovations in technology. The Raiser's Edge provides a comprehensive dashboard view that shows users important performance indicators for campaigns, appeals, funds, events, proposals, and membership drives. The Raiser's Edge is highly customizable allowing a nonprofit organization to create numerous custom views of constituent records and automate a variety of business processes. The Raiser's Edge contains a robust data management and storage system to help fundraisers use their data more effectively. Among other things, The Raiser's Edge allows an organization to access extensive biographical and demographic information about donors and prospects, process gifts, monitor solicitation activity, analyze data and publish reports. The Raiser's Edge improves the efficiency and effectiveness of a nonprofit organization by reducing overall mailing costs, offering faster data entry and gift processing, supporting major donor cultivation, using the Internet to send email appeals and accept online donations, and providing instant access to better information. The Raiser's Edge also integrates with Microsoft® Office® to enable users to take advantage of additional functionality.

In addition to the standard functionality of The Raiser's Edge, we have built a number of extended applications that may be enabled directly within The Raiser's Edge and address the specific needs of various vertical markets. Our extended applications are described below.

Module name	Key features/benefits
Event	helps plan, organize and manage all aspects of fundraising events
Volunteer	coordinates an organization's volunteer work force
Member	tracks the identity of members and the date they joined, as well as recording renewals, upgrades, downgrades and lapsed and dropped members
Queue	allows an organization to schedule a series of Raiser's Edge tasks to be executed sequentially, automatically and unattended

Module name	Key features/benefits
Search	enables an organization to manage prospective planned and major gift donors (individuals, corporations and foundations) from identification and profiling to the cultivation and solicitation of major gifts
Alum	includes additional information and reporting capabilities that help an organization reach, solicit and better manage its alumni constituency
Tribute	tracks all gifts made in honor or memory of an individual or individuals and facilitates properly acknowledging the donor and honoree
Electronic Funds Transfer	allows an organization to easily process gifts made by credit card or by direct debit from donors' bank accounts
Point of Sale	enables organizations to track inventory and customer purchases, then transfer purchase information to constituent records in The Raiser's Edge

The Financial Edge

The Financial Edge is an accounting application designed to address the specific accounting needs of nonprofit organizations. As with our other core applications, The Financial Edge integrates with The Raiser's Edge to simplify gift entry processing, relate information from both systems in an informative manner and eliminate redundant tasks. The Financial Edge improves the transparency and accountability of organizations by allowing them to track and report from multiple views, measure the effectiveness of programs and other initiatives, use budgets as monitoring and strategic planning tools, and supervise cash flow to allocate resources efficiently. As a result, The Financial Edge provides nonprofit organizations with the means to help manage fiscal and fiduciary responsibility, enabling them to be more accountable to their constituents. In addition, The Financial Edge is designed specifically to meet governmental accounting and financial reporting requirements prescribed by the Financial Accounting Standards Board and Governmental Accounting Standards Board. We employ certified public accountants who work with our product development, professional services and customer support teams and who can apply their specialized training and background to assist our customers using The Financial Edge to help them comply with these accounting and reporting requirements. We released version 7.2 of The Financial Edge in June 2003.

As with The Raiser's Edge, we have built extended applications that may be enabled directly within The Financial Edge to address the specific functional needs of our customers. We currently offer 25 such extended applications to accompany The Financial Edge, examples of which are described below.

Module name	Key features/benefits
Purchase Orders	provides a variety of options for recording purchases and generating invoices
eRequisitions	automates the requisition and purchase order process by enabling multiple departments, sites and budget managers to make purchasing requests electronically

Module name	Key features/benefits
Electronic Funds Transfer	allows an organization to make electronic payments
Cash Management	provides on online register enabling an organization to manage and reconcile multiple bank and cash accounts in a centralized repository
Cash Receipts	provides flexible receipt-entry enabling an organization to identify where cash amounts originate, produce a detailed profile of each transaction and print a deposit ticket
Payroll	automates in-house payroll processing
Fixed Assets	stores the information required to properly track and manage property, plant and equipment and the costs associated with them
Student Billing	provides independent schools the ability to perform billing functions and process payments
School Store Manager	manages sales, inventory control, discounts, mailings, pricing, purchasing, receivables, reporting and suppliers for bookstores, snack bars, cafeterias and athletic stores through an integrated point-of-sale solution
Accounting Forms	integrates with our accounting products, enabling an organization to print business forms cost effectively

The Education Edge

Our education administration products are a comprehensive student information management system designed principally to organize an independent school's admissions and registrar processes, including capturing detailed student information, creating schedules, managing feedback and grading processes, producing demographic, statistic and analytical reports, and printing report cards and transcripts. With our education administration products, an organization can keep biographical and address information for students, parents, and constituents consistent across all of its Blackbaud software products. This integrated system allows an independent school to reduce data-entry time and ensure that information is current and accurate throughout the school. To date, we have marketed our education administration products under the names Admissions Office and Registrar's Office. We plan to release a new version of our education administration offering, including upgraded versions of these products, which will have additional functionality and an enhanced platform, in mid-2004 under the name "The Education Edge".

The Information Edge

The Information Edge is an open and scalable business intelligence solution designed specifically to meet the needs of nonprofit organizations. We launched The Information Edge in August 2003. The Information Edge is an analysis and reporting tool that allows an organization to extract, aggregate and analyze its data to gain insight from multiple data sources and provide opportunities to increase revenues. The Information Edge extracts data from multiple highly indexed transactional databases, including The Raiser's Edge, and integrates that data into a data warehouse that allows high-speed queries, complex analysis and reporting across the organization including remote locations. The Information Edge is

optimized to assist an organization with its direct marketing and fundraising programs, including donor segmentation and campaign strategy.

Blackbaud Internet applications

We provide a variety of applications that allow our customers to use our fundraising, accounting and administration products via the Internet. For example, our NetSolutions product enables a nonprofit to conduct online fundraising, community building, e-marketing, event management and volunteer coordination. We launched NetSolutions in August 2000 and released our most recent version in February 2004. Through the end of 2003, we had more than 850 active NetSolutions customers. In addition, we have web-enabled most of our applications to allow nonprofit organizations of all sizes to easily and efficiently interact with wider audiences through dynamic content and email campaigns securely from anywhere in the world. These solutions provide a wide variety of web-based online services including the ability for constituents to register for events, update demographic information, support an organization by volunteering and make donations. We provide real-time integration between our Internet and core applications, which significantly enhances the effectiveness of our solutions by tying all information directly to the back-office, which provides an organization with a single, comprehensive view of its constituents and volunteers.

Services

Consulting and technical services

Our consultants provide installation and implementation services for each of our software products. These services include:

- system installation and implementation, including assistance installing the software, setting up security, tables, attributes, field options, default sets, business rules, reports, queries, exports and user options, and explanation of data entry and processing procedures;

- management of the data conversion process to ensure data is a reliable and powerful source of information for an organization;

- system analysis and application customization to ensure that the organization’s Raiser’s Edge system is properly aligned with an organization’s processes and objectives; and

- removal of duplicative records, database merging, and information cleansing and consolidation.

In addition to these services, we apply our industry knowledge and experience, combined with our service offering expertise and expert knowledge of our products, to evaluate an organization’s needs and provide operational efficiency and business process improvement consulting for our customers. This work is performed by our staff of consultants who have extensive and relevant domain experience in fundraising, accounting, project management and IT services. This experience and knowledge allows us to make recommendations and implement solutions that ensure efficient and effective use of our products. In addition, we offer software customization services to organizations that do not have the time or in-house resources to create customized solutions using our core products. We believe that no other software company provides as broad a range of consulting and technology services and solutions dedicated to the nonprofit industry as we do.

Training and education services

We provide a variety of classroom, onsite and self-paced training services to our customers relating to the use of our software products and application of best practices. Our software instructors have extensive training in the use of our software and present course material that is designed to include hands-on lab exercises as well as a course workbook with examples and problems to solve. Key aspects of our education services include:

Education services	Description
Blackbaud University	training facility based in our headquarters with 12 classrooms, each outfitted with computer workstations for each attendee to view and participate in step-by-step demonstrations of our software
Regional training	offered year-round for our clients at more than 60 regional locations throughout the United States and Canada. These regional sites include fully equipped classrooms and individual student workstations for hands-on learning
Onsite training	provided at a customer's location, typically for customers that have a large group of employees requiring more specialized training
Web-based and self-paced training	includes computer-based training, online courses and our new eLearning Library. The eLearning Library is a subscription service consisting of a collection of more than 115 online software lessons

Analytics and data enrichment services

We provide custom modeling and analytical services, including ProspectPoint and WealthPoint, to help nonprofit organizations maximize their fundraising results.

ProspectPoint, which we introduced in February 2001, is a custom modeling service designed specifically for nonprofits. ProspectPoint employs patent-pending modeling techniques to identify and rank the best donor prospects in an organization's database and capture the distinct characteristics that define an organization and its constituencies, providing a better opportunity to maximize gift revenue. We use these proprietary statistical models to help our customers identify an individual's propensity to make any of a number of different types of gifts, including annual fund gifts, major gifts and planned gifts. Our consultants use the ProspectPoint results to prepare customized fundraising plans, which are delivered to our clients with a series of implementation recommendations for increasing the yield of its fundraising efforts.

We released WealthPoint in July 2003 as our wealth identification and information service. It provides a nonprofit organization with financial, biographical and demographic data on the individuals in its database, enabling the organization to identify its wealthiest donors and to plan the most effective donor cultivation strategies. We match donor and prospect names recorded in The Raiser's Edge or any other database against sources of publicly available information about an individual's assets or activities. After the names are matched against the public sources, we then return the data to the clients in a software application that allows them to query, report on, and manipulate the data.

In addition to these modeling and identification services, we offer services that enrich the quality of the data in our customers' databases. These include a service that finds outdated address files in the database and makes corrections based on the requirements and certifications of the United States Postal Service and a service that uses known fields in an organization's constituent records to search and find lost donors and prospects. In addition to these services, we offer services that append to a prospect record important additional information, such as phone, email, age, gender, deceased record, county, and congressional district.

Maintenance and support

The vast majority of our customers choose to receive annual maintenance and support from us under one of our tiered maintenance and support programs. In each of the past three years, an average of more than 94% of our customers have renewed their annual maintenance and support contracts for our products. For an annual fee, our customers receive regular upgrades and enhancements to our software and unlimited phone and email support, with extended hours for upgraded maintenance customers. Our maintenance and support customers also receive around-the-clock access to our extensive online support resources, including our self-help knowledge management system, the FAQ section of our web site, and weekly technical bulletins.

Customers

We have customers in each of the principal vertical markets within the nonprofit industry. In 2003, we had over 12,500 customers, over 11,900 of which pay us annual maintenance and support fees. These organizations range from small, local charities to health care and higher education organizations to the largest national health and human services organizations. No one customer accounts for more than 2% of our annual revenue.

Selected customer examples

The selected customer examples below are intended to provide brief examples of the different ways our customers are using our software and services solutions to solve their business problems.

Bowdoin College

Bowdoin College relies on the growth of its $450 million endowment through fundraising contributions to maintain financial stability and achieve its goals. Prior to deploying The Raiser's Edge, Bowdoin used 15 systems to track student, alumni, parent and other entities associated with the college's fundraising activities. Bowdoin deployed The Raiser's Edge as the centralized data repository to drive more personalized contact with constituents, while capturing and maintaining a complete view of all fundraising activities. With the help of our consultants, Bowdoin has also designed and implemented a solution that streamlines the fundraising processes and brings in relevant data from multiple campus systems to improve targeting and resource allocation. Our solution enabled Bowdoin to eliminate several costly databases by consolidating the data into a centralized database and free resources to increase productivity.

Detroit Zoo

Through over 10,000 donors and approximately 48,000 members, the Detroit Zoological Society relies on fundraising activities to generate a significant portion of its revenue. The Detroit Zoological Society implemented the Raiser's Edge and other applications to provide a comprehensive solution to improve fundraising performance and streamline critical fundraising processes. We also provided them with professional services targeting business process refinements resulting in improved efficiencies in areas such as direct mail and fulfillment and also augmented the Society's ability to analyze and report on membership performance and event attendance.

Episcopal High School

Episcopal High School is a private high school near Washington D.C. with over 400 students. We were selected to implement The Education Edge as a campus-wide system that could support the needs of their many offices, provide customizable transcripts and scheduling and allow web-based access for teachers and parents. The Education Edge now serves as the backbone of the school's operations, automating its manual systems and providing customized reports with a complete picture of each student's educational experience.

Help the Aged

Help the Aged is a well-known nonprofit in the United Kingdom dedicated to addressing issues facing the elderly. In managing its relationship with over three million constituents, they were using seven separate systems, utilized by over 100 users, to collect information and manage fundraising activities. Help the Aged engaged us to implement Information Edge and Raiser's Edge, which provided those 100 users a single comprehensive view of each constituent. We provide professional services to allow them to refine their fundraising processes and leverage the wealth of their data.

Mayo Foundation

Mayo Clinic's mission is to provide the best care to every patient every day through integrated clinical practice, education and research. Mayo Foundation, which is the Mayo Clinic's fundraising arm, chose The Raiser's Edge to enable over 130 staff members in the Department of Development to support fundraising programs that contribute over $100 million annually toward Mayo's mission. In addition, Mayo is in the process of implementing The Information Edge to optimize their fundraising programs by providing improved analysis and reporting across the fundraising organization.

US Naval Academy Alumni Association

The US Naval Academy Alumni Association relies on the strength of coordinated development efforts to maintain a strong and educated community of widely dispersed alumni. The association selected The Financial Edge as their financial management system to track and distribute over 700 different restricted funds while adhering to specific accounting and compliance requirements. We also provided professional services tailored to their unique requirements and protocols to implement processes and migrate data.

Sales and marketing

We sell all of our software and related services through our direct sales force, which is complemented by our team of account development representatives responsible for sales lead generation and qualification. We also sell The Financial Edge application indirectly through our network of value-added resellers. As of December 31, 2003, we had approximately 150 sales and marketing employees, 130 of whom comprised our direct sales force and account development representatives. These sales and marketing professionals are located at our headquarters in Charleston and in metropolitan areas throughout the United States, the United Kingdom, Canada and Australia. We plan to continue expanding our direct sales force in the Americas, Europe and Asia.

Our sales force is divided into three main areas of responsibility:

- selling products and services to existing customers;
- acquiring new customers; and
- developing and managing relationships with our resellers.

In addition, we have a dedicated portion of our outside sales team focused exclusively on large, enterprise-wide accounts and a group of sales engineers who support both new and existing customers. In general, each sales representative is assigned responsibility for handling just one product line in a designated geographic area, except for sales representatives for the K-12 education market who are responsible for selling all of our software products in that market. We frequently lead our sales efforts with the sale of one of our primary products, such as The Raiser's Edge, then sell the customer additional products and services, such as vertical-specific software applications and related implementation and technical services.

We conduct a variety of marketing programs that are designed to create brand recognition and market awareness for our products and services. Our marketing efforts include participation at tradeshows, technical conferences and technology seminars, publication of technical and educational articles in industry journals and preparation of competitive analyses. Our customers and strategic partners provide references and recommendations that we often feature in our advertising and promotional activities.

We believe relationships with third parties can enhance our sales and marketing efforts. We have, and intend to seek to establish additional, relationships with companies that provide services to the nonprofit industry, such as consultants, educators, publishers, financial service providers, complementary technology providers and data providers. For example, we have developed a business solutions provider network with a number of resellers and accounting firms. These companies promote or complement our nonprofit solutions and provide us access to new customers.

We believe that active participation in charitable activities is good for the community and helps us build relationships with our clients and enhances our employees' awareness of their activities. We have established a number of employee volunteer activities and are actively involved with a number of local and regional charities and nonprofit organizations, further demonstrating our dedication to assisting these organizations.

Competition

The market for software and related services for nonprofit organizations is fragmented, competitive and rapidly evolving, and there are limited barriers to entry for some aspects of this market. We expect to encounter new and evolving competition as this market consolidates

and matures and as nonprofit organizations become more aware of the advantages and efficiencies that can be attained from the use of specialized software and other technology solutions. A number of diversified software enterprises have made recent acquisitions or developed products for the market, including Intuit, Sage and SunGard. Other companies that have greater marketing resources and generate greater revenues and market recognition than we do, such as Microsoft, Oracle and PeopleSoft, offer products that are not designed specifically for nonprofits but still provide some of the functionality of our products and could be considered competitors. In addition, these larger companies could decide to enter the market directly, including through acquisitions of smaller current competitors.

We mainly face competition from four sources:

- software developers offering specialized products designed to address specific needs of nonprofit organizations;
- providers of traditional, less automated fundraising services;
- custom-developed solutions; and
- software developers offering general products not designed to address specific needs of nonprofit organizations.

Although there are numerous general software developers marketing products that have some application in the nonprofit market, these competitors have generally neglected to focus specifically on the nonprofit market and typically lack the domain expertise to cost effectively build or implement integrated solutions for the needs of the nonprofit market.

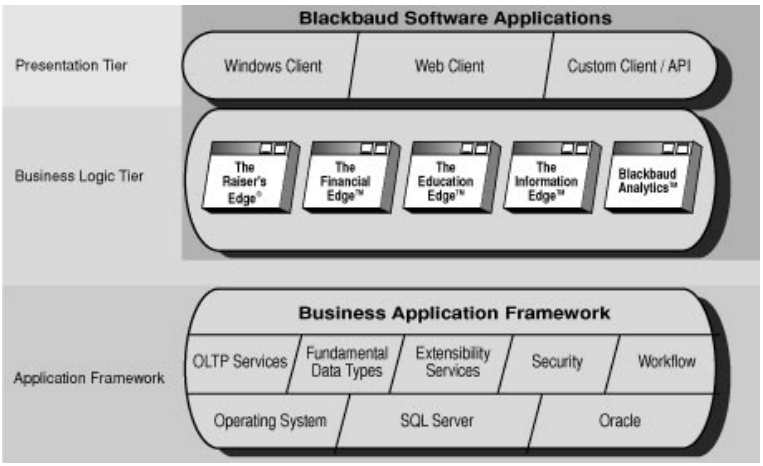
We compete with custom-developed solutions created either internally by the nonprofit organization or outside custom service providers. However, building a custom solution often requires extensive financial and technical resources that may not be available or cost-effective for the nonprofit organization. In addition, in many cases the customer’s legacy database and software system were not designed to support the increasingly complex and advanced needs of today’s growing community of nonprofit organizations.

We also compete with providers of traditional, less automated fundraising services, including parties providing services in support of traditional direct mail campaigns, special events fundraising, telemarketing and personal solicitations. We believe we compete successfully against these traditional fundraising services, primarily because our products and services are more automated, robust and efficient than the traditional fundraising methods supported by these providers.

Technology and architecture

We utilize a three-tier Component Object Model, or COM-based development model, because it allows our customers to extend and modify the functionality of our applications without requiring them to make any source code or data modifications themselves. This is important for customers that want to customize our applications by incorporating their own business logic

into key areas of the applications. The end result is a robust customization platform through which the application can be modified and extended without requiring source code alteration.



The architecture of our COM-based development model ensures our applications are:

- *Flexible.* Our component-based architecture is programmable and easily customized by our customers without requiring modification of the source code, ensuring that the technology can be leveraged and extended to accommodate changing demands of our clients and the market.

- *Adaptable.* The architecture of our applications allows us to easily add features and functionality or to integrate with third party applications in order to adapt to our customers' needs or market demands.

- *Scalable.* We combine a scalable architecture with the performance, capacity, and load balancing of industry-standard web servers and databases used by our customers to ensure the applications can scale to the needs of larger organizations.

Intellectual property and other proprietary rights

To protect our technology, we rely on a combination of patent, trademark, copyright and trade secret laws in various jurisdictions, and employee and third-party nondisclosure agreements and confidentiality procedures. We have a number of registered trademarks, including Blackbaud and The Raiser's Edge. We have applied for additional trademarks. We currently have six patents pending on our technology, including functionality in The Financial Edge, The Information Edge and ProspectPoint.

Employees

As of December 31, 2003, we had approximately 780 employees, consisting of 150 in sales and marketing, 150 in research and development, 360 in customer support, and 120 general and administrative personnel. None of our employees are represented by unions or covered by collective bargaining agreements. We are not involved in any material disputes with any of our employees, and we believe that relations with our employees are good.

Properties

We lease our headquarters in Charleston, South Carolina which consists of approximately 230,000 square feet. The lease on our Charleston headquarters expires in July 2010, and we have the option for two 5-year renewal periods. We also lease facilities in Glasgow and Sydney. We believe that our properties are in good operating condition and adequately serve our current business operations. We also anticipate that suitable additional or alternative space, including those under lease options, will be available at commercially reasonable terms for future expansion.

Legal proceedings

From time to time we may become involved in litigation relating to claims arising from our ordinary course of business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse affect on us.

Management

Executive officers and directors

The following table sets forth our executive officers and directors, and their ages and positions, as of January 31, 2004.

Name	Age	Position
Robert J. Sywolski	66	President, Chief Executive Officer and Director
Timothy V. Williams	54	Chief Financial Officer, Vice President, Treasurer and Assistant Secretary
Louis J. Attanasi	42	Vice President
Richard S. Braddock	35	Vice President of Marketing
Charles T. Cumbaa	51	Vice President of Services and Development
Laura W. Kennedy	39	Vice President of Human Resources
Anthony J. Powell, CFRE	35	Vice President of Consulting Services
Edward M. Roshitsh	39	Vice President of Sales
Heidi H. Strenck	34	Vice President, Controller, Assistant Treasurer and Assistant Secretary
Christopher R. Todd	34	Vice President of Corporate Development
Germaine M. Ward	41	Vice President of Products
Gerard J. Zink	40	Vice President of Customer Support
Marco W. Hellman	42	Director, Chairman
Paul V. Barber	42	Director
Dr. Sandra R. Hernández	46	Director
Andrew M. Leitch	60	Director
Larry E. Robbins	52	Director
David R. Tunnell	33	Director

Robert J. Sywolski has served as our President, Chief Executive Officer and a director since March 2000. From May 1998 until February 2000, Mr. Sywolski was a general partner at JMI Equity Fund, a private investment group. Prior to that, he spent twelve years as the Chairman and CEO of the North American Operations of Cap Gemini, a systems integration, management consulting and information technology services company. A member of the Association of Fundraising Professionals, Mr. Sywolski serves on the boards of the Medical University of South Carolina Cardio Vascular Institute, the South Carolina Aquarium, and ePhilanthropyFoundation.org. He also serves on the boards of Changepoint Corporation, Transcentive, Inc., and METASeS. Mr. Sywolski holds a BA in electrical engineering from Widener University and an MBA from Long Island University.

Timothy V. Williams has served as our Chief Financial Officer since January 2001. Mr. Williams is responsible for all of our financial reporting and controls, as well as human resources, legal and administrative services. From January 1994 to January 2001 he served as Executive Vice President and CFO of Mynd, Inc. (now Computer Sciences Corporation), a provider of software and services to the insurance industry. Prior to that, Mr. Williams worked at Holiday Inn

Worldwide, most recently as Executive Vice President & Chief Financial Officer. Mr. Williams holds a BA from the University of Northern Iowa.

Louis J. Attanasi has served as our Vice President, working with product development since 1996. In 1988, he began managing Blackbaud's research and development efforts. From 1988 through 1995, Mr. Attanasi was responsible for our software design. Prior to joining us, he taught mathematics at the State University of New York at Stony Brook and worked as a programming engineer at Environmental Energy Corporation. Mr. Attanasi holds a BA in Mathematics from State University of New York at Stony Brook and a MS in Mathematics from the University of Charleston.

Richard S. Braddock has served as our Vice President of Marketing since July 2003. Prior to joining us, Mr. Braddock was a Marketing/ Private Equity Consultant for T.I.F.F., a nonprofit cooperative, from February 2003 until May 2003 and for Deutche Bank Venture Capital from June 2002 until January 2003. He was with iMediation Inc., a channel management vendor, from August 2000 until February 2002, most recently as Vice President of Marketing and Strategy, and the Vice President of Marketing for Prime Response, Inc., a customer relations management software company from January 1998 until April 2000. Mr. Braddock holds a BA from Dartmouth College and an MBA from Harvard Business School.

Charles T. Cumbaa joined us in May 2001. Prior to joining us, Mr. Cumbaa was an Executive Vice President with Intertech Information Management from December 1998 until October 2000. From 1992 until 1998 he was President and Chief Executive Officer of Cognitech, Inc., a software company he founded. Prior to that, he was employed by McKinsey & Company. Mr. Cumbaa holds a BA from Mississippi State University and an MBA from Harvard Business School.

Laura W. Kennedy has been our Vice President of Human Resources since February 2003. She previously served as our Director of Human Resources from November 1996 to February 2003 and prior to that as Manager of Customer Support since 1993. Prior to joining us, Ms. Kennedy held accounting and management positions with Owens & Minor, Inc. and Media General, Inc. Ms. Kennedy holds a BA in accounting from Georgia State University.

Anthony J. Powell, CFRE, has served as our Vice President of Consulting Services since October 2002. Prior to that he served as Director of Consulting Services since July 1998. Before joining us, Mr. Powell was the Major Gifts Officer at the Smithsonian Institution from June 1997 to July 1998. Prior to that he was the Assistant Vice President for the Greater Baltimore Medical Center Foundation from February 1996 to January 1997. Mr. Powell holds a BA from Allegheny College.

Edward M. Roshitsh has been our Vice President of Sales and Marketing since August 2000. From October 1990 until August 2000, he served in a variety of capacities at Data Processing Sciences Corporation, most recently as their Vice President of Sales. Mr. Roshitsh spent several years in the U.S. Air Force as a Network Communications Expert and holds a BA from Indiana Wesleyan University.

Heidi H. Strenck has served as our Vice President and Controller since October 2002. Ms. Strenck joined us in September 1996 and held key management roles as Accounting Manager from 1996 until 1997 and as Controller until 2002. Prior to joining us, she served as a Senior Associate with Coopers & Lybrand and as Internal Auditor for The Raymond Corporation. Ms. Strenck serves on the board of directors of the Trident Area Salvation Army. Ms. Strenck holds a BA in management/ accounting from Hartwick College.

Christopher R. Todd, our Vice President of Corporate Development, joined us in July 2000. He heads our business development efforts and oversees our analytics division. Prior to joining us, Mr. Todd served as the Director of Business Development and Legal Affairs for NetGen Inc. from July 1999 until July 2000 and as an Associate with McKinsey & Co. from July 1997 until July 1999. Mr. Todd holds a BA from Harvard College and a JD from Yale Law School.

Germaine M. Ward has been our Vice President of Products since April 2002. From April 1998 to April 2002, Ms. Ward served as the Vice President for several divisions of Iomega Corporation, most recently Media, Applications and Software. Prior to that, Ms. Ward spent seven years at Symantec Corporation. Ms. Ward holds a BA in computer science from Michigan Technological University.

Gerard J. Zink has served as our Vice President of Customer Support since June 1996. He joined us in November 1987, and served as a Customer Support Analyst and Manager of Customer Support before assuming his current position. Prior to joining us, Mr. Zink was employed as a computer consultant by the Diocese of Rockville Center in New York.

Marco W. Hellman has been a member of our board of directors since October 1999. Mr. Hellman was an associate and a Managing Director with Hellman & Friedman LLC between August 1987 and February 2001. Mr. Hellman holds a BA from University of California at Berkeley and an MBA from Harvard Business School.

Paul V. Barber has served on our board of directors since October 1999. Mr. Barber has been a General Partner with JMI Equity Fund since 1998. He also serves on the boards of Mitchell International, a software company, and Burr Wolff LP, a full-service provider of personal property tax, real estate tax and sales & use tax software, appeal, audit, compliance and refund services. Mr. Barber holds a BA in economics from Stanford University and an MBA from Harvard Business School.

Dr. Sandra R. Hernández has served on our board of directors since July 2002. Ms. Hernández has served as the Chief Executive Officer of The San Francisco Foundation since September 1997. She has also been an Assistant Clinical Professor at the School of Medicine at the University of California at San Francisco since 1992 and has worked as a Medical Attending physician at the AIDS clinic at the San Francisco General Hospital. She serves on the Board of Directors of a number of nonprofit organizations, including the Lucille Packard Children's Hospital, the American Foundation for AIDS Research and the Corporation for Supportive Housing. She holds a BA in psychology from Yale University and an MD from Tufts University School of Medicine.

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 of Citicorp Everbright China Fund Limited, Education OnLine USA, Inc., Consolidated Pass International Limited and Publishing and Broadcasting International Limited. Mr. Leitch is a Canadian chartered accountant and a licensed CPA in New York.

Larry E. Robbins has been a member of our board of directors since October 1999. He is a partner with the law firm of Wyrick Robbins Yates & Ponton LLP located in Raleigh, North Carolina. Mr. Robbins holds a BA, MBA and JD from the University of North Carolina at Chapel Hill.

David R. Tunnell has served on our board of directors since October 1999. Mr. Tunnell joined Hellman & Friedman LLC in 1994 and currently serves as a Managing Director. He serves on the

board of directors of Arch Capital Group Ltd., a public limited liability company that provides property and casualty insurance and reinsurance products. Mr. Tunnell holds a BA from Harvard College and an MBA from Harvard Business School.

Board composition

Our board of directors is composed of a majority of independent directors as defined under Nasdaq Marketplace Rules.

Our board of directors consists of seven directors, which are divided into three classes, each of whose members serve for a staggered three-year term. The board of directors will consist of three Class A directors, Paul V. Barber, Marco W. Hellman and Larry E. Robbins, two Class B directors, Dr. Sandra J. Hernández and Andrew M. Leitch, and two Class C directors, Robert J. Sywolski and David R. Tunnell. At each annual meeting of stockholders, one class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the Class A directors, Class B directors and Class C directors expire upon the election and qualification of successor directors at the annual meetings of stockholders held during the calendar years 2005, 2006 and 2007, respectively.

Our bylaws provide that the number of directors constituting the 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. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of our company.

Pursuant to an Investor Rights Agreement dated as of October 13, 1999 among us and certain of our stockholders, those stockholders were granted the right to designate two representatives on our board of directors. The right to designate representatives to our board of directors will terminate upon the closing of this offering.

Board committees

Our board of directors has established 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.

Our audit committee is comprised of Andrew M. Leitch, Chairman, Paul V. Barber and Dr. Sandra J. Hernández. 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 auditors, the performance of our internal audit functions, the procedures undertaken by the independent auditors and our compliance with other regulatory and legal requirements. Our audit committee operates pursuant to a formal written charter.

Our compensation committee is comprised of Marco W. Hellman, Chairman, Paul V. Barber and David R. Tunnell. 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 stock option and employee benefit plans, and reviews general policy relating to compensation and benefits.

Our nominating and corporate governance committee is comprised of Paul V. Barber, Chairman, Andrew M. Leitch and David R. Tunnell. 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.

Compensation committee interlocks and insider participation

No member of our compensation committee serves or in the past has served as a member of another entity's board of directors or compensation committee, which entity has one or more executive officers serving as a member of our board of directors or compensation committee.

Compensation of directors

Members of the board of directors are entitled to receive an annual cash retainer of $7,500. All directors are also entitled to receive $3,000 for each Board meeting attended. The chairperson of the audit committee is entitled to receive an additional $5,000 per year.

Beginning in February 2004, each incoming member to our board of directors is entitled to receive a one-time option grant to purchase that number of shares of common stock equal to the quotient of $120,000 divided by the fair market value of our common stock on the date of grant, such option to vest over three years. Each member of the board of directors will receive an annual option grant to purchase that number of shares of common stock equal to the quotient of $40,000 divided by the fair market value of our common stock on the date of grant, such option to vest over three years. In addition, if the chairperson of the board of directors is not an executive officer, he or she will receive annual compensation of $10,000 in cash and an option to purchase that number of shares of common stock equal to the quotient of $180,000 divided by the fair market value of our common stock on the date of grant, such option to vest over three years. The exercise price for all these option grants will be the fair market value on the date of grant.

Indemnification and limitation of director and officer liability

Our certificate of incorporation limits the liability of our directors for monetary damages arising from a breach of their fiduciary duty as directors, except to the extent otherwise required by the Delaware General Corporation Law. Such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of incorporation and bylaws provide that we will indemnify each person who was or is made a party or threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she or a person of whom he or she is the legal representative is or was one of our directors or officers, or is or was serving at our request as a director, officer, employee or agent of another enterprise, to the fullest extent allowed by the Delaware General Corporation Law. This right of indemnification shall include the right to be paid by us the amount of expenses, including attorneys' fees, incurred in connection with any such proceeding in advance of its final disposition. However, if Delaware law so requires, the advancement of such expenses will only be made upon the delivery to us of an undertaking by or on behalf of such person to repay all amounts so advanced if it shall ultimately be determined that such person is not entitled to be indemnified for such expenses by us.

In addition, our certificate of incorporation and bylaws provide that we may maintain, at our expense, insurance to protect ourselves and any of our directors, officers, employees or agents against any expense, liability or loss, whether or not we would have the power to indemnify a person against any expense, liability or loss under Delaware law. Our certificate of incorporation and bylaws further provide that we may, to the extent permitted by the board of directors, grant rights to indemnification, and rights to advancement of expenses, to any of our employees or agents. We have obtained insurance for the benefit of our officers and directors insuring such persons against liabilities, including liabilities under the securities laws.

Executive compensation

The following table sets forth summary information relating to compensation paid for services rendered for our fiscal year ended December 31, 2003, with respect to the compensation paid and bonuses granted to our Chief Executive Officer as well as each of our other four most highly compensated executive officers, each of whose aggregate compensation during the last fiscal year was greater than $100,000. For purposes of this prospectus, we will refer to the executive officers named in the table below as the named executive officers.

Summary compensation table

	Annual compensation		Long-term compensation	
Name and principal position	**Salary**	**Bonus**	**Number of securities underlying options (#)**	**All other compensation**
Robert J. Sywolski President and Chief Executive Officer	$525,000	$558,736	5,638,791	$18,513(1)
Timothy V. Williams Vice President and Chief Financial Officer	275,000	134,971	1,000,000	15,007(2)
Louis J. Attanasi Vice President	255,000	125,155	400,000	17,729(3)
Gerard J. Zink Vice President of Customer Support	255,000	112,885	400,000	14,983(4)
Germaine M. Ward Vice President of Products	230,000	112,885	400,000	31,613(5)

(1) Includes $8,625 for the dollar value of the use of a company automobile, $3,981 for a matching contribution under our 401(k) plan, a reimbursement of $5,000 for tax preparation services and payment of $907 for life insurance premiums.

(2) Includes an $8,400 automobile allowance, $6,000 for a matching contribution under our 401(k) plan and payment of $607 for life insurance premiums.

(3) Includes an $8,400 automobile allowance, $6,000 for a matching contribution under our 401(k) plan, an equipment subsidy of $2,746 and payment of $583 for life insurance premiums.

(4) Includes an $8,400 automobile allowance, $6,000 for a matching contribution under our 401(k) plan and payment of $583 for life insurance premiums.

(5) Includes $25,060 for reimbursement of expenses relating to executive's relocation to Charleston, South Carolina, $6,000 for a matching contribution under our 401(k) plan and payment of $553 for life insurance premiums.

Option grants in last fiscal year

There were no grants of stock options to any of our named executive officers during the fiscal year ended December 31, 2003.

Aggregated option exercises in last fiscal year and fiscal year-end option values

No named executive officers exercised any options during the fiscal year ended December 31, 2003.

The following table sets forth information about the exercisable and unexercisable options held by the named executive officers as of December 31, 2003. The "Value of unexercised in-the-money options at December 31, 2003" is calculated based on the difference between the estimated fair market value of the common stock of $6.00 on December 31, 2003 and the exercise price for the shares underlying the option, multiplied by the number of shares issuable upon exercise of the option. All options were granted under our 1999, 2000 and 2001 Stock Option Plans.

	Number of shares underlying unexercised options at December 31, 2003 (#)		Value of unexercised in-the-money options at December 31, 2003	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Robert J. Sywolski	5,094,530	544,261	$15,283,590	$1,632,783
Timothy V. Williams	750,000	250,000	2,250,000	750,000
Louis J. Attanasi	358,462	41,538	1,069,848	107,998
Gerard J. Zink	358,462	41,538	1,069,848	107,998
Germaine M. Ward	100,000	300,000	300,000	900,000

Employment and severance agreements

We entered into an employment agreement with Robert J. Sywolski to serve as our President and Chief Executive Officer in March 2000. Under the agreement, Mr. Sywolski is entitled to an annual base salary of $525,000 per year, subject to periodic review and adjustment by our compensation committee. Mr. Sywolski is also entitled to receive an annual bonus payment based upon the achievement of certain performance milestones. For the period of January 1, 2004 until the end of the term of the agreement, or March 31, 2004, Mr. Sywolski is entitled to receive a bonus payment of at least $25,000. Subject to certain exceptions, Mr. Sywolski is entitled to a severance payment equal to his base salary for the remainder of the term of the agreement if we terminate his employment without cause, if he is constructively terminated or if he terminates his employment upon a change in control. We also granted Mr. Sywolski an option to purchase 5,638,791 shares of our common stock. Among other things, this option requires us to pay Mr. Sywolski 10% of his gain upon exercise, in order to help satisfy his tax obligations.
Mr. Sywolski has agreed to certain confidentiality and non-competition provisions in his employment agreement. We are currently negotiating the terms of a new employment agreement with Mr. Sywolski.

We have also entered into at-will employment agreements with Timothy V. Williams, Louis J. Attanasi, Gerard J. Zink and Germaine M. Ward to employ each officer in their current positions, which agreements are dated January 2, 2001, December 17, 2002, December 17, 2002 and April 22, 2002, respectively. The relevant agreement provides for a base salary in the amount of $275,000 for Mr. Williams, $255,000 for Mr. Attanasi, $255,000 for Mr. Zink and

$230,000 for Ms. Ward, each of which are subject to increase at the discretion of the board of directors or the compensation committee. Each officer may participate in our executive bonus plan and all other employee benefit plans that we offer. Each agreement prohibits the officer from entering into employment with any direct competitor and from soliciting any employee of ours to leave us while the agreement is in effect and for two years after termination of the agreement. None of the agreements provide for any severance payments. The agreements have no set term.

Employee benefit and stock plans

Equity compensation plan information

	(a)	(b)	(c)
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrant and rights**	**Weighted-average price of outstanding options, warrant and rights**	**Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a))**
Equity compensation plans approved by security holders			
2001 Stock Option Plan	6,598,539	$3.15	—
1999 Stock Option Plan	3,004,394	$3.00	—
Equity compensation plans not approved by security holders			
2000 Stock Option Plan	5,638,791	$3.00	869,106

Description of plans

1999 Stock Option Plan, 2000 Stock Option Plan and 2001 Stock Option Plan

Our 1999 Stock Option Plan was adopted by our board of directors and approved by our stockholders in October 1999. Our 2000 Stock Option Plan was adopted by our board of directors in May 2000. Our 2001 Stock Option Plan was adopted by our board of directors in July 2001 and approved by our stockholders at the annual stockholders meeting in May 2002. A total of 16,110,830 shares of our common stock were authorized and reserved for issuance under the 1999 Stock Option Plan, the 2000 Stock Option Plan and the 2001 Stock Option Plan, and options to purchase 15,241,724 shares of common stock, at a weighted average exercise price of $3.07 per share, are currently outstanding under such plans.

Generally, options granted under the 1999 Stock Option Plan vest in eight equal semi-annual installments beginning on the 180th day after the date of grant. The option granted under the 2000 Stock Option Plan vested 25% on the date of grant, with the remainder vesting in eight equal semi-annual installments thereafter. Options granted under the 2001 Stock Option Plan vest in equal annual installments on the first, second, third and fourth anniversaries of the date of grant. Subject to the terms of the plans, options may be transferred by will or the laws of descent and distribution and, in the case of nonstatutory stock options, may also be transferred with the approval of our board of directors or a committee thereof to certain of the optionee’s family members. In the event of certain changes in control of our company, all outstanding options under the 1999 Stock Option Plan, 2000 Stock Option Plan and 2001 Stock Option Plan shall become immediately exercisable.

Principal and selling stockholders

The following table sets forth information regarding the beneficial ownership of our common stock as of January 31, 2004, by the following individuals or groups:

- each person or entity known by us to beneficially own more than 5% of our common stock;
- each of the named executive officers;
- each of our directors;
- all directors and executive officers as a group; and
- each selling stockholder.

Beneficial ownership of a security is determined in accordance with the rules and regulations of the SEC. Under these rules, a person is deemed to beneficially own a share of our common stock if that person has or shares voting power or investment power with respect to that share, or has the right to acquire beneficial ownership of that share within 60 days, including through the exercise of any option or other right or the conversion or any other security. Shares issuable under stock options are deemed outstanding for computing the percentage of the person holding options but are not outstanding for computing the percentage of any other person. The percentage of beneficial ownership for the following table is based upon 67,854,195 shares of capital stock outstanding as of January 31, 2004.

Unless otherwise indicated, the address for each listed stockholder is: c/o Blackbaud, Inc., 2000 Daniel Island Drive, Charleston, South Carolina 29492-7541. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of capital stock.

Name	Beneficial ownership prior to offering	Shares to be sold in the offering	Shares outstanding after the offering	Percentage of shares beneficially owned	
				Before the offering	After the offering
Five percent stockholders:					
Hellman & Friedman Capital Partners III, L.P.[1]	42,410,769			62.50%	%
H&F Orchard Partners III, L.P.[1]	3,117,278			4.59%	%
H&F International Partners III, L.P.[1]	929,144			1.37%	%
Anthony E. Bakker[2]	9,694,532			14.29%	%
Directors and executive officers:					
David R. Tunnell[3]	46,457,190			68.47%	%
Robert J. Sywolski[4]	5,638,791			7.67%	%
Paul V. Barber[5]	3,330,265			4.91%	%
Louis J. Attanasi[6]	843,188			1.24%	%
Timothy V. Williams[7]	750,000			1.09%	%
Gerard J. Zink[6]	520,039			*	*
Edward M. Roshitsh[7]	300,000			*	*
Christopher R. Todd[7]	254,740			*	*
Charles T. Cumbaa[7]	250,000			*	*

Name	Beneficial ownership prior to offering	Shares to be sold in the offering	Shares outstanding after the offering	Percentage of shares beneficially owned	
				Before the offering	After the offering
Laura W. Kennedy[7]	140,038			*	*
Heidi H. Strenck[7]	143,022			*	*
Anthony J. Powell[7]	105,038			*	*
Germaine M. Ward[7]	100,000			*	*
Dr. Sandra J. Hernández[7]	10,000			*	*
Marco W. Hellman[8]	—			—	—
Richard S. Braddock	—			—	—
Andrew M. Leitch	—			—	—
Larry E. Robbins	—			—	—
All executive officers and directors as a group (18 people)[9]	58,842,311			77.16%	%
Other selling stockholders:					

* Less than 1%

(1) These shares are currently held by Pobeda Partners Ltd, but ownership will be distributed as specified herein prior to the completion of the offering.

(2) Includes 3,205,002 shares held by each of the 1999 Bakker EF Trust, the Anthony E. Bakker 1999 Retained Annuity Trust-TB and the Anthony E. Bakker 1999 Retained Annuity Trust-LC, of which the beneficiaries are Mr. Bakker's children and Mr. Bakker retains investment control. Mr. Bakker disclaims beneficial ownership of the shares held by the 1999 Bakker EF Trust except to the extent of his pecuniary interest therein.

(3) Consists entirely of those shares held by Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. and H&F International Partners III, L.P. Mr. Tunnell serves as a managing director of Hellman & Friedman LLC. Mr. Tunnell disclaims beneficial ownership of these shares except to the extent of his indirect pecuniary interest therein.

(4) Consists solely of shares of common stock obtainable upon the exercise of stock options. Does not include shares held by JMI Associates IV, L.L.C., of which Mr. Sywolski is a member.

(5) Consists entirely of those shares held by JMI Equity Fund IV, L.P. and its affiliates of which Mr. Barber serves as a general partner. Mr. Barber disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(6) Includes for each person 358,462 shares of common stock obtainable upon the exercise of stock options.

(7) Consists solely of shares of common stock obtainable upon the exercise of stock options.

(8) Does not include shares held by Hellman & Friedman Capital Partners III, L.P., of which Mr. Hellman is a limited partner.

(9) Includes the shares and shares underlying stock options specified in footnotes (3)–(8).

Certain transactions

We entered into a lease agreement dated as of October 13, 1999 with Duck Pond Creek, LLC to lease the space for our headquarters in Charleston, South Carolina. Duck Pond Creek is a South Carolina limited liability company, 60% of which is owned by Anthony E. Bakker, a stockholder who beneficially owns approximately 14% of our capital stock prior to this offering, and 4% of which is owned by each of Louis J. Attanasi and Gerard J. Zink, two of our named executive officers. Under this lease, we made payments to Duck Pond Creek totaling approximately $4.3 million in 2001, 2002 and 2003. The term of the lease is for 10 years with two five-year renewal options. The current annual base rent of the lease is approximately $4.3 million. The base rate escalates annually at a rate equal to the change in the consumer price index, as defined in the agreement. We believe that this lease agreement is on terms at least as favorable to us as could have been obtained from an unaffiliated third party.

We are party to a trademark license and promotional agreement dated as of October 13, 1999 with Charleston Battery, Inc., pursuant to which we pay to Charleston Battery, Inc. an annual fee for the naming rights to a stadium located in Charleston, South Carolina named “Blackbaud Stadium”. Charleston Battery is principally owned by Anthony E. Bakker, a stockholder who beneficially owns approximately 14% of our capital stock prior to this offering. Under this agreement, we made payments to Charleston Battery of $200,000 in each of 2001, 2002 and 2003. This agreement is scheduled to terminate in October 2009. We believe that the terms of this agreement are at least as favorable to us as could have been obtained from an unaffiliated third party.

We entered into a common stock purchase agreement dated as of June 1, 2001 with certain of our stockholders, pursuant to which such stockholders purchased an aggregate of 3,333,334 shares of our common stock at $3.00 per share. In this transaction, certain trusts established by Anthony E. Bakker, a stockholder who beneficially owns approximately 14% of our capital stock prior to this offering, acquired 2,000,001 shares of our common stock, and Louis J. Attanasi and Gerard J. Zink, two of our named executive officers, acquired 100,000 and 33,334 shares of our common stock, respectively.

Description of capital stock

On the closing of this offering, under our certificate of incorporation our authorized capital stock will consist of 180,000,000 shares of common stock, par value $0.001 per share, and 20,000,000 shares of preferred stock, par value $0.001 per share. As of January 31, 2004, there were 67,854,195 shares of common stock outstanding that were held of record by 20 stockholders. On the closing of this offering, no shares of preferred stock will be outstanding. Our board of directors may fix the relative rights and preferences of each series of preferred stock in a resolution of the board of directors.

Common stock

Voting rights

The holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders, and there are no cumulative voting rights. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of common stock present in person or represented by proxy, subject to any voting rights granted to holders of any preferred stock.

Dividends

The holders of common stock are entitled to receive ratable dividends, if any, payable in cash, in stock or otherwise if, as and when declared from time to time by the board of directors out of funds legally available for the payment of dividends, subject to any preferential rights that may be applicable to any outstanding preferred stock.

Other rights

In the event of a liquidation, dissolution, or winding up of our company, after payment in full of all outstanding debts and other liabilities, the holders of common stock are entitled to share ratably in all remaining assets, subject to prior distribution rights of preferred stock, if any, then outstanding. No shares of common stock have preemptive rights or other subscription rights to purchase additional shares of common stock. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued on completion of this offering will be fully paid and nonassessable. The rights, preferences and privileges of holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. All shares of common stock which are acquired by us shall be available for reissuance by us at any time.

Preferred stock

On the closing of this offering, no shares of preferred stock will be outstanding. Our board of directors has the authority to issue up to an aggregate of 20,000,000 shares of preferred stock in one or more classes or series and to determine, with respect to any such class or series, the designations, powers, preferences and rights of such class or series, and the qualifications, limitations and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption (including sinking fund provisions), redemption prices, liquidation preferences and the number of shares constituting any class or series or the designation of such class or series, without further vote or action by the stockholders. The

exercise of this authority eliminates delays associated with a stockholder vote in specific instances. We believe that the ability of the board of directors to issue one or more series of preferred stock will provide us with flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs that might arise. The ability of the board of directors to issue preferred stock, while providing flexibility in connection with possible acquisitions, raising additional capital and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of our outstanding voting stock. Our board of directors could issue preferred stock having terms that could discourage a potential acquiror from making, without first negotiating with the board of directors, an acquisition attempt through which such acquiror may be able to change the composition of the board of directors, including a tender offer or other takeover attempt.

The voting and other rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future.

Anti-takeover effects of Delaware law and provisions of our certificate of incorporation and bylaws

Certain of the provisions of Delaware law and our certificate of incorporation and bylaws discussed below may have the effect of making more difficult or discouraging a tender offer, proxy contest or other takeover attempt. Those provisions, summarized below, include a classified board of directors with staggered terms and requirements for advance notice of actions proposed by stockholders for consideration at meetings of the stockholders. These provisions are expected to encourage persons seeking to acquire control of our company to first negotiate with our board of directors. We believe that the benefits of increasing our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Delaware anti-takeover law

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date the person became an interested stockholder, unless:

- the board of directors approves the transaction in which the stockholder became an interested stockholder prior to the date the interested stockholder attained that status;

- when the stockholder became an interested stockholder, he or she owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers and certain shares owned by employee benefits plans; or

- on or subsequent to the date the business combination is approved by the board of directors, the business combination is authorized by the affirmative vote of at least 66 2/3% of the voting stock of the corporation at an annual or special meeting of stockholders.

Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested

stockholder" is a person who, together with affiliates and associates, owns, or is an affiliate or associate of the corporation and within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock.

Our certificate of incorporation provides that Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P., H&F International Partners III, L.P., or any successor to all or substantially all of their assets, or any affiliate thereof, or any person or entity to which any of the foregoing stockholders transfers shares of our voting stock in a transaction other than an underwritten, broadly distributed public offering, regardless of the total percentage of our voting stock owned by such stockholder or such person or entity, shall not be deemed an "interested stockholder" for purposes of Section 203 of the Delaware General Corporation Law.

The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of our common stock.

Certificate of incorporation and bylaws provisions

Classified board of directors. Our board of directors is divided into three classes of directors, as nearly equal in number as possible, with each class serving a staggered term of three years. Any vacancy on the board of directors, regardless of the reason for the vacancy, may be filled by vote of the majority of the directors then in office, except in the case of a vacancy caused by action of our stockholders, which vacancy may only be filled by our stockholders. Directors may be removed from office at any time with or without cause, but only by the holders of a majority of the shares entitled to vote at an election of directors. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board of directors and could also discourage a third-party from making a tender offer or otherwise attempting to obtain control of our company and may maintain the incumbency of our board of directors, as the classification of the board of directors generally increases the difficulty of replacing a majority of the directors.

Advance notice requirement for stockholder proposals. Our bylaws contain an advance notice procedure for stockholders proposals to be brought before a meeting of stockholders, including any proposed nominations of persons for election to our board of directors. Stockholders at a meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting, who has given to our secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting, and who has otherwise complied with our bylaws. Although the bylaws do not give our board of directors the power to approve or disapprove stockholder nominations of candidates for election to our board of directors or proposals regarding other business to be conducted at a special or annual meeting of the stockholders, the bylaws may have the effect of precluding the conduct of business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of our company. By requiring advance notice of other proposed business, the stockholder advance notice procedure will also provide a more orderly procedure for conducting annual meeting of stockholders and, to the extent deemed necessary or desirable by the board of directors, will provide the board of directors with an opportunity to inform stockholders, prior to such meetings, of any business proposed to be conducted at

such meetings, together with any recommendations as to the board of directors' position regarding action to be taken with respect to such business, so that stockholders can better decide whether to attend such a meeting or to grant a proxy regarding the disposition of any such business.

Registration rights

As of December 31, 2003, the holders of approximately 67,854,195 shares of our common stock were entitled to rights with respect to the registration of such shares under the Securities Act of 1933, as amended. Under the terms of the agreement between us and the holders of such registrable securities, the holders of at least 51% of such registrable securities are entitled to demand registration rights, pursuant to which they may require us on one occasion, at any time after 180 days following the date of this offering, to file a registration statement under the Securities Act of 1933 at our expense with respect to at least 50% of their registrable securities, and we are required to use all reasonable efforts to effect such registration where the anticipated net aggregate offering proceeds are at least $5 million. In addition, certain holders of registrable securities are entitled to additional demand registration rights, pursuant to which they may require us at any time after 180 days following the date of this offering, to file a registration statement under the Securities Act of 1933 at our expense with respect to their registrable securities, and we are required to use all reasonable efforts to effect such registration, where the anticipated net aggregate offering proceeds are at least $5 million. The exact number of such additional demand registrations shall be mutually agreed upon by us and such holders based on the number of shares of our common stock owned by them. Further, holders of such registrable securities may require us to file one additional registration statement on Form S-3 at our expense. Holders of registrable securities also have the right to include registrable securities in any registration of our securities, other than this offering, registrations made on Form S-4 in connection with acquisitions of other companies, and registrations made on Form S-8 in connection with employee benefits plans.

All of the registration rights described above terminate with respect to any stockholder holding registration rights after the later of two years following the consummation of our initial public offering or the date on which such holder is able to dispose of all of his, her or its shares of our common stock having registration rights in a 90-day period pursuant to Rule 144 promulgated by the SEC. These registration rights are also subject to certain conditions and limitations, including the right of the underwriters of an offering to limit the number of shares included in such registration and our right not to effect a requested registration within 180 days following the effective date of an offering of our securities pursuant to Form S-1, including the offering made by this prospectus.

We granted our Chief Executive Officer, Robert J. Sywolski, the right to include shares issued upon exercise of his stock option in any registration of our securities, other than in this offering, registrations made on Form S-4 or Form S-8, registrations relating solely to employee benefits, registrations pursuant to which we are offering to exchange our own securities, or registrations relating solely to dividend reinvestment or similar plans. These registration rights terminate after the later of five years following the consummation of our initial public offering or the date on which Mr. Sywolski is able to dispose of all of his shares of our common stock having registration rights in a 90-day period pursuant to Rule 144 promulgated by the SEC. These registration rights are also subject to certain conditions and limitations, including the right of the underwriters of an offering to limit the number of shares included in such registration.

Transfer agent and registrar

The transfer agent and registrar for the common stock is , and its telephone number is .

Shares eligible for future sale

Prior to this offering, there has been no public market for our common stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Sale of restricted shares

Upon the closing of this offering, we will have outstanding an aggregate of approximately shares of common stock. Of these shares, the shares of common stock to be sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 of the Securities Act. All remaining shares held by our existing stockholders were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below.

As a result of the lock-up agreements described below and the provisions of Rule 144, Rule 144(k) and Rule 701 under the Securities Act, the shares of our common stock (excluding the shares sold in this offering) will be available for sale in the public market as follows:

- shares will be eligible for sale on the date of this prospectus;
- shares will be eligible for sale 90 days after the date of this prospectus;
- shares will be eligible for sale upon the expiration of the lock-up agreements, described below, beginning 180 days after the date of this prospectus; and
- shares will be eligible for sale, upon the exercise of vested options, 180 days after the date of this prospectus.

The remaining shares held by existing stockholders will become eligible for sale at various times on or before , 200 .

Lock-up agreements

An aggregate of shares outstanding as of , 2004, representing over % of our outstanding shares, will be subject to "lock-up" agreements on the effective date of this offering. Our executive officers and directors and certain other existing stockholders have agreed with the underwriters not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this prospectus. J.P. Morgan Securities Inc. on behalf of the underwriters may, however, in its sole discretion and without notice, release all or any portion of the shares from the restrictions in these lock-up agreements. To the extent that any of our stockholders have not entered into lock-up agreements with the underwriters, substantially all of these stockholders are subject to separate lock-up agreements with us, which agreements provide that these stockholders may not sell their shares for 180 days after the date of this prospectus. We have agreed with the underwriters not to release any of these

company lock-ups without the prior consent of J.P. Morgan Securities Inc. on behalf of the underwriters.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell in "broker's transactions" or to market makers, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding (which will equal approximately shares immediately after this offering); or

- the average weekly trading volume in our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are generally subject to the availability of current public information about us.

Based upon the number of shares outstanding at , 2004, an aggregate of approximately shares of our common stock will be eligible to be sold pursuant to Rule 144, subject to the volume restrictions described above, beginning 90 days after the date of this prospectus. However, all but of such shares are subject to the lock-up agreements described above and will only become eligible for sale upon the expiration or termination of such agreements, generally 180 days after the date of this prospectus.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been an affiliate of us at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, is entitled to sell shares without having to comply with the manner of sale, public information, volume limitation or notice filing provisions of Rule 144. Therefore, unless otherwise restricted, "144(k) shares" may be sold immediately upon the completion of this offering. Based upon the number of shares outstanding at , 2004, an aggregate of approximately shares of our common stock will be eligible to be sold pursuant to Rule 144(k) after the date of this prospectus. However, all but of such shares are subject to the lock-up agreements described above and will only become eligible for sale upon the expiration or termination of such agreements.

Rule 701

Under Rule 701, certain of our employees, directors, officers, consultants or advisors who acquire shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering are entitled to sell shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period and notice filing requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, volume limitation or notice filing provisions of Rule 144.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934 along with the shares acquired upon exercise of the options (including exercises after the date

of this prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than "affiliates" (as defined in Rule 144) subject only to the manner of sale provisions of Rule 144 and by "affiliates" under Rule 144 without compliance with its one-year minimum holding period requirements.

Based upon the number of shares outstanding at , 2004, an aggregate of approximately shares of our common stock which are outstanding as of , 2004 and approximately shares of our common stock that may be acquired upon exercise of options outstanding as of , 2004 will be eligible to be sold pursuant to Rule 701 beginning 90 days after the date of this prospectus, subject to the vesting provisions that may be contained in individual option agreements. However, all of such shares are subject to the lock-up agreements described above and will only become eligible for sale upon the expiration or termination of such agreements.

U.S. federal tax considerations for

non-U.S. holders of common stock

The following is a summary of the material U.S. federal income tax considerations for non-U.S. holders of our common stock and is based upon current provisions of the Internal Revenue Code of 1986, as amended (which we refer to as the "Code"), Treasury regulations thereunder, existing rulings of the Internal Revenue Service (which we refer to as the "IRS") and judicial decisions, all of which are subject to change. Any such change could apply retroactively and could adversely affect the consequences described below.

As used in this summary, a "U.S. Person" is:

- an individual who is a citizen of the United States or who is resident in the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation, that is created or organized under the laws of the United States or any political subdivision thereof;
- a partnership, or other entity taxable as a partnership, that (1) is created or organized under the laws of the United States or any political subdivision thereof, and (2) is not treated as a foreign partnership under applicable Treasury regulations;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that is subject to the primary supervision of a court within the United States and for which one or more U.S. persons (as described in Section 7701(a)(30) of the Code) have the authority to control all of the substantial decisions, or (2) that was treated as a domestic trust on August 19, 1996, and has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

As used in this summary, a "non-U.S. Holder" is any person who is a beneficial owner of shares of our common stock and who is not a U.S. Person.

This summary does not discuss U.S. federal tax consequences to U.S. holders. It also does not discuss all U.S. federal income tax considerations that may be relevant to non-U.S. Holders in light of their particular circumstances or that may be relevant to certain holders that are subject to special treatment under U.S. federal income tax law (for example, insurance companies, tax-exempt organizations, financial institutions, dealers in securities, persons who hold shares as part of a straddle, hedging, constructive sale, or conversion transaction and persons who acquire shares through exercise of employee stock options or otherwise as compensation for services). This summary does not address certain special rules that apply to non-U.S. Holders that are "controlled foreign corporations," "foreign personal holding companies," "passive foreign investment companies" or corporations that accumulate earnings to avoid U.S. federal income tax. Furthermore, this summary does not address any aspects of state, local or foreign taxation. This summary is limited to those persons that hold shares of our common stock as "capital assets" within the meaning of Section 1221 of the Code. In the case of any non-U.S. Holder who is an individual, the following discussion assumes that this individual was not formerly a U.S. citizen, and was not formerly a resident of the United States for U.S. federal income tax purposes.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisor.

This summary is included for general information only. Potential investors should consult their own tax advisors with respect to their particular circumstances.

Dividends on shares

A dividend received by a non-U.S. Holder (including a payment received in a redemption that does not qualify as an "exchange" under Section 302(b) of the Code) on shares of our common stock will be subject to withholding of U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), unless the dividend income is effectively connected with a U.S. trade or business conducted by the Non-U.S. Holder (and the non-U.S. Holder provides us with a properly executed IRS Form W-8ECI certifying such fact). This withholding applies even if the non-U.S. Holder has furnished the certification required to avoid backup withholding (see "Backup Withholding and Information Reporting" below) with respect to the dividend. Any dividend that is effectively connected with a U.S. trade or business conducted by the non-U.S. Holder will be subject to U.S. federal income tax at normal graduated rates (and if the non-U.S. Holder is a corporation, the dividend may also be subject to an additional branch profits tax). In order to claim treaty benefits (such as a reduction in the rate of U.S. withholding tax), the non-U.S. Holder must deliver to us a properly executed IRS Form W-8BEN or Form W-8IMY prior to the dividend payment. If the non-U.S. Holder is an entity that is classified for U.S. federal income tax purposes as a partnership, then unless the partnership has entered into a withholding agreement with the IRS, the partnership will be required, in addition to providing an IRS Form W-8IMY, to attach an appropriate certification by each partner, and to attach a statement allocating the dividend income among the various partners.

If you are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, then you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Sale of shares

Any gain or loss recognized by a non-U.S. Holder upon a sale of shares (including a redemption that qualifies as an "exchange" under Section 302(b) of the Code) will be a capital gain or loss. Any such capital gain will not be subject to U.S. federal income tax, unless: (1) the gain is effectively connected with a U.S. trade or business conducted by the non-U.S. Holder; (2) the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met; or (3) we are, or have been during certain periods preceding the disposition, a "United States real property holding corporation" and either our shares are not regularly traded on an established securities market or you have owned more than 5% of our common stock at any time during a specified period. If you are described in clause (1), you will be subject to tax on the gain derived from the sale under regular graduated U.S. federal income tax rates and, if you are a foreign corporation, you may also be subject to a branch profits tax equal to 30% of your effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty. If you are described in clause (2), you will be subject to a flat 30% tax on gain derived from the sale, which may be offset by U.S. source capital losses (even though you are not

considered a resident of the United States for income tax purposes). We do not believe we are a "United States real property holding corporation," and we do not expect ever to become one.

Backup withholding and information reporting

We must report annually to the IRS and to each non-U.S. Holder the amount of dividends paid to a non-U.S. Holder and the tax withheld (if any). This information may also be made available to the tax authorities in the non-U.S. Holder's country of residence. A Non-U.S. Holder will not be subject to backup withholding on dividends on our shares if the owner of the shares certifies under penalties of perjury that it is not a U.S. Person (such certification may be made on an IRS Form W-8BEN), or otherwise establishes an exemption. If a Non-U.S. Holder sells shares through a U.S. office of a U.S. or foreign broker, the payment of the sale proceeds by the broker will be subject to information reporting and backup withholding, unless the owner of the shares provides the certification described above (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. Person) or otherwise establishes an exemption. If a non-U.S. Holder sells shares through a foreign office of a broker, backup withholding is not required. Information reporting is required if (i) the broker does not have documentary evidence that the holder is not a U.S. Person, and (ii) the broker is a U.S. Person or has certain other connections to the United States.

Amounts withheld from a non-U.S. Holder under the backup withholding rules are generally allowable as a credit against the U.S. federal income tax liability (if any) of the non-U.S. Holder, and the non-U.S. Holder may obtain a refund of any amounts withheld that exceed the non-U.S. Holder's actual U.S. federal income tax liability, provided that the required information is furnished to the IRS.

U.S. estate tax

Any shares of our common stock that are held by an individual who is not a citizen of the United States and who is not domiciled in the United States at the time of his or her death generally will be treated as U.S.-situs assets for U.S. federal estate tax purposes and will be subject to U.S. federal estate tax, except as may otherwise be provided by an applicable estate tax treaty between the United States and the decedent's country of residence.

The preceding discussion of the material federal income tax consequences of the ownership and disposition of our common stock is for general information only and is not tax advice. Accordingly, you should consult your own tax advisor as to the particular tax consequences to you of purchasing, holding and disposing of our common stock, including the applicability and effect of state, local or foreign tax laws, and of any proposed changes in applicable law.

Underwriting

J.P. Morgan Securities Inc. and Banc of America Securities LLC are acting as joint book-running managers for this offering. Thomas Weisel Partners LLC and Wachovia Capital Markets, LLC are acting as co-managers for this offering.

We, our selling stockholders and the underwriters named below have entered into an underwriting agreement covering the common stock to be sold in this offering. The selling stockholders are selling all of the common shares pursuant to this offering. Each underwriter has agreed to purchase the number of shares of common stock set forth opposite its name in the following table:

Name	Number of shares
J.P. Morgan Securities Inc.	
Banc of America Securities LLC	
Thomas Weisel Partners LLC	
Wachovia Capital Markets, LLC	
Total	

The underwriting agreement provides that if the underwriters take any of the shares presented in the table above, then they must take all of these shares. No underwriter is obligated to take any shares allocated to a defaulting underwriter except under limited circumstances. The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certificates, opinions and letters from us, our counsel and our independent auditors.

The underwriters are offering the shares of common stock, subject to the prior sale of shares, and when, as and if such shares are delivered to and accepted by them. The underwriters will initially offer to sell shares to the public at the initial public offering price shown on the front cover page of this prospectus. The underwriters may sell shares to securities dealers at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell shares to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. After the initial public offering, the underwriters may vary the public offering price and other selling terms.

If the underwriters sell more shares than the total number shown in the table above, the underwriters have the option to buy up to an additional shares of common stock from the selling stockholders to cover such sales. They may exercise this option during the 30-day period from the date of this prospectus. If any shares are purchased with this option, the underwriters will purchase the shares in approximately the same proportion as shown in the table above.

Underwriting discounts and commissions

The following table shows the per share and total underwriting discounts and commissions that the selling stockholders will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Without over-allotment exercise	With over-allotment exercise
Per share	$	$
Total	$	$

We estimate that the total expenses of this offering, excluding discounts and commissions, will be approximately $, which includes legal, accounting and printing costs and various other fees associated with registration and listing of our common stock.

The underwriters have advised us that they may make short sales of our common stock in connection with this offering, resulting in the sale by the underwriters of a greater number of shares than they are required to purchase pursuant to the underwriting agreement. The short position resulting from those short sales will be deemed a "covered" short position to the extent that it does not exceed the shares subject to the underwriters' overallotment option and will be deemed a "naked" short position to the extent that it exceeds that number. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the trading price of the common stock in the open market that could adversely affect investors who purchase shares in this offering. The underwriters may reduce or close out their covered short position either by exercising the overallotment option or by purchasing shares in the open market. In determining which of these alternatives to pursue, the underwriters will consider the price at which shares are available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. Any "naked" short position will be closed out by purchasing shares in the open market. Similar to the other stabilizing transactions described below, open market purchases made by the underwriters to cover all or a portion of their short position may have the effect of preventing or retarding a decline in the market price of our common stock following this offering. As a result, our common stock may trade at a price that is higher than the price that otherwise might prevail in the open market.

The underwriters have advised us that, pursuant to Regulation M under the Securities Act of 1933, they may engage in transactions, including stabilizing bids or the imposition of penalty bids, that may have the effect of stabilizing or maintaining the market price of the shares of common stock at a level above that which might otherwise prevail in the open market. A "stabilizing bid" is a bid for or the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A "penalty bid" is an arrangement permitting the underwriters to claim the selling concession otherwise accruing to an underwriter or syndicate member in connection with the offering if the common stock originally sold by that underwriter or syndicate member is purchased by the underwriters in the open market pursuant to a stabilizing bid or to cover all or part of a syndicate short position. The underwriters have advised us that stabilizing bids and open market purchases may be effected on The Nasdaq National Market, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

One or more of the underwriters may facilitate the marketing of this offering online directly or through one of its affiliates. In those cases, prospective investors may view offering terms and a prospectus online and, depending upon the particular underwriter, place orders online or through their financial advisor.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

We, our executive officers and directors and our selling stockholders have agreed that, during the period beginning from the date of this prospectus and continuing to and including the date 180 days after the date of this prospectus, none of us will, directly or indirectly, offer, sell, offer to sell, contract to sell or otherwise dispose of any shares of our common stock without the prior written consent of J.P. Morgan Securities Inc., except in limited circumstances, including the issuance of shares of common stock by us in connection with an acquisition, provided that the recipient of the shares agrees to be bound by these lock-up arrangements.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of our common stock offered by them and that no sales to discretionary accounts may be made without prior written approval of the customer.

We have applied to list our common stock on The Nasdaq National Market under the symbol BLKB. The underwriters intend to sell shares of our common stock to a minimum of beneficial owners in lots of or more so as to meet the distribution requirements of this listing.

There has been no public market for our common stock prior to this offering. We, the underwriters and the selling stockholders will negotiate the initial public offering price. In determining the initial public offering price, we, the underwriters and the selling stockholders expect to consider a number of factors in addition to prevailing market conditions, including:

- the history of and prospects for our industry and for software companies generally;
- an assessment of our management;
- our present operations;
- our historical results of operations;
- the trend of our revenues and earnings; and
- our earnings prospects.

We, the underwriters and the selling stockholders will consider these and other relevant factors in relation to the price of similar securities of generally comparable companies. Neither we, the selling stockholders nor the underwriters can assure investors that an active trading market will develop for the common stock, or that the common stock will trade in the public market at or above the initial public offering price.

From time to time in the ordinary course of their respective businesses, certain of the underwriters and their affiliates have engaged in and may in the future engage in commercial banking and/or investment banking transactions with us and our affiliates. Wachovia Bank, NA, an affiliate of Wachovia Capital Markets, LLC, is syndication agent and a lender under our bank credit facility and receives customary fees relating thereto.

Legal matters

The validity of the issuance of our shares of common stock offered by this prospectus will be passed upon for us by Wyrick Robbins Yates & Ponton LLP, Raleigh, North Carolina. Larry E. Robbins, a partner of Wyrick Robbins Yates & Ponton LLP, serves on our board of directors. Legal matters relating to this offering will be passed upon for the underwriters by Cravath, Swaine & Moore LLP, New York, New York, and for the selling stockholders by Wachtell, Lipton, Rosen & Katz, New York, New York.

Experts

The consolidated financial statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

Where you can find more information

We have filed with the SEC a registration statement on Form S-1, including exhibits, under the Securities Act of 1933 with respect to the shares of our common stock to be sold in the offering. This prospectus does not contain all of the information set forth in the registration statement. For further information with respect to us and the shares to be sold in the offering, reference is made to the registration statement and the exhibits attached to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act of 1934 and will file annual, quarterly and current reports, proxy statements and other information with the SEC.

You may read and copy all or any portion of the registration statement or any reports, statements or other information that we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings, including the registration statement, are also available to you on the SEC's web site *http://www.sec.gov*.

Index to consolidated financial statements

Report of independent auditors

To the Board of Directors and Shareholders of
Blackbaud, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and shareholders' equity (deficit) and comprehensive income present fairly, in all material respects, the financial position of Blackbaud, Inc. and its subsidiaries (the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" as of January 1, 2002.

/s/ PricewaterhouseCoopers LLP

Raleigh, North Carolina
February 20, 2004

Blackbaud, Inc.

Consolidated balance sheets

December 31, (in thousands, except share amounts)	2002	2003
Assets		
Current assets:		
Cash and cash equivalents	$ 18,703	$ 6,708
Accounts receivable, net of allowance of $1,209 and $1,222, respectively	13,148	14,518
Prepaid expenses and other current assets	1,252	2,713
Deferred tax asset, current portion	2,114	1,799
Total current assets	35,217	25,738
Property and equipment, net	6,701	6,621
Deferred tax asset	88,829	86,966
Goodwill	852	1,386
Deferred financing fees, net	1,014	156
Other assets	294	99
Total assets	$132,907	$120,966
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable	$ 2,116	$ 2,590
Current portion of long-term debt and capital lease obligations	5,295	142
Accrued expenses and other current liabilities	7,756	9,659
Deferred revenue	39,047	43,673
Total current liabilities	54,214	56,064
Long-term debt and capital lease obligations	45,186	5,044
Total liabilities	99,400	61,108
Commitments and contingencies (Notes 8 and 10)		
Shareholders' equity:		
Preferred stock; 5,000,000 shares authorized	—	—
Common stock, no par value; 95,000,000 shares authorized, 67,776,656 and 67,854,195 shares issued and outstanding in 2002 and 2003, respectively	10,740	41,613
Deferred compensation	—	(4,795)
Accumulated other comprehensive (loss) income	(233)	518
Retained earnings	23,000	22,522
Total shareholders' equity	33,507	59,858
Total liabilities and shareholders' equity	$132,907	$120,966

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

Blackbaud, Inc.

Consolidated statements of operations

Year ended December 31, (in thousands, except per share amounts)	2001	2002	2003
Revenue			
License fees	$ 19,300	$ 20,572	$ 21,339
Services	18,797	26,739	34,042
Maintenance and subscriptions	47,022	52,788	58,360
Other revenue	4,915	5,130	4,352
Total revenue	90,034	105,229	118,093
Cost of revenue			
Cost of license fees	1,726	2,547	2,819
Cost of services (of which $3,342 was stock option compensation in 2003)	10,253	14,234	21,006
Cost of maintenance and subscriptions (of which $505 was stock option compensation in 2003)	11,733	10,588	11,837
Cost of other revenue	2,750	3,611	3,712
Total cost of revenue	26,462	30,980	39,374
Gross profit	63,572	74,249	78,719
Sales and marketing	15,173	19,173	21,883
Research and development	14,755	14,385	15,516
General and administrative	9,031	10,631	11,085
Amortization	2,239	1,045	848
Stock option compensation	—	—	23,691
Total operating expenses	41,198	45,234	73,023
Income from operations	22,374	29,015	5,696
Interest income	96	138	97
Interest expense	(7,963)	(4,410)	(2,559)
Other (expense) income, net	(113)	63	235
Income before provision for income taxes	14,394	24,806	3,469
Income tax provision	5,488	9,166	3,947
Net income (loss)	$ 8,906	$ 15,640	$ (478)
Earnings (loss) per share			
Basic	$ 0.13	$ 0.23	$ (0.01)
Diluted	$ 0.13	$ 0.23	$ (0.01)
Common shares and equivalents outstanding			
Basic weighted average shares	66,388,526	67,776,656	67,832,951
Diluted weighted average shares	66,388,526	67,776,656	67,832,951
Summary of stock option compensation			
Cost of services	$ —	$ —	$ 3,342
Cost of maintenance and subscriptions	—	—	505
Total cost of revenue	—	—	3,847
Sales and marketing	—	—	1,817
Research and development	—	—	2,341
General and administrative	—	—	19,533
Total operating expenses	—	—	23,691
Total stock option compensation	$ —	$ —	$ 27,538

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

Blackbaud, Inc.

Consolidated statements of cash flows

Year ended December 31, (in thousands)	2001	2002	2003
Cash flows from operating activities			
Net income (loss)	$ 8,906	$ 15,640	$ (478)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	2,552	2,447	2,781
Amortization	2,239	1,045	848
Stock option compensation	—	—	25,845
Amortization of deferred financing fees	513	935	858
Deferred taxes	5,400	9,010	2,178
Changes in assets and liabilities, net of impact from acquisitions			
Accounts receivable	4,545	(1,844)	(1,078)
Prepaid expenses and other assets	(504)	(238)	(1,424)
Trade accounts payable	(1,234)	69	470
Accrued expenses and other current liabilities	(676)	571	2,179
Deferred revenue	3,253	4,835	4,407
Total adjustments	16,088	16,830	37,064
Net cash provided by operating activities	24,994	32,470	36,586
Cash flows from investing activities			
Purchase of property and equipment	(2,451)	(1,493)	(2,666)
Purchase of net assets of acquired company	(574)	(500)	(1,082)
Net cash used in investing activities	(3,025)	(1,993)	(3,748)
Cash flows from financing activities			
Repayments on long-term debt and capital lease obligations	(24,918)	(20,471)	(45,295)
Proceeds from exercise of stock options	—	—	232
Proceeds from sale of common stock	10,000	—	—
Payment of deferred financing fees	(44)	—	—
Net cash used in financing activities	(14,962)	(20,471)	(45,063)
Effect of exchange rate on cash and cash equivalents	30	(47)	230
Net increase (decrease) in cash and cash equivalents	7,037	9,959	(11,995)
Cash and cash equivalents, beginning of year	1,707	8,744	18,703
Cash and cash equivalents, end of year	$ 8,744	$ 18,703	$ 6,708
Supplemental disclosures of cash flow information			
Cash paid during the year for			
Interest	$ 7,462	$ 3,683	$ 1,285
Taxes	29	195	1,612
Noncash activities			
Change in fair value of derivative instruments	$ 216	$ (605)	$ 389

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

Blackbaud, Inc.

Consolidated statements of shareholders' equity (deficit) and comprehensive income

Year ended December 31, (in thousands, except share amounts)	Comprehensive income	Common stock		Accumulated other comprehensive income (loss)	Deferred compensation	Retained earnings (deficit)	Total shareholders' equity (deficit)
		Shares	Amount				
Balance, December 31, 2000		64,443,322	$ 740	$ (14)	$ —	$ (1,546)	$ (820)
Sale of common stock		3,333,334	10,000	—	—	—	10,000
Derivative instruments	$ 216	—	—	216	—	—	216
Translation adjustment	36	—	—	36	—	—	36
Net income	8,906	—	—	—	—	8,906	8,906
Comprehensive income	$ 9,158						
Balance, December 31, 2001		67,776,656	10,740	238	—	7,360	18,338
Derivative instruments	$ (605)	—	—	(605)	—	—	(605)
Translation adjustment	134	—	—	134	—	—	134
Net income	15,640	—	—	—	—	15,640	15,640
Comprehensive income	$15,169						
Balance, December 31, 2002		67,776,656	10,740	(233)	—	23,000	33,507
Exercise of stock options		77,539	232	—	—	—	232
Derivative instruments	$ 389	—	—	389	—	—	389
Translation adjustment	362	—	—	362	—	—	362
Deferred compensation related to options issued to employees	—	—	30,756	—	(32,448)	—	(1,692)
Reversal of deferred compensation related to option cancellations	—	—	(115)	—	115	—	—
Amortization of deferred compensation	—	—	—	—	27,538	—	27,538
Net loss	(478)	—	—	—	—	(478)	(478)
Comprehensive income	$ 273						
Balance, December 31, 2003		67,854,195	$41,613	$ 518	$ (4,795)	$22,522	$59,858

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

Blackbaud, Inc.

Notes to consolidated financial statements

1. Organization and summary of significant accounting policies

Organization

Blackbaud, Inc. (the "Company") is the leading global provider of software and related services designed specifically for nonprofit organizations and provides products and services that enable nonprofit organizations to increase donations, reduce fundraising costs, improve communications with constituents, manage their finances and optimize internal operations. In 2003, the Company had over 12,500 active customers distributed across multiple verticals within the nonprofit market including religion; education; foundations; health and human services; arts and cultural; public and societal benefits; environment and animal welfare; and international and foreign affairs.

Recapitalization

Prior to October 13, 1999, the Company was 100% owned by management shareholders. On October 13, 1999, the Company completed a transaction in which it used cash on hand and proceeds from a new term loan to repurchase a portion of its then outstanding common stock from management shareholders. On the same date, an entity controlled by certain investment partnerships, Pobeda Partners Ltd., also purchased shares of the Company's common stock from management shareholders.

The Company accounted for the above transactions as a recapitalization. The stock repurchased by the Company was accounted for as a treasury stock transaction and the carrying values of the assets and liabilities did not change for financial reporting purposes. For income tax purposes, Pobeda and the management shareholders elected to treat the transaction under Section 338(h)(10) of the Internal Revenue Code; consequently, the tax basis of the assets and liabilities of the Company were restated to their fair values at the date of the transaction. The deferred tax asset resulting from differences in bases of the assets and liabilities between financial and income tax reporting has been accounted for as an increase in shareholders' equity.

As part of the recapitalization transaction, the Company agreed to pay certain management shareholders and employees a total of $9,975,000 for past and future services. This amount was to be paid 25% at consummation of the recapitalization and the remainder ratably every six months over a three-year period to those designated management shareholders and employees who continue to be employed by the Company at the time of payment. The portion related to past service was expensed and accrued as of the date of the transaction. The expense included in the accompanying financial statements was $950,000 and $814,000 for the years ended December 31, 2001 and 2002, respectively. The Company had no future obligation under this agreement after December 31, 2002.

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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 the allowance for doubtful accounts receivable, lives of tangible and intangible assets, impairment of long-lived assets, realization of the deferred tax asset, stock option compensation, revenue recognition and provisions for income taxes. Changes in the facts or circumstances underlying these estimates could result in material changes and actual results could differ from these estimates.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Property and equipment subject to capital leases are depreciated over the term of the lease. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. Repair and maintenance costs are expensed as incurred.

Goodwill and intangible assets

In 2002, Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets”, became effective. Under this new standard, the Financial Accounting Standards Board (“FASB”) eliminated amortization of goodwill. In accordance with SFAS No. 142, goodwill is no longer amortized, but instead is tested for impairment at least annually in the fourth quarter of each year using a discounted cash flow valuation methodology. Other intangible assets with finite lives continue to be amortized over their useful lives of three years in accordance with the adoption of SFAS No. 142, “Accounting for the Impairment or Disposal of Long-Lived Assets”.

Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation. The financial instruments of the Company consist primarily of cash and cash equivalents, accounts receivable, accounts payable, long-term debt and capital leases at December 31, 2002 and 2003. The Company believes that the carrying amounts of these financial instruments, with the exception of long-term debt, approximate their fair values due to the immediate or short-term term maturity of these financial instruments at December 31, 2002 and 2003. Since the variable interest rate on the Company’s long-term debt is set for a maximum of 30 days, the Company believes that the carrying value of long-term debt approximates fair value at December 31, 2002 and 2003.

Deferred financing fees

Deferred financing fees represent the direct costs of entering into the Company's credit agreement in October 1999. These costs are being amortized as interest expense in the same proportion as the principal balance is reduced.

Deferred compensation and stock-based compensation plans

The Company accounts for stock option compensation based on the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", which states that no compensation expense is recorded for stock options or other stock-based awards to employees that are granted with an exercise price equal to or above the estimated fair value per share of the Company's common stock on the grant date. Certain of the Company's option grants are accounted for as variable awards under the provisions of APB No. 25. The provision requires the Company to account for these variable awards and record deferred compensation for the difference between the exercise price and the fair market value of the stock at each reporting date.

Deferred compensation is amortized using the accelerated method over the vesting period of the related stock option in accordance with FASB Interpretation No. ("FIN") 28. The Company recognized $27,538,000 of stock option compensation expense related to amortization of deferred compensation during the year ended December 31, 2003. The Company has adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock Based Compensation Transition and Disclosure", which requires compensation expense to be disclosed based on the fair value of the options granted at the date of the grant.

Had compensation cost been determined under the market value method using Black-Scholes valuation principles, net income (loss) would have been decreased (increased) to the following pro forma amounts:

(in thousands, except share amounts)	2001	2002	2003
Net income (loss), as reported	$ 8,906	$15,640	$ (478)
Total stock option compensation expense, net of related tax effects included in the determination of net income (loss) as reported	—	—	19,855
Total stock option compensation expense, net of related tax effects that would have been included in the determination of net income (loss) if the fair value method had been applied to all awards	(2,462)	(1,636)	(13,525)
Pro forma net income	$ 6,444	$14,004	$ 5,852
Earnings (loss) per share:			
Basic, as reported	$ 0.13	$ 0.23	$ (0.01)
Basic, pro forma	$ 0.10	$ 0.20	$ 0.09
Diluted, as reported	$ 0.13	$ 0.23	$ (0.01)
Diluted, pro forma	$ 0.10	$ 0.20	$ 0.08

The pro forma amount reflects all options granted. Pro forma compensation cost may not be representative of that expected in future years.

Significant assumptions used in the Black-Scholes option pricing model computations are as follows for the years ended December 31, 2001, 2002 and 2003:

	2001	2002	2003
Volatility	0.00%	0.00%	0.00%
Dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	6.04%	3.54%-6.69%	3.68%
Expected option life in years	6.81	7.27	7.47

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) as of December 31, 2001, 2002 and 2003 is as follows:

(in thousands)	Foreign currency translation adjustments	Derivative instruments	Total
Balance at December 31, 2000	$ (14)	$ —	$ (14)
Current period change	36	216	252
Balance at December 31, 2001	22	216	238
Current period change	134	(605)	(471)
Balance at December 31, 2002	156	(389)	(233)
Current period change	362	389	751
Balance at December 31, 2003	$518	$ —	$ 518

Income taxes

Prior to October 13, 1999, the Company was organized as an S corporation under the Internal Revenue Code and, therefore, was not subject to federal income taxes. The Company historically made distributions to its shareholders to cover the shareholders' anticipated tax liability. In connection with the recapitalization agreement, the Company converted its U.S. taxable status from an S corporation to a C corporation and, accordingly, since October 14, 1999 has been subject to federal and state income taxes. Upon the conversion and in connection with the recapitalization, the Company recorded a one-time benefit of $107,000,000 to establish a deferred tax asset as a result of the recapitalization agreement. This amount was recorded as a direct increase to equity in the statements of shareholders' equity. The income tax expense has been computed by applying the Company's statutory tax rate to pretax income, adjusted for permanent tax differences. The Company has not recorded a valuation allowance as of December 31, 2003, as the Company believes it will be able to utilize all of its deferred tax asset. The ability to utilize the deferred tax asset is dependent upon the Company's ability to generate taxable income.

Foreign currency translation

The Company's financial statements are translated into U.S. dollars in accordance with SFAS No. 52, "Foreign Currency Translation". For all operations outside the United States net assets are translated at the current rates of exchange. Income and expense items are translated at the average exchange rate for the year and balance sheet accounts are translated at the period ending rate. The resulting translation adjustments are recorded in accumulated other comprehensive income.

Software development costs

Software development costs have been accounted for in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". Under the standard, capitalization of software development costs begins upon the establishment of technological feasibility, subject to net realizable value considerations. To date, the period between achieving technological feasibility and the general availability of such software has substantially coincided; therefore, software development costs qualifying for capitalization have been immaterial. Accordingly, the Company has not capitalized any software development costs and has charged all such costs to product development expense.

Revenue recognition

The Company's revenue is generated primarily by licensing its software products and providing support, training, consulting, technical and other professional services for those products. The Company recognizes revenue in accordance with the American Institute of Certified Public Accountants Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as modified by SOPs 98-4 and 98-9, as well as Technical Practice Aids issued from time to time by American Institute of Certified Public Accountants, and in accordance with the SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements". The Company recognizes software licensing revenue upon receipt of signed agreement, delivery of software to the customer, determination that there are no significant post delivery obligations, and when the collection of a fixed or determinable license fee is considered probable.

Revenue related to subscriptions and postcontract support agreements (generally maintenance agreements) is deferred and recognized over the period of the agreements, typically 12 months. Revenue from training and consulting services is recognized when the related services are performed. Deferred revenue primarily relates to revenue on maintenance agreements that will be recognized over the terms of the agreements.

Sales returns and allowance for doubtful accounts

The Company provides customers a 30-day right of return and maintains a reserve for returns which is estimated based on historical experience. Provisions for sales returns are charged against the related revenue items.

In addition, the Company records an allowance for doubtful accounts that reflects estimates of probable credit losses. Accounts are charged against the allowance after all means of collection are exhausted and recovery is considered remote. Provisions for allowance for doubtful are recorded in general and administrative expense.

Below is a summary of the charges in the Company's allowance for doubtful accounts.

Year ended December 31, (in thousands)	Balance at beginning of period	Provision	Write-off	Balance at end of period
2001	$1,189	$186	$(172)	$1,203
2002	1,203	273	(267)	1,209
2003	1,209	281	(268)	1,222

Advertising costs

Advertising costs are expensed as incurred and were $389,000, $371,000 and $365,000 for the years ended December 31, 2001, 2002 and 2003, respectively.

Impairment of long-lived assets

The Company evaluates the recoverability of its property and equipment and other assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. An impairment loss is recognized when the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to the assets or the business to which the assets relate. Impairment losses are measured as the amount by which the carrying value exceeds the fair value of the assets.

Derivatives

The Company used a derivative financial instrument to manage its exposure to fluctuations in interest rates on its long term debt by entering into an interest rate exchange agreement, a swap.

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities— Deferral of the Effective Date of FASB Statement No. 133— an amendment of FASB Statement No. 133", SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities— an Amendment of FASB Statement No. 133" and SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments and require recognition of all derivatives as either assets or liabilities in the statements of financial position and measurement of those instruments at fair value. Changes in the fair value of highly effective derivatives are recorded in accumulated other comprehensive income (loss). The Company's swap agreement has been designated and is effective as a fair value hedge and, as such, changes in the fair value of the derivative instrument are substantially offset in the consolidated statement of operations by changes in the fair value of the hedged item. See note 9.

Shipping and handling

Shipping and handling costs are expensed as incurred and included in cost of license fees. The reimbursement of these costs by our customers is included in license fees.

Earnings (loss) per share

The Company computes earnings per common share in accordance with SFAS No. 128, “Earnings Per Share”. Under the provisions of SFAS No. 128, basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares and dilutive potential common share equivalents then outstanding. Potential common shares consist of shares issuable upon the exercise of stock options. The Company had no dilutive potential common share equivalents for the years ended December 31, 2001 and 2002. Diluted net loss per share for the year ended December 31, 2003 does not include the effect of 4,574,160 potential common share equivalents as their impact would be anti-dilutive.

New accounting pronouncements

In January 2002, the Emerging Issues Task Force of the FASB (“EITF”) reached a consensus on EITF Issue 01-14, “Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred”, which requires that reimbursements received for out-of-pocket expenses incurred be characterized as revenue in the income statement. The Company adopted EITF 01-14 effective January 1, 2002 and has made the appropriate reclassifications as required by EITF 01-14. Income resulting from reimbursable expenses is included in other revenue and was $1,252,000, $1,410,000 and $1,840,000 for the years ended December 31, 2001, 2002 and 2003, respectively, and the associated expenses are included in cost of other revenue on the face of the statement of operations.

In July 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities”, which is effective for exit or disposal activities that are initiated after December 31, 2002. The Company adopted SFAS No. 146 during fiscal year 2003. SFAS No. 146 nullifies EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)”, and requires that a liability for costs associated with an exit or disposal activity be recognized as incurred. The impact of SFAS No. 146 will be dependent upon decisions made by the Company in the future and has had no impact on the Company to date.

In January 2003, the Company adopted FIN No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34”. The interpretation requires that upon issuance of a guarantee, the entity must recognize a liability for the fair value of the obligation it assumes under that guarantee. The initial recognition and measurement provisions of FIN No. 45 are effective for guarantees issued or modified after December 31, 2002. The adoption of this interpretation has not had a material impact on the Company’s consolidated financial position, consolidated results of operations, or liquidity.

In January 2003, the FASB issued FIN No. 46, “Consolidation of Variable Interest Entities”. This statement was subsequently amended under the provisions of FIN 46-R, which is effective for public entities no later than the end of the first reporting period ending after March 15, 2004. This interpretation clarifies the application of Accounting Research Bulletin No. 51, “Consolidated Financial Statements”, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other

parties. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The adoption of this interpretation has not had a material impact on the Company's consolidated financial position, consolidated results of operations, or liquidity.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity". This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability. Many of those instruments were previously classified as equity. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 has not had a material impact on the Company's financial position.

2. Acquisitions

In July 2002, the Company acquired substantially all of the assets of AppealMaster, Ltd., a software company in the United Kingdom for $500,000 and additional contingent payments based on future performance, which have been recorded as additional purchase price. This purchase price has been allocated to the assets acquired and the liabilities assumed based upon their estimated fair values at the date of acquisition. The excess consideration above the fair value of net assets acquired of $852,000 was recorded as goodwill in July 2002. As a result of payments of contingent consideration of $431,000 and an increase of $103,000 resulting from foreign currency translation, the balance of goodwill at December 31, 2003 is $1,386,000. In addition, in 2003 the Company paid $62,000 to the previous controlling AppealMaster shareholder for consulting services, as defined in the acquisition agreement and recorded this amount as an expense.

During the three-year period ended December 31, 2003, the Company made other acquisitions that were not significant. These acquisitions were accounted for under the purchase method of accounting and the results of operations of the acquirees have been included in the consolidated statement of operations since the acquisition dates.

3. Property and equipment

Property and equipment includes assets under capital lease for $1,830,000 and $1,830,000 on a gross basis and $1,020,000 and $750,000 on a net basis as of December 31, 2002 and 2003,

respectively. Property and equipment as of December 31, 2002 and 2003, respectively, consisted of the following:

(in thousands)	Estimated useful life (years)	2002	2003
Equipment	3 - 5	$ 4,031	$ 4,494
Computer hardware	3 - 5	10,706	10,316
Computer software	3 - 5	2,699	3,428
Construction in progress	—	482	1,025
Furniture and fixtures	7	3,105	3,309
Leasehold improvements	term of lease	110	172
		21,133	22,744
Less: accumulated depreciation		(14,432)	(16,123)
		$ 6,701	$ 6,621

Depreciation expense was $2,552,000, $2,447,000 and $2,781,000 for 2001, 2002 and 2003, respectively.

4. Goodwill

Goodwill consisted of the following as of December 31, 2002 and 2003:

(in thousands)	
Balance at December 31, 2001	$ —
Acquisition	852
Balance at December 31, 2002	852
Payment of contingent consideration	431
Effect of foreign currency translation	103
Balance at December 31, 2003	$1,386

5. Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2002 and 2003:

(in thousands)	2002	2003
Sales commissions	$ 478	$ 804
Rent	66	467
Insurance	138	138
Data costs	—	107
Real estate commissions	84	107
Software maintenance and royalties	409	727
Other	77	363
	$1,252	$2,713

6. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following as of December 31, 2002 and 2003:

(in thousands)	2002	2003
Accrued bonuses	$2,964	$2,990
Accrued cash component of stock option compensation	—	1,693
Accrued commissions and salaries	957	1,386
Taxes payable	1,382	2,018
Other	2,453	1,572
	$7,756	$9,659

7. Deferred revenue

Deferred revenue consisted of the following as of December 31, 2002 and 2003:

(in thousands)	2002	2003
Maintenance and subscriptions	$33,187	$37,077
Services	5,787	6,594
License fees and other	73	2
	$39,047	$43,673

8. Long-term debt

On October 13, 1999, the Company entered into a $130,000,000 credit agreement with a group of banks. The credit agreement provides for an aggregate availability of $130,000,000, including a $115,000,000 term loan and a $15,000,000 revolving credit facility. Both facilities mature on September 30, 2005. The loans bear interest at the prime rate or Eurodollar rate plus an applicable margin, as defined in the agreement, and are collateralized by all the property of the Company. The Company had no amounts outstanding on the revolving credit facility at December 31, 2002 and 2003. The term loan requires payments of principal quarterly

with interest payable in either one-, two-, three-, or six-month periods as defined in the agreement. The interest rate on the term loan was 3.61% as of December 31, 2003. The agreement requires the Company to maintain certain financial covenants. The most restrictive covenants include (1) limitations on indebtedness of the Company; (2) certain restrictions on dividend distributions; (3) limitations on capital expenditures; (4) minimum interest coverage ratio; (5) maximum leverage ratio; and (6) minimum consolidated adjusted earnings before interest, taxes, depreciation, and amortization, all of the preceding as defined.

During 2001, the Company amended its credit agreement. As part of this amendment, Blackbaud LLC ("LLC"), a wholly-owned subsidiary of the Company, was created. In addition, Blackbaud Europe and Blackbaud Pacific were incorporated in the United Kingdom and Australia, respectively. The Company transferred all of its operating assets to the LLC and then pledged both the stock and assets of the LLC, as well as 66% of its stock in both Blackbaud Europe and Blackbaud Pacific, to the bank as collateral for the Company's outstanding term loan. This amendment also changed certain of the Company's financial covenants and allowed for (1) up to $2.5 million in expansion expenditures to be incurred by the Company prior to June 30, 2002, as defined, and (2) modified the amount the Company could incur related to acquisition-related expenditures over the term of the agreement. As of December 31, 2003, the Company was in compliance with all of its covenants.

The required future principal payments under the term loan outstanding as of December 31, 2003 are as follows (in thousands):

2004	$ —
2005	5,000
	$5,000

Amortization expense for deferred financing costs was $513,000, $935,000 and $858,000 for the years ended December 31, 2001, 2002 and 2003, respectively. Of these amounts, $0, $422,000 and $345,000 in 2001, 2002 and 2003, respectively, represented charges associated with earlier than required principal repayment.

9. Derivative financial instruments

The Company's only derivative instrument, as defined under the various technical pronouncement discussed in note 1, is its interest rate swap.

The Company formally documents all relations between its hedging instruments and the hedged items, as well as its risk-management objectives and strategy for undertaking various hedge transactions. The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the hedged items.

The Company has used interest rate swap agreements in the normal course of business to manage its exposure to interest rate changes. Such agreements are considered hedges of specific borrowings, and differences paid and received under the swap agreements are recognized as adjustments to interest expense. At December 31, 2002, the Company had an interest rate swap agreement that carried a total notional amount of $50,000,000, with the Company paying interest at a fixed rate of 2.738% and receiving a variable amount equal to the one-month Eurodollar rate (1.38% at December 31, 2002). The swap matured on December 29, 2003, and the notional amount of the swap decreased over time commensurate

with scheduled repayments of the Company's debt. The Company recorded interest expense in connection with the swap agreement of $750,000, $503,000 and $423,000 and for the years ended December 31, 2001, 2002 and 2003, respectively.

The Company has no outstanding interest rate swap agreements, or other derivative instruments outstanding as of December 31, 2003.

10. Commitments and contingencies

The Company currently leases office space and various equipment under operating leases and capital leases. Total rental expense was $3,064,000, $3,434,000 and $3,495,000 for the years ended December 31, 2001, 2002 and 2003, respectively. The future minimum lease commitments related to these agreements, as well as the lease agreement discussed below, are as follows:

Year ending December 31, (in thousands)	Operating leases	Capital leases
2004	$ 4,105	$153
2005	4,282	44
2006	4,373	—
2007	4,385	—
2008	4,779	—
Thereafter	7,930	—
Total minimum lease payments	$29,854	197
Less: portion representing interest		11
Present value of net minimum lease payments		186
Less: current maturities		142
Long-term maturities		$ 44

Lease agreement

On October 13, 1999, the Company entered into a lease agreement for office space with Duck Pond Creek, LLC, which is owned by certain minority shareholders of the Company. The term of the lease is for ten years with two five-year renewal options by the Company. The annual base rent of the lease is $4,316,000 payable in equal monthly installments and is included in the above table. The base rate escalates annually at a rate equal to the change in the consumer price index, as defined in the agreement.

The Company has subleased a portion of its headquarters facility under various agreements extending through 2007. Under these agreements, rent expense was reduced by $1,171,000, $477,000 and $441,000 in 2001, 2002 and 2003 respectively. The operating lease commitments above will be reduced by minimum aggregate sublease commitments of $497,000, $393,000, $402,000, $395,000, $54,000 and $0 for the periods 2004, 2005, 2006, 2007 and 2008 and thereafter, respectively. The Company has also received and expects to receive through 2015 quarterly South Carolina state incentive payments as a result of locating its headquarters facility in Berkley County, South Carolina. These amounts are recorded as a reduction of rent expense and were $0, $848,000 and $1,077,000 in 2001, 2002 and 2003, respectively.

Other commitments

The Company has a commitment of $200,000 payable annually through 2009 for certain naming rights with an entity owned by a minority shareholder of the Company. The Company incurred expense under this agreement of $200,000 per year for each of the three years ended December 31, 2001, 2002 and 2003.

Legal contingencies

The Company is subject to legal proceedings and claims which have arisen in the ordinary course of business. 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 or results of operations.

11. Income taxes

The following summarizes the components of the income tax expense for the years ended December 31, 2001, 2002 and 2003:

(in thousands)	2001	2002	2003
Current provision	$ 88	$ 156	$1,769
Deferred provision	5,400	9,010	2,178
Total provision	$5,488	$9,166	$3,947

A reconciliation of the effect of applying the federal statutory rate and the effective income tax rate used to calculate the Company's income tax provision is as follows:

	2001	2002	2003
Statutory federal income tax rate	34.0%	34.0%	34.0%
State income taxes	4.0	5.3	10.5
Effect of variable accounting applied to incentive stock options	—	—	73.7
Change in valuation allowance	—	(4.7)	—
Other	0.1	2.4	(4.4)
Income tax provision	38.1%	37.0%	113.8%

The significant components of the Company's deferred tax asset were as follows:

December 31, (in thousands)	2002	2003
Intangible assets	$86,952	$78,844
Net operating loss carryforward	1,691	—
Research and other tax credits	1,202	921
Effect of variable accounting applied to nonqualified stock options	—	7,647
Allowance for doubtful accounts	444	465
Other	654	888
	90,943	88,765
Less: current portion	2,114	1,799
Noncurrent portion	$88,829	$86,966

At December 31, 2003, the Company had utilized all of its net operating loss carryforwards for federal income tax purposes.

12. Shareholders' equity

Preferred stock

The Company has authorized 5,000,000 shares of preferred stock. No shares were issued and outstanding at December 31, 2003. The Company's board of directors may fix the relative rights and preferences of each series of preferred stock in a resolution of the board of directors.

Common stock sale

During 2001, certain existing shareholders purchased an additional 3,333,334 shares of common stock for a total purchase price of $10,000,002. Proceeds from the sale were used to reduce the Company's debt, as required in the debt agreement.

13. Employee profit-sharing and stock option plans

The Company has a 401(k) profit-sharing plan (the "Plan") covering substantially all employees. Employees can contribute between 1% and 30% of their salaries in 2003, and between 1% and 15% of their salaries in 2002 and 2001, and the Company matches 50% of qualified employees' contributions up to 6% of their salary. The Plan also provides for additional employer contributions to be made at the Company's discretion. Total matching contributions to the Plan for the years ended December 31, 2001, 2002 and 2003 were $708,000, $582,000 and $1,015,000, respectively. These contributions were offset by forfeitures of $0, $401,000 and $83,000 in 2001, 2002 and 2003, respectively. There was no discretionary contribution by the Company to the Plan in 2001, 2002 and 2003 thus, there was no accrued liability for the Plan as of December 31, 2002 and 2003.

The Company has adopted three stock options plans: the 1999 Stock Option Plan (the "1999 Plan"), the 2000 Stock Option Plan (the "2000 Plan") and the 2001 Stock Option Plan (the "2001 Plan") on October 13, 1999, May 2, 2000 and July 1, 2001, respectively. The Company's board of directors administers the above plans and the options are granted at terms

determined by them. The total number of authorized stock options under these plans is 16,110,830. All options granted under these plans have a 10-year contractual term.

The option agreements also provide that all unvested options vest upon a change in control of the Company, as defined.

The Company has granted options under the 1999 Plan to purchase shares of common stock at an exercise price of $3.00 per share, of which 3,004,394 are outstanding at December 31, 2003. The options granted under this plan have two vesting schedules. Options totaling 964,924 vest 37.5% after one and a half years following the grant date and the remaining 62.5% vest ratably over two and a half years at six-month intervals. The 2,039,470 remaining options vest ratably over four years at six-month intervals.

The Company has granted options under the 2000 Plan to purchase shares of common stock at an exercise price of $3.00 per share, of which 5,638,791 are outstanding at December 31, 2003. The options vest 25% on the date of grant and the remaining 75% vest in eight equal semi-annual installments beginning on September 30, 2000. In addition to the change in control provision, unvested options also become 50% vested upon consummation of an initial public offering. The option grant under the 2000 Plan also includes a provision whereby the Company will pay certain tax payments of the optionee. The inclusion of this provision requires the Company to account for these options as variable awards and record compensation expense for the difference between the exercise price and the fair market value of the stock at each reporting date.

The Company has granted options under the 2001 Plan to purchase shares of common stock at an exercise price of $3.00, $3.40 and $4.50 per share, of which 4,573,875, 1,859,664 and 165,000, respectively, are outstanding at December 31, 2003. The options vest in equal annual installments over four years from the date of grant. The option grants under this plan include a provision whereby the Company has the right to call shares exercised under the grants at a discount from fair market value if the employee is terminated for cause, as defined. This provision expires in the event of an initial public offering. The inclusion of this provision requires the Company to account for all options issued under this plan after January 18, 2001 as variable awards and record compensation expense for the difference between the exercise price and the fair market value of the stock at each reporting date.

The Compensation Committee has granted options at or above its estimate of fair market value at the date of grant.

A summary of the activity in the Company's stock option plan is as follows:

	Shares	Weighted average exercise price
Options outstanding at December 31, 2001	13,532,979	$3.00
Granted	1,803,775	3.16
Forfeited	(550,193)	3.00
Options outstanding at December 31, 2002	14,786,561	3.02
Granted	1,284,615	3.54
Exercised	(77,539)	3.00
Forfeited	(751,913)	3.00
Options outstanding at December 31, 2003	15,241,724	$3.07

The following table summarizes information about stock options outstanding at December 31, 2003:

	Options outstanding			Options exercisable	
Range of exercise prices	**Shares**	**Weighted average remaining contractual life (in years)**	**Weighted average exercise price**	**Shares**	**Weighted average exercise price**
$3.00 - 4.50	15,241,724	6.80	$3.07	10,784,434	$3.01

14. Segment information

The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 establishes standards for the reporting by business enterprises of information about operating segments, products and services, geographic areas, and major customers. The method of determining what information is reported is based on the way that management organizes the operating segments within the Company for making operational decisions and assessments of financial performance. The Company has determined that its reportable segments are those that are based upon internal financial reports that disaggregate certain operating information into six reportable segments. The Company's chief operating decision maker, as defined in SFAS No. 131, 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 years ended December 31, 2001, 2002 and 2003 are as follows:

(in thousands)	License fees	Consulting[(1)] services	Education[(2)] services	Analytic[(3)] services	Maintenance and subscriptions	Other
December 31, 2001						
Revenue	$19,300	$ 7,864	$10,330	$ 603	$47,022	$4,915
Direct controllable costs	1,726	4,990	3,113	399	7,907	2,733
Segment income	17,574	2,874	7,217	204	39,115	2,182
Corporate costs not allocated						
Operating expenses						
Interest (income) expense						
Other expense (income), net						
Income before provision for income taxes						
December 31, 2002						
Revenue	$20,572	$11,884	$12,667	$2,188	$52,788	$5,130
Direct controllable costs	2,547	6,643	4,297	895	7,388	3,592
Segment income	18,025	5,241	8,370	1,293	45,400	1,538
Corporate costs not allocated						
Operating expenses						
Interest (income) expense						
Other expense (income), net						
Income before provision for income taxes						
December 31, 2003						
Revenue	$21,339	$17,434	$12,997	$3,611	$58,360	$4,352
Direct controllable costs	2,819	8,836	4,178	1,845	8,562	3,684
Segment income	18,520	8,598	8,819	1,766	49,798	668
Corporate costs not allocated						
Operating expenses						
Interest (income) expense						
Other expense (income), net						
Income before provision for income taxes						

[Additional columns below]

[Continued from above table, first column(s) repeated]

(in thousands)	Total
December 31, 2001	
Revenue	$ 90,034
Direct controllable costs	20,868
Segment income	69,166
Corporate costs not allocated	5,594
Operating expenses	41,198
Interest (income) expense	7,867
Other expense (income), net	113
Income before provision for income taxes	$ 14,394
December 31, 2002	
Revenue	$105,229
Direct controllable costs	25,362
Segment income	79,867
Corporate costs not allocated	5,541
Operating expenses	45,185
Interest (income) expense	4,272
Other expense (income), net	(63)
Income before provision for income taxes	$ 24,806
December 31, 2003	
Revenue	$118,093
Direct controllable costs	29,924

Segment income	88,169
Corporate costs not allocated	8,980
Operating expenses	73,023
Interest (income) expense	2,462
Other expense (income), net	(235)
Income before provision for income taxes	$ 3,469

(1) This segment consists of consulting, installation and implementation services.

(2) This segment consists of customer training and other education services.

(3) This segment consists of donor prospect research and data modeling services.

The Company also derives a portion of its revenue from its foreign operations. The following table presents revenue by geographic region based on country of invoice origin and identifiable and long-lived assets by geographic region based on the location of the assets.

(in thousands)	Domestic	Europe	Pacific	Total
Revenue from external customers:				
2002	$ 99,214	$4,870	$1,145	$105,229
2003	107,363	9,393	1,337	118,093
Long-lived assets:				
December 31, 2002	$ 96,838	$ 852	—	$ 97,690
December 31, 2003	93,896	1,332	—	95,228

shares

Common stock

Prospectus

Joint book-running managers

JPMorgan **Banc of America Securities LLC**

Thomas Weisel Partners LLC **Wachovia Securities**

, 2004

Until , 2004, all dealers that buy, sell or trade in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Part II

Information not required in prospectus

Item 13. ***Other expenses of issuance and distribution***

The following table shows the costs and expenses, other than underwriting discounts, payable in connection with the sale and distribution of the securities being registered. Except as otherwise noted, the registrant will pay all of these amounts. All amounts except the SEC Registration Fee and the National Association of Securities Dealers, Inc. Filing Fee are estimated.

SEC Registration Fee	$14,570.50
National Association of Securities Dealers, Inc. Filing Fee	$12,000.00
Printing Expenses	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Transfer Agent and Registrar Agent Fees	*
Miscellaneous	*
Total	*

* To be provided by amendment.

Item 14. ***Indemnification of directors and officers***

We are incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law gives a corporation power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

Section 145 also gives a corporation power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to

the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper. Section 145 further provides that, to the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any such action, suit or proceeding, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 145 also authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, arising out of his status as such, whether or not the corporation would otherwise have the power to indemnify him under Section 145.

Our Certificate of Incorporation provides for the indemnification of officers and directors to the fullest extent permitted by the Delaware General Corporation Law. We have also agreed pursuant to our Investor Rights Agreement (filed as Exhibit 10.1 to the Registration Statement) to indemnify certain stockholders party thereto against certain liabilities, including liabilities arising under the Securities Act.

The Underwriting Agreement (filed as Exhibit 1.1 to the Registration Statement) provides for the indemnification of our directors and officers in certain circumstances against certain liabilities, including liabilities arising under the Securities Act.

All of our directors and officers are covered by insurance policies maintained by us against certain liabilities for actions taken in their capacities as such, including liabilities under the Securities Act.

Item 15. ***Recent sales of unregistered securities.***

During the past three years, the Company has issued unregistered securities in the transactions described below. Securities issued in such transactions were offered and sold in reliance upon the exemption from registration under Section 4(2) of the Securities Act of 1933 and/or Rule 701 promulgated thereunder, relating to sales by an issuer not involving any public offering. The sales of securities were made without the use of an underwriter and the certificates evidencing the shares bear a restricted legend permitting the transfer thereof only upon registration of the shares or an exemption under said Act.

1. In June 2001, the Company sold a total of 3,333,334 shares of common stock to a total of 18 existing stockholders at a price of $3.00 per share.

2. During 2001, we granted options to purchase an aggregate of 2,176,614 shares of our common stock to certain of our employees and directors pursuant to our stock option plans.

3. During 2002, we granted options to purchase an aggregate of 1,803,775 shares of our common stock to certain of our employees and directors pursuant to our stock option plans.

4. During 2003, we granted 1,284,615 options to purchase 1,284,615 shares of our common stock to certain of our employees and directors pursuant to our stock option plans. In addition, during 2003, we issued an aggregate of 77,539 shares of common stock upon the exercise of a stock option.

5. From January 1, 2004 until February 19, 2004, we granted options to purchase an aggregate of 96,239 shares of our common stock to certain of our employees and directors pursuant to our stock option plans.

Item 16. ***Exhibits and financial statement schedules.***

(a) Exhibits

See Exhibit Index beginning on page II-6 of this registration statement.

(b) Financial Statement Schedules

None.

Item 17. ***Undertakings.***

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to provisions described in Item 14 above or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Charleston, State of South Carolina, on this 20th day of February, 2004.

BLACKBAUD, INC.

By: /s/ ROBERT J. SYWOLSKI

Robert J. Sywolski
President and Chief Executive Officer

Power of attorney

Each person whose signature appears below constitutes and appoints Robert J. Sywolski and Timothy V. Williams, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and any related Registration Statements filed pursuant to Rule 462(b) promulgated under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ ROBERT J. SYWOLSKI Robert J. Sywolski	President, Chief Executive Officer and Director (Principal Executive Officer)	February 20, 2004
/s/ TIMOTHY V. WILLIAMS Timothy V. Williams	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 20, 2004
/s/ PAUL V. BARBER Paul V. Barber	Director	February 20, 2004
/s/ MARCO W. HELLMAN Marco W. Hellman	Director	February 20, 2004

Signature	Capacity	Date
/s/ DR. SANDRA R. HERNÁNDEZ	Director	February 20, 2004
Dr. Sandra R. Hernández		
/s/ ANDREW M. LEITCH	Director	February 20, 2004
Andrew M. Leitch		
/s/ LARRY E. ROBBINS	Director	February 20, 2004
Larry E. Robbins		
/s/ DAVID R. TUNNELL	Director	February 20, 2004
David R. Tunnell		

Exhibit index

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1*	Form of Certificate of Incorporation of Blackbaud, Inc. to be effective at the closing of the offering made pursuant to this registration statement.
3.2*	Form of By-laws of Blackbaud, Inc. to be effective at the closing of the offering made pursuant to this registration statement.
4.1*	Specimen Common Stock Certificate.
5.1*	Opinion of Wyrick Robbins Yates & Ponton, LLP regarding the legality of the securities being registered.
10.1	Investor Rights Agreement dated as of October 13, 1999 among Blackbaud, Inc. and certain of its stockholders.
10.2	Employment and Noncompetition Agreement dated as of March 1, 2000 between Blackbaud, Inc. and Robert J. Sywolski.
10.3	Option Agreement dated as of March 8, 2000 between Blackbaud, Inc. and Robert J. Sywolski.
10.4	Lease Agreement dated October 13, 1999 between Blackbaud, Inc. and Duck Pond Creek, LLC.
10.5	Trademark License and Promotional Agreement dated as of October 13, 1999 between Blackbaud, Inc. and Charleston Battery, Inc.
10.6	Blackbaud, Inc. 1999 Stock Option Plan.
10.7	Blackbaud, Inc. 2000 Stock Option Plan.
10.8	Blackbaud, Inc. 2001 Stock Option Plan.
10.9	Form of Software License Agreement.
10.10	Form of Professional Services Agreement.
10.11	Form of NetSolutions Services Agreement.
10.12	Standard Terms and Conditions for Software Maintenance and Support.
10.13	Credit Agreement dated as of October 13, 1999 among Blackbaud, Inc., Bankers Trust Company, Fleet National Bank, First Union Securities, Inc. and the lenders party thereto.
10.14	First Amendment to Credit Agreement dated as of December 6, 1999 among Blackbaud, Inc., Bankers Trust Company, Fleet Boston Corporation, First Union Securities, Inc., and the lenders party thereto.
10.15	Second Amendment to Credit Agreement dated as of December 19, 2000 among Blackbaud, Inc., Bankers Trust Company, Fleet Boston Corporation, First Union Securities, Inc., and the lenders party thereto.
10.16	Third Amendment to Credit Agreement dated as of May 16, 2001 among Blackbaud, Inc., Blackbaud, LLC, Bankers Trust Company, Fleet Boston Corporation, First Union Securities, Inc., and the lenders party thereto.
21.1	Subsidiaries of Blackbaud, Inc.
23.1	Consent of Independent Auditors.
23.2*	Consent of Wyrick Robbins Yates & Ponton, LLP (included in Exhibit 5.1).
24.1	Powers of Attorney (included on the signature page to this registration statement).

* To be filed by amendment.

EXHIBIT 10.1

INVESTOR RIGHTS AGREEMENT

among

POBEDA PARTNERS LTD.,

BLACKBAUD, INC.,

and

EACH OF THE SHAREHOLDERS
OF BLACKBAUD, INC. PARTIES HERETO

Dated as of October 13, 1999

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INVESTOR RIGHTS AGREEMENT

THIS INVESTOR RIGHTS AGREEMENT (this "Agreement") is dated as of October 13, 1999, by and among BLACKBAUD, INC., a South Carolina corporation (the "Company"), the Selling Shareholders listed on Exhibit A (collectively, the "Shareholders"), and Pobeda Partners Ltd., a Bermuda exempt corporation (the "Purchaser").

Statement of Purpose

The Company has entered into a Recapitalization Agreement dated as of September 13, 1999 by and among the Company, the Shareholders, Purchaser and certain other parties named therein, relating to, among other things, the acquisition by Purchaser of 80.1% of the Common Stock of the Company pursuant to a series of transactions including a leveraged recapitalization (the "Recapitalization Agreement"). The transactions contemplated under the Recapitalization Agreement are being consummated on the date hereof, and as of this date, Purchaser and the Shareholders are the holders of all of the outstanding Common Stock of the Company (as herein defined) and desire to enter into this Agreement for the purpose of agreeing to certain aspects of their relationship as holders of such Capital Stock.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Definitions.

In addition to the terms defined elsewhere in this Agreement, the following terms shall have the meanings set forth in this Section 1:

"Affiliate" means, with respect to a Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person. "Affiliate" of Purchaser shall be deemed to include, in addition to all other Affiliates, any equity owner of Purchaser. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting stock, by contract or otherwise.

"Agreement" means this Investor Rights Agreement, as amended or supplemented from time to time.

"Board" means the Board of Directors of the Company.

"Capital Stock" means any equity securities issued by the Company.

"Cause" shall have the meaning assigned to it in the applicable Shareholder's Employment Agreement.

"Common Stock" means the Common Stock, no par value, of the Company.

"Competitor" shall mean any Person that is engaged in Competition.

"Competition" means, as of a particular time, engaging in, accepting a position with, opening, controlling or becoming associated with any Person or business that competes with the Company with respect to the business of software development, marketing, sales and/or distribution for non-profit organizations anywhere in the United States of America. A Shareholder shall not be considered to be engaged in Competition if he or she does not perform services, or supervise persons performing services, relating to the business of software development, marketing, sales and/or distribution for non-profit organizations. A Shareholder shall be considered to have become associated with a Person or business only if the Shareholder becomes directly or indirectly involved with such Person or business as an owner, principal, employee, officer, director, independent contractor, consultant, representative, stockholder, financial backer, agent, partner, advisor, lender, or in any other individual or representative capacity; except that the Shareholder shall not be considered to have become associated with an entity solely by reason of making and/or retaining an investment in less than two percent of the equity of such entity, if such equity is listed on a national securities exchange or regularly traded in an over-the-counter market.

"Disability" shall have the meaning assigned to it in the Employment Agreement.

"Employment Agreement" means the Employment Agreement dated as of the date hereof between the Company and a Shareholder, as amended or supplemented from time to time.

"Fair Market Value" of any Shares as of any date means the value of such Shares as of the June 30 or December 31 immediately preceding such date as agreed upon by the Company and the Shareholder in good faith, and if unable to agree upon such value within a reasonable time, the value of such Shares as determined by a qualified, disinterested investment banking firm of national reputation mutually selected by the Company and the Shareholder (it being agreed that (a) such investment banking firm shall determine that the Fair Market Value is either the value proposed by the Shareholder or the value proposed by the Company and (b) the fees and expenses of such investment banking firm shall be shared equally between the Company and the Shareholder). The Fair Market Value of each Share shall be determined on the basis of the Company's privately-held status and without reference to any discount for minority interest, control premium, restrictions on transfer or disparate voting rights (if any).

"Family Trust" shall have the meaning assigned thereto in Section 8(d).

"Investors" means Purchaser and the Shareholders and any transferee bound by the terms and conditions of this Agreement in accordance with the terms hereof, and the term "Investor" means any such Person; provided, that any Person party hereto which ceases to own any Shares as permitted by this Agreement shall cease to be an Investor and party to this Agreement.

"Involuntary Transfer" means any Transfer of title of beneficial ownership of Shares upon default, foreclosure, forfeit, court order or otherwise than by a voluntary decision on the part of a Shareholder, provided, however, that such term shall not include Transfers to Purchaser

or the Company as set forth herein or to a third party pursuant to Purchaser's bring-along rights under Section 6(b).

"Mature Shares" means Shares that have been held by the Shareholder in question for at least six months.

"Owned" means beneficially owned within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

"Permitted Transfer" means a Transfer of Shares by a Shareholder to his or her Family Trust pursuant to Section 8(d).

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company or any other entity of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

"Qualified Public Offering" means a firmly underwritten public offering of the Company's stock, of not less than $20,000,000 in gross proceeds, registered with the Securities and Exchange Commission under the 1933 Act and shall not include any registration of shares pursuant to a Company stock option or incentive plan.

"Sale Event" means (i) the sale to a third Person who is not an Affiliate of Purchaser of fifty percent (50%) or more of the issued and outstanding Common Stock of the Company, (ii) a merger, share exchange or other business combination involving the Company and such a third Person in which the shareholders of the Company receive consideration in respect of at least fifty (50%) of the outstanding Capital Stock, or (iii) a leveraged recapitalization of the Company involving significant distributions or redemptions in respect of the Common Stock.

"1933 Act" means the Securities Act of 1933, as amended, the rules and regulations issued thereunder.

"Shares" means all of the shares of Capital Stock held by the Investors, whether now owned or hereafter acquired.

"Transfer" means (a) as a noun, any direct or indirect, voluntary or involuntary, transfer, sale, assignment, alienation, gift, donation, grant, conveyance, lease, exchange, mortgage, pledge, encumbrance, hypothecation or other dispositions of any kind, including dispositions by operation of law or legal process, or giving an option, warrant or other right to acquire any Shares or granting a proxy with respect to voting of any Shares, and (b) as a verb, the act of making any direct or indirect, voluntary or involuntary transfer, entering into a contract to make a Transfer, sell, assign, convey, donate, pledge, encumber, transfer or otherwise dispose of, or giving an option, warrant or other right to acquire any Shares or granting a proxy with respect to voting of any Shares or contract to do any of the foregoing.

SECTION 2. Term of Agreement; Termination of Prior Agreement.

The term of this Agreement shall begin on the date hereof and shall terminate on the first to occur of the following events:

(a) the written consent of all of the Investors (to the extent then an owner of any Shares);

(b) the dissolution or liquidation of the Company;

(c) a merger or business combination involving the Company, in which the shareholders of the Company (including the Investors) immediately prior to the effective time of such merger or business combination own capital stock representing less than fifty percent (50%) of the voting power of the surviving corporation (determined on a fully diluted basis) immediately after the effective time of such merger or business combination; or

(d) except with respect to Sections 18 and 21, the closing of a Qualified Public Offering. The obligations of the Company under Sections 18 and 21 shall terminate in accordance with the provisions of Section 18(n).

Effective upon the closing of the Recapitalization (as defined in the Recapitalization Agreement), the Shareholders hereby terminate the prior shareholders' agreement with respect to the Company and its related companies.

SECTION 3. Shareholders' and Purchaser's Board Rights.

For so long as the Shareholders and any Family Trust continue to own in the aggregate at least ten percent (10%) of Company's stock on a fully diluted basis, the Shareholders as a group shall be entitled to elect by majority vote of Shares owned by the Shareholders at least one member of the Board, and Purchaser, subject to its fiduciary obligations, shall vote all Shares owned by it in favor of the Shareholders' Board nominee and shall make all other reasonable efforts within its control to elect the Shareholders' nominee to the Board. For so long as Purchaser and its Affiliates continue to own in the aggregate at least ten percent (10%) of the Company's stock on a fully diluted basis, Purchaser shall be entitled to elect at least one member of the Board, and the Shareholders, subject to their fiduciary obligations, shall vote all Shares owned by them in favor of the Purchaser's Board nominee and shall make all other reasonable efforts within their control to elect the Purchaser's nominee to the Board. This provision shall not in any way limit Purchaser's ability to elect additional directors pursuant to the Company's Articles of Incorporation or Bylaws.

SECTION 4. General Restriction on Stock Transfers by Shareholders.

Each Shareholder agrees that it will not, directly or indirectly, Transfer, or permit to be transferred, any Shares or any interest therein held by such Shareholder except as provided in this Agreement. Any attempted Transfer of any Shares or of any interest therein, other than in

compliance with the provisions of this Agreement, shall be null and void and of no effect whatsoever and the Company shall refuse to register any such Transfer.

SECTION 5. All Transfers in Compliance with Securities Laws.

Each Investor acknowledges that the shares of Common Stock have not been registered under the 1933 Act and may not be Transferred except while such registration is in effect or pursuant to an exemption from registration under the 1933 Act. Each Investor agrees that he or it will not Transfer any Shares at any time if such Transfer would violate applicable federal and state securities laws, and that each certificate or other document evidencing the Shares shall bear an appropriate legend restricting the Transfer of such Shares in accordance with applicable federal and state securities laws.

SECTION 6. Tag-Along and Bring-Along Rights.

(a) Shareholders' Tag-along Rights. Except as provided in Section 6(b), in the event of a proposed sale of Common Stock to any third party (but not an Affiliate of Purchaser) by Purchaser of more than fifty percent (50%) of the Shares held by Purchaser at such time, Purchaser shall, at least twenty (20) days prior to such sale, deliver to the Shareholders written notice (the "Sale Notice") thereof describing the terms and conditions of such sale (the "Sale Notice Transaction"). Upon receipt of a Sale Notice, the Shareholders, by giving written notice to Purchaser not later than ten (10) days following receipt of the Sale Notice, may participate in such sale on a pro rata basis based on the ratio of such Shareholder's Shares to the Shares owned by Purchaser and all Shareholders. The accepting Shareholders shall participate in such sale for a price per Share equal to the purchase price per Share being paid for Purchaser's Shares and on other terms and conditions not less favorable to the Shareholders than those applicable to Purchaser. The number of Shares to be sold by Purchaser in connection with a sale pursuant to this Section 6(a) shall be reduced by the number of Shares that the Shareholders elect to sell pursuant to this Section 6(a). In the event that a Shareholder does not accept terms and conditions substantially similar to those of the Purchaser, such Shareholder shall not be entitled to participate in the Sale Notice Transaction. The Shareholders' right to participate in the Sale Notice Transaction is conditioned on consummation of such Sale Notice Transaction.

(b) Purchaser's Bring-Along Rights. If Purchaser proposes to effect a Sale Event, Purchaser may deliver a notice (a "Sale Event Notice") to all of the Shareholders stating that Purchaser proposes to effect (or to cause the Company to effect) such transaction (the "Sale Event Notice Transaction"), and specifying the name and address of the proposed parties to such transaction and the consideration payable in connection therewith. Upon receipt of a Sale Event Notice, each Shareholder shall be obligated to Transfer all Shares owned by it in the Sale Event (or, in the case of a Sale Event involving a sale of less than all of the outstanding Shares, a percentage of the Shares owned by it equal to the percentage of Purchaser's Shares being sold by Purchaser), for a price per Share equal to the price per Share being paid for Purchaser's Shares and on other terms and conditions not less favorable to Shareholder than to Purchaser; provided, however, that, with respect to any Shares for which Shareholder holds unexercised stock options, the price per such Share shall be reduced by the exercise price of such options or, if required

pursuant to the terms of such options, such Shareholders shall pay the exercise price therefor prior to the closing of the Sale Event Notice Transaction, and shall Transfer Shares of Common Stock in the Sale Event Notice Transaction. In addition to selling its Shares, the Shareholders shall take all other necessary action to cause the Company to consummate the proposed Sale Event, including, to the extent necessary, voting all their Shares in favor of such transaction.

(c) Closing. The closing of any transaction pursuant to this Section 6 shall be held at such time and place as Purchaser shall reasonably specify. At such closing, the Shareholders and Purchaser shall deliver certificates representing the Shares to be sold, duly endorsed for transfer and accompanied by all requisite stock transfer taxes, if any, and the Shares to be transferred shall be free and clear of any liens, claims or encumbrances (other than restrictions imposed by this Agreement) and Purchaser and each of the Shareholders shall so represent and warrant. Each of the Shareholders and Purchaser shall further represent and warrant that it is the record and beneficial owner of such Shares and make such additional representations and warranties and related indemnities relating to its ownership of the Shares as shall be customary in transactions of a similar nature.

(d) Inapplicable to Public Offering. Notwithstanding anything herein to the contrary, the tag-along rights set forth in Section 6(a) above and the bring-along rights set forth in Section 6(b) above shall not apply to any sale by Purchaser pursuant to a registration statement filed with the Securities and Exchange Commission under the 1933 Act.

SECTION 7. Restrictions on Transfer by Purchaser.

Purchaser and its Affiliates may Transfer its Shares without restriction hereunder except as set forth in Section 5 above, and in Section 6 above to the extent that the Shareholders' tag-along rights as set forth in Section 6(a) apply to such Transfer. Any Person to whom Purchaser Transfers Shares in accordance with the terms of this Agreement shall be entitled to Purchaser's rights and benefits hereunder and shall be bound by Purchaser's obligations and duties hereunder; provided, that, in the event that Purchaser Transfers Shares to more than one unaffiliated Person, Purchaser may on a reasonable basis allocate such rights and benefits and obligations and duties among such Persons with the consent of the Shareholders' Representative (as defined in the Recapitalization Agreement), which consent shall not be unreasonably withheld.

SECTION 8. Restrictions on Transfer by Shareholder.

(a) No Transfers for Two Years. During the two-year period commencing on the date hereof, the Shareholders shall not Transfer to any third party any Shares, except in connection with a Permitted Transfer, a Transfer pursuant to the tag-along rights set forth in Section 6(a) or a Transfer pursuant to Purchaser's bring-along rights set forth in Section 6(b).

(b) No Transfers to Competitors. Notwithstanding anything to the contrary contained in this Agreement, in no event shall any Shareholder Transfer all or any portion of his Shares to a Competitor or an Affiliate thereof, unless such Transfer is made pursuant to Shareholder's tag-along rights set forth in Section 6(a), Purchaser's bring-along rights as set forth in Section 6(b) or

pursuant to any other Transfer to be approved by Purchaser involving the sale of all or substantially all of the business or assets of the Company, whether pursuant to merger, sale of assets, sale of stock or otherwise.

(c) Rights of First Refusal Regarding Transfers to Third Parties. Subject to the restrictions set forth in Sections 8(a) and 8(b), a Shareholder may sell Shares to a third party so long as the sale is made in compliance with the right of first refusal provisions set forth in Section 9.

(d) Transfers to Family Trusts. A Shareholder may at any time Transfer Shares to a trust established for the exclusive benefit of his spouse or lineal descendants (collectively, the "Family Trusts"), and each such Family Trust shall hold, and shall execute and deliver to the Company and to Purchaser a written acknowledgement that it holds such Shares subject to the terms and conditions of this Agreement as if such Shares were owned by such Shareholder. The applicable Shareholder shall agree to be responsible for the compliance by such Family Trust with the terms hereof. Each Family Trust may Transfer Shares to the Shareholder or to another Family Trust of such Shareholder. If a Shareholder desires to Transfer all or any portion of his Shares pursuant to this Section 8(d), he shall give written notice to the Company and to Purchaser of his intention to make such Transfer not less than five (5) days prior to effecting such Transfer, which notice shall state the name and address of each Trust to which such Transfer is proposed and the description and amount of the Shares to be so Transferred. The Company and the Purchaser shall have the right to review the applicable Family Trust documents (and any amendments thereto) to confirm that such Family Trust is legally capable of complying with the terms of this Agreement and, to the extent not so capable, may require changes to such documents to provide for compliance with the terms hereof as a condition to such Transfer.

(e) Call Rights on Option Shares. Prior to the Transfer of any Shares pursuant to Section 9, 10, 11 or 12, the Company and Purchaser shall have a reasonable opportunity to exercise any call rights the Company or Purchaser then holds on any such Shares purchased upon option exercise pursuant to the applicable option grant agreement.

SECTION 9. Rights of First Refusal on Certain Shareholder Transfers.

(a) Offering Notice. Subject to Sections 8(a) and 8(b), if a Shareholder desires to Transfer all or any portion of his Shares to a third party (other than in connection with a Permitted Transfer, a Transfer pursuant to his tag-along rights set forth in Section 6(a), or a Transfer pursuant to Purchaser's bring-along rights set forth in Section 6(b)), such Shareholder (the "Selling Shareholder") shall give written notice thereof (the "Offering Notice") to the Company and to Purchaser. The Offering Notice shall be accompanied by a copy of the relevant acquisition agreement and shall state (i) the number of Shares to be Transferred (the "Offered Shares"); (ii) the name and address of the prospective Person (the "Prospective Purchaser") to whom the Selling Shareholder desires to Transfer such Offered Shares; (iii) the price of the Offered Shares to be paid by the Prospective Purchaser, which price must be payable in cash; (iv) that the proposed purchase of the Offered Shares shall be consummated no later than sixty (60) days after the expiration of the options referred to in subsections (c) and (d) below; and (v)

that the offer of the Prospective Purchaser has been accepted by the Selling Shareholder subject to the rights of the Company and Purchaser contained in this Section 9.

(b) Certificate of Prospective Purchaser. The Offering Notice shall be accompanied by a certificate of the Prospective Purchaser stating that (i) its offer to purchase the Offered Shares has been approved by its board of directors (or the equivalent if the Prospective Purchaser is not a corporation) (unless such Prospective Purchaser is a natural Person); (ii) the description of his or its offer contained in the Offering Notice is complete and accurate; (iii) he or it is aware of the rights of the Company and Purchaser contained in this Section 9; and (iv) prior to the purchase of any Offered Shares by the Prospective Purchaser, he or it will become a party to this Agreement and agree to be bound by the terms and conditions hereof to the same extent and in the same manner as the Shareholder. In addition, the certificate of the Prospective Purchaser shall be accompanied by evidence reasonably satisfactory to the Company as to the Prospective Purchaser's financial ability to consummate the proposed purchase.

(c) Company Option to Purchase. For a period of fifteen (15) business days after receipt of the Offering Notice and the certificate referred to in Section 9(b) above, (the "Company Option Period"), the Company shall have the option to give notice of its election to purchase all of the Offered Shares; provided, however, that the Company may elect to purchase less than all of the Offered Shares if (i) one or more of the Investors other than the Selling Shareholder elect (subject to Purchaser's option in Section 9(d) below) to purchase all of the remaining Offered Shares or (ii) the Selling Shareholder consents to the purchase of less than all of its Offered Shares. The Company's option to purchase the Offered Shares hereunder shall be exercisable by delivering written notice to such effect, prior to the expiration of the Company Option Period, to the Selling Shareholder and to the other Investors. The Company's purchase of Offered Shares hereunder shall be on terms no less favorable in the aggregate than the terms contained in the Offering Notice on which the Prospective Purchaser has agreed to purchase the Offered Shares. The failure of the Company to exercise its option to purchase all or a portion of the Offered Shares under this Section 9(c) within the Company Option Period shall be deemed to be a waiver of its right to purchase the Offered Shares.

(d) Purchaser's Option to Purchase. If the Company does not elect to purchase all of the Offered Shares pursuant to Section 9(c), above, Purchaser shall then have the option, for a period of fifteen (15) business days (the "Purchaser's Option Period") after the earlier of the express waiver by the Company of its option in Section 9(c) or the expiration of the Company Option Period, to give notice of its election to purchase not less than all of the Offered Shares; provided, however, that Purchaser may elect to purchase less than all of the Offered Shares, if (i) the Company elects to purchase all of the remaining Offered Shares, (ii) one or more of the other Investors elect to purchase all of the remaining Offered Shares, or (iii) the Selling Shareholder consents to the purchase of less than all of the Offered Shares. Purchaser's option to purchase Offered Shares hereunder shall be exercisable by delivering written notice to such effect, prior to the expiration of the Purchaser's Option Period, to the Selling Shareholder and the Company. Purchaser's purchase of Offered Shares hereunder shall be on terms no less favorable in the aggregate than the terms contained in the Offering Notice on which the Prospective Purchaser agreed to purchase the Offered Shares. The failure of Purchaser to exercise its option to

purchase Offered Shares within the Purchaser's Option Period shall be deemed to be a waiver of its right to purchase the Offered Shares.

(e) Sale by Selling Shareholder. Subject to Sections 8(a) and 8(b), upon the expiration of the Purchaser's Option Period or the earlier waiver by Purchaser of its rights under Section 9(d), the Selling Shareholder may Transfer all, but not less than all, of the Offered Shares not purchased by the Company and/or Purchaser pursuant to this Section 9, to the Prospective Purchaser in accordance with the terms (including the purchase price and consideration) set forth in the Offering Notice; provided, however, that as a condition to such sale, such Prospective Purchaser shall have delivered to the Company a signed acknowledgement that it shall hold such Shares subject to this Agreement and shall be bound by all of the Selling Shareholder's duties and obligations hereunder, as if it continued to own such Shares being purchased by the Prospective Purchaser; and, provided further, that the provisions of Section 10 shall not apply to the Prospective Purchaser and the Prospective Purchaser shall not be considered a Shareholder or Family Trust for purposes of Section 3; and, provided, further, the provisions of Section 11 shall not apply to the Prospective Purchaser, except that, if at the time of the proposed sale, the Company has the right to exercise the options as set forth in Section 11(a) or Section 11(b), the Company shall have ninety (90) days (or, if shorter, until termination of the option period of Section 11(a) or Section 11(b), as appropriate) to exercise such options. If such sale is not consummated by the earlier of the date specified in the Offering Notice or the date thirty (30) days after the expiration of the Purchaser's Option Period, the restrictions provided for herein shall again become effective.

(f) Closing. The closing of any purchase of the Offered Shares by the Company or the Purchaser pursuant to this Section 9 shall be held at the principal office of the Company at 10:00 a.m. local time no later than thirty (30) days after the date of expiration of the Company's Option Period or the Purchaser's Option Period, as applicable. At such closing, the Selling Shareholder shall deliver (i) certificates representing the Offered Shares, duly endorsed for Transfer and accompanied by all requisite stock transfer taxes, if any, and (ii) his signed certification that the Offered Shares are Transferred free and clear of any liens, claims or encumbrances (other than restrictions imposed by this Agreement), and that it is the record and beneficial owner of such Offered Shares. The Company and/or the Purchaser, as the case may be, shall deliver at such closing, by certified or official bank check or by wire transfer of immediately available funds, payment in full for such Offered Shares.

SECTION 10. Purchase of Shareholder's Shares.

(a) Shareholder's Put Options. Upon the occurrence of any of the following events:

(i) the termination without Cause by the Company of a Shareholder's employment; or

(ii) a Shareholder's termination of employment within thirty (30) days of the relocation by the Company of its headquarters to a location more than thirty-five (35) miles from the Charleston, South Carolina metropolitan area, unless, either

(A) such Shareholder is not employed by the Company on such date, or (B) such Shareholder has consented to such action;

such Shareholder shall have the right at its discretion, by written notice delivered to the Company not later than sixty (60) days following the occurrence of an event described in clauses (i) or (ii) above, to require the Company (which obligations the Company may assign in whole or in part to Purchaser, or the Other Investors (as defined in Section 13 hereof)) if the Company assigns such obligation to the Other Investors pursuant to Section 13, to purchase not less than all of the Shares owned by such Shareholder and each of his Family Trusts, at a price equal to the Fair Market Value of such Shares for the date of the event giving rise to such put option (the "Put Event"). The put option arising upon the occurrence of the event described in Sections 10(a)(i) and 10(a)(ii) above is referred to herein as the "Termination Put". Notwithstanding anything contained herein to the contrary, if the terms of any lending arrangement between the Company and any of its institutional lenders restrict the Company's ability to purchase all of the Shares owned by a Shareholder with respect to which the Shareholder put option is being exercised, the Company may elect to purchase such Shares in exchange for a promissory note, which shall bear interest at the prime rate or base rate of interest most recently published or announced in the Wall Street Journal and which shall be payable in equal monthly installments over the term of such repurchase period, which shall not exceed five (5) years; provided, that the terms of any such promissory note shall in all events be subject to the applicable limitations contained in such lending arrangements (and the Company agrees to exercise all reasonable efforts to have any limitations amended or waived to the extent necessary to minimize the modifications due to the lending arrangement limitations).

(b) Closing and Payment of Purchase Price. The closing of the purchase and sale pursuant to this Section 10 shall be held at the principal office of the Company at 10:00 a.m. local time no later than one-hundred twenty (120) days after the date of the Put Event with respect to which such closing relates, or at such other time and place as the parties to the transaction may agree. At such closing (i) the Shareholder or his personal representative and each of his Family Trusts shall deliver certificates representing the Shares to be purchased, duly endorsed for transfer and accompanied by all requisite stock transfer taxes, if any, and the Shares to be Transferred shall be free and clear of any liens, claims or encumbrances (other than restrictions imposed by this Agreement) and the Shareholder or his personal representative and each of his Family Trusts shall so represent and warrant, and further represent and warrant that they are the record and beneficial owners of the Shares; and (ii) the Company or the Other Investors, as the case may be, shall pay to Shareholder or his personal representative and each of his Family Trusts the purchase price therefor by certified or official bank check or by wire transfer of immediately available funds.

(c) Notwithstanding the foregoing, a Termination Put shall be exercisable only with respect to Shares that are Mature Shares on the date of the relevant Put Event. To the extent that a Shareholder's Shares are not Mature Shares on the date of the Put Event, the Shareholder shall have a separate Termination Put with respect to such Shares, and the Put Event relating to that Termination Put shall be deemed to occur on the date such Shares become Mature Shares.

SECTION 11. Options to Purchase Upon Termination of Employment.

(a) Option To Purchase Shares: Voluntary Resignation of Employment, Termination of Employment for Cause . Upon any voluntary resignation of employment by Shareholder or upon the termination by the Company of the employment of Shareholder for Cause (a "Termination Call Event"), the Company shall have the option, for a period of three (3) years after the Termination Call Event, to purchase, or to assign to the Other Investors the right to purchase as set forth in Section 13, all, but not less than all, of the Shares owned by such Shareholder and each of his Family Trusts, as follows:

(i) The Company's or the Other Investors' option to purchase Shares under this Section 11 (the "Termination Call") shall be exercisable by delivering written notice to such effect, prior to the expiration of such option, to such Shareholder and to the Other Investors or the Company, as the case may be.

(ii) The purchase price for such Shares shall be the Fair Market Value of such Shares for the date of notice;

(ii) Such purchase price shall be paid by certified or official bank check or by wire transfer of immediately available funds;

(iv) The closing of such purchase shall be held no later than the date which is one hundred twenty (120) days after the date of receipt by the Shareholder of the written notice required by clause (i), above.

(b) Option To Purchase Shares Upon Employment by Competitor. If a Shareholder engages in Competition, in addition to any other rights and remedies of the Company, the Company shall have the option (a "Competition Call"), for a period of ninety (90) days after the date of the Company's receipt of actual knowledge of such employment (the "Competition Call Event"), to purchase, or to assign to the Other Investors the right to purchase as set forth in Section 13, all, but not less than all, of the Shares owned by such Shareholder and each of his Family Trusts at a purchase price (payable by certified or official bank check or by wire transfer of immediately available funds) equal to the Fair Market Value of such Shares for the date of exercise. The Company's option to purchase Shares hereunder shall be exercisable by delivering written notice to such effect, prior to the expiration of such option, to such Shareholder and each of his Family Trusts. The closing of such purchase shall be held no later than one hundred twenty (120) days after the date of the Company's receipt of actual knowledge of such Competition, or if the required determination of Fair Market Value has not been made at or prior to such time, a later date within thirty (30) days following the determination of Fair Market Value.

(c) Notwithstanding anything in this Agreement to the contrary, the provisions of this Section 11 shall not apply to any Shares now owned or hereafter acquired by Anthony E. Bakker.

(d) Notwithstanding the foregoing, a Termination Call or Competition Call shall be exercisable only with respect to Shares that are Mature Shares on the date of the relevant Termination Call Event or Competition Call Event. To the extent that a Shareholder's Shares are not Mature Shares on the date of the Termination Call Event or Competition Call Event, as applicable, there shall be a separate Termination Call or Competition Call, as applicable, with respect to such Shares, and the Termination Call Event or Competition Call Event relating to that Termination Call or Competition Call, as applicable, shall be deemed to occur on the date such Shares become Mature Shares.

SECTION 12. Involuntary Transfers.

Upon any Involuntary Transfer of any Shares owned by a Shareholder, he shall promptly, but in any event within thirty (30) days after such Involuntary Transfer, give written notice to the Company, with a copy to the Person to whom the Transfer was made, stating that the Involuntary Transfer occurred, the reason therefor, the date of the Transfer, the name and address of the Person to whom the Transfer was made and the Shares acquired by such Person. For a period commencing on the date of such Involuntary Transfer and expiring ninety (90) days after the date of receipt of such notice by the Company, the Company shall have the option to purchase, or to assign to the Other Investors the right to purchase as set forth in Section 13, all, but not less than all, of the Shares owned by such Shareholder and each of his Family Trusts on the terms for purchase of Shares at a price, payable by certified or official bank check or by wire transfer of immediately available funds, equal to Fair Market Value for the date of the Involuntary Transfer. The closing of such purchase shall be held no later than one hundred twenty (120) days after the date of the Involuntary Transfer, or if the required determination of Fair Market Value has not been made at such time, a later date within thirty (30) days following the determination of Fair Market Value as set forth herein. Such option to purchase the Shares hereunder shall be exercisable by the Company or the Other Investors, as the case may be, by delivering written notice to such effect, prior to the expiration of such option, to the Shareholder and the Person to whom the Transfer was made. The failure to exercise such option shall not in any way constitute a waiver by the Company of its rights under this Agreement or a consent to such Transfer.

SECTION 13. Assignment to Other Investors.

The Company shall have the right, at its discretion and not necessarily on a pro rata or other equitable basis, to assign to the Investors (including Purchaser), other than the Investor whose Shares are being purchased (the "Other Investors"), all or any portion of its right or obligation to purchase Shares under this Agreement, which assignment each of the Other Investors, in their individual discretion, may accept. If an Other Investor accepts any such assignment by the Company, such assignment shall be effective without consent by or notice to the Shareholder or his personal representative, as the case may be, from whom the Company has the right to purchase Shares, although such Other Investor shall endeavor to notify such Shareholder or his personal representative promptly. If such right to purchase Shares is assigned to one or more Other Investors, then such Other Investor(s) shall be deemed to be the Company for purpose of any such purchase hereunder and the Shareholder or his personal representative, as the case may be, from whom the Company has the right to purchase such Shares, including

each Family Trust thereof, shall be obligated to sell such Shares to the Other Investor(s) electing to purchase the same as if it or they are the Company.

SECTION 14. Legally Binding Obligation.

The making of an offer, the delivery of a notice within the stated period and the acceptance of an offer, as provided herein, shall create a legally binding obligation to buy or sell, as the case may be, securities or otherwise take all necessary actions, as provided above. In addition, the Company is hereby authorized (a) to transfer such Shares on the books of the Company in accordance with this Agreement and without regard to the surrender of certificates representing such Shares held by such Shareholder and (b) to place on all certificates representing Shares a legend reflecting its authority to transfer such Shares in accordance with this Section 14. Any such certificates not surrendered as required by this Agreement shall become upon such transfer null and void.

SECTION 15. Restrictions on Purchase.

Notwithstanding anything in this Agreement to the contrary, the Company shall not be permitted or obligated to purchase any Shares hereunder to the extent the Company is prohibited from purchasing such Shares because it has insufficient legally available funds for such purchase under the South Carolina Business Corporation Act, as amended or any successor provision ("Restriction on Purchase"). If the Company believes at the time it receives a written notice of exercise of the put option pursuant to Section 10 that a Restriction on Purchase exists, the Company shall promptly notify Shareholder or his personal representative, as the case may be, and use reasonable efforts (excluding the payment of waiver, consent or similar transactional fees but including reasonable documentation costs and similar expenses) to have such Restriction on Purchase waived or removed. If such Restriction on Purchase is not waived or removed in whole, the Company shall purchase up to the maximum number of shares that the Board in good faith shall determine is permitted under the Restrictions on Purchase on such date. If any Shares that the Company is obligated hereunder to purchase remain unpurchased, the Company shall thereafter effect a series of purchases, each of which shall take place not later than five (5) business days after such Restrictions on Purchase have ceased to exist to the extent that would permit such partial payments of the purchase price in increments of fifty thousand dollars ($50,000). Any such subsequent payment shall accrue simple interest at a rate per annum of eight percent (8.0%) from the date such payment would have otherwise been made to the date such payment is made, such interest to be paid only at the date of payment by the Company for the Shares being purchased.

SECTION 16. Closing.

To the extent any closing of a purchase by the Company (or Other Investor) of any Shares hereunder is delayed or prohibited by any action on the part of a governmental entity or a third party (or certain requirements of law have not been met or complied with), then such closing shall not take place until permitted (or such requirement is met or complied with) or not at all and the Company (or Other Investor) shall as a result thereof have no liability.

SECTION 17. Withholding and Offset Rights of the Company and Other Investors.

To the extent permitted by applicable law and notwithstanding any other provisions of this Agreement, the Company or an Other Investor may offset against any payment to be made by it in respect of any Shares purchased by it pursuant to this Agreement (including purchase price, installment payments and interest payments) (i) any losses, damages, fees and/or expenses incurred by the Company or its Affiliates arising out of a violation by such Shareholder or related Family Trust of any employment, noncompete or nosolicitation agreement by which such Shareholder or related Family Trust is bound (ii) any other amount due and owing to the Company or Other Investor, as applicable, from such Shareholder or related Family Trust and (iii) any applicable withholding or similar taxes.

SECTION 18. Registration Rights.

The Company hereby grants to each of the Holders (as defined below) the registration rights set forth in this Section 18, with respect to the Registrable Securities (as defined below) owned by such Holders. The Company and the Holders agree that the registration rights provided herein set forth the sole and entire agreement, and supersede any prior agreement, between the Company and the Holders with respect to registration rights for the Company's securities.

(a) Certain Definitions. As used in this Section 18:

(i) The terms "register," "registered" and "registration" refer to a registration effected by filing with the SEC a registration statement (the "Registration Statement") in compliance with the 1933 Act, and the declaration or ordering by the SEC of the effectiveness of such Registration Statement.

(ii) The term "Registrable Securities" means (i) Common Stock held by Investors, or any transferee pursuant to Section 18(h) below, and (ii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange or in replacement of, such Registrable Securities; provided, however, that Common Stock or other securities shall cease to be treated as Registrable Securities if (a) a registration statement covering such securities has been declared effective by the Securities and Exchange Commission (the "SEC") and such security has been disposed of pursuant to such effective registration statement, (b) such security is sold or may be sold pursuant to Rule 144 under the Securities Act (or another

exemption from the registration requirements of the Securities Act) or (c) such security ceases to be outstanding.

(iii) The term "Holder" (collectively, "Holders") means any Investor (and any transferee as permitted by Section 18(h) hereof) holding Registrable Securities, securities exercisable or convertible into Registrable Securities or securities exercisable for securities convertible into Registrable Securities.

(iv) The term "Initiating Holders" means any Holder or Holders of at least 51% of the Registrable Securities then outstanding and not registered at the time of any request for registration made pursuant to Section 18(b) of this Agreement.

(b) Demand Registration.

(i) Holders' Demand for Registration. At any time after 180 days following the Qualified Public Offering of the Company's Common Stock if the Company shall receive from Initiating Holders other than Purchaser a written demand that the Company effect any registration (a "Demand Registration") of at least fifty percent (50%) of the Registrable Securities of such Holders (other than a registration on Form S-3 or any related form of registration statement, such a request being provided for under Section 18(i) hereof) having an anticipated net aggregate offering price (after deduction of underwriter commissions and offering expenses) of at least $5,000,000, the Company will:

(A) promptly (but in any event within 10 days) give written notice of the proposed registration to all other Holders; and

(B) use its reasonable best efforts to effect such registration as soon as practicable and as will permit or facilitate the sale and distribution of all or such portion of such Initiating Holders' Registrable Securities as are specified in such demand, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such demand as are specified in a written demand received by the Company within 15 days after such written notice is given, provided that the Company shall not be obligated to take any action to effect any such registration pursuant to this Section 18(b):

(I) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the 1933 Act;

(II) After the Company has effected one (1) such registration pursuant to this Section 18(b)(i) and the sales of the shares of Common Stock under such registrations have closed;

(III) If the Company shall furnish to such Holders a certificate signed by the President or equivalent senior executive of the Company, stating that in the good faith judgment of the Board of Directors of the Company it would be seriously detrimental to the Company and its shareholders for such

Registration Statement to be filed at the date filing would be required, in which case the Company shall have an additional period of not more than 90 days within which to file such Registration Statement; provided, however, that the Company shall not use this right more than twice in any 12 month period;

(IV) During the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of filing of, and ending on a date one hundred eighty (180) days after the effective date of, a registration subject to Section 18(b) hereof, provided that the Company is employing in good faith all reasonable efforts to cause such registration statement to become effective.

(ii) Purchaser Demand for Registration. In addition, Purchaser and its Affiliates shall be granted a number of Demand Registrations to effect the registration of Registrable Securities owned by Purchaser or its Affiliates, in each case having an anticipated net aggregate offering price (after deduction of underwriter commissions and offering expenses) of at least $5,000,000, which number shall be mutually agreed upon by the Company and Purchaser based on Purchaser's equity ownership of the Company. In the case of each such Demand Registration requested by Purchaser, the Company shall undertake its covenants contained in Section 18(b)(i)(B) (subject to the limitations on such covenants contained therein, but not subject to the limitation contained in Section 18(b)(i)(B)(II)). The Company shall provide to Purchaser and its Affiliates the same rights with respect to such Demand Registration as provided for in the case of the Initiating Holders in this Section 18.

(iii) Underwriting. If the Initiating Holders intend to distribute the Registrable Securities covered by their demand by means of an underwriting, they shall so advise the Company as part of their demand made pursuant to this Section 18(b); and the Company shall include such information in the written notice referred to in Section 18(b)(i)(A). In such event, the right of any Holder to registration pursuant to this Section 18(b) shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein.

The Company shall, together with all holders of Capital Stock of the Company proposing to distribute their securities through such underwriting, enter into an underwriting agreement in customary form with the underwriter or underwriters selected by a majority-in-interest of the Initiating Holders and reasonably satisfactory to the Company. Notwithstanding any other provision of this Section 18(b), if the underwriter shall advise the Company that marketing factors (including, without limitation, an adverse effect on the per share offering price) require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders of Registrable Securities that have requested to participate in such offering, and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated pro rata among such Holders thereof in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by such Holders at the time of filing the Registration Statement. The foregoing notwithstanding, in the case of a Purchaser Demand Registration, Purchaser's Shares to be registered pursuant to such demand shall not be reduced except as agreed by Purchaser (but in such event, there shall be no obligation on the part

of either party to proceed with the offering of the amount of Shares so demanded). No Registrable Securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration.

If any Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Company, the underwriter and the Initiating Holders. The Registrable Securities so withdrawn shall also be withdrawn from registration.

If the underwriter has not limited the number of Registrable Securities to be underwritten, the Company may include securities for its own account (or for the account of other shareholders) in such registration if the underwriter so agrees and if the number of Registrable Securities would not thereby be limited.

(c) Piggyback Registration.

(i) Company Registration. If at any time or from time to time the Company shall determine to register any of its securities, either for its own account or for the account of security holders, other than in an initial Qualified Public Offering, a registration relating solely to employee benefit plans, a registration on Form S-4 or S-8 (or such other similar successor forms then in effect under the Securities Act), a registration pursuant to which the Company is offering to exchange its own securities, a registration statement relating solely to dividend reinvestment or similar plans or a registration pursuant to Section 18(b) or 18(i) hereof, the Company will:

(A) promptly (but in no event less than 15 days before the anticipated filing date of the registration statement offering such registration) give to each Holder written notice thereof; and

(B) include in such registration (and any related qualification under state securities laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made within 15 days after receipt of such written notice from the Company, by any Holder or Holders, except as set forth in Section 18(c)(ii) below.

(ii) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 18(c)(i)(A). In such event the right of any Holder to registration pursuant to this Section 18(c) shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein.

All Holders proposing to distribute their Registrable Securities through such underwriting shall, together with the Company and the other parties distributing their securities through such underwriting, enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Section 18(c), if the underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the underwriter may limit the number of Registrable Securities to be included in the registration and underwriting, subject to the terms of

this Section 18(c). The Company shall so advise all holders of the Company's securities that would otherwise be registered and underwritten pursuant hereto, and the number of shares of such securities, including Registrable Securities, that may be included in the registration and underwriting shall be allocated in the following manner: shares, other than Registrable Securities and other securities that are entitled to contractual rights with respect to registration similar to those provided for in this Section 18(c), requested to be included in such registration by shareholders shall be excluded, and if a limitation on the number of shares is still required, the number of Registrable Securities and other securities that are entitled to contractual rights with respect to registration that may be included shall be allocated among the holders thereof in proportion, as nearly as practicable, to the amounts of Registrable Securities and such other securities held by each such holder at the time of filing the Registration Statement. For purposes of any such underwriter cutback, all Registrable Securities and other securities held by any holder that is a partnership or corporation, shall also include any Registrable Securities held by the partners, retired partners, shareholders or affiliated entities of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons, and such holder and other persons shall be deemed to be a single "selling holder," and any pro rata reduction with respect to such "selling holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling holder," as defined in this sentence. No securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration. Nothing in this Section 18(c)(ii) is intended to diminish the number of securities to be included by the Company in the underwriting.

If any Holder disapproves of the terms of the underwriting, it may elect to withdraw therefrom by written notice to the Company and the underwriter. The Registrable Securities so withdrawn shall also be withdrawn from registration.

(iii) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 18(c) prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration.

(d) Expenses of Registration. All expenses incurred in connection with all registrations effected pursuant to Sections 18(a), 18(b), 18(c) and 18(i), including without limitation all registration, filing and qualification fees (including state securities law fees and expenses), printing expenses, escrow fees, fees and disbursements of counsel for the Company (and the reasonable fees and disbursements of one separate counsel for the participating Holders) and expenses of any special audits incidental to or required by such registration shall be borne by the Company; provided, however, that the Company shall not be required to pay stock transfer taxes or underwriters' discounts or selling commissions relating to Registrable Securities. Notwithstanding anything to the contrary above, the Company shall not be required to pay for any expenses of any registration proceeding under Section 18(b) if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to have been registered; provided, however, that in the event that Holders holding at least 51% of the Registrable Securities agree to forfeit their right to a demand registration pursuant to Section 18(b) (in which event such right shall be forfeited by all Holders), then the Company shall be

required to pay the expenses of such withdrawn registration. In the absence of such an agreement to forfeit, the Holders of Registrable Securities to have been registered shall bear all such expenses pro rata on the basis of the Registrable Securities to have been registered. Notwithstanding the preceding sentence, however, if at the time of the withdrawal, the Holders have learned of a materially adverse change in the condition, business or prospects of the Company from that known to the Holders at the time of their request, then the Holders shall not be required to pay any of said expenses and shall retain their rights pursuant to Section 18(b).

(e) Obligations of the Company. Whenever required under this Section 18 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(i) prepare and file with the SEC a Registration Statement with respect to such Registrable Securities and use its diligent efforts to cause such Registration Statement to become effective, and keep such Registration Statement effective for the lesser of 120 days or until the Holder or Holders have completed the distribution relating thereto.

(ii) prepare and file with the SEC such amendments and supplements to such Registration Statement and the prospectus used in connection with such Registration Statement as may be necessary to keep such Registration Statement effective and to comply with the provisions of the 1933 Act with respect to the disposition of all securities covered by such registration statement in accordance with the intended methods of disposition by sellers thereof set forth in such registration statement.

(iii) furnish to the Holders such numbers of copies of a prospectus, including all exhibits thereto and documents incorporated by reference therein and a preliminary prospectus, in conformity with the requirements of the 1933 Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(iv) use its diligent efforts to register or otherwise qualify the securities covered by such Registration Statement under such other securities laws of such states and other jurisdictions as shall be reasonably requested by the Holders or the managing underwriter, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(vi) notify each Holder of Registrable Securities covered by such Registration Statement, at any time when a prospectus relating thereto is required to be delivered under the 1933 Act, of the happening of any event as a result of which the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits

to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(vii) use its diligent efforts to list the Registrable Securities that are shares of Common Stock covered by such Registration Statement with any securities exchange on which the Common Stock is then listed.

(viii) make available for inspection by each Holder including Registrable Securities in such registration, any underwriter participating in any distribution pursuant to such registration, and any attorney, accountant or other agent retained by such Holder or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, as such parties may reasonably request, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney, accountant or agent in connection with such Registration Statement.

(ix) cooperate with Holders including Registrable Securities in such registration and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, such certificates to be in such denominations and registered in such names as such Holders or the managing underwriters may request at least two business days prior to any sale of Registrable Securities.

(x) permit any Holder which Holder, in the reasonable judgment, exercised in good faith, of such Holder, might be deemed to be a controlling person of the Company, to participate in good faith in the preparation of such Registration Statement and to cooperate in good faith to include therein material, furnished to the Company in writing, that in the reasonable judgment of such Holder and its counsel should be included.

(f) Indemnification.

(i) The Company will, and does hereby undertake to, indemnify and hold harmless each Holder of Registrable Securities, each of such Holder's officers, directors, employees, partners and agents, and each Person controlling such Holder, with respect to any registration, qualification or compliance effected pursuant to this Section 18, and each underwriter, if any, and each Person who controls any underwriter, of the Registrable Securities held by or issuable to such Holder, against all claims, losses, damages and liabilities (or actions in respect thereto) to which they may become subject under the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), or other federal or state law arising out of or based on (A) any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other similar document (including any related Registration Statement, notification, or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made, (B) any violation or alleged violation by the Company of any federal, state or common law rule or regulation applicable to the Company in connection with any such registration, qualification or compliance, or (C) any failure to register or qualify Registrable Securities in any state where the Company or its agents have affirmatively

undertaken or agreed in writing that the Company (the undertaking of any underwriter chosen by the Company being attributed to the Company) will undertake such registration or qualification on behalf of the Holders of such Registrable Securities (provided that in such instance the Company shall not be so liable if it has undertaken its best efforts to so register or qualify such Registrable Securities) and will reimburse, as incurred, each such Holder, each such underwriter and each such director, officer, partner, agent and controlling person, for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission made in reliance and in conformity with written information furnished to the Company by such Holder or underwriter expressly for use therein.

(ii) Each Holder will, and if Registrable Securities held by or issuable to such Holder are included in such registration, qualification or compliance pursuant to this Section 18, does hereby undertake to indemnify and hold harmless the Company, each of its directors, employees, agents and officers, and each Person controlling the Company, each underwriter, if any, and each Person who controls any underwriter, of the Company's securities covered by such a Registration Statement, and each other Holder, each of such other Holder's officers, partners, directors and agents and each Person controlling such other Holder, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made, and will reimburse, as incurred, the Company, each such underwriter, each such other Holder, and each such director, officer, employee, agent, partner and controlling Person of the foregoing, for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) was made in such Registration Statement, prospectus, offering circular or other document, in reliance upon and in conformity with written information furnished to the Company by Holder expressly for use therein; provided, however, that the liability of each Holder hereunder shall be limited to the net proceeds received by such Holder from the sale of securities under such Registration Statement. It is understood and agreed that the indemnification obligations of each Holder pursuant to any underwriting agreement entered into in connection with any Registration Statement shall be limited to the obligations contained in this subsection 18(f)(ii).

(iii) Each party entitled to indemnification under this Section 18(f) (the "Indemnified Party") shall give notice to the party required to provide such indemnification (the "Indemnifying Party") of any claim as to which indemnification may be sought promptly after such Indemnified Party has actual knowledge thereof, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be subject to approval by the Indemnified Party (whose approval shall not be unreasonably withheld) and the Indemnified Party may participate in such defense at the Indemnifying Party's

expense if representation of such Indemnified Party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding; and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 18, except to the extent that such failure to give notice shall materially adversely affect the Indemnifying Party in the defense of any such claim or any such litigation. An Indemnifying Party, in the defense of any such claim or litigation, may, without the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement that includes as an unconditional term thereof the giving by the claimant or plaintiff therein, to such Indemnified Party, of a release from all liability with respect to such claim or litigation.

(iv) In order to provide for just and equitable contribution in case indemnification is prohibited or limited by law, the Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and such Party's relative intent, knowledge, access to information and opportunity to correct or prevent such actions; provided, however, that, in any case, (I) no Holder will be required to contribute any amount in excess of the public offering price of all securities offered by it pursuant to such Registration Statement less all underwriting fees and discounts and (II) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(v) The indemnities provided in this Section 18(f) shall survive the transfer of any Registrable Securities by such Holder.

(g) Information by Holder. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company such information regarding such Holder or Holders and the distribution proposed by such Holder or Holders as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Section 18.

(h) Transfer of Registration Rights. The rights, contained in Sections 18(b), 18(c) and 18(i) hereof, to cause the Company to register the Registrable Securities, may be assigned or otherwise conveyed (i) by a Shareholder pursuant to a Permitted Transfer, and (ii) by Purchaser in (A) a transaction not involving a change in beneficial ownership or which involves a Transfer of a significant portion of Purchaser's Registrable Securities; (B) (if Purchaser or its controlling shareholder is a partnership) transactions involving distribution without consideration to Purchaser's or its controlling shareholder's partners, retired partners, or to the estate of any of

such partners; or (C) (if Purchaser is a corporation) transactions involving distribution without consideration to any of its shareholders.

(i) Form S-3. If the Company's stock becomes publicly traded, the Company shall use its diligent efforts to qualify for registration on Form S-3 or any equivalent form used for the registration of securities under the 1933 Act within 12 months following the effective date of the first registration of any securities of the Company on Form S-1. After the Company has qualified for the use of Form S-3 (or equivalent), the Holders of Registrable Securities shall have one right to request registrations on Form S-3 (or equivalent) thereafter under this Section 18(i). The Company shall give notice to all Holders of Registrable Securities of the receipt of a request for registration pursuant to this Section 18(i) and shall provide a reasonable opportunity for other Holders to participate in the registration. Subject to the foregoing, the Company will use its reasonable best efforts to effect as soon as practicable the registration of all shares of Registrable Securities on Form S-3, as the case may be, to the extent requested by the Holder or Holders thereof for purposes of disposition; provided, however, that the Company shall not be obligated to effect any such registration if (A) the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $500,000, or (B) the Company shall have already made two registrations on Form S-3 within the 12-month period immediately preceding the request. Notwithstanding the foregoing, nothing herein shall restrict, prohibit, or limit in any way a Holder's ability to exercise its registration rights under Sections 18(b) or 18(c) hereof.

(j) Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 18.

(k) Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of at least 51% of the Registrable Securities then outstanding and not registered, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder to (i) require the Company to effect a registration or (ii) include any securities in any registration filed under Section 18(b), 18(c) or 18(i) hereof, unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not diminish the amount of Registrable Securities that are included in such registration (except with respect to any demand rights of any Holder or prospective Holder).

(l) Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC that may permit the sale of the Registrable Securities to the public without registration, the Company, following a Qualified Public Offering, agrees to use its diligent efforts to:

(i) Make and keep current public information available, within the meaning of SEC Rule 144 or any similar or analogous rule promulgated under the 1933 Act, at all times after it has become subject to the reporting requirements of the 1934 Act;

(ii) File with the SEC, in a timely manner, all reports and other documents required of the Company under the 1933 Act and 1934 Act (after it has become subject to such reporting requirements);

(iii) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time commencing 90 days after the effective date of the first registration filed by the Company for an offering of its securities to the general public), the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

(m) "Market Stand Off" Agreement. Each Holder hereby agrees that during the 180 day period following the effective date of a registration statement of the Company filed under the 1933 Act, it shall not, to the extent requested by the Company and any underwriter, sell, pledge, hypothecate, transfer, make any short sale of, loan, grant any option or right to purchase of, or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any Common Stock held by it at any time during such period except Common Stock included in such registration.

(n) Termination of Registration Rights. The rights of any particular Holder to cause the Company to register securities under Sections 18(b), 18(c) or 18(i) hereof shall terminate as to any Holder on the later of (i) two (2) years following the consummation of a Qualified Public Offering, or (ii) the date such Holder is able to dispose of all of its Registrable Securities in any 90 day period pursuant to SEC Rule 144 (or any similar or analogous rule promulgated under the 1933 Act).

SECTION 19. Legend.

Each of the parties hereto agrees that a legend in substantially the following form shall be placed on the certificates representing any Shares owned by it:

> THE TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF AN INVESTOR RIGHTS AGREEMENT DATED AS OF OCTOBER 13, 1999, A COPY OF WHICH IS ON FILE IN THE COMPANY'S OFFICES. THE INVESTOR RIGHTS AGREEMENT, AMONG OTHER THINGS, CONTAINS RESTRICTIONS ON THE TRANSFERABILITY OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND PUT AND CALL OPTIONS WITH RESPECT TO CERTAIN SECURITIES. THE COMPANY WILL NOT REGISTER THE TRANSFER OF SUCH SECURITIES ON THE BOOKS OF THE COMPANY UNLESS AND UNTIL THE TRANSFER HAS BEEN MADE IN COMPLIANCE WITH THE TERMS OF THE INVESTOR RIGHTS AGREEMENT.

SECTION 20. Specific Performance and Injunctive Relief; Arbitration.

Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, the non-breaching party or parties would be irreparably harmed and could not be made whole by monetary damages, and therefore hereby waives the defense in any action for specific performance or injunctive relief that a remedy at law would be adequate. Each of the parties hereto further agrees that the Purchaser and the Company, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of this Agreement and to obtain injunctive relief in any action instituted in a court of proper jurisdiction.

[Arbitration provision to be added]

SECTION 21. Miscellaneous.

(a) References; Headings. Unless otherwise indicated, "sections," "subsections" and "clauses" mean and refer to the sections, subsections and clauses of this Agreement; words such as "herein," "hereinafter," "hereof," "hereto" and "hereunder" refer to this Agreement as a whole, unless the context otherwise requires; and the headings in this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement. Unless the context otherwise requires, words denoting any gender shall include all genders -- male, female and neuter -- as applicable. The word "including" shall mean "including without limitation."

(b) Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and there are no restrictions, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof. In the event of any inconsistency or conflict between the provisions contained herein and the provisions of the Articles of Incorporation or Bylaws of the Company, the provisions hereof shall control and the parties hereto shall use their best efforts to cause the Company to correct such inconsistency or conflict. All exhibits and schedules, attained herein are by this reference made apart hereof as though fully set forth herein.

(c) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopy, recognized overnight courier service or personal delivery:

if to the Company:

Blackbaud, Inc.
4401 Belle Oaks Drive
Charleston, South Carolina 29405
Attention: President

Tel: (843) 740-5400
Fax: (843) 740-5412

with copies to Purchaser and to:

Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail, Suite 300
Raleigh, North Carolina 27607-7506
Attention: Larry E. Robbins
Tel: (919) 781-4000
Fax: (919) 781-4865

if to Purchaser:

Hellman & Friedman Capital Partners III, L.P.
c/o Hellman & Friedman LLC
One Maritime Plaza, 12th Floor
San Francisco, California 94111
Attention: Richard M. Levine
Tel: (415) 788-5111
Fax: (415) 788-0176

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Andrew J. Nussbaum
Tel: (212) 403-1000
Fax: (212) 403-2000

if to Shareholder, at the address set forth on Exhibit A.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial overnight courier service; five business days after being deposited in the mail, postage prepaid, if mailed; and the first business day after receipt is acknowledged, if telecopied.

(d) Applicable Law. The laws of the State of South Carolina shall govern the interpretation, validity and performance of the terms of this Agreement, regardless of the law that might be applied under applicable principles of conflicts of laws.

(e) Severability. The invalidity, illegality or unenforceability of one or more of the provisions of this Agreement in any jurisdiction shall not affect the validity, legality or

enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

(f) Successors and Assigns; No Third Party Beneficiaries. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns, which in the case of a transfer to more than one transferee shall mean the transferee or transferees designated by the transferor. This Agreement is made solely and specifically among and for the benefit of the parties hereto and their respective permitted successors and assigns, and no other Person, unless express provisions made herein to the contrary, shall have any rights, interests or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

(g) Defaults. A default by any party to this Agreement in such party's compliance with any of the terms or conditions hereof or performance of any of the obligations of such party hereunder shall not constitute or excuse a default by any other party.

(h) Recapitalizations; Exchanges; etc. The provisions of this Agreement shall apply, to the full extent set forth herein with respect to the Shares, to any and all shares of capital stock of the Company or any successor or assign of the Company (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for, or in substitution of the Shares, by reason of a stock dividend, recapitalization, reclassification, merger, consolidation or otherwise.

(i) Amendments; Waivers. This Agreement may not be amended, modified or supplemented and no waivers of or consents to departures from the provisions hereof may be given unless consented to in writing by the Company and Persons holding more than ninety percent (90%) of the total outstanding Shares.

(j) Variation in Pronouns; Construction. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the antecedent Person or Persons may require. Whenever used herein, "or" shall include both the conjunctive and disjunctive, "any" shall mean "one or more or all," and "including" shall mean "including without limitation."

(k) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement. Signatures may be exchanged by telecopy, with original signatures to follow. Each party to this Agreement agrees that it will be bound by its own telecopied signature and that it accepts the telecopied signatures of the other parties to this Agreement.

(1) Further Action. Each party hereto, upon the request of the Company or Purchaser, as applicable, agrees to perform all further acts and execute, acknowledge or deliver any instruments or documents and to perform such additional acts as may be reasonably necessary, appropriate or desirable to carry out the provisions of this Agreement.

(m) No Implied Waiver. No failure on the part of the Company or any of the other parties hereto (and their successors and assigns) to exercise, and no delay or other forbearance or indulgence in exercising, any right, remedy, power or privilege under this Agreement, except as provided herein, shall operate as a waiver thereof; nor, except as provided herein, shall any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. Except as otherwise provided herein, no term or provision of this Agreement shall be deemed waived and no breach excused unless such waiver or excused breach is in writing and signed by the party against whom it is asserted. The parties hereto (and their successors and assigns) shall have the right at all times to enforce the provisions of this Agreement in strict accordance with the terms hereof, and no waiver of any provision of this Agreement, except as otherwise provided herein, shall constitute a waiver of any other provision, nor shall, except as otherwise provided herein, any waiver constitute a continuing waiver unless otherwise provided in writing.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be duly executed as of the date first above written.

BLACKBAUD, INC.

By: /s/ Timothy B. Smith

Name: Timothy B. Smith

Title: VP

HELLMAN & FRIEDMAN CAPITAL PARTNERS III, L.P.

By: H&F Investors III, its General Partner

By: Hellman & Friedman Associates III, L.P., its Managing General Partner

By: H&F Investors III, Inc., its Managing General Partner

By: /s/ Marco W. Hellman

Name: Marco W. Hellman

Title: Vice President

H&F ORCHARD PARTNERS III, L.P.

By: H&F Investors III, its General Partner

By: Hellman & Friedman Associates III, L.P., its Managing General Partner

By: H&F Investors III, Inc., its Managing General Partner

By: /s/ Marco W. Hellman

Name: Marco W. Hellman

Title: Vice President

H&F INTERNATIONAL PARTNERS III, L.P.

By: H&F Investors III, its General Partner

By: Hellman & Friedman Associates III, L.P.,
its Managing General Partner

By: H&F Investors III, Inc., its Managing
General Partner

By: /s/ Marco W. Hellman

Name: Marco W. Hellman

Title: Vice President

POBEDA PARTNERS LTD.

By: /s/ Marco W. Hellman

Name: Marco W. Hellman

Title: Director

/s/ Anthony E. Bakker

Anthony E. Bakker

/s/ Gary F. Thornhill

Gary F. Thornhill

/s/ Timothy B. Smith

Timothy B. Smith

/s/ John L. Thompson

John L. Thompson

/s/ Nigel W. H. Cooper

Nigel W. H. Cooper

/s/ Louis J. Attanasi

Louis J. Attanasi

/s/ Joseph J. Wezwick

Joseph J. Wezwick

/s/ Gerard Zink

Gerard Zink

/s/ Debby Feldman

Debby Feldman

/s/ Michael Catanzarite

Michael Catanzarite

/s/ Christian Bonacore

Christian Bonacore

/s/ Tarek Heiba

Tarek Hans Heiba

ANTHONY E. BAKKER 1999 RETAINED
ANNUITY TRUST - EF, u/t/a dated June 17, 1999

By: /s/ Timothy B. Smith

Name: Timothy B. Smith
Title: Trustee

ANTHONY E. BAKKER 1999 RETAINED
ANNUITY TRUST - TB, u/t/a dated June 17, 1999

By: /s/ Timothy B. Smith

Name: Timothy B. Smith
Title: Trustee

ANTHONY E. BAKKER 1999 RETAINED
ANNUITY TRUST - LC, u/t/a dated June 17, 1999

By: /s/ Timothy B. Smith

Name: Timothy B. Smith
Title: Trustee

GARY F. THORNHILL 1999 RETAINED
ANNUITY TRUST, u/t/a dated June 17, 1999

By: /s/ Timothy B. Smith

Name: Timothy B. Smith
Title: Trustee

JOHN L. THOMPSON 1999 RETAINED
ANNUITY TRUST, u/t/a dated August 4, 1999

By: /s/ Timothy B. Smith

Name: Timothy B. Smith
Title: Trustee

LOUIS J. ATTANASI 1999 RETAINED
ANNUITY TRUST, u/t/a dated July 14, 1999

By: /s/ Timothy B. Smith

Name: Timothy B. Smith
Title: Trustee

NIGEL W. COOPER 1999 RETAINED
ANNUITY TRUST, u/t/a dated July 12, 1999

By: /s/ Nigel W. H. Cooper

Name: Nigel W. Cooper
Title: Trustee

EXHIBIT 10.2

EMPLOYMENT AND NONCOMPETITION AGREEMENT

THIS AGREEMENT is made and entered into effective as of the 1st day of March, 2000, by and between Blackbaud, Inc., a South Carolina corporation (the "Company") and Robert Sywolski ("Executive").

RECITALS

WHEREAS, Executive desires to accept employment as the President and Chief Executive Officer of the Company; and

WHEREAS, the Board of Directors ("Board") of the Company has determined what a reasonable compensation will be for Executive, and has offered Executive employment for such compensation and other benefits set forth herein, and Executive is willing to accept employment on such terms.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants of the parties set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, IT IS HEREBY AGREED AS FOLLOWS:

AGREEMENT

1. Employment. Subject to and upon the terms and conditions herein provided, the Company hereby agrees to employ Executive and Executive hereby agrees to be employed by the Company for the term of this Agreement, which term shall begin as of the Agreement Date and shall continue until March 31, 2004 (the "Term") unless earlier terminated as provided herein.

2. Executive Responsibilities. During the Term (as defined in Section 4), Executive shall serve as President and Chief Executive Officer of the Company, and shall have the power and authority to conduct the business of the Company commensurate with the office of Chief Executive Officer. In the performance of his responsibilities, Executive shall be subject to all of the Company's policies, rules and regulations applicable to Company employees of comparable status. Executive shall perform duties consistent with Executive's knowledge, experience and position with the Company. In performing such duties, Executive shall be subject to and shall abide by all policies and procedures developed by the Company for senior executives of the Company.

During the Term, Executive shall devote his entire business time, energies, skills and attention to the affairs and activities of the Company and the discharge of his duties and responsibilities; provided, however, Executive shall have a reasonable amount of time after execution of this Agreement to complete his duties with his previous employer and shall be allowed to continue to serve on the Board of Directors of no more than three (3) outside for profit companies and such additional boards of directors as may be approved in advance by the Chairman of the Board of Directors; provided further, however, that Executive's ability to devote the required time, energies, skills and attention to perform his duties hereunder is not impaired. It is contemplated that Executive shall perform charitable and industry related work, and may

serve on the board of directors of such organizations. For such time that Executive is the President and Chief Executive Officer of the Company, he shall be elected as a director of the Company.

3. Compensation.

3.1 Base Salary. In consideration for the services provided hereunder, the Company shall pay to Executive an annual base salary of $500,000 (the "Base Salary"). The Base Salary shall be payable in conformity with the Company's customary payroll practices. Such Base Salary shall be subject to periodic review and adjustment in the sole discretion of the Company's Board.

3.2 Bonus.

(a) During the Term of this Agreement, Executive shall be eligible to receive a bonus ("Bonus Compensation"). The aggregate amount of Bonus Compensation payable under the Agreement shall be based upon the achievement by the Company of performance milestones set forth below. Executive shall be eligible to receive a maximum annual bonus of $300,000 in any given calendar year during the Term of this Agreement.

(b) The Bonus Compensation shall be determined by reference to the following table:

Performance Milestones	Bonus Compensation
1. 80% or less of planned EBITDA	1. $ 0
2. 80% to 100% of planned EBITDA	2. [% of planned EBITDA attained less 80%] 20 multiplied by [$300,000 less the Minimum Bonus Amount for the year]
3. >100% of planned EBITDA	3. $300,000

(c) Notwithstanding anything to the contrary herein, Executive shall receive a bonus of not less than $200,000 for the calendar year ending December 31, 2000 and not less than $100,000 for calendar years ending December 31, 2001, 2002 and 2003 ("Minimum Bonus Amount"). For each year of this Agreement, Executive shall receive the Minimum Bonus Amount plus the amount determined under Performance Milestone 2 above; provided, however, the maximum bonus payable to Executive under this Section 3.2 for any single year shall be $300,000. The Bonus Compensation shall be paid to Executive within thirty (30) days of the delivery to the Company of its annual audited financial statements. The Board of Directors may consider, on a case by case basis, bonus amounts in excess of the Bonus Compensation earned by Executive under the amounts and formula set forth in this Section 3.2.

(d) For the period of January 1, 2004 to March 31, 2004, Executive shall receive Bonus Compensation of not less than $25,000 payable within thirty (30) days of the end of the Term.

3.3 Additional Compensation. In addition to Base Salary and any Bonus Compensation, Executive shall be eligible for the following additional compensation.

a. Executive, at the Company's expense, shall be eligible to participate in all employee benefit plans and fringe benefits as may be provided by the Company from time to time on the same basis as other senior executives of the Company are eligible, subject to and to the extent that Executive is eligible under such benefit plans in accordance with their respective terms.

b. Executive shall be entitled to reasonable periods of paid vacation, personal and sick leave during the Term in accordance with the Company's policies regarding vacation and leaves for senior executives of the Company.

c. The Company shall pay or reimburse Executive for all of his out of pocket expenses reasonably incurred in the performance of his duties hereunder on behalf of the Company, including, but not limited to, overnight delivery charges, long distance telephone and facsimile charges and travel expenses (including airfare, hotels, car rental expenses and meals), all in accordance with the Company's expense reimbursement policy. Payment shall be due after the Company's receipt of Executive's invoice or expense report therefor and in accordance with the Company's expense reimbursement policies. In addition, the Company shall reimburse Executive in an amount up to $5,000.00 annually for professional fees incurred by Executive for income tax and estate planning, and up to $10,000 for Executive's out-of-pocket legal expenses incurred in connection with the negotiation of this Agreement.

d. During the Term, the Company shall provide the Executive with health and disability insurance, in scope and coverage equivalent to that provided to other senior executives of the Company; provided, however, that the disability insurance coverage shall be for an amount not less than 80% of Executive's Base Salary and such coverage may be provided by the Company supplementing benefits consistent with the Company's existing group disability policy.

e. The Company shall reimburse Executive for reasonable costs incurred by Executive in the sale of his property in Gulf Stream, including reimbursement of the real estate commission and reasonable closing costs paid by Executive in connection with the closing of the Gulf Stream property. Executive shall also be reimbursed for his moving expenses and storage, which shall include packing and moving of household items. In addition, the Company will provide Executive with mutually agreeable housing for up to nine (9) months from the date of this Agreement to look for and secure a permanent residence in the Charleston, S.C. area.

f. The Company will grant Executive an option (the "Option") to purchase up to seven percent (7%) of the fully-diluted Common Stock of the Company, subject to the vesting schedule, terms, conditions and restrictions set forth in a Stock Option

Agreement to be entered into by and between the Company and Executive after the date hereof, upon the terms set forth in Exhibit A attached hereto. The shares subject to the Option shall vest immediately: (i) upon an initial public offering of the Company's stock, or (ii) if the Company is to be consolidated with or acquired by another entity in a merger, sale of all or substantially all of the Company's assets or otherwise ("Change of Control"). Notwithstanding anything to the contrary in this Agreement, any Company stock plan, or the Option Agreement, in the event Executive is terminated by the Company without Cause, Executive shall have until the termination date of the Option Agreement to exercise such Option for shares vested at the date of such termination.

g. The Company will reimburse Executive for the costs of one (1) family membership in the Daniel Island Club.

(h) The Company shall provide Executive an allowance for a car consistent with the allowance provided for senior executives of the Company and reimburse Executive the reasonable costs of maintenance and upkeep therefor.

With respect to each of the items of benefit listed in this Section 3 and any vesting or other criteria for eligibility applicable thereto, Executive shall be credited with length of service beginning as of the initial date of his employment by the Company, except as otherwise required by law.

4. Term. The term of this Agreement shall commence and this Agreement (the "Term") shall be effective as of the date hereof (the "Effective Time") and shall continue for a term of four (4) years, unless sooner terminated as provided herein. Subject to the terms hereof, this Agreement and Executive's employment hereunder may be terminated by either party prior to the expiration of the Term, for any reason and with or without prior notice. In addition, this Agreement shall terminate immediately upon the Executive's death and may be terminated upon a determination that Executive has become permanently disabled, as defined in Section 5.4 hereof.

5. Termination.

5.1 For Cause By Company. During the Term, the Company may terminate Executive's employment under this Agreement at any time for "Cause." For purposes of this Agreement, "Cause" means:

a. Executive's conviction of any crime (whether or not involving the Company) that constitutes a felony in the jurisdiction involved (other than unintentional motor vehicle felonies and excluding routine traffic citations);

b. any act of theft, fraud or embezzlement, or any other willful misconduct or willful dishonest behavior by Executive which is materially detrimental to the business or operations of the Company;

c. Executive's continuing willful failure or refusal to perform his reasonably assigned duties (consistent with past practice of the Company) under this Agreement in accordance with Section 2 (other than due to his incapacity due to illness or injury),

provided that such willful failure or refusal continues uncorrected for a period of thirty (30) days after Executive shall have received written notice stating the nature of such failure or refusal; or

d. Executive's violation of any of his material obligations contained in that certain Employee Nondisclosure and Developments Agreement dated as of the date hereof and attached as Exhibit B hereto.

For purposes of this Agreement, no act or omission by Executive shall be willful if reasonably believed by Executive to be in or not contrary to, the best interests of the Company.

5.2 Without Cause by Company. During or after the Term, the Company may terminate Executive's employment under this Agreement at any time and for any reason without Cause. If the Company terminates Executive's employment pursuant to the provisions of this Section 5.2 during the Term (without cause), Executive shall, in addition to all accrued but unpaid Base Salary and Bonus Compensation through the date of termination, be paid within 30 days following such termination, receive a lump-sum amount equal to the Base Salary being paid to him immediately prior to such termination for the remainder of the Term (the "Severance Payment"). In the event of any such termination, Executive shall be entitled to the applicable Severance Payment set forth above and no further severance or other compensation benefits.

5.3 Without Reason By Executive. During the Term, Executive may voluntarily terminate his employment by giving the Company written notice no less than ninety (90) days in advance of the effective date of such termination. If Executive voluntarily terminates his employment pursuant to the provisions of this Section 5.3, Executive shall not be entitled to receive any compensation or benefits for the period following the date of such termination other than the proceeds of, or payment of any benefits under, any pension plans or other similar plans in effect on the date thereof. In the event of any such termination, Executive shall be entitled to accrued and unpaid salary and vacation through the termination date and no further severance or other compensation benefits.

5.4 For Good Reason by Executive. During the Term, Executive may terminate his employment under this Agreement at any time for "Good Reason." For purposes of this Agreement, "Good Reason" means:

a. Any materially adverse change or diminution in the office, title, duties, powers, authority or responsibilities of Executive, provided such change or diminution continues uncorrected for a period of thirty (30) days after the Company shall have received notice stating the nature of such change or diminution;

b. The occurrence of a Change in Control, provided that within sixty (60) days after such occurrence or the date Executive is notified thereof, whichever is later, Executive gives the Company written notice of Executive's intention to terminate on an effective date of termination that is no less than ninety (90) days after the date of such notice; provided further, however, that this provision (b) shall not apply if: (i) the Change of Control occurs within twenty-four months of the date hereof; and (ii) the value of Executive's equity-options or stock-in the Company as a result of the Change in Control is less than $10,000,000; or

c. A failure of the Company to pay Executive any Base Salary or Bonus Compensation that have become due and payable within 30 days after Executive has given the Company written notice of demand therefor.

Within thirty (30) days after the occurrence of a termination of Good Reason, Executive shall, in addition to all accrued but unpaid Base Salary and Bonus Compensation through the date of such termination, receive the Severance Payment.

5.5 Termination for Disability or Death. During the Term, Executive's employment may be terminated by either party in the event Executive suffers a physical or mental disability (as defined below) which in the reasonable opinion of the Company renders him substantially unable to perform his duties under this Agreement. Executive shall be deemed to be permanently disabled in the event that Executive has been unable, for a period of ninety (90) consecutive days or one hundred eighty (180) nonconsecutive days during any 360-day period, to perform the services contemplated hereby as a result of incapacity caused by a physical or mental illness or injury. If Executive is terminated under this Section 5.4, he shall be entitled to such benefits as are generally available under the Company's disability insurance policies, if any. Except as otherwise provided herein, if Executive dies, his estate shall be entitled to accrued and unpaid salary and vacation and Bonus Compensation prorated through the termination date and no further severance or compensation benefits. Notwithstanding anything to the contrary in this Agreement, the Company's Stock Plan, or the Option Agreement, upon Executive's death or disability as defined herein, one-half (1/2) of the remaining unvested shares subject to the Option shall vest and Executive (or his estate) shall have until the termination date of the Option Agreement to exercise such Option.

6. Non-Disclosure. In connection with his employment by the Company pursuant to the terms of this Agreement, Executive shall execute, prior to the execution hereof by the Company, the Employee Nondisclosure and Developments Agreement attached hereto as Exhibit B, the terms and conditions of which are incorporated herein by reference.

7. Possession. Executive agrees that upon termination of this Agreement, or upon request by the Company, Executive shall turn over to the Company all documents, files, office supplies and any other material or work product in his possession or control which were created pursuant to or derived from Executive's services to the Company.

8. Noncompetition.

8.1 Noncompetition Provisions. Executive recognizes and agrees that the Company has many substantial, legitimate business interests that can be protected only by Executive agreeing not to compete with the Company or its subsidiaries under certain circumstances. These interests include, without limitation, the Company's contacts and relationships with its customers, the Company's reputation and goodwill in the industry, the financial and other support afforded by the Company, and the Company's rights in its confidential information. Executive therefore agrees that during his employment with the Company and for the one (1) year period of time following the termination of such employment, regardless of the manner or cause of such termination, he will not, without the prior written consent of the Company, engage in any of the following activities in the United States (the "Protected Zones"), relating to the Protected Businesses (as defined below):

a. engage in, manage, operate, control or supervise, or participate in the management, operation, control or supervision of, any business or entity which provides products or services directly competitive with those being actively developed, manufactured, marketed, sold or otherwise provided by the Company or its subsidiaries as of the date hereof (the "Protected Businesses") in the Protected Zones;

b. have any ownership or financial interest, directly or indirectly, in any entity in the Protected Zones engaged in the Protected Businesses, including, without limitation, as an individual, partner, shareholder (other than as a shareholder of a publicly-owned corporation in which Executive owns less than 1% of the outstanding shares of such corporation), officer, directly, executive, principal, agent or consultant;

c. solicit, acquire or conduct any Protected Business from or with any customers of the Company or its subsidiaries (as defined below) in the Protected Zones;

d. solicit any of the employees or independent contractors of the Company or its subsidiaries or induce any such persons to terminate their employment or contractual relationships with any such entities or take action contrary to the best interest of the Company; or

e. serve as an officer or director of, or hold an equity interest in, any entity engaged in any of the Protected Businesses in the Protected Zones.

For purposes of this Section 8, customers of the Company or its subsidiaries shall include those customers to whom the Company or its subsidiaries was providing products or services at the termination of Executive's employment, or had proposals outstanding for the provision of services, at the time of such termination.

8.2 Separate Covenants. The parties understand and agree that the noncompetition agreement set forth in this Section 8 shall be construed as a series of separate covenants not to compete: one covenant for each country, state and province within the Protected Zone, one for each separate line of business of the Company, and one for each month of the noncompetition period. If any restriction set forth in this Section 8 is held by a court of competent jurisdiction to be unenforceable with respect to one or more geographic areas, lines of business and/or months of duration, then Executive agrees, and hereby submits, to the reduction and limitation of such restriction to the minimal effect necessary so that the provisions of this Section 8 shall be enforceable.

8.3 Limitation. Nothing contained in this Agreement or in Exhibit B attached hereto shall prohibit Executive from utilizing his skill, acumen or experience after a termination of his employment with the Company in any business not in violation of this Section 8 at any location not in violation of this Section 8.

9. Saving Provision. The Company and Executive agree and stipulate that the agreements set out in Sections 6 and 8 above are fair and reasonably necessary for the protection of the business, goodwill, confidential information, and other protectable interests of the Company in light of all of the facts and circumstances of the relationship between Executive and

the Company. In the event a court of competent jurisdiction should decline to enforce those provisions, they shall be deemed to be modified to restrict Executive to the maximum extent which the court shall find enforceable; however, in no event shall the above provisions be deemed to be more restrictive to Executive than those contained herein.

10. Injunctive Relief. Executive acknowledges that the breach or threatened breach of any of the nondisclosure or noncompetition covenants contained herein would give rise to irreparable injury to the Company which injury would be inadequately compensable in money damages. Accordingly, the Company may seek and obtain a restraining order and/or injunction prohibiting the breach or threatened breach of any provision, requirement or covenant of this Agreement, in addition to and not in limitation of any other legal remedies which may be available. Executive further acknowledges and agrees that the agreements set out above are necessary for the protection of the Company's legitimate goodwill and business interests and are reasonable in scope and content.

11. Enforcement. The provisions of this Agreement shall be enforceable notwithstanding the existence of any claim or cause of action against the Company by Executive or against Executive by the Company, whether predicated on this Agreement or otherwise.

12. Governing Law. This Agreement, the employment relationship contemplated herein and any claim arising from such relationship, whether or not arising under this Agreement, shall be governed by and construed in accordance with the internal laws of the State of South Carolina, without regard to conflict of law principles.

13. Waiver of Breach. The waiver of any breach of any provision of this Agreement or failure to enforce any provision hereof shall not operate or be construed as a waiver of any subsequent breach by any party.

14. Modification. This Agreement may be modified, and the rights, remedies and obligations contained in any provision hereof may be waived, only in accordance with this Section. No waiver by either party or any breach by the other or any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any other provision of this Agreement. This Agreement may not be waived, changed, discharged or terminated orally or by any course of dealing between the parties, but only by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought. No modification or waiver by the Company shall be effective without the consent of at least a majority of the members of the Board of Directors of the Company then in office at the time of such modification or waiver, excluding Executive's vote as a director on such matters.

15. Entirety. This Agreement, including any exhibits hereto, as it may be amended pursuant to the terms hereof, represents the complete and final agreement of the parties and shall control over any other statement, representation or agreement by the Company (e.g., as may appear in employment or policy manuals). This Agreement supersedes in its entirety any prior negotiations, discussions or agreements, either written or oral, between the parties with regard or relating to the employment of Executive by the Company.

16. Survival. The provisions of this Agreement relating to post-termination compensation (including, without limitation, the Severance Payment and related rights), confidentiality and noncompetition shall survive the expiration or termination of this Agreement.

17. Severability. Without in any way limiting the provisions of Section 8.2, in case any one or more of the provisions contained in this Agreement for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed and reformed to the maximum extent permitted by law.

18. Binding Effect; Successors. This Agreement shall inure to the benefit of Executive and his heirs, successors, personal representatives and assigns. Executive acknowledges that the services to be rendered by him thereunder are unique and personal in nature. Accordingly, Executive may not assign any of his rights or delegate any of his duties or obligations under this Agreement. The Company shall have the right to assign or transfer this Agreement to any successor of all of its business or assets; provided, however, that the Company shall require any such successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

19. Arbitration. In the event of any dispute or claim arising out of or in connection with this Agreement or the enforcement of rights hereunder, such dispute or claim shall be submitted to binding arbitration in accordance with S.C. Code Ann. Section 15-48-10 et. seq., as amended, and the then current rules and procedures of the American Arbitration Association ("AAA"). The arbitrator shall be selected by an agreement of the parties to the dispute or claim from the panel of arbitrators selected by the AAA, or, if the parties cannot agree on an arbitrator within thirty (30) days after the notice of a party's desire to have a dispute settled by arbitration, then the arbitrator shall be selected by the AAA in Charleston, South Carolina. The arbitrator shall apply the laws of the State of South Carolina, without reference to rules of conflict of law or statutory rules of arbitration, to the merits of any dispute or claim. The determination reached in such arbitration shall be final and binding on all parties hereto without any right of appeal or further dispute. Execution of the determination by such arbitration may be sought in any court of competent jurisdiction.

In the event of any arbitration as provided under this Agreement, or the enforcement of rights hereunder, the arbitrator shall have the authority to, but shall not be required to, award the prevailing party its costs and reasonable attorneys' fees.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the undersigned have executed this Employment and Noncompetition Agreement effective as of the day and year first set forth above.

COMPANY:

BLACKBAUD, INC.

By: /s/ Marco W. Hellman

Name: Marco W. Hellman
Title: Chairman

EXECUTIVE:

/s/ Robert Sywolski

Robert Sywolski

EXHIBIT A

STOCK OPTION AGREEMENT

EXHIBIT B

EMPLOYEE NONDISCLOSURE AND DEVELOPMENTS AGREEMENT

THIS EMPLOYEE NONDISCLOSURE AND DEVELOPMENTS AGREEMENT IS made and entered into this 1st day of March, 2000, by and between Blackbaud, Inc., a South Carolina corporation (the "Company") and Robert Sywolski (the "Employee").

WHEREAS, the Company desires to employ the Employee subject to the terms and conditions set forth herein; and

Employee desires to be employed by the Company and is willing to agree to the terms and conditions set forth herein; and

Employee understands that, in its business, the Company has developed and uses commercially valuable technical and nontechnical information and that, to guard the legitimate interests of the Company, it is necessary for the Company to keep such information confidential and to protect such information as trade secrets or by patent or copyright; and

Employee recognizes that the computer programs, system documentation, manuals and other materials developed by the Company are the proprietary information of the Company, that the Company regards this information as valuable trade secrets and that its use and disclosure must be carefully controlled; and

Employee further recognizes that, although some of the Company's customers and suppliers are well known, other customers, suppliers and prospective customers and suppliers are not so known, and the Company views the names and identities of these customers, suppliers and prospective customers and suppliers, as well as the content of any sales proposals, as being the Company's trade secrets; and

Employee further recognizes that any ideas, software or company processes that presently are not being sold, and that therefore are not public knowledge, are considered trade secrets of the Company; and

Employee understands that special hardware and/or software developed by the Company is subject to the Company's proprietary rights and that the Company may treat those developments, whether hardware or software, as either trade secrets, copyrighted material or patentable material, as applicable; and

Employee understands that all such information is vital to the success of the Company's business and that Employee, through Employee's employment, has or may become acquainted with such information and may contribute to that information through inventions, discoveries, improvements, software development, or in some other manner;

NOW, THEREFORE, in consideration of the foregoing premises and Employee's continuation of employment, the parties agree as follows:

1. Employee will not at any time, whether during or after the termination of his employment, reveal to any person or entity any of the trade secrets or confidential information concerning the organization, business or finances of the Company or of any third party that the Company is under an obligation to keep confidential (including, but not limited to, trade secrets or confidential information respecting inventions, research, products, designs, methods, know-how, formulae, techniques, systems, processes, software programs, works of authorship, customer lists, projects, plans and proposals), except as may be required in the ordinary course of performing his duties as an employee of the Company, and Employee shall keep secret all matters entrusted to him and shall not use or attempt to use any such information in any manner that may injure or cause loss to the Company.

2. If at any time or times during Employee's employment, Employee shall (either alone or with others) make, conceive, discover or reduce to practice any invention, modification, discovery, design, development, improvement, process, software program, work of authorship, documentation, formula, data, technique, know-how, secret or intellectual property right whatsoever or any interest therein (whether or not patentable or registrable under copyright or similar statutes or subject to analogous protection) (herein called "Developments") that relates to the business of the Company or any of the products or services being developed, manufactured or sold by the Company or that may be used in relation therewith, such Developments and the benefits thereof shall immediately become the sole and absolute property of the Company and its assigns, and Employee shall promptly disclose to the Company each such Development and hereby assigns any rights Employee may have or acquire in the Developments and benefits and/or rights resulting therefrom to the Company and its assigns without further compensation and shall communicate, without cost or delay, and without publishing the same, all available information relating thereto to the Company. Upon the request of the Company, the Employee will execute and deliver all documents and do other acts which are or may be necessary to document such transfer or to enable the Company to file and prosecute applications for and to acquire, maintain, extend and enforce any and all patents, trademark registrations or copyrights under United States or foreign law with respect to any such developments.

3. During the Employee's employment, and for a period of one (1) year thereafter, the Employee will not solicit business from any person or entity to whom the Company or any of its affiliates has sold its products or services; nor shall the Employee contact, communicate with, solicit or attempt to recruit or hire, any employee of the Company or any of its affiliates with the intent or effect of inducing or encouraging said employee to leave the employ of the Company or any of its affiliates or to breach other obligations to the Company.

4. Employee understands that this Agreement does not create an obligation on the Company or any other person or entity to continue Employee's employment.

5. Employee represents that the Developments, if any, identified on Exhibit A attached hereto comprise all the unpatented and uncopyrighted Developments that Employee has made or conceived prior to or otherwise not in connection with Employee's employment by the Company, which Developments are excluded from this Agreement. Employee understands that it is necessary only to list the title and purpose of such Developments but not the details thereof.

Employee further represents that Employee's performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to

keep in confidence proprietary information acquired by Employee in confidence or in trust prior to Employee's employment by the Company. Employee has not entered into, and Employee agrees he will not enter into, any agreement either written or oral in conflict herewith.

6. Any waiver by the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

7. Employee hereby agrees that each provision herein shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity or subject so as to be unenforceable at law, such provision or provisions shall be construed by the appropriate judicial body by limiting and reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then exist.

8. Employee's obligations under this Agreement shall survive the termination of Employee's employment regardless of the manner of such termination and shall be binding upon Employee's heirs, executors, administrators and legal representatives.

9. The term "Company" shall include Blackbaud, Inc. and any of its subsidiaries, subdivisions or affiliates. The Company shall have the right to assign this Agreement to its successors and assigns, and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by said successors or assigns. This Agreement may be amended only in a writing signed by each of the parties hereto.

10. This Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina. This Agreement may be executed in counterparts, but all such counterparts shall together constitute one and the same instrument.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the undersigned have executed this Employee Nondisclosure and Developments Agreement as a sealed instrument as of the date first above written.

EMPLOYEE:

_____(SEAL)
Robert Sywolski

COMPANY:

BLACKBAUD, INC.

By:_____
Name:_____
Title:_____

EXHIBIT A

PRIOR DEVELOPMENTS BY EMPLOYEE

EXHIBIT 10.3

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "Agreement"), made and entered into as of this 8th day of March, 2000 by and between Blackbaud, Inc., a South Carolina corporation (the "Company") and its successors from time to time and Robert Sywolski (the "Participant").

WHEREAS, the Company has adopted the Blackbaud, Inc. 2000 Stock Option Plan (the "Plan") to promote the interests of the Company and its shareholders by providing key employees of the Company and its Affiliates (as defined in the Plan) with an appropriate incentive to encourage them to continue in the employ of the Company and its Affiliates and to improve the growth and profitability of the Company;

WHEREAS, all capitalized terms used, but not separately defined, herein have the meanings set forth in the Plan; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto hereby agree as follows:

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant Options with respect to 5,638,791 Shares, effective on the date hereof (the "Grant Date").

2. Identification of Options. The options granted hereby (hereafter, the "Options") are Incentive Stock Options to the extent permitted by the Internal Revenue Code.

3. Term. The Options shall expire on the earlier of (i) the close of business on the date they terminate pursuant to Section 7(a) and (ii) the close of business on the tenth anniversary of the Grant Date.

4. Exercise Price. The exercise price per share of each Option is $3.00. In addition to any means of payment specified in the Plan, payment of the exercise price for any shares may be made (i) with a recourse promissory note to the Company (the "Participant Note") in the form of Exhibit A annexed hereto; or (ii) at a time when the Shares are listed on a national securities exchange or on NASDAQ (including the Nasdaq Smallcap Market) by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of proceeds to pay the purchase price, and, if requested by the Company, the amount of required minimum statutory and regulatory federal, state, local or foreign withholding taxes.

5. Vesting and Certain Payments. (a) Subject to the acceleration of any Options pursuant to the Plan, the Options shall vest as follows: (i) 25% of the Options shall vest on the Grant Date (the "First Vesting Date") and (ii) the remaining 75% of the Options shall vest in eight equal semi-annual installments beginning on September 30, 2000, subject to the limitations set forth in Section 7 below. Notwithstanding the foregoing sentence, upon the consummation of the IPO, fifty (50%) percent of all outstanding and unvested options granted to the Participant under the Plan shall become immediately exercisable, provided, however, that upon the consummation of a Change in Control, all outstanding and unvested options granted to the

Participant under the Plan shall become immediately exercisable. As used in this Agreement, (i) "IPO" shall mean a firmly underwritten public offering of the Company's stock, of not less than $20,000,000 in gross proceeds, registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act") and shall not include any registration of shares pursuant to a Company stock option or incentive plan; and (ii) "Change in Control" shall mean the acquisition (including as a result of merger, but excluding any acquisition or transfer by or to an Affiliate of any shareholder) by any one or more persons or entities acting in concert of substantially all of the assets of the Company or of beneficial ownership, either directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the then outstanding voting securities of the Company. Notwithstanding the foregoing, any event or occurrence constituting the IPO or a Change in Control under the Plan shall be deemed to constitute the IPO or a Change in Control, as the case may be, hereunder.

(b) Two (2) days before the due date (including the due date of any quarterly tax payment) of the tax payment owed by Participant with respect to the exercise of all or any portion of the Options, the Company shall either (i) wire to the account of the Participant, or (ii) deposit on such due date into the Company's payroll account for the benefit of the Participant, a bonus (the "Deemed Tax Rate Differential Payment") in an amount equal to the product of (A) ten (10%) percent; and (B) the product of (1) the number of shares subject to Options exercised; and (2) the sum of (x) the Fair Market Value (on the date of exercise as determined under Section 7(e)) of a Share; minus (y) the exercise price of a Share. The Company shall wire such amount to the account of the Participant unless (i) the Company is required to withhold taxes relating to the exercise of the Options or (ii) the Participant requests the Company to withhold. If the Participant is not employed by the Company at the time of exercise, the Company shall wire the Deemed Tax Rate Differential Payment to an account as directed by the Participant, two (2) days before the due date of the tax payment.

For example, the amount of a Deemed Tax Rate Differential Payment would be calculated as follows using the stated assumptions:

1. Number of shares subject to Options exercised 5,600,000

2. Exercise Price per Share: $3.00

3. Fair Market Value of a Share at Time of Exercise: $10.00

Calculation:

(i) 10% x (ii) [5,600,000] x [$10.00 - $3.00]

= (i) 10% x (ii) [5,600,000 x $7.00]

= (i) 10% x (ii) $39,200,000

= $3,920,000

Notwithstanding anything to the contrary contained herein, if Participant exercises all or any portion of the Options prior to the effective date of an IPO, the Company shall make the Deemed Tax Rate Differential Payment, in the manner set forth above, within seven (7) days of the earlier of (i) mutual agreement of the Participant and Company as to Fair Market Value, or (ii) the completion of the valuation procedure set forth in Section 7(e).

The maximum number of Shares subject to the Deemed Tax Rate Differential Payment is five million six hundred thirty eight thousand seven hundred ninety one (5,638,791), subject to adjustment under the Plan.

6. Incorporation of Plan. Except as may be otherwise provided herein, all terms and conditions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement shall govern. For avoidance of doubt (i) the Options may not be cancelled under the provisions of the Plan contained in Section 9(c) of the Plan and (ii) this Agreement will be construed as is customary for a bilateral contract, such that in the event of a dispute the Committee will not be entitled to construe this Agreement in its discretion as provided in Section 2(b)(vii) of the Plan.

7. Termination of Employment/Service. In the event of termination of the Participant's Employment/Service:

(a) The Participant may exercise the Options at any time during the Continuation Period (as defined below), to the extent that they were vested as of the date of such termination. To the extent not vested as of the date of such termination, and to the extent not so exercised within the Continuation Period, the Options shall terminate. The "Continuation Period" means the period beginning on the date of such termination and ending at the close of business on the tenth anniversary of the Grant Date. Notwithstanding the foregoing, in the event the Participant's Employment/Service is terminated by the Company for Cause, the Options not vested shall terminate immediately upon such termination and shall not thereafter be exercisable.

(b) Prior to an IPO, the following shall apply to Shares purchased through the exercise of the Options (whether exercised before or after termination of Employment/Service):

(i) If the Participant's Employment/Service is terminated by the Company without Cause, the Participant shall have the right to sell the Shares to the Company (the "Share Put") for a per-share price equal to the Fair Market Value of a Share as of the date the notice of exercise is given, and the Company shall purchase the Shares at that price upon exercise of the Share Put by the Participant; provided, that in such case, the Share Put may only be exercised at any time during the period ending on the date that is one year following such termination. Commencing upon the termination of the Share Put right until the date of any IPO, subject to Section 7(e), the Company, and, to the extent not exercised by the Company, Pobeda Partners, Ltd. or Affiliates thereof, shall have the right (the "Share Call") to purchase some or all of the Shares for a per-share price equal to the Fair Market Value of a Share as of the date the notice of exercise is given, and Participant shall sell such Shares at that price upon exercise of the Share Call by the Company and/or Pobeda Partners, Ltd. or Affiliates thereof. If the terms of any indebtedness of the Company to an unaffiliated third-party restrict the Company's ability to

purchase the shares subject to such Share Put, to the extent of such restrictions, the Company (but not Pobeda Partners, Ltd. or Affiliates thereof) may elect to pay for such shares with a promissory note in the form of Exhibit B annexed hereto (the "Company Note"), which shall bear interest at the prime rate or base rate of interest most recently published or announced in the Wall Street Journal, which shall be payable in equal monthly installments over a period not to exceed five years.

(ii) If the Participant terminates his or her own Employment/Service, the Company, and, to the extent not exercised by the Company, Pobeda Partners, Ltd. or Affiliates thereof, shall have the right, during the period ending upon the date of any IPO, to exercise the Share Call for a per-share price equal to 100% of the Fair Market Value of a Share as of the date the notice of exercise is given, and the Participant shall sell such Shares for that price upon exercise of the Share Call.

(iii) If the Participant's Employment/Service is terminated for Cause, the Company, and, to the extent not exercised by the Company, Pobeda Partners, Ltd. or Affiliates thereof, shall have the right, during the period ending upon the date of any IPO, to exercise the Share Call for a per-share price equal to 70% of the Fair Market Value of a Share as of the date of such termination, and the Participant shall sell such Shares for that price upon exercise of the Share Call.

(iv) If the Participant's Employment/Service is terminated because of the Participant's disability or death, the Participant or the representative of the Participant or his estate, heirs or legatees, shall have the right to exercise the Share Put for a per-share price equal to the Fair Market Value of a Share as of the date of such notice of exercise, and the Company shall purchase such Shares for that price upon exercise of the Share Put; provided, that in such case, the Share Put may only be exercised at any time during the period ending on the date that is one year following such termination. Commencing upon the termination of the Share Put right described in the previous sentence until the date of any IPO, the Company, and, to the extent not exercised by the Company, Pobeda Partners, Ltd. or Affiliates thereof, shall have the right to purchase some or all of the Shares for a per-share price equal to the Fair Market Value of a Share as of the date the notice of exercise is given, and the Participant (or the representative of the Participant or his or her estate) shall sell such Shares at that price upon exercise of the Share Call by the Company, Pobeda Partners, Ltd. or Affiliates thereof. If the terms of any indebtedness of the Company to an unaffiliated third-party restrict the Company's ability to purchase the shares subject to such Share Put, to the extent of such restrictions, the Company (but not Pobeda Partners, Ltd. or Affiliates thereof) may elect to pay for such shares with a promissory note in the form of Exhibit B annexed hereto (the "Company Note"), which shall bear interest at the prime rate or base rate of interest most recently published or announced in the Wall Street Journal, which shall be payable in equal monthly installments over five years provided, that the terms of any such promissory note shall in all events be subject to the applicable limitations contained in such lending arrangements (and the Company agrees to exercise all reasonable efforts to have any limitations amended or waived to the extent necessary to minimize the modifications due to the lending arrangement limitations.

(c) For purposes of Section 7, "Cause" shall be defined as:

(i) the Participant's conviction of any crime (whether or not involving the Company) that constitutes a felony in the jurisdiction involved (other than unintentional motor vehicle felonies and excluding routine traffic citations);

(ii) any act of theft, fraud or embezzlement, or any other willful misconduct or willful dishonest behavior by the Participant which is materially detrimental to the business or operations of the Company;

(iii) the Participant's continuing willful failure or refusal to perform his reasonably assigned duties (consistent with past practice of the Company) under that certain Employment Agreement entered into between the Participant and the Company (other than due to his incapacity due to illness or injury), provided that such willful failure or refusal continues uncorrected for a period of thirty (30) days after the Participant shall have received written notice stating the nature of such failure or refusal; or

(iv) the Participant's violation of any of his material obligations contained in that certain Employee Nondisclosure and Developments Agreement entered into between the Participant and the Company.

For purposes of this Agreement, no act or omission by the Participant shall be willful if reasonably believed by the Participant to be in or not contrary to, the best interests of the Company.

(d) Notwithstanding anything to the contrary contained herein, the Company shall have no obligation to purchase Shares, and all rights of the Participant to cause the Company to purchase Shares pursuant to the terms of this Agreement shall terminate, upon the date the Company files a registration statement with the SEC in contemplation of an initial public offering of its Common Stock; provided, however, that in the event the Company notifies the Participant that such public offering has been abandoned or if the effective date of the initial public offering otherwise does not occur within nine (9) months after the date of such filing, the Company's obligation to purchase, and the right of the Participant to cause the Company to purchase, Shares pursuant to this Agreement shall again be in effect and the period of time during which the Participant may exercise the Share Put shall be extended by a number of days equal to the number of days from the date of the filing of the registration statement to and including the date of the Company's notice or, if the Company has not furnished such notice, by nine months. Upon the date the Company files such a registration statement with the SEC, the obligation of the Participant to sell Shares to the Company under this Agreement, and the Company's right to cause the Participant to sell such Shares, shall terminate; provided, that if the effective date of the initial public offering does not occur within nine (9) months after the date of the filing of the registration statement, the obligation of the Participant to sell, and the right of the Company to cause the Participant to sell, Shares pursuant to this Agreement shall again be in effect.

(e) Notwithstanding any contrary definition contained in the Plan, for purposes of this Agreement, the term "Fair Market Value," of any securities (including any Shares) as of any given date means (i) if such securities are not then listed on any exchange or NASDAQ, the fair market value of each such security as agreed upon by the Company and the

Participant, or failing such agreement, as determined by a qualified, independent investment banking firm, mutually selected by the Company and the Participant (each party to bear one half of the fees, costs and expenses of such investment banking firm) as of such date, and if the issuer of the securities is not so listed, on the basis of such issuer's status as a privately held entity and without reference to any discount for minority interest, control premium, restrictions on transfer or disparate voting rights (if any), and (ii) if such securities are so listed, the mean between the highest and lowest reported sales prices on such date of such security on the New York Stock Exchange or, if not listed on such exchange, on any other national securities exchange on which such security is listed or, if not so listed on NASDAQ, on the last preceding date on which there was a sale of such security on such exchange or on NASDAQ. The parties shall use commercially reasonable efforts to complete the determination of Fair Market Value within three (3) months of a notice regarding a Share Put or Share Call or a notice from the Participant regarding his exercise of any Options prior to an IPO.

(f) Notwithstanding anything to the contrary contained in this Agreement, neither the Company, Pobeda Partners, Ltd. or Affiliates thereof, nor the Participant may exercise the Share Put or Share Call with respect to any Shares that do not qualify as mature shares. Mature shares shall be defined for all purposes under this Agreement by reference to generally accepted accounting principles at the time of such Share Put or Share Call. The determination as to whether Shares qualify as mature shares shall be made at the request of the Board of Directors of the Company by any Big 5 or other nationally recognized accounting firm within fourteen (14) days of a written notice by any party to this Agreement. The effective date of exercise of the Share Put or Share Call and the determination of Fair Market Value shall relate back to the date that a party gives such written notice hereunder of the Share Put or Share Call, if and only if any Shares subject to such notice are determined to be mature shares as of such date. Notwithstanding anything to the contrary contained herein, if some, but not all of the Shares are mature shares, then the Participant may, at his election, exercise the Share Put from time to time until all of the Shares have been sold pursuant to the Share Put. The Participant may withdraw any such notice if any Shares subject to such notice are not mature shares; provided, however such notice must be received by the Company within fourteen (14) days of the date of the notice from the Company that any Shares are not mature shares.

8. Option Transfer Restrictions. No Option or right to exercise any Option shall directly or indirectly be transferred other than to a beneficiary pursuant to Section 8 of the Plan.

9. Tag-Along and Bring-Along Rights.

(a) Participant's Tag-along Rights. Except as provided in Section 9(b), in the event of a proposed sale of Common Stock to any third party by the shareholders of the Company (the "Shareholders") of more than fifty percent (50%) of the issued and outstanding Shares of the Company at such time, the Company shall, at least twenty (20) days prior to such sale, deliver to the Participant written notice (the "Sale Notice") thereof describing the terms and conditions of such sale (the "Sale Notice Transaction") and whether an IPO or Change in Control is occurring prior to, simultaneously with or in connection with any Sale Notice Transaction. Upon receipt of a Sale Notice, the Participant, by giving written notice to Company not later than ten (10) days following receipt of the Sale Notice, may participate in such sale on a pro rata basis based on the ratio of the Participant's Shares to the total number of outstanding Shares of the

Company. Participant shall participate in such sale for a price per Share equal to the purchase price per Share being paid for all Shares and on other terms and conditions substantially similar to those being offered to other Shareholders in the Sale Notice Transaction. In the event that the Participant does not accept terms and conditions substantially similar to those of the transaction, Participant shall not be entitled to participate in the Sale Notice Transaction. The Participant's right to participate in the Sale Notice Transaction is conditioned on consummation of such Sale Notice Transaction. If the IPO or a Change in Control occurs prior to, simultaneously with or in connection with any Sale Notice Transaction, then the Participant's Shares shall be deemed to include any Shares issuable upon the exercise of Options that vest upon such IPO or Change in Control, as the case may be, to the extent actually exercised. The Company shall permit the Participant to exercise any such Options, effective simultaneously with the consummation of the Sale Notice Transaction (or upon such earlier date as such Options may otherwise be exercisable), provided, however, that Participant must elect in writing to exercise any such Options within ten (10) days of receipt by the Participant of the Sale Notice.

(b) The Company's Bring-Along Rights. If the Company proposes to effect a Sale Event (as defined below), the Company may deliver a notice (a "Sale Event Notice") to all of the shareholders of the Company (including the Participant) stating that the Company proposes to effect such transaction (the "Sale Event Notice Transaction") and, in the case of the Participant's Sale Event Notice, whether an IPO or Change in Control is occurring prior to, simultaneously with or in connection with any Sale Event Notice Transaction, and specifying the name and address of the proposed parties to such transaction and the consideration payable in connection therewith. Upon receipt of a Sale Event Notice, Participant shall be obligated to transfer all (but not less than all) Shares owned by him in the Sale Event for a price per Share equal to the price per Share being paid for all Shares in the Sale Event Notice Transaction and on other terms and conditions substantially similar to those being offered to other Shareholders in the Sale Event Notice Transaction. In addition to selling his or her Shares, the Participant shall take all other necessary action to cause the Company to consummate the proposed Sale Event, including, to the extent necessary, voting all his or her Shares in favor of such transaction. For purposes of this Agreement, a "Sale Event" shall mean (i) the sale to a third person or entity that is not an affiliate of the Company of fifty percent (50%) or more of the issued and outstanding Common Stock of the Company, (ii) a merger, share exchange or other business combination involving the Company and such a third person or entity in which the Shareholders receive consideration in respect of at least fifty (50%) of the outstanding capital stock, or (iii) a leveraged recapitalization of the Company involving significant distributions or redemptions in respect of the Common Stock. If the IPO or a Change in Control occurs prior to, simultaneously with or in connection with any Sale Event Notice Transaction, then the Shares owned by Participant shall be deemed to include any Shares issuable upon the exercise of Options that vest upon such IPO or Change in Control, as the case may be. The Company shall afford the Participant the opportunity to exercise any such Options, effective simultaneously with the consummation of the Sale Event Notice Transaction (or upon such earlier date as such Options may otherwise be exercisable), provided, however, that Participant must elect in writing to exercise any such Options within ten (10) days of receipt by the Participant of the Sale Notice.

(c) Closing. The closing of any transaction pursuant to this Section 9 shall be held at such time and place as the Company shall reasonably specify. At such closing, the

Participant shall deliver certificates representing the Shares to be sold, duly endorsed for transfer and accompanied by all requisite stock transfer taxes, if any, and the Shares to be transferred shall be free and clear of any liens, claims or encumbrances (other than restrictions imposed by this Agreement) and the Participant shall so represent and warrant. The Participant shall further represent and warrant that it is the record and beneficial owner of such Shares and make such additional representations and warranties and related indemnities relating to its ownership of the Shares as shall be customary in transactions of a similar nature.

(d) Inapplicable to Public Offering. Notwithstanding anything herein to the contrary, the tag-along rights set forth in Section 9(a) above and the bring-along rights set forth in Section 9(b) above shall not apply to any sale of Shares pursuant to a registration statement filed with the SEC under the Securities Act.

10. Rights of First Refusal on Certain Shareholder Transfers.

(a) Offering Notice. Subject to Section 10(g), if the Participant desires to transfer all or any portion of his Shares to a third party, the Participant shall give written notice thereof (the "Offering Notice") to the Company. The Offering Notice shall be accompanied by a copy of the relevant acquisition agreement and shall state (i) the number of Shares to be transferred (the "Offered Shares"); (ii) the name and address of the prospective person or entity (the "Prospective Purchaser") to whom the Participant desires to transfer such Offered Shares; (iii) the price of the Offered Shares to be paid by the Prospective Purchaser, which price must be payable in cash; (iv) that the proposed purchase of the Offered Shares shall be consummated no later than sixty (60) days after the expiration of the option referred to in subsection (c) below; and (v) that the offer of the Prospective Purchaser has been accepted by the Participant subject to the rights of the Company contained in this Section 10.

(b) Certificate of Prospective Purchaser. The Offering Notice shall be accompanied by a certificate of the Prospective Purchaser stating that (i) its offer to purchase the Offered Shares is a bona fide offer and that it shall close the purchase on the stated terms, and that it has been approved by its board of directors (or the equivalent if the Prospective Purchaser is not a corporation) (unless such Prospective Purchaser is a natural person); (ii) the description of his or its offer contained in the Offering Notice is complete and accurate; (iii) he or it is aware of the rights of the Company, Pobeda Partners, Ltd. or Affiliates thereof, contained in this Section 10; (iv) prior to the purchase of any Offered Shares by the Prospective Purchaser, he or it will execute an agreement reasonably acceptable to the Company with terms substantially similar to those contained in Sections 9 and 10 of this Agreement with respect to restrictions on transfer, rights of first refusal, and tag-along and bring-along rights (the "Restrictive Agreement") and agree to be bound by the terms and conditions thereof to the same extent and in the same manner as the Participant; (v) the Prospective Purchaser acknowledges that the Share Put has been terminated, however, the Prospective Purchaser shall acknowledge that the Share Call shall continue to apply to such Offered Shares, and (vi) neither the Prospective Purchaser, nor any Affiliate of the Prospective Purchaser, is engaged in a business that competes with the Company with respect to the business of software development, marketing, sales and/or distribution for non-profit organizations in the United States of America. In addition, the certificate of the Prospective Purchaser shall be accompanied by evidence reasonably satisfactory to the Company as to the Prospective Purchaser's financial ability to consummate the proposed purchase.

(c) Company Option to Purchase. For a period of fifteen (15) business days after receipt of the Offering Notice and the certificate referred to in Section 10(b) above, (the "Company Option Period"), the Company, Pobeda Partners, Ltd. or Affiliates thereof, shall have the option to give notice of its election to purchase all of the Offered Shares; provided, however, that the Company, Pobeda Partners, Ltd. or Affiliates thereof, may elect to purchase less than all of the Offered Shares if the Participant consents to the purchase of less than all of its Offered Shares. The option granted to the Company, Pobeda Partners, Ltd., or Affiliates thereof, to purchase the Offered Shares hereunder shall be exercisable by delivering written notice to such effect, prior to the expiration of the Company Option Period, to the Participant. The purchase of Offered Shares hereunder by the Company, Pobeda Partners, Ltd. or Affiliates thereof, shall be on terms no less favorable in the aggregate than the terms contained in the Offering Notice on which the Prospective Purchaser has agreed to purchase the Offered Shares. The failure of the Company, Pobeda Partners, Ltd. or Affiliates thereof, to exercise its option to purchase all or a portion of the Offered Shares under this Section 10(c) within the Company Option Period shall be deemed to be a waiver of its right to purchase the Offered Shares.

(d) Sale by Participant. Upon the expiration of the Option Period or the earlier waiver by the Company, Pobeda Partners, Ltd. or Affiliates thereof, of its rights under Section 10(c), the Participant may transfer all, but not less than all, of the Offered Shares not purchased by the Company, Pobeda Partners, Ltd. or Affiliates thereof, pursuant to this Section, to the Prospective Purchaser in accordance with the terms (including the purchase price and consideration) set forth in the Offering Notice; provided, however, that as a condition to such sale, such Prospective Purchaser shall have delivered to the Company a signed copy of the Restrictive Agreement. If such sale is not consummated by the earlier of the date specified in the Offering Notice or the date thirty (30) days after the expiration of the Company's Option Period, the restrictions provided for herein shall again become effective.

(e) Closing. The closing of any purchase of the Offered Shares by the Company, Pobeda Partners, Ltd. or Affiliates thereof, pursuant to this Section shall be held at the principal office of the Company at 10:00 a.m. local time no later than thirty (30) days after the date of expiration of the Company's Option Period. At such closing, the Participant shall deliver (i) certificates representing the Offered Shares, duly endorsed for transfer and accompanied by all requisite stock transfer taxes, if any, and (ii) his or her signed certification that the Offered Shares are transferred free and clear of any liens, claims or encumbrances (other than restrictions imposed by this Agreement), and that he or she is the record and beneficial owner of such Offered Shares. The Company, Pobeda Partners, Ltd. or Affiliates thereof, shall deliver at such closing, by certified or official bank check or by wire transfer of immediately available funds, payment in full for such Offered Shares.

(f) Permitted Transfer. For purposes of this Agreement a "Permitted Transfer" shall mean a transfer by the Participant of Shares (or Options to the extent permitted under the Plan) to his or her spouse or lineal descendants or to a trust established for the exclusive benefit of his spouse or lineal descendants; provided, however, that any such transferee in a Permitted Transfer must first execute a Restrictive Agreement. If the Participant desires to transfer all or any portion of his Shares pursuant to this Section 10(f), he shall give written notice to the Company of his intention to make such transfer not less than five (5) days prior to

effecting such transfer, which notice shall state the name and address of each person or trust to which such transfer is proposed and the description and amount of the Shares to be so transferred. The Company shall have the right to review the applicable trust documents (and any amendments thereto) to confirm that such trust is legally capable of complying with the terms of the Restrictive Agreement and, to the extent not so capable, may, prior to the proposed effective date of such transfer, require reasonable changes to such documents to provide for compliance with the terms hereof as a condition to such transfer.

(g) Inapplicability of Right. The right of first refusal described in this Section 10 shall not apply to (i) any transfer by Participant in connection with the exercise of tag-along or bring-along rights as described in Section 9 above; (ii) any transfer of Shares to an underwriter pursuant to a registration statement filed with the SEC under the Securities Act, (iii) any transfer to a Permitted Transferee, or (iv) any transfer pursuant to Section 8.

11. Restrictions on Shares; Conditions to Exercise. As a condition to exercise of the Options granted hereby, the Participant (i) will be required to make customary and reasonable representations, warranties and agreements with respect to the Shares obtained through such exercise consistent in all material respects with the form of the representations, warranties and agreements set forth in Exhibit C hereto; and (ii) understands and agrees that he will not offer, resell, transfer or otherwise dispose of the Shares obtained through such exercise other than pursuant to an available exemption from registration under the Securities Act or pursuant to an effective registration statement, if any. The Participant further understands and agrees that, except as provided in Section 12 hereof, the Company is under no obligation to file any registration statement with the SEC in order to permit transfers of the Shares.

12. Registration Rights.

The Company hereby grants to the Participant the registration rights set forth in this Section 12, with respect to the Registrable Securities (as defined below) owned by the Participant. The Company and the Participant agree that the registration rights provided herein set forth the sole and entire agreement, and supersede any prior agreement, between the Company and the Participant with respect to registration rights for the Company's securities.

(a) Certain Definitions. As used in this Section 12:

(i) The terms "register," "registered" and "registration" refer to a registration effected by filing with the SEC a registration statement (the "Registration Statement") in compliance with the Securities Act, and the declaration or ordering by the SEC of the effectiveness of such Registration Statement.

(ii) The term "Registrable Securities" means (i) Common Stock purchased pursuant to the exercise of the Option granted hereunder and held by the Participant or any transferee pursuant to Section 12(f) below, and (ii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange or in replacement of, such Registrable Securities; provided, however, that Common Stock or other securities shall cease to be treated as Registrable Securities if (a) a registration statement covering such securities has

been declared effective by the SEC and such security has been disposed of pursuant to such effective registration statement, (b) such security is sold or may be sold pursuant to Rule 144 under the Securities Act (or another exemption from the registration requirements of the Securities Act) or (c) such security ceases to be outstanding.

(iii) The term "Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company or any other entity of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

(iv) The term "Holder" (collectively, "Holders") means any Person holding Registrable Securities, securities exercisable or convertible into Registrable Securities or securities exercisable for securities convertible into Registrable Securities.

(b) Piggyback Registration.

(i) Company Registration. If at any time or from time to time the Company shall determine to register any of its securities, either for its own account or for the account of security holders, and such registration involves a manner of registration other than (v) the IPO; (w) a registration relating solely to employee benefit plans; (x) a registration on Form S-4 or S-8 (or such other similar successor forms then in effect under the Securities Act); (y) a registration pursuant to which the Company is offering to exchange its own securities; or (z) a registration statement relating solely to dividend reinvestment or similar plans, the Company will:

(A) promptly (but in no event less than 15 days before the anticipated filing date of the registration statement offering such registration) give to the Participant written notice thereof; and

(B) include in such registration (and any related qualification under state securities laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request, made within 15 days after receipt of such written notice from the Company, by the Participant, except as set forth in Section 12(b)(ii) below.

(ii) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Participant as a part of the written notice given pursuant to Section 12(b)(i)(A). In such event the right of the Participant to registration pursuant to this Section 12(b) shall be conditioned upon the Participant's participation in such underwriting and the inclusion of the Participant's Registrable Securities in the underwriting to the extent provided herein.

If the Participant desires to distribute his Registrable Securities through such underwriting, he shall, together with the Company and the other parties distributing their securities through such underwriting, enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Section 12(b), if the underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the underwriter

may limit the number of Registrable Securities to be included in the registration and underwriting, subject to the terms of this Section 12(b). The Company shall so advise the Participant, and the number of shares of such securities, including Registrable Securities, that may be included in the registration and underwriting shall be allocated in the following manner: shares, other than Registrable Securities and other securities that are entitled to contractual rights with respect to registration similar to those provided for in this Section 12(b), requested to be included in such registration by shareholders shall be excluded, and if a limitation on the number of shares is still required, subject to the last sentence of this paragraph, the number of Registrable Securities and other securities that are entitled to contractual rights with respect to registration that may be included shall be allocated among the Holders thereof in proportion, as nearly as practicable, to the amounts of Registrable Securities and such other securities (including, without limitation, Options) held by each such Holder at the time of filing the Registration Statement. For purposes of any such underwriter cutback, all Registrable Securities and other securities held by any Holder that is a partnership or corporation, shall also include any Registrable Securities held by the partners, retired partners, shareholders or affiliated entities of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing Persons, and such Holder and other Persons shall be deemed to be a single "Selling Holder," and any pro rata reduction with respect to such "Selling Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Selling Holder," as defined in this sentence. No securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration.

If the Participant disapproves of the terms of the underwriting, he may elect to withdraw therefrom by written notice to the Company and the underwriter. The Registrable Securities so withdrawn shall also be withdrawn from registration.

(iii) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 12(b) prior to the effectiveness of such registration whether or not the Participant has elected to include securities in such registration.

(c) Expenses of Registration. All expenses incurred in connection with all registrations effected pursuant to Section 12(b), including without limitation all registration, filing and qualification fees (including state securities law fees and expenses), printing expenses, escrow fees, fees and disbursements of counsel for the Company (and the reasonable fees and disbursements of one separate counsel for all of the Company's shareholders participating in the registration) and expenses of any special audits incidental to or required by such registration shall be borne by the Company; provided, however, that the Company shall not be required to pay stock transfer taxes or underwriters' discounts or selling commissions relating to Registrable Securities.

(d) Obligations of the Company. Whenever required under this Section 12 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(i) prepare and file with the SEC a Registration Statement with respect to such Registrable Securities and use its diligent efforts to cause such Registration Statement to become effective, and keep such Registration Statement effective for the lesser of 120 days or until the Participant has completed the distribution relating thereto.

(ii) prepare and file with the SEC such amendments and supplements to such Registration Statement and the prospectus used in connection with such Registration Statement as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement in accordance with the intended methods of disposition by sellers thereof set forth in such registration statement.

(iii) furnish to the Participant such numbers of copies of a prospectus, including all exhibits thereto and documents incorporated by reference therein and a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as he may reasonably request in order to facilitate the disposition of Registrable Securities owned by him.

(iv) use its diligent efforts to register or otherwise qualify the securities covered by such Registration Statement under such other securities laws of such states and other jurisdictions as shall be reasonably requested by the Participant or the managing underwriter, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. The Participant shall also enter into and perform his obligations under such an agreement.

(vi) notify the Participant at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(vii) use its diligent efforts to list the Registrable Securities that are shares of Common Stock covered by such Registration Statement with any securities exchange on which the Common Stock is then listed.

(viii) make available for inspection by the Participant, any underwriter participating in any distribution pursuant to such registration, and any attorney, accountant or other agent retained by the Participant or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, as such parties may reasonably request, and cause the Company's officers, directors and employees to supply all information reasonably

requested by the Participant, underwriter, attorney, accountant or agent in connection with such Registration Statement.

(ix) cooperate with the Participant and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, such certificates to be in such denominations and registered in such names as the Participant or the managing underwriters may request at least two business days prior to any sale of Registrable Securities.

(x) permit the Participant, if the Participant, in the reasonable judgment, exercised in good faith, of the Participant, might be deemed to be a controlling person of the Company, to participate in good faith in the preparation of such Registration Statement and to cooperate in good faith to include therein material, furnished to the Company in writing, that in the reasonable judgment of the Participant and his counsel should be included.

(e) Information by the Participant. The Participant, if he holds Registrable Securities to be included in any registration, shall furnish to the Company such information regarding the Participant and the distribution proposed by the Participant as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Section 12.

(f) Transfer of Registration Rights. The rights, contained in Section 12(b) hereof, to cause the Company to register the Registrable Securities, may be assigned or otherwise conveyed (i) by the Participant pursuant to a permitted transfer pursuant to this Agreement, and (ii) by the Participant in a transaction not involving a change in beneficial ownership or which involves a transfer of a significant portion of the Participant's Registrable Securities

(g) Delay of Registration. The Participant shall not have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 12.

(h) "Market Stand Off" Agreement. The Participant hereby agrees that during the 180 day period (or such lesser period as is applicable to any holder of five percent (5%) of the outstanding Common Stock) following the effective date of a registration statement of the Company filed under the Securities Act, he shall not, to the extent requested by the Company and any underwriter, sell, pledge, hypothecate, transfer, make any short sale of, loan, grant any option or right to purchase of, or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any Common Stock held by it at any time during such period except Common Stock included in such registration.

(i) Termination of Registration Rights. The rights of the Participant to cause the Company to register securities under Section 12(b) hereof shall terminate as to the Participant on the later of (i) five (5) years following the consummation of the IPO, or (ii) the date the Participant is able to dispose of all of his Registrable Securities in any 90 day period pursuant to SEC Rule 144 (or any similar or analogous rule promulgated under the Securities Act).

(j) Registration of Shares Underlying the Plan. The Company intends to register Shares underlying the Plan following an IPO on Form S-8, subject to customary lock-up restrictions imposed on the Company by its underwriters.

(k) Indemnification.

(i) The Company will, and does hereby undertake to, indemnify and hold harmless Participant with respect to any registration, qualification or compliance effected pursuant to this Section 12, of the Registrable Securities held by or issuable to Participant, against all claims, losses, damages and liabilities (or actions in respect thereto) to which Participant may become subject under the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), or other federal or state law arising out of or based on (A) any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other similar document (including any related Registration Statement, notification, or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made, (B) any violation or alleged violation by the Company of any federal, state or common law rule or regulation applicable to the Company in connection with any such registration, qualification or compliance, or (C) any failure to register or qualify Registrable Securities in any state where the Company or its agents have affirmatively undertaken or agreed in writing that the Company (the undertaking of any underwriter chosen by the Company being attributed to the Company) will undertake such registration or qualification on behalf of the Participant (provided that in such instance the Company shall not be so liable if it has undertaken its best efforts to so register or qualify such Registrable Securities) and will reimburse, as incurred, the Participant for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission made in reliance and in conformity with written information furnished to the Company by Participant.

(ii) Participant will, and if Registrable Securities held by or issuable to Participant are included in such registration, qualification or compliance pursuant to this Section 12, does hereby undertake to indemnify and hold harmless the Company, each of its directors, employees, agents and officers, and each Person controlling the Company, each underwriter, if any, and each Person who controls any underwriter, of the Company's securities covered by such a Registration Statement, and each other Holder, each of such other Holder's officers, partners, directors and agents and each Person controlling such other Holder, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made, and will reimburse, as incurred, the Company, each such underwriter, each such other Holder, and each such director, officer, employee, agent, partner and controlling Person of the foregoing, for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to

the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) was made in such Registration Statement, prospectus, offering circular or other document, in reliance upon and in conformity with written information furnished to the Company by Participant; provided, however, that the liability of Participant hereunder shall be limited to the net proceeds received by such Holder from the sale of securities under such Registration Statement. It is understood and agreed that the indemnification obligations of each Holder pursuant to any underwriting agreement entered into in connection with any Registration Statement shall be limited to the obligations contained in this subsection 12(k)(ii).

(iii) Each party entitled to indemnification under this Section 12(k) (the "Indemnified Party") shall give notice to the party required to provide such indemnification (the "Indemnifying Party") of any claim as to which indemnification may be sought promptly after such Indemnified Party has actual knowledge thereof, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be subject to approval by the Indemnified Party (whose approval shall not be unreasonably withheld) and the Indemnified Party may participate in such defense at the Indemnifying Party's expense if representation of such Indemnified Party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding; and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 12, except to the extent that such failure to give notice shall materially adversely affect the Indemnifying Party in the defense of any such claim or any such litigation. An Indemnifying Party, in the defense of any such claim or litigation, may, without the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement that includes as an unconditional term thereof the giving by the claimant or plaintiff therein, to such Indemnified Party, of a release from all liability with respect to such claim or litigation.

(iv) In order to provide for just and equitable contribution in case indemnification is prohibited or limited by law, the Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and such Party's relative intent, knowledge, access to information and opportunity to correct or prevent such actions; provided, however, that, in any case, (I) no Holder will be required to contribute any amount in excess of the public offering price of all securities offered by it pursuant to such Registration Statement less all underwriting fees and discounts and (II) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(v) The indemnities provided in this Section 18(k) shall survive the transfer of any Registrable Securities by such Holder.

13. Legend. The Participant agrees that a legend in substantially the following form shall be placed on the certificates representing any Shares owned by it:

> THE TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF AN OPTION AGREEMENT DATED AS OF MARCH 8, 2000, A COPY OF WHICH IS ON FILE IN THE COMPANY'S OFFICES. THE OPTION AGREEMENT, AMONG OTHER THINGS, CONTAINS RESTRICTIONS ON THE TRANSFERABILITY OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND PUT AND CALL OPTIONS WITH RESPECT TO CERTAIN SECURITIES. THE COMPANY WILL NOT REGISTER THE TRANSFER OF SUCH SECURITIES ON THE BOOKS OF THE COMPANY UNLESS AND UNTIL THE TRANSFER HAS BEEN MADE IN COMPLIANCE WITH THE TERMS OF THE OPTION AGREEMENT.

14. Specific Performance and Injunctive Relief; Arbitration. Each party acknowledges and agrees that in the event of any breach of this Agreement, the other party would be irreparably harmed and could not be made whole by monetary damages, and therefore hereby waives the defense in any action for specific performance or injunctive relief that a remedy at law would be adequate. Each party further agrees that the other party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of this Agreement and to obtain injunctive relief in any action instituted in a court of proper jurisdiction. Subject to the foregoing, in the event of any dispute or claim arising out of or in connection with this Agreement or the enforcement of rights hereunder, such dispute or claim shall be submitted to binding arbitration in accordance with S.C. Code Ann. Section 15-48-10 et seq., as amended, and the then current rules and procedures of the American Arbitration Association ("AAA"). The arbitrator shall be selected by an agreement of the parties to the dispute or claim from the panel of arbitrators selected by the AAA, or, if the parties cannot agree on an arbitrator within thirty (30) days after the notice of a party's desire to have a dispute settled by arbitration, then the arbitrator shall be selected by the AAA in Charleston, South Carolina. The arbitrator shall apply the laws of the State of South Carolina, without reference to rules of conflict of law or statutory rules or arbitration, to the merits of any dispute or claim. The determination reached in such arbitration shall be final and binding on all parties hereto without any right of appeal or further dispute. Execution of the determination by such arbitration may be sought in any court of competent jurisdiction.

In the event of any arbitration as provided under this Agreement, or the enforcement of rights hereunder, the arbitrator shall have the authority to, but shall not be required to, award the prevailing party its costs and reasonable attorneys' fees.

15. Representations and Warranties. (a) As a condition to the grant of the Options hereby, the Participant hereby confirms that the representations and warranties set forth in Exhibit C are true on the date hereof.

(b) The Company represents and warrants to the Participant that (i) the Company is a corporation duly organized and validly existing under the laws of the State of South Carolina, with full corporate power and authority to execute, deliver and perform this Agreement; (ii) this Agreement and the Plan have been duly authorized by all necessary action on the part of the Company and (iii) that the offer and sale of the Options and the underlying Shares pursuant to this Agreement have each been made pursuant to a valid exemption from registration under the Act, pursuant to Rule 701 promulgated under the Act, and the Company covenants that the offer and sale of the Shares, at all times from and after the date of this Agreement, will be made pursuant to a valid exemption from registration pursuant to Rule 701 (or any successor provision), such that the Participant may resell all of the Shares pursuant to Rule 701(g) (or any successor provision) at all times permitted under Rule 701(g)(3) (or any successor provision), subject to the provisions of such rule (or successor provision), the provisions of Rule 144 and the market stand-off provisions of Section 12(h) of this Agreement.

(c) Each of the parties represents and warrants to the other as follows: (i) this Agreement constitutes the legal, valid and binding agreement of such party, enforceable against such party in accordance with its terms; (ii) neither the execution and delivery by such party of this Agreement, nor the consummation of the transactions contemplated hereby or pursuant to the Plan, nor the compliance by such party with the provisions hereof or thereof will conflict with or result in the breach of any agreement or instrument by which such party is bound or constitute a violation of any law, rule, regulation or decree or any other requirement of any court or governmental or administrative body or agency applicable to such party; (iii) no consent or approval of, notice to, action by or filing with any person, entity or governmental authority is required in connection with the execution, delivery and performance of this Agreement by such party, except for any of the foregoing which has been obtained or made; and (iv) there are no suits or actions, or administrative, arbitration or other proceedings or governmental investigations, pending or, to the best knowledge of such party, threatened against or relating to such party, which, if determined in a manner adverse to such party, would adversely affect such party's ability to perform this Agreement.

16. Amendment and Waiver. Notwithstanding anything to the contrary contained in the Plan, the Committee may not revise or amend this Agreement, and no revision or amendment to the Plans shall be applicable to the terms and conditions of the Options granted hereby in accordance with the terms of the Plan, unless such revision or modification does not impair the rights or increase the obligations of Participant hereunder or under the Plan. The waiver of or failure to enforce or delay in enforcing any breach of or default under this Agreement shall not be deemed to be a waiver or acquiescence in any other breach thereof and shall not impair any right, power or remedy under the Agreement. Any amendment or modification to this Agreement shall be made in a writing executed by the parties thereto. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

17. Integration. This Agreement and the other documents, including without limitation the Plan, referred to herein or delivered pursuant hereto which form a part hereof, contain the entire understanding of the parties with respect to its subject matter. There are no

restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein.

18. Successors, Assigns and Transferees. (a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and each of their respective successors, assigns and permitted transferees, including, without limitation, the personal representatives, estate, heirs and legatees of the Participant and the term "Participant" shall be deemed to include any such person or entity, whether or not any such person or entity is specifically referred to herein, provided that the Participant may not assign to any person any of his rights hereunder other than in connection with a transfer to such person of the Options or Shares granted hereby in accordance with the provisions hereof and of the Plan. Notwithstanding the foregoing, the Company shall have the right to assign or transfer this Agreement only to a successor of all or substantially all of its business or assets; provided, however, that the Company shall require any such successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform it as if no such succession had taken place. As used in this Agreement, the "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) Upon the consent of Pobeda Partners, Ltd. or Affiliates thereof, the Company shall have the right, but not the obligation, to assign, delegate or otherwise transfer all or any of its rights or obligations, relating to the purchase of Shares pursuant to this Agreement, to Pobeda Partners, Ltd. or Affiliates thereof, and Pobeda Partners, Ltd. or Affiliates thereof shall have the right, but not the obligation, to accept the transfer of any such rights or obligations of the Company and, if such transfer is accepted, shall thereafter exercise the rights or obligations (as the case may be) of the Company under this Agreement to the extent so transferred; provided that, notwithstanding any such assignment, delegation or other transfer the Company shall remain fully liable to perform all of its obligations under this Agreement. In addition, to the extent that the Company makes any such assignment, delegation or transfer hereunder, the Company shall designate one person or entity as a representative to accept notices on behalf of the Company, Pobeda and all such Affiliates.

Any action taken under any section of this Agreement by Pobeda Partners or Affiliates thereof shall be a transfer of a right or obligation from the Company, whether or not specifically stated as such under this Agreement.

19. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but which together constitute one and the same instrument. Notwithstanding the foregoing, any duly authorized officer of the Company may execute this Agreement by providing an appropriate facsimile signature, and any counterpart or amendment hereto containing such facsimile signature shall for all purposes be deemed an original instrument duly executed by the Company. In the event that such a facsimile signature is used, such duly authorized officer shall execute, in original, a certificate attesting to the entry into this Agreement or all similar Agreements or any amendment hereto or thereto, which

certificate shall list the names of all of the parties to such Agreements or amendments and shall be filed with the permanent records of the Company.

20. Governing Law. Except to the extent that provisions of the Plan are governed by applicable provisions of the Code or other substantive provisions of Federal law, this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of South Carolina without regard to the principles of conflicts of law thereof.

21. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that, subject to this Agreement, all decisions, determinations and interpretations of the Committee in respect of the Plan shall be final and conclusive.

22. Termination. The provisions of Sections 8, 9, and 10 shall terminate upon the earliest of: (i) the consummation of the IPO; (ii) immediately following the consummation of a Change in Control and (iii) the dissolution or liquidation of the Company.

23. Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given upon delivery, if delivered personally, mailed by registered or certified mail, return receipt requested, sent by nationally-recognized overnight delivery service or express mail, or upon receipt, if receipt is confirmed, sent by telecopy, telefax, or other electronic transmission service to the parties at the following addresses (or to such other address as a party may have specified by notice given to the other party pursuant to this provision):

If to the Participant, to

Robert Sywolski
8 Tradd Street
Charleston, SC 29401

with a copy to:

Squadron, Ellenoff, Plesent & Sheinfeld, LLP
551 Fifth Avenue
New York, NY 10176
Attention: James H. Stevralia
Telecopy: (212) 697-6686
Confirmation: (212) 476-8248

If to the Company, to

Blackbaud, Inc.
4401 Belle Oaks Drive
Charleston, SC 29405-8530

with a copy to:

Richard Levine, Esq.
Hellman & Friedman, LLC
One Maritime Place, 12th Floor
San Francisco, CA 94111

with a copy to:

Larry E. Robbins, Esq.
Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail, Suite 300
Raleigh, NC 27607

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Agreement on his or her own behalf, thereby representing that he or she has carefully read and understands this Agreement and the Plan as of the day and year first written above.

BLACKBAUD, INC.

By: /s/ Marco W. Hellman

Name: Marco W. Hellman

Title: Chairman

/s/ Robert Sywolski

Robert Sywolski

EXHIBIT C

1. Pursuant to this Agreement, the undersigned Participant will hold Options (such Options, together with the Shares issuable upon exercise of the Options, the "Securities"). The Participant understands and acknowledges that such Securities have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state or foreign jurisdiction. Accordingly, the undersigned Participant understands and agrees that:

if at any time he or she wishes to offer, resell, transfer, or otherwise dispose of his or her Securities, the Participant will do so only (i) to an "accredited investor," as such term is defined in Rule 501(a) of the Securities Act, that is acquiring the Securities for its own account, or for the account of such an accredited investor, for investment purposes and not with a view to, or for offer or sale for the Company in connection with, the distribution or resale thereof; (ii) in an offshore transaction in accordance with the provisions of Rule 904 under the Securities Act; (iii) pursuant to another available exemption from registration under the Securities Act; or (iv) pursuant to an effective registration statement; and the Company and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and warranties deemed to have been made by the Participant upon his or her acquisition of Securities are no longer accurate at any time, the Participant shall promptly notify the Company.

2. The undersigned Participant is aware that certificates representing the Securities will bear endorsements reading substantially as follows:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be transferred, sold or otherwise disposed of except while such a registration is in effect or pursuant to an exemption from registration under said Act.

3. The undersigned Participant hereby acknowledges that:

(i) the Company has made available to him or her, at a reasonable time prior to the Grant Date, information concerning the transactions contemplated in the Option Agreement; (ii) the Company has given him or her, at a reasonable time prior to the Grant Date, an opportunity to ask questions and receive answers concerning the terms and conditions of the Securities and (iii) the Company has given him or her, at a reasonable time prior to the Grant Date, an opportunity to obtain any additional information that the Company possesses or can acquire without unreasonable effort or expense deemed necessary by him or her to verify the accuracy of the information provided, and he or she has received all such additional information requested;

the Participant is acquiring the Securities for his or her own account for investment purposes and not with a view to, or for offer or sale on behalf of himself or herself or for the Company in connection with, the distribution or resale thereof;

the Participant (i) has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in the Securities; (ii) the Participant is able to bear the economic risk of an investment in the Securities for an indefinite period of time, including the risk of a complete loss of his or her investment and (iii) either (A) the relationship with the Company or the shareholders, officers, directors or controlling persons of the Company or (B) by reason of such Participant's business or financial experience or the business or financial experience of such Participant's professional advisors (who are unaffiliated with and who are not compensated by the Company or any affiliate or selling agent of the Company), such Participant has the capacity to protect his or her own interests in connection with the grant of the option contemplated by the Option Agreement;

the Participant did not look to, or rely in any manner upon, any of the Company or any of its affiliates, officers, employees or representatives, for advice about tax, financial or legal consequences of the stock option grant, and none of the Company or any of its affiliates, officers, employees or representatives has made or is making any representations to the Participant about, or guarantees of, tax, financial, operational or legal outcomes of the stock option grant. The Participant acknowledges that no person has been authorized to give any information or to make any representation concerning the Securities, written or oral, that does not conform to the Stock Plan and Option Agreement that the Company provided to such Participant and, if given or made, such other information or representation should not be relied upon as having been authorized by any of the Company or any of its respective affiliates, officers, employees or representatives.

EXHIBIT 10.4

LEASE AGREEMENT
BY AND BETWEEN
DUCK POND CREEK, LLC ("LANDLORD")
AND
BLACKBAUD, INC. ("TENANT")

****

Exhibits

A - Property Description

B - Rent

C - Easement

D - Construction Document List

STATE OF SOUTH CAROLINA)
) LEASE AGREEMENT
COUNTY OF BERKELEY)

THIS LEASE AGREEMENT (the "Lease") executed this 13th day of October, 1999, to be effective as of this date, by and between DUCK POND CREEK, LLC, a South Carolina limited liability company ("Landlord") and BLACKBAUD, INC., a South Carolina corporation, ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord is developing an office building on a parcel of land located on Daniel Island in Berkeley County in the City of Charleston, South Carolina; and

WHEREAS, Landlord desires to lease to Tenant and Tenant desires to lease from Landlord the Property as defined herein subject to all terms and conditions as set forth hereinafter;

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars ($10.00) in hand paid by Tenant to Landlord, the receipt and sufficiency of which are hereby acknowledged and in consideration of the rents to be paid to Landlord by Tenant, and covenants and agreements herein agreed to be performed by Landlord and Tenant, Landlord does hereby grant and lease to Tenant the following described property (the "Property"), subject to the following terms and conditions:

1. Property. The Property is hereby described as that certain real property located in Berkeley County, South Carolina as more particularly described in Exhibit A, which is attached to this Agreement and made a part hereof. The Property includes all buildings and improvements located or to be located thereon.

2. Term. The term ("Term") of this Lease shall be ten (10) years after thirty (30) days following the issuance of a Certificate of Occupancy, as hereinafter defined, for the office building being constructed on the Property by Landlord (the "Commencement Date"), with two (2) five (5) year options by Tenant to renew. Tenant shall provide Landlord with not less than one hundred eighty (180) days' prior written notice of exercise of the options to renew. Base Rent for any such renewal terms(s) shall be in the amount set forth in Exhibit B hereto. Promptly after the Commencement Date, Tenant and Landlord shall execute and deliver a written notice confirming the Commencement Date and the end of the initial term and each renewal term hereunder. As used herein, the term "Certificate of Occupancy" shall mean, collectively, any certificate of occupancy, certificate of completion or any other certificate of approval issued or to be issued by a governmental authority necessary for the use and occupancy by Tenant of the office building.

3. Net Lease. UNLESS OTHERWISE PROVIDED IN THIS LEASE (INCLUDING IN SECTIONS 5 AND 10 HEREOF), THIS IS AN ABSOLUTELY NET LEASE AND LANDLORD SHALL NOT BE REQUIRED TO PAY ANY EXPENSE, TO PROVIDE ANY SERVICES, OR TO DO ANY ACT OR THING WITH RESPECT TO THE PROPERTY, INCLUDING THE BUILDING, IMPROVEMENTS, OR ANY APPURTENANCES TO SAME. THE RENT PAYABLE UNDER THIS LEASE SHALL BE PAID TO LANDLORD WITHOUT ANY CLAIM ON THE PART OF TENANT FOR DIMINUTION, SET-OFF OR ABATEMENT

AND NOTHING SHALL SUSPEND, ABATE OR REDUCE ANY RENT TO BE PAID HEREUNDER, EXCEPT AS OTHERWISE PROVIDED IN THIS LEASE (INCLUDING IN SECTIONS 5 AND 10 HEREOF).

4. Rental.

(a) Monthly Rental. During the Term hereof, Tenant shall pay to Landlord a monthly base rent (the "Base Rent") as set forth on Exhibit B attached hereto and incorporated by reference herein. Rent shall be due and payable on the first (1st) day of each month with any partial month to be pro-rated.

(b) Additional Rent. During the Term hereof, in addition to the monthly Base Rent, Tenant shall pay additional rent ("Additional Rent") as follows:

[1] Utilities. Tenant agrees to have all utilities placed in its name (and Landlord shall reasonably cooperate therewith) and pay all utilities for the Property, including, but not limited to, gas, water, sewer, electricity, and disposal waste fees.

[2] Real Estate Taxes and Assessments. Tenant shall pay all real estate taxes and assessments, including any fees in lieu of taxes, both general and special, which may be levied or assessed by the taxing authorities against the land, buildings and all other improvements within or constituting the Property on or before the due date without any further notice from Landlord.

[3] Personal Property Taxes and Assessments. The Tenant shall be responsible for and shall pay, before delinquency, all municipal, county, state or federal taxes, including any fees in lieu of taxes, assessed against any leasehold interest or any fixtures, furnishings, equipment, stock and trade, or other personal property owned, installed or used on the Property, or any further improvements to the Property by Tenant.

[4] Documentary and Rental Taxes. Should any governmental taxing authority acting under any present or future law, ordinance or regulation, levy, assess, or impose any documentary stamp tax for tax, excise and/or assessment (other than an income or franchise tax, upon or against the rentals payable by Tenant to the Landlord, or on any rental, leasing, or letting of the Property) due to the execution hereof, either by way of substitution or in addition to any existing tax on land and buildings or otherwise, Tenant shall be responsible for and shall pay such documentary stamp tax, tax, excise and/or assessment, including any fees in lieu of taxes, or shall reimburse Landlord for any amount thereof as the case may be. Tenant, at its sole cost and expense, shall have the right to contest in good faith any taxes either imposed upon it by any applicable governmental authority or for the payment of which it is responsible hereunder, provided that Tenant provides notice to Landlord of any such contest, bonds over or otherwise has discharged any lien that may attach to the Property as a result thereof, indemnifies Landlord from and against any loss, cost, or damage (including, without limitation, court costs and reasonable attorneys' fees and expenses) arising as a result of such contest, and otherwise continues to comply with all of the terms and conditions of this Lease.

[5] Insurance. Tenant shall pay annually all amounts expended by Landlord for property and casualty insurance with respect to the Property sufficient, in the reasonable opinion of Landlord, to protect Landlord from any loss, subject to Section 7(a) hereof.

[6] Allocation of Utilities, Taxes, and Insurance Costs. To the extent that any costs of or expenses for any utilities, taxes, or insurance, as provided above, are charged or billed to Landlord or to Tenant, as applicable, together with charges attributable to the Stadium Property, as defined in Section 6, Landlord and Tenant, in good faith, shall fairly allocate the same as between the Property and the Stadium Property, and Tenant shall not be responsible for paying any such costs or expenses allocable to the Stadium Property, which costs and expenses shall be paid by Landlord in a timely manner. In the event that Landlord and Tenant cannot agree on any such allocation, Landlord and Tenant shall agree on and choose, in good faith, an appropriate independent expert or other independent qualified individual to make such allocation, and the determination of such expert or qualified individual shall be conclusive and binding upon Landlord and Tenant.

(c) Additional Charges. Any charges due Landlord by Tenant under this Lease, including but not limited to damage to the Property caused by Tenant or Tenant's employees, agents, contractors, licensee, or invitees, legal fees, costs of default remedies, past due charges for utilities, insurance, cleaning, maintenance and repairs, etc., or for work done on the Property by order of Tenant, shall be considered as Additional Rent due (in addition to all other Rent payable) and shall be included in any statutory landlord's lien, if applicable, for that period. (Base Rent and Additional Rent may sometimes be referred to collectively hereunder as "Rent.")

(d) Late Charges. In the event any monthly payment of Rent shall not be paid within ten (10) days of when such payment is due, Tenant shall pay an additional amount equal to four percent (4%) of the amount due.

(e) Fees-in-Lieu of Taxes. In the event that any taxing or assessing authority has agreed to tax or assess Landlord or Tenant, as applicable, by means of a "fee-in-lieu" of taxes with respect to the Property, Landlord and Tenant agree to cooperate reasonably with one another to the extent necessary to finalize any such fee-in-lieu agreement(s) with such taxing authority.

4A Use of Property and Compliance with Laws. Tenant agrees to use the Property as an office building, with applicable reasonable ancillary uses and for no other use, and Tenant shall not use the Property for any illegal, unlawful, or other purposes. The Property shall not be used as a residence, sleeping quarters, or other domestic dwelling. Tenant agrees to comply with and adhere to all laws, whether municipal, state, federal or otherwise, applicable to and affecting the Property, including but not limited to all environmental laws affecting the Property, provided that nothing in this Section 4 shall modify or diminish Landlord's obligations to Tenant pursuant to Section 5 or Section 10 hereof. Tenant, at its sole cost and expense, shall have the right to contest in good faith any laws affecting the Property, provided that Tenant provides notice to Landlord of any such contest, bonds over or otherwise has discharged any lien that may attach to the Property as a result thereof, indemnifies Landlord from and against any loss, cost, or damage (including, without limitation, court costs and reasonable attorneys' fees and expenses) arising as a

result of such contest, and otherwise continues to comply with all of the terms and conditions of this Lease.

5. Construction. Tenant has reviewed all of the plans, drawings, specifications and all other documentation in effect or available as of the date hereof (the "Construction Documentation") to be utilized in developing the Property including interior fit out. Landlord, at its sole cost, shall construct the improvements in substantial conformity with the Construction Documentation, in a good and workmanlike manner consistent with industry standards in the Charleston, South Carolina area for the design and construction of first-class office buildings, and in compliance with all legal requirements (including any Daniel Island conditions, covenants, or restrictions). In addition, Landlord and Tenant acknowledge and agree that as part of Landlord's construction responsibilities hereunder Landlord, at its sole cost, shall also design and install (or cause the same to be done) within the Premises computer and telecommunications wiring and cabling, including related wiring and cabling installations and fixtures appropriate for Tenant's use as a software development and marketing company (collectively, "Cabling") to a standard customary for first-class office buildings in the Charleston, South Carolina area according to plans and specifications for such Cabling to be agreed upon by Landlord and Tenant in good faith. At the time the plans and specifications for the Cabling are finalized, the same shall be confirmed in writing by Landlord and Tenant and shall become a part of the Construction Documentation, and references in this Section 5 and elsewhere in this Lease to the "improvements" or the "office building" shall be deemed to include the Cabling. The target date for Landlord's completion of the office building on the Property is June 1, 2000 (the "Target Date"). As used in this Section 5, the term "improvements" includes the construction of the office building and all other work described in the Construction Documentation, including building systems and equipment, interior work, paving, landscaping, and irrigation. If Landlord, on before the Target Date, is unable to complete the office building in accordance with the Construction Documentation and to deliver possession of the Property including the office building for occupancy for any reason whatsoever, this Lease shall be not affected or impaired in any way, and Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, except to the extent provided in this Section 5. Landlord shall use its commercially reasonable best efforts to meet the Target Date, provided, however, that if the office building on the Property is not substantially completed in accordance with the Construction Documentation and available for occupancy by the Target Date, this Lease shall not terminate, but the Commencement Date and Tenant's obligations to pay Rent upon the Commencement Date shall not begin until thirty (30) days after the issuance of a Certificate of Occupancy, as provided in Sections 2 and 4, above. In the event that Landlord fails to complete the office building in accordance with the Construction Documentation and to deliver the Property to Tenant by the Target Date and in the event that Tenant, thereby, must pay to its then current landlord any increased rent or holdover penalties, or if Tenant is forced by its then current landlord to move from its current premises to temporary premises, Landlord shall promptly, after written demand accompanied by reasonable substantiation of all actual costs, reimburse Tenant for the actual costs of such penalties and reasonable moving costs, if applicable, and for any increase in rent over and above Tenant's then current rent, incurred by Tenant for the period after the Target Date but prior to the Commencement Date hereunder. Notwithstanding the foregoing sentence, in the event of a tropical storm or hurricane that causes material structural damage to the improvements (as certified in writing by the general contractor) prior to the date of Closing, as defined in that certain Recapitalization Agreement dated September 13, 1999, by and between the Blackbaud Group, the Selling Shareholders, the Purchaser, and H&F Investors, as defined therein, Landlord shall be

responsible for only fifty percent (50%) of such penalties and costs for the first six (6) months after the Target Date (except to the extent of relocation costs, if necessary, for which Landlord shall pay one hundred percent (100%) of the costs), provided, however, that after such six (6) month period, Landlord shall be responsible for all penalties and increased rent as provided in the preceding sentence notwithstanding that such damage is caused by a tropical storm or hurricane. Upon substantial completion of the improvements, which shall include Landlord's obtaining a Certificate of Occupancy sufficient to allow Tenant to take possession of the Property, Tenant and Landlord will agree to a punch list, which will be completed by Landlord in a commercially reasonable manner. Upon punch list completion, Tenant will completely and thoroughly examine the improvements to the Property. Upon acceptance by Tenant, except as expressly provided herein, Tenant agrees to accept the Property and all improvements thereon in its then-present condition. After acceptance, Landlord makes no warranties of any kind, express or implied, regarding the Property, its condition or its potential uses, provided, however, that Landlord shall be responsible for the repair of any defects in design, materials, and workmanship to the extent of and for the duration of any warranties which Landlord has received from its contractor and architect regardless of whether Landlord actually seeks to enforce, or recovers any expenses or damages pursuant to, such warranties. Landlord shall also assign to Tenant all assignable manufacturers' warranties applicable to the Property, and Landlord shall not thereafter be responsible for the repair or replacement of any such warranted manufactured items notwithstanding Landlord's limited warranty contained in the preceding sentence. Regarding the construction of the improvements on the Property, Landlord represents and covenants to Tenant:

(a) Attached hereto as Exhibit D is a true and accurate list of the plans and specifications, construction budget and schedule, construction contract with the general contractor, and contract with the architect and Landlord covenants that such documents and materials shall not be amended, modified or supplemented (other than to a de minimus extent) without the prior written consent of Tenant;

(b) The plans and specifications set forth on Exhibit D provide that the work to be performed by Landlord, at Landlord's cost, pursuant to this Section 5, includes construction of improvements, fit-up, and related work on the exterior and grounds at least comparable to the offices currently occupied by tenant;

(c) To Landlord's knowledge after due inquiry, Landlord has obtained all necessary permits and approvals required for construction of the improvements to date;

(d) Landlord has complied and shall comply with all loan document, insurance, and legal requirements (including any Daniel Island restrictions, covenants, or restrictions) in connection with construction of the improvements;

(e) To Landlord's knowledge after due inquiry, no default (or conditions that with notice or the passage of time would constitute a default) by Landlord exists under the loan documents in connection with the construction of the improvements;

(f) To Landlord's knowledge after due inquiry, no default (or conditions that with notice or the passage of time would constitute a default) by the general

contractor or the architect exists under their respective contracts with respect to the construction of the improvements; and

(g) Landlord has adequate financial resources (loan proceeds together with available equity) to complete the project in a timely manner.

During the period following the execution of this Lease but prior to the Commencement Date, Landlord, at Tenant's request, shall provide Tenant with reasonably detailed information as to the status of the construction of the improvements and shall provide Tenant and its consultants or representatives with the opportunity to inspect the project periodically, at reasonable times and upon reasonable prior notice. Landlord further covenants and agrees that up to three (3) of Tenant's employees and/or consultants ("Tenant's Representatives"), to be designated by Tenant, shall be invited to, and permitted to attend, all significant project team meetings (including meeting with the general contractor and architect) in connection with the construction of the improvements, and Landlord agrees to consult with and to consider in good faith the suggestions and recommendations, if any, of Tenant's representatives with respect to the construction of the improvements.

6. Parking and Access Easement. Notwithstanding anything stated herein to the contrary, this Lease is subject to a parking and access easement for the benefit of the stadium property adjacent to the Property (the "Stadium Property"), in the form attached hereto as Exhibit C and made a part hereof, to use the parking areas located on the Property for parking for events held on the Stadium Property and to use the access ways, driveways, and parking areas located on the Property for vehicular and pedestrian access, ingress, egress, and regress to and from the Stadium Property. The Landlord shall record in the real estate records of Berkeley County, South Carolina an easement instrument in the form attached hereto as Exhibit C. Landlord shall not materially modify such recorded easement without first obtaining the written consent of Tenant, which shall not unreasonably be withheld. Subject to Landlord's rights of entry and inspection as provided in this Lease, and except as set forth in the easement described in Exhibit C, Tenant and Tenant's agents, employees, licensees, and invitees shall have the exclusive right to use and occupy the Property during the Term hereof.

7. Insurance.

(a) Insurance Required. Tenant shall not carry any stock of goods or do anything in or about the Property which would, in any way, restrict or invalidate any insurance coverage of the Property. Tenant agrees to pay, upon demand, as Additional Rent, any and all premiums of insurance carried by the Landlord on the leased Property resulting from or in connection with Tenant's use or occupancy, including, without limitation, hazard insurance for the Property and the improvements located thereon in the amount of their full replacement value. Such insurance shall be at customary market rates and (with respect to coverage other than hazard insurance) shall be for insurance of such types and amounts as are customarily maintained by landlords under net leases of first-class office properties in the Charleston area, and Landlord shall provide Tenant, upon request, with evidence of such coverage. Landlord may elect to carry any such insurance in the form of umbrella coverage and Landlord's hazard insurance shall include a customary waiver of subrogation against Tenant and its agents and employees. Tenant shall keep in full force and effect at Tenant's expense, insurance for personal property, trade, fixture, business

interruption, environmental injury (to the extent customary for office tenants under net leases of first-class offices in the Charleston area and available at customary market rates), and public liability all in form and substance reasonably satisfactory to Landlord, in which Tenant shall be named as the Insured and Landlord as the additional insured with the following minimum coverage: replacement cost as to property damage and Five Million Dollars ($5,000,000.00) as to general liability. Said policy or policies shall bear endorsements to the effect that the insurer agrees to notify the Landlord not less than thirty (30) days in advance of any modification or cancellation thereof. Tenant shall provide Landlord with a certificate of insurance prior to occupancy. Should Tenant fail to carry such public liability insurance, the Landlord may, at its option (but shall not be required to do so) cause public liability insurance as aforementioned, to be issued, and, in such event, the Tenant agrees to pay the premium for said insurance promptly upon Landlord's demand.

(b) Increased Insurance Risk. Tenant will not permit the Property to be used for any purpose which would render the insurance thereon void or cause cancellation thereof or the insurance risk more hazardous or increase the insurance premiums in effect at the time prior to commencement of the term of this Lease. Tenant will not keep, use or sell, or allow to be kept, used or sold in or about the Property, any article or material which is prohibited by law or by standard fire insurance policies of the kind customarily in force with respect to premises of same general type as the Property. If the insurance premium is increased due to Tenant's occupancy, Tenant agrees to immediately pay the amount of such increase and to maintain such insurance in effect in accordance with the provision of this Lease.

(c) INSURANCE FOR PERSONAL PROPERTY. ALL PERSONAL PROPERTY, MERCHANDISE, FIXTURES, AND EQUIPMENT PLACED OR MOVED INTO THE PROPERTY SHALL BE AT THE RISK OF TENANT OR THE OWNERS THEREOF, AND LANDLORD SHALL NOT BE LIABLE FOR ANY DAMAGES, LOSS OR THEFT OF SAID PERSONAL PROPERTY, MERCHANDISE, FIXTURES, OR EQUIPMENT, EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH IN THIS LEASE.

8. Maintenance and Repair. At Tenant's expense, Tenant shall make all repairs necessary to maintain the Property and all improvements located thereon in a good operating condition and repair. This obligation extends to all improvements, whether interior or exterior, ordinary or extraordinary, including roof, foundation, window glass, plate glass, store fronts, sidewalks, curbs, parking spaces, doors, window screens, awnings, locks, keys, weather stripping and thresholds as well as all interior vaults, floors, walls, ceiling and floor coverings. Tenant's responsibility to maintain the improvements shall also include landscaping; irrigation; the replacement, servicing, repair and maintenance of equipment and fixtures at the Property, including the heating, ventilation, and air conditioning systems and changing filters for such systems. Tenant shall also repair and be responsible for the damage caused by stoppage, breakage, leakage, overflow, discharge or freezing of plumbing pipes, soil lines or fixtures. If any part of the improvements is damaged by Tenant, or Tenant's employees, agents, or invitees or any breaking and entering of said improvements, Tenant shall provide Landlord with prompt written notification of all damage to the Property. After notification and approval by Landlord, repairs shall be made promptly at Tenant's expense so as to restore said improvement to its previous condition. If Tenant refuses or neglects to commence the necessary repairs within thirty (30) days after the written demand by Landlord (other than in the case of emergency), Landlord may (but shall not be

required to) make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's stock, business or fixtures by reason thereof, and if Landlord makes such repairs, Tenant shall pay to Landlord, on demand, as Additional Rent, the actual cost thereof. Tenant's failure to pay shall constitute a default under this Lease. Tenant's failure to give, or unreasonable delay in giving, notice of needed repairs or defects shall make Tenant liable for any loss or damage resulting from delay or needed repairs. Notwithstanding Tenant's stated maintenance and repair obligations hereunder, Landlord shall be responsible for (a) any maintenance and/or repair to the parking areas and driveways (including landscaping, curbs, and light poles and fixtures) located on the Property to the extent that the need for such maintenance and/or repair is caused by the acts or omissions of the Landlord or any of its tenants (or their respective employees, agents, contractors, or invitees) in connection with the Stadium Property's use of the Property pursuant to the Easement set out in Exhibit C hereof, and (b) any repairs required of Landlord under Section 18 hereof.

9. Regulations and Sanitation. Tenant shall keep the Property, clean, safe, sanitary, free from environmental hazards arising from the acts or omissions of Tenant, its agents, employees, contractors, or invitees, and in compliance with all laws, ordinances, regulations and requirements of any legally constituted public authority, including all environmental rules and regulations to the extent that any breach thereof is caused by the acts or omissions of Tenant, its agents, employees, contractors, or invitees. If (following notice and a right to cure as provided in Section 29 hereof) Tenant fails to comply with any such laws, ordinances, regulations and requirements, or any aspect thereof, including notice requirements, such failure shall constitute a default by Tenant under this Lease. Notwithstanding anything to the contrary in this Lease, if such a failure occurs by Tenant, Landlord may, without being liable for trespass, immediately re-enter the Property and take whatever steps Landlord deems necessary to protect Landlord's interest. Tenant shall keep broom clean all areas within the Property such as front sidewalks and areas around the buildings thereon. Cleaning includes removing any trash or refuse deposited upon the Property or any adjacent public area by Tenant, Tenant's customers or anyone else. In the event of non-compliance by Tenant (following notice and a right to cure as provided in Section 29 hereof, except in the event that Landlord reasonably determines that such circumstances constitute an emergency, health hazard, or other unreasonable condition), Landlord shall have the right to have said areas cleaned, trash and refuse removed and charge the expense to Tenant as additional rent which shall be due and payable upon demand, non-payment of which shall constitute a default of this Lease. Tenant shall employ, if Landlord reasonably determines it is necessary, a reputable pest extermination company at regular intervals.

10. Hazardous Materials.

(a) Tenant represents, warrants and agrees that: (i) during the Term, the Property shall be kept free of Hazardous Materials (as defined herein), arising from Tenant's use or occupancy of the Property (and that of its agents, employees, contractors, and invitees) except for small amount of Hazardous Materials such as copy toner and cleaning supplies used in the ordinary course of Tenant's business and office use and at all times subject to any applicable Environmental Laws, and shall not be used to generate, manufacture, refine, transport, treat, store, handle, dispose of, produce or process Hazardous Materials; (ii) Tenant shall not cause or permit the installation of Hazardous Materials in,

on, over or under the premises or a Release (hereinafter defined) of Hazardous Materials onto or from the property or suffer the presence of Hazardous Materials in, on, over or under the Property; (iii) Tenant shall comply with, and insure compliance by Tenant's agents, employees, contractors, and invitees with, all applicable Environmental Laws (as hereinafter defined) relating to or affecting the Property, and Tenant shall keep the Property free and clear of any liens imposed pursuant to any applicable Environmental Laws, all at Tenant's sole cost and expense; (iv) Tenant shall immediately give Landlord oral and written notice in the event that Tenant receives any notice from any governmental agency, entity, or any other party with regard to Hazardous Materials on, from or affecting the Property and Tenant shall conduct and complete all investigations, studies, sampling and testing, and all remedial soil removal, and other actions necessary to clean up and remove all Hazardous Materials, on from or affecting the Property in accordance with all applicable Environmental laws.

(b) Tenant hereby agrees to indemnify Landlord and hold Landlord harmless from and against any and all liens, demands, actions, suits, proceedings, disbursements, liabilities, losses, litigation, damages, judgments, obligations, penalties, injuries, costs, expenses (including without limitation, reasonable attorney and expert fees and expenses) and claims of any and every kind whatsoever paid, incurred, suffered by or asserted against Landlord and/or the Property for, with respect to, or as a direct or indirect result of the following: (i) the presence in, on, over or under, or the escape, seepage, leakage, spillage, discharge, emission or release on or from, the Property of any Hazardous Materials if caused by or within the control of the Tenant; (ii) the failure by Tenant to comply fully with the terms and provisions of this paragraph. In the event Landlord reasonably suspects Tenant has violated any of the covenants, warranties or representations contained in this paragraph, or that the Property is not in compliance with the Environmental Laws for any reason, or that the Property is not free of Hazardous Materials for any reason, Tenant shall take such steps as Landlord requires by written notice to Tenant in order to confirm or deny such occurrences, including, without limitation, the preparation of environmental studies, surveys or reports. In the event Tenant fails to take such action, Landlord may take such action as Landlord reasonably deems necessary, and the cost and expenses of all actions taken by Landlord, including, without limitation, Landlord's reasonable attorney's fees, shall be added as Additional Rent. Notwithstanding the foregoing, in no event shall Tenant be responsible to Landlord for the presence or release of Hazardous Materials at, within, or around the Property or for the violation of any Environmental Laws (i) which existed prior to the commencement of Tenant's use or occupancy of the Property or (ii) which was not caused in whole or in part by Tenant or its agents, employees, officers, partners, contractors, or invitees.

(c) Landlord hereby agrees to indemnify Tenant and hold Tenant harmless from and against any and all liens, demands, actions, suits, proceedings, disbursements, liabilities, losses, litigation, damages, judgments, obligations, penalties, injuries, costs, expenses (including without limitation, reasonable attorney and expert fees and expenses) and claims of any and every kind whatsoever paid, incurred, suffered by or asserted against Tenant and/or the Property for, with respect to, or as a direct or indirect result of the following: (i) the presence in, on, over or under, or the escape, seepage, leakage, spillage, discharge, emission or release on or from, the Property of any Hazardous Materials prior to the Commencement Date or (ii) the presence in, on, over or under, or the escape, seepage, leakage, spillage, discharge, emission or release on or from, the Property of any Hazardous Materials occurring on the Property as a result of the use of the Property by Landlord or the employees, agents, tenants, licensees, or invitees of Landlord in connection with the use of the Stadium Property and the easement set forth in Exhibit C hereof.

(d) For the purposes of this Lease: (i) "Hazardous Material" or "Hazardous Materials" means and includes petroleum products, flammable explosives, radioactive materials, asbestos or any material containing asbestos, polychlorinated biphenyls, and/or any hazardous, toxic or dangerous waste, substance or material defined as such or defined as a Hazardous Substance or any similar term, by, in, or for the purposes of the Environmental Laws, including, without limitation section 101(14) of CERCLA (hereinafter defined); (ii) "Release" shall have the meaning given such term, or any similar term, in the Environmental Laws, including, without limitation, Section 101(22) of CERCLA; and (iii) "Environmental Law" or "Environmental Laws" shall mean any "Super Fund" or "Super Lien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Materials as may now or at any time hereafter be in effect, including, without limitation, the following, as same may be amended or replaced from time to time, and all regulations promulgated thereunder or in connection therewith: The Super Fund Amendments and Reauthorization Act of 1986 ("SARA"); The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"); The Clean Air Act ("CAA"); the Clean Water Act ("CWA"); The Toxic Substances Control Act ("TSCA"); The Solid Waste Disposal Act ("SWDA"), as amended by the Resource Conservation and Recovery Act ("RCRA"); the Hazardous Waste Management System; and the Occupational Safety and Health Act of 1970 ("OSHA"). The obligations and liabilities of Tenant under this Paragraph shall survive this Lease and any eviction of, or abandonment by, the Tenant.

11. Alterations. Tenant shall be allowed to make reasonable alterations to the Property provided any such alterations are in accordance with all applicable building codes, are approved by Landlord IN WRITING and IN ADVANCE, which approval shall not unreasonably be withheld or delayed. All additions, or improvements affixed to the building by Tenant including carpeting, tile or other floor covering, wall covering, ceiling tile, etc. made with or without Landlord's written consent shall become part of the Property, and the property of Landlord upon installation or shall be removed by Tenant at the expiration or earlier termination of the Lease, at Landlord's election made by Landlord in writing to Tenant within five (5) days of the time any such additions or alterations shall have been approved by Landlord in accordance with this Section 11, or, if such additions or alterations are of a type that do not require Landlord's prior written approval, as provided below, then within five (5) days of written notice to Landlord that Tenant will undertake such additions or alterations, provided that if Landlord shall have failed to make such election, Tenant shall have the right either to remove any such additions or alterations at the end of the Term and, at Tenant's expense, make any restoration or repair required as a consequence of such removal, or to abandon any such additions or improvements, whereupon they shall remain as part of the Property. Trade fixtures and office furniture shall be installed so as to be readily removable without injury to the Property or any injury caused by said removal shall be repaired immediately at Tenant's expense. Said trade fixtures shall be removed from the Property before the end of this Lease or shall be deemed abandoned by Tenant. Tenant shall not install or maintain any equipment, partitions, furniture, etc. which the weight or the operation of which would tend to injure or be detrimental to the Property. Notwithstanding the foregoing, Landlord's consent shall not be required with respect to alterations that (a) cost less than $50,000.00 on a per-project basis (which $50,000.00 amount shall be deemed to increase annually during the Term based upon CPI), (b) do not affect the building's systems, structural components, or exterior (other than to a de minimus extent), and (c) do not adversely affect the market value or utility of the Property. All

other alterations require Landlord's prior written consent, which shall not unreasonably be withheld or delayed. In any event, all alterations by Tenant shall be performed with due diligence, in a good and workmanlike manner consistent with industry standards in the Charleston, South Carolina area for design and construction of first-class office buildings, in compliance with all laws (including any Daniel Island restrictions), and shall be promptly paid for by Tenant. All alterations requiring Landlord's approval hereunder shall be made by Tenant under the supervision of an engineer or architect and by a general contractor and pursuant to plans and specifications reasonably approved by Landlord. Notwithstanding anything in this Section 11, in all events Tenant shall provide Landlord with written notice of its intention or desire to make additions or alterations to the Property, such notice to set out in reasonably specific detail the nature and extent of such additions or improvements. In all events, upon request from Landlord, Tenant shall promptly provide to Landlord a copy of Tenant's construction plans, specifications, and budget for any proposed additions or alterations.

12. Assignment or Sub-Lease. Tenant shall not, without written consent of Landlord, in each case, assign, transfer, mortgage, pledge or otherwise encumber or dispose of this Lease, or sublet the Property, or any part thereof, or permit the Property to be occupied by other persons. Such consent shall not unreasonably be withheld, conditioned or delayed by Landlord, provided that Tenant, upon at least thirty (30) days' prior written notice to Landlord but without the necessity of obtaining Landlord's prior written consent, may assign or sublease the Property or portions thereof (subject to all of the terms and conditions of this Lease) to an entity controlling, controlled by or under common control with Tenant, and in any such event Tenant shall remain fully liable for the Rent and other obligations hereunder. If this Lease is assigned, or if the Property, or any part thereof, be subject to the possession of or occupied by any other person, firm, office or corporation, with or without written permission of Landlord, it will not relieve Tenant of any obligations under the terms of this Lease and if sublet, assigned or occupied without the Landlord's permission (except as permitted hereby), this Lease may, at the option of the Landlord, be terminated by a seven-day written notice. In the event Tenant shall sublease the Property, or any part of it, in accordance herewith for net rent in excess of the Rent payable hereunder, Tenant shall pay to Landlord, monthly, in advance, as Additional Rent hereunder, one-half (1/2) of all such excess net rent. For purposes of this Section, "net rent" shall reasonably be computed by subtracting from gross rent reasonable and customary costs and expenses as are actually incurred or accrued by Tenant in connection with such subletting, including, without limitation, advertising costs, reasonable and customary real estate brokerage commissions, customary subtenant improvement costs, and operating expenses (to the extent Tenant subleases a portion of its premises on a "full service" basis). If the sublease affects only a portion of the Property, then the determination of excess net rent shall be based on the square footage occupied by the subtenant as compared to the entire Property. Any proposed assignee that proposes to assume Tenant's obligations hereunder shall execute an assumption agreement reasonably satisfactory to Landlord before consent shall be given. Tenant shall not be entitled directly or indirectly to sublet the Property or to assign, sell or transfer this Lease or any portion thereof except pursuant to this Section 12. Any attempted transfer or sublet other than in accordance with this Section 12 shall be null and void ab initio and shall constitute a default under this Lease. If Tenant desires to transfer any rights hereunder and to request a release from this lease, Tenant may make a written request to Landlord for a release. Tenant acknowledges that Landlord shall have the right to negotiate a new Lease with such third party either under the same terms and conditions of this Lease or upon new terms and conditions. Landlord agrees to begin such negotiations upon the request of Tenant for a

release from this Lease. Such request shall include Tenant's deposit of an amount equal to two (2) months Base Rent in escrow to insure compliance with this Lease during the term of negotiations with any third party introduced to Landlord by Tenant and shall further include the deposit of such other sums, including (1) a sum sufficient in Landlord's opinion to reimburse Landlord for all out-of-pocket expenses, including legal fees, actually incurred in the work related to the release and to the negotiations with the party to whom the Tenant desires to sell its equipment and (2) all sums agreed upon for the release. If Landlord agrees to execute a new lease for the Premises with a third party and if Tenant has paid Landlord all amounts required for the release, Tenant shall be released. However, if Landlord does not agree to execute a new lease with such third party, in Landlord's sole discretion, but rather consents (in accordance with this Section 12) to a sublease under or an assignment of the Lease, Tenant shall not be released from its obligations under the Lease, and Landlord shall retain the necessary amount from the escrowed funds to pay Landlord's out-of-pocket expenses in connection with such prior negotiation and the assignment or subleasing. If the amount escrowed is insufficient, Tenant shall immediately pay Landlord the deficiency. Notwithstanding the foregoing and to the extent permitted by Landlord's then mortgagee, Tenant shall have the right to mortgage its leasehold interest hereunder, provided, however, that Landlord shall not be required to subordinate its fee interest to any such leasehold mortgagee. Subject to Landlord obtaining the consent of its then mortgagee, Landlord agrees to consent in writing to the reasonable and customary rights of Tenant's leasehold mortgagee. Landlord shall reasonably cooperate with Tenant in obtaining the consent of Landlord's mortgagee any transaction described in this Section 12 for which the consent of Landlord's mortgagee is required, provided, however, that Landlord shall not be responsible to Tenant if Landlord's mortgagee refuses to grant such consent or somehow conditions its consent, and further provided that, in any event, Tenant shall reimburse Landlord for its reasonable attorneys' fees incurred in connection with any such request. Notwithstanding anything in this Section 12 to the contrary, in no event shall Landlord consent to any sublease, or assignment, or leasehold mortgage where Landlord's mortgagee has refused or refrained from giving its consent to the same pursuant to its rights under applicable loan documents that are binding and enforceable against Landlord.

13. Signs or Awnings. Tenant shall have the right to place or install reasonable signs, notices, pictures or advertising matter upon the exterior of the leased Property after first having obtained Landlord's written consent, which shall not unreasonably be withheld or delayed. Any and all signs placed on the Property by Tenant shall be maintained in compliance with rules and regulations governing such signs. Tenant shall be responsible to Landlord for any damages caused by installation, use, maintenance, or removal of said signs. Any electrical service needed for signs shall be installed at the Tenant's expense. Landlord shall not withhold its consent to any requests for approval of Tenant's signage where such signage is in compliance with all laws (including any Daniel Island restrictions) and is consistent with Tenant's originally-approved signage in content, size, design, quality, and illumination.

14. Waiver of Landlord's Rights. No failure by Landlord to exercise any power given by Landlord hereunder, or to insist upon Tenant's strict compliance with Tenant's obligations hereunder, and no custom or practice of the parties at variance with the terms hereof will constitute a waiver of Landlord's rights to demand exact compliance with the terms of this Lease at a future time. The rights and remedies created by this Lease are cumulative and the use of one remedy shall not be taken to exclude the right to use another.

15. Waiver of Tenant's Rights. No failure by Tenant to exercise any power given by Tenant hereunder, or to insist upon Landlord's strict compliance with Landlord's obligations hereunder, and no custom or practice of the parties at variance with the terms hereof will constitute a waiver of Tenant's rights to demand exact compliance with the terms of this Lease at a future time. The rights and remedies created by this Lease are cumulative and the use of one remedy shall not be taken to exclude the right to use another.

16. Right of Entry. Landlord, without being liable for trespass or damages, shall have the right to enter the Property after reasonable notice during reasonable hours to examine the same, or to make repairs as provided in this Lease (or to inspect for the need for the same) or to exhibit said Property. Landlord shall also be allowed to post a "For Rent" notice during sixty (60) days before the expiration of the Term of this Lease. Said right to entry shall likewise exist for the purpose of removing (after notice to Tenant and a right to cure as provided in Section 29 hereof, except in an emergency) place cards, signs, fixtures, alterations or additions which do not conform to this Lease. In accordance with this right, Tenant shall give Landlord a key to any and all applicable locks (except for locks on desks, filing cabinets, safes, and vaults), security systems and burglar alarms. Tenant shall not change or install new locks or security systems without the written consent of Landlord, which shall not unreasonably be withheld.

17. Liens. Tenant shall not create, or permit to be created, any liens for labor or material against Landlord's interest in the Property. All persons contracting with the Tenant for the erection, installation, alteration, repair or demolition of any building or other improvements on the Property, and all materials, flyers, contractors, mechanics, and laborers are hereby charged with notice that they must look to the Tenant and to the Tenant's interest only in the Property to secure payment of any bill for work or material furnished during the rental period created by this Lease. The placement of any liens of record arising from the acts or omissions of Tenant, its agents, employees, contractors, or invitees will constitute a default hereunder.

18. Damages to or Destruction of Property. Tenant shall give prompt written notice to Landlord of any damage to the Property caused by fire or other casualty. In the event the Property and the improvements located thereon are damaged by fire, explosion or any other casualty to an extent which is less than fifty percent (50%) of the cost of replacement of the improvements located on the Property, the damage shall promptly be repaired by Landlord at Landlord's expense in a manner (including design and quality of materials and workmanship) substantially equivalent to the original construction of the improvements, provided that Landlord shall not be obligated to expend for such repair an amount in excess of the net insurance proceeds recovered or reasonably recoverable as a result of such damage and released to Landlord by Landlord's then mortgagee, and that in no event shall Landlord be required to repair or replace Tenant's stock-in-trade, fixtures, furniture, furnishings, floor coverings and Tenant's equipment. Notwithstanding the foregoing, in the event of any such damage and (a) Landlord reasonably has determined that Landlord shall not be provided sufficient insurance proceeds to repair, restore, and replace the improvements as required hereunder or (b) the Property and the improvements located thereon shall be damaged to the extent of fifty percent (50%) or more of the cost of replacement, then, in either event, Landlord may elect either to repair or rebuild (in the manner provided in the preceding sentence) the improvements located on the Property or to terminate this Lease upon giving notice of such election in writing to Tenant within ninety (90) days after the occurrence of the event causing the damage (such notice to specify, in good faith, whether

Landlord is terminating the Lease pursuant to subsection (a) and/or (b), above). In the event one of Landlord's stated reasons for terminating the Lease is subsection (a), Tenant shall have the option of providing notice to Landlord (the "Notice"), within twenty (20) days of Landlord's notice to Tenant, that Tenant, itself, shall pay the difference between the total amount of Landlord's insurance proceeds made available to Landlord for such repair, restoration, and replacement and the Landlord's total cost for the same. If Tenant provides the Notice to Landlord, the Lease and Landlord's obligation to repair, restore and replace the damaged improvements as provided hereunder shall not terminate, provided that Tenant also provides to Landlord within twenty (20) days of the Notice reasonable evidence satisfactory to Landlord that it has sufficient funds available (including, without limitation, a binding commitment for a loan from a bank or other institutional lender). Notwithstanding that Tenant has provided the Notice and such reasonable evidence, Landlord shall not be required to commence construction of any repairs, replacements, or restorations the cost of which would be in excess of Landlord's available insurance proceeds until Tenant has made available to Landlord its additional funds. Notwithstanding anything to the contrary in this Section 18, and provided that the casualty to the Property does not arise from the acts or omissions of Tenant, its agents, employees, contractors, or invitees and further provided that such casualty materially adversely affects Tenant's use and occupancy of the Property, if the time necessary to repair any casualty (as reasonably estimated by an independent architect in the Charleston area mutually designated by Landlord and Tenant) following such casualty exceeds two hundred and forty (240) days from the date of casualty, then Tenant shall have the right to terminate this Lease upon written notice given to Landlord within ninety (90) days after the occurrence of the event causing the damage. If the casualty, repairing, or rebuilding shall render the Property untenantable, in whole or in part, and the damage shall not have been due to the default or neglect of Tenant, a proportionate abatement of Base Rent shall be allowed from the date when the damage occurred until the date Landlord completes its work and Tenant is permitted to occupy the affected area, said proportion to be computed on the basis of the relation which the gross square foot area of the space in the building rendered untenantable bears to the entire building.

19. Condemnation. If the whole of the Property or such portion thereof as will make said Property unusable for the purpose herein leased, be condemned by any legally constituted authority, this Lease shall terminate on the date when possession thereof is taken by public authorities, and rental shall be accounted for as between Landlord and Tenant as of that date and Tenant shall assign all of its rights to condemnation proceeds to Landlord (other than proceeds paid in respect of Tenant's property, stock in trade fixtures, furniture, furnishings, and equipment). In the event only such portion of the Property is acquired by condemnation as will leave the remaining Property, after alteration and repair, in condition suitable for use by Tenant, the monthly Rent from the day of such acquisition to the end of the original or any extended term of this Lease shall be reduced in proportion to the resulting loss of use of the Property by Tenant. Landlord shall perform all necessary alterations and repairs which shall be required to restore the Property to a safe and usable condition, provided, however, that Landlord shall not be obligated to expend for such repair an amount in excess of the net condemnation award received by Landlord, and that in no event shall Landlord be required to repair or replace Tenant's stock-in-trade, fixtures, furniture, furnishings, floor coverings and equipment, and Tenant shall be entitled to a proportionate abatement of Base Rent during the restoration period as provided in Section 18, above.

20. Indemnity and Liability. Except to the extent caused by the negligent acts or omissions or willful misconduct of Landlord, its affiliates, and their respective employees, agents, and contractors, (a) Tenant shall indemnify and save Landlord harmless from any and all claims, damages, costs and expenses, including reasonable attorney's fees arising from Tenant's use and occupancy of the Property, and (b) Landlord shall not be liable, and Tenant waives all claims for damage to person or property sustained by Tenant, its employees or agents, resulting from the condition of the Property or as may result from any accident in or about the Property or which may be the result directly or indirectly from any act or neglect to the property of which the Lease is a part. Except to the extent caused by the negligent acts or omissions or willful misconduct of Landlord, its affiliates, and their employees, agents, and contractors, (i) Landlord shall not be responsible or liable at any time for any loss or damage to Tenant's merchandise, equipment, fixtures or other personal property of Tenant or Tenant's business; (ii) Landlord shall not be responsible or liable to Tenant or those claiming by, through or under Tenant for any loss or damage to either the person or property of Tenant that may be occasioned by or through the acts or omissions of persons occupying adjacent, connecting or adjoining Premises (other than the Stadium Property); (iii) Except as set forth in Section 5 hereof, Landlord shall not be responsible or liable for any defect, latent or otherwise, in any building constituting the Property of any of the equipment, machinery, utilities, appliances or apparatus therein, nor shall it be responsible or liable for any injury, loss or damage to any person or to any property of Tenant or other person caused or resulting from bursting, breakage, or by or from leakage, ice, running, backing up, seepage, or the overflow of water or sewage in any part of the Property or from any damage caused by or resulting from acts of God or the elements. In the event Landlord transfers this lease, except as collateral security for a loan, upon such transfer Landlord will be released from all liability and obligations under this Lease arising or accruing on and after the date of such transfer. The indemnities provided in this Lease shall survive the termination or expiration of this Lease or any renewals.

21. Reversion. At the end of the Term or upon cancellation of this Lease, Tenant shall surrender the Property to Landlord in a broom clean condition as good as the Property was at the beginning of the Term (subject to reasonable wear and tear and damage by casualty (to the extent not caused by Tenant or its employees, agents, contractors, or invitees) or condemnation, as provided in Sections 18 and 19 hereof) and free from any toxic or hazardous substances arising from Tenant's acts. Tenant will pay to Landlord double the Base Rent from and after the end of the Term and until such clean up is completed. Tenant will indemnify and save Landlord harmless from and against all claims made by any succeeding Tenant of the Property against Landlord because of delay in delivering possession of the Property, so far as such delay is occasioned by failure of Tenant to so surrender the Property in such condition.

22. Effective Date of Lease. This Lease shall become effective as a binding agreement only upon the execution and delivery thereof by both Landlord and Tenant. If this Lease is signed by one party and submitted to the other party, it shall constitute an offer to lease which is subject to revocation at any time prior to execution by the other party and delivery of a fully executed copy to the submitting party.

23. Notices. Any notice required to be given under this Lease shall be sent to the addresses provided below either by (a) United States certified mail, return receipt requested, or national overnight courier service (such as Federal Express), such notice being deemed delivered upon receipt or refusal of receipt or (b) by facsimile transmission, with confirmation of receipt of

such facsimile transmission and hard copy sent first-class mail. Either party may change its notice address(es) hereunder by giving ten (10) days prior written notice to the other of such new address(es).

If to Landlord:

Duck Pond Creek, LLC
Attn: Gary F. Thornhill
4401 Belle Oaks Drive
Charleston, SC 29405-8530

If to Tenant:

Blackbaud, Inc.
Attn: Rob Shaw, Esq.
4401 Belle Oaks Drive
Charleston, SC 29405-8530

24. Bankruptcy. If Tenant shall apply for relief under any bankruptcy act or shall be adjudicated bankrupt or insolvent or take the benefit of any federal reorganization or make a general assignment or take the benefit of any insolvent law, or if a Trustee in bankruptcy or a receiver be appointed or elected for Tenant, under federal or state law, this lease at the option of Landlord shall expire and end seven (7) days after Landlord gives Tenant written notice, UNLESS Tenant's trustee immediately cures any default of Tenant hereunder and provides (in compliance with federal and state laws) adequate assurance of future performance of Tenant's obligations hereunder.

25. Beyond Landlord's Control. None of the acts, promises, covenants, or obligations on the part of Tenant to be kept, performed, or not performed as the case may be, nor the obligation of Tenant to pay Rent or other charges or payments on and after the Commencement Date, as provided hereunder, shall be anywise waived, excused, or affected by reason of Landlord being unable at any time during the Term of this Lease, to supply or to delay in supplying heat, light, elevator service or any other service expressed or implied on the part of Landlord to be supplied; or by reason of Landlord being unable to make any alterations, repairs, or decorations, or to supply any equipment or fixtures, or any other promise, covenant, or obligations on the part of the Landlord to be performed, if Landlord's inability or delay is caused by circumstances beyond Landlord's reasonable control, including, without limitation, by reason of war, civil commotion, acts of God, governmental restrictions, scarcity of labor or materials, strikes or labor walkouts.

26. Keys. Landlord shall provide Tenant with one key per lock, and Tenant is responsible for accounting for all keys provided or duplicated and shall return all keys of leased Property to the Landlord upon termination or cancellation of this Lease and/or Tenant's vacating said Property. Landlord shall have the right, if in the Landlord's reasonable judgment it is necessary, to require Tenant at Tenant's expense to replace locks, and to supply Landlord with one

key to the new locks. The Landlord shall retain a master key or pass key to the Property, including all security locks and systems. Tenant shall not change or install new locks (except for locks on desks and filing cabinets) or security systems without prior written approval of Landlord, which shall not unreasonably be withheld. Locks referred to in this Section 26 shall not include locks for desks, filing cabinets, safes, or vaults in the office building.

27. Estoppel Certificates. Financial Statements.

Tenant or Landlord shall from time to time, within ten (10) days following written notice from the other, execute, acknowledge and deliver to the requesting party a written statement certifying that this Lease is in full force and effect. This statement should also state whether or not the requesting party is in default in performance of any covenant and shall constitute an acknowledgment by the non-requesting party that this Lease is unmodified and in full force and effect, and shall constitute a waiver of any defaults by the non-requesting party which may have existed prior to the date of such notice of which the non-requesting party is aware. Time is of the essence in complying with this provision.

To the extent such information is otherwise publicly available, Tenant shall furnish to Landlord within one hundred twenty (120) days after the close of each fiscal year a balance sheet, as well as a profit and loss statement on Tenant for such fiscal year certified by Tenant to be correct and accurate and prepared in accordance with generally accepted accounting principles consistently applied and a quarterly profit and loss statement of Tenant.

28. Peaceful Possession. Subject to the terms, covenants and conditions of this Lease, Tenant shall have, hold and enjoy quiet possession of the leased Property undisturbed by Landlord or parties acting through Landlord, subject to the rights of the holders of any mortgage which now covers said Property or which may hereafter be placed on the Property by Landlord (subject to the provisions of Section 32 hereof) and subject to the Easement set out in Exhibit C hereof, and any and all matters of public record as of the date hereof or known to Tenant as of the date hereof.

29. Default. If Tenant fails to pay Rent on or before the due dates as herein stated (TIME IS OF THE ESSENCE), this Lease shall be in default. If Tenant fails to cure such default within five (5) days; or if Tenant shall be in default in performing any of the terms, covenants and conditions of this Lease other than the provision requiring the payment of Rent, and fails to cure such default within thirty (30) days after the receipt of written notice of default from Landlord provided that if Tenant shall have diligently commenced such cure within such 30-day period, then such cure period shall be extended for so long as Tenant shall be diligently attempting to cure such default, provided further that such aggregate cure period shall not exceed 90 days from the date of Landlord's written notice of default to Tenant; or if Property shall be abandoned or deserted for forty-five (45) days, or this Lease is assigned to any other persons, firm, office or corporation, without the permission of Landlord as required herein, this Lease, at Landlord's option, shall expire and terminate seven (7) days after Landlord delivers written notice to Tenant of such condition or default and Tenant shall immediately quit and surrender said Property to Landlord. In the event of any such default or breach of performance, Landlord without any further notice or demand of any kind to Tenant, may, with or without terminating the Lease re-enter and forthwith repossess the entire Property and without being liable for trespass or damage may relet, lease, or demise the Property to another tenant without any hindrance or prejudice to Landlord's right to

distraint for and claim to any past due Rent, and Rent (including without limitation the reasonable costs of repair and restoration of the Property required due to Tenant's acts or omissions and Landlord's reasonable brokerage commissions and reasonable attorneys' fees incurred in connection with any such default and reletting) and from the time of such default or termination until the Property was leased or rented to another tenant, for all of which Tenant shall be responsible to Landlord. From and after any event of default that remains uncured beyond the applicable grace period set forth herein, as provided hereunder, in addition to Landlord's other rights and remedies hereunder and at law and equity, Landlord may charge Tenant default interest on any amounts owing to Landlord hereunder at the rate of the Prime Rate of interest as published from time to time in the Wall Street Journal plus four percent (4%). Landlord's rights and remedies hereunder are cumulative.

30. Attorneys' Fees. In the event a dispute arises between the parties with regard to this Agreement, the parties agree that the non-prevailing party shall reimburse the prevailing party for all reasonable attorneys' fees, costs and expenses, arising from and after the date of this Agreement, incurred by the prevailing party in connection with the enforcement or interpretation of rights under this Agreement. This reimbursement includes, without limitation, reasonable attorneys' fees, costs and expenses for trial, appellate proceedings, out-of-court negotiations, workouts and settlement or for enforcement of rights under any state or federal statute, including without limitation, reasonable attorneys' fees, costs and expenses incurred to protect the prevailing party and attorneys' fees, costs and expenses incurred in bankruptcy and insolvency proceedings such as (but not limited to) in connection with seeking relief from stay in a bankruptcy proceeding. The term "expenses" as used herein, means any expenses incurred by the prevailing party in connection with any of the out-of-court, or state, federal or bankruptcy proceedings referenced above, including, but not limited to, the fees and expenses of any appraisers, consultants and expert witnesses retained or consulted by the prevailing party in connection therewith.

The prevailing party shall also be entitled to its attorneys' fees, costs, and expenses incurred in any post-judgment proceedings to collect and enforce the judgment. This provision is separate and several and shall survive the merger of this Agreement into any judgment on this Agreement.

31. Definitions. "Landlord" as used in this Lease shall include the owner or owners of the property and/or the aforementioned managing agents as well as the Landlord's heirs, representatives, assigns, and successors in title to Property. "Tenant" shall include Tenant, Tenant's heirs and representatives, and if this Lease shall be assigned or sublet in compliance with the provisions of this Lease, shall include also Tenant's assignees or sublessees, as to Property covered by such assignment or sublease. "Agent" shall include agent, agent's successors, assigns, heirs and representatives. "Landlord", "Tenant" and "Agent" include male and female, singular, plural, corporation, partnership or individual, as may fit the particular parties.

32. Subordination and Modification. Tenant covenants that this Lease shall be and shall remain subordinate to any mortgages placed upon the Property and Tenant shall, at the request of Landlord, execute any customary subordination and attornment agreements in form and substance reasonably acceptable to Landlord, provided that any such mortgagee has executed for Tenant a non-disturbance agreement in such mortgagee's usual and customary form. Further, if any prospective mortgagee of the Property requires, as a condition precedent to issuing its loan, the modification of this Lease in such manner that does not materially lessen Tenant's rights or

increase its obligations hereunder, Tenant shall not unreasonably delay or withhold its consent to such modification and shall execute and deliver such conforming documents therefore as such mortgagee requires.

33. Entire Agreement. This Lease and the exhibits hereto, together with (a) the Real Property Holder's Estoppel, Waiver and Consent Agreement of even date herewith between Landlord, Tenant, and Bankers Trust Company, and (b) the Non-Disturbance, Attornment and Subordination Agreement of even date herewith between Landlord, Tenant, and SouthTrust Bank N.A., contain the entire agreement between the parties hereto and all previous negotiations leading thereto, and it may be modified only by a dated written agreement signed by both Landlord and Tenant. No surrender of the Property or of the remainder of the Term of this Lease shall be valid unless accepted by Landlord in writing. TIME IS OF THE ESSENCE IN THIS AGREEMENT. This Lease amends, restates and supersedes in its entirety the Lease Agreement between Landlord and Tenant, dated as of May 27, 1999.

34. Applicable Law. The parties executing this Lease acknowledge that the negotiations and anticipated performance of this Lease occurred or shall occur, and that this Lease is executed in the State of South Carolina; therefore, the parties irrevocable and unconditionally agree that South Carolina law shall govern the interpretation of this Lease and the rights and duties of the parties hereto.

35. Permits. Tenant shall procure any and all permits required from local, state and federal governmental agencies, and/or otherwise, which may be required to use the Property in the manner permitted by this Lease. Any and all costs associated with such permits shall be the sole responsibility of the Tenant. At its sole cost and expense, Landlord shall procure all permits and approvals necessary for (i) construction of the improvements on the Property prior to the Commencement Date and (ii) the initial Certificate of Occupancy for the Property.

36. Survival of Representations and Warranties. All representations, warranties, covenants and agreements contained in this Lease and in all documents and agreements incorporated herein shall survive the execution and termination of this Lease.

37. Severability. If any term or provision of this Lease shall to any extent be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this lease shall not be effective thereby and a balance of the terms and provisions of this Lease shall be valid and enforceable to the fullest extent either hereunder or as permitted by law.

38. Heirs, Successors and Assigns. This Lease shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, successors and assigns.

39. Authority. The individuals signing this Lease personally warrant that they have the right and power to enter into this Lease, to grant the rights granted under this Lease, and to undertake the obligations undertaken in this Lease.

40. Brokers. Tenant and Landlord represent that no broker or agent has any claim to a commission with respect to the Lease contemplated hereby. Landlord shall not be liable for any real estate fee, consulting fee, commission or other form of compensation whatsoever with respect to the transactions contemplated hereby. Tenant shall indemnify and hold Landlord harmless from

and against and in respect to any and all liability or expense resulting from or in connection with fees, claims or commissions alleged to be due through Tenant's acts as a result of the transactions contemplated hereby to any person or entity.

41. Captions. The marginal captions herein are done for convenience and reference only and shall not be deemed as part of this Lease or construed as in any manner or as amplifying the terms and provisions of this Lease to which they relate.

42. Memorandum of Lease. Promptly after execution and delivery of this Lease, the parties shall execute, deliver and record in the land records of Berkeley County, South Carolina, a Memorandum of this Lease. At Landlord's request, upon the expiration or earlier termination of this Lease, Tenant shall execute in recordable form and deliver to Landlord a Notice of Termination of Lease to be recorded in the land records of Berkeley County, South Carolina. If Tenant shall fail to comply with Landlord's request within ten (10) days of Landlord's request therefore, Tenant hereby appoints Landlord as its attorney-in-fact to execute the same on behalf of Tenant.

IN WITNESS WHEREOF, the parties hereto have their duly authorized representative to execute this Lease on the day and year first above written.

WITNESSES:	LANDLORD:
	DUCK POND CREEK, LLC, a South Carolina limited liability company
/s/ R. H. Shaw - ----------	
	By: /s/ Anthony E. Bakker ----------
/s/ Gretchen Miranda - ----------	
	Its: ----------
	TENANT:
	BLACKBAUD, INC., a South Carolina corporation
/s/ R. H. Shaw - ----------	
	By: /s/ Gary F. Thornhill ----------
/s/ Gretchen Miranda - ----------	Its: EVP ----------

EXHIBIT A
TO LEASE AGREEMENT BY AND BETWEEN
DUCK POND CREEK, LLC (LANDLORD)
AND
BLACKBAUD, INC. (TENANT)

The "Property" shall consist of all of that tract, parcel and piece of land, situate, lying and being on Daniel Island, City of Charleston, Berkeley County, measuring and containing approximately 36.491 acres above the DHEC-OCRM Critical Line, more or less, located in Parcel K, Phase 1, as more fully shown on a plat entitled "A Subdivision Plat of A 36.491 Acre Tract of Land Parcel K Phase 1 Owned by The Daniel Island Company Located In The City of Charleston Berkeley County, South Carolina," prepared by Mark S. Busey, R.L.S., dated December 8, 1997, with latest revisions dated January 27, 1998, and recorded in Plat Cabinet N, Page 114, in the RMC Office for Berkeley County, South Carolina LESS AND EXCEPT that portion of such tract identified in cross-hatch on Exhibit A-1, attached hereto and made a part hereof.

EXHIBIT B

RENT

Upon thirty (30) days following the issuance of a Certificate of Occupancy for the office building, during the Term Tenant shall pay to Landlord annually Base Rent in an amount equal to Four Million Two Hundred Eighty-Seven Thousand and No 00/100 Dollars ($4,287,000.00) payable in equal monthly installments of Three Hundred Fifty-Seven Thousand, Two Hundred Fifty and No 00/100 Dollars ($357,250.00).

The Base Rent shall escalate annually (including during any renewal term) at a rate equal to the percentage increase in the CPI (as hereafter defined) for a given lease year over the CPI for the prior lease year. The increase shall take effect beginning with the Rent payment due on the third anniversary date of the Commencement Date (there being no increase in Base Rent for the first three lease years, the increase beginning with the fourth lease year) and shall continue on each anniversary of the Commencement Date thereafter, and shall be calculated based on the increase in the CPI published in October immediately prior to the lease year for which the increase in Base Rent is being determined, over that published the October one year before. "CPI" shall mean the Consumer Price Index - U.S. City Average for Urban Wage Earners and Clerical Workers, all Items (1982-84 = 100) of the United States Bureau of Labor Statistics. In no event shall Base Rent for a given lease year ever be less than the Base Rent for the prior lease year.

EXHIBIT C

STATE OF SOUTH CAROLINA

COUNTY OF BERKELEY

DECLARATION OF
ACCESS AND PARKING
EASEMENT

THIS DECLARATION OF ACCESS AND PARKING EASEMENT (the "Declaration of Easement") is made this _____ day of _____, 1999 by DUCK POND CREEK LLC, a South Carolina limited liability company ("Declarant").

W I T N E S S E T H :

WHEREAS, Declarant is the record owner of the property described as the "Office Property" on Exhibit A, attached hereto and incorporated herein by reference; and

WHEREAS, Declarant is also the record owner of the property described as the "Stadium Property" and shown in cross-hatch on Exhibit A-1, attached hereto and incorporated herein by reference; and

WHEREAS, in order to provide for certain parking and access rights for the benefit of the Stadium Property over, upon and across the Office Property, Declarant desires to and does subject the Stadium Property and the Office Property to this Declaration of Easement.

NOW, THEREFORE, Declarant hereby declares as follows:

1. The recitals set out above are incorporated herein by reference.

2. There shall exist during Non-Business Hours (for purposes of this Declaration of Easement, "Non-Business Hours" being defined as all hours other than 8:30 A.M. to 6:00 P.M. Monday through Friday and all hours on commonly observed state and national holidays) a non-exclusive right of access, for the benefit of the Stadium Property, over, upon, and across the access ways, driveways, and parking areas located upon the Office Property for vehicular (both passenger and commercial) and pedestrian ingress, egress, and regress to and from the Stadium Property to the public right-of-way.

3. There shall exist during Non-Business Hours a non-exclusive right over, upon and across the designated parking areas located on the Office Property for the benefit of the Stadium Property for parking of vehicles (both passenger and commercial) for training camps, practices, scrimmages, games, concerts, fairs, and any other events held on or uses made of the Stadium Property. Notwithstanding the foregoing, Declarant shall designate a reserved parking area on the Office Property reasonably proximate to the office building containing 50 parking spaces that shall be reserved for the exclusive use of the Office Tenant, as defined below, and its subtenants, if any (hereinafter, "All Office Tenants") and which shall not be subject to the rights for the benefit of the Stadium Property set forth in this Section 3.

4. In connection with the use of the easements created herein, Declarant shall require in any lease, license, or other use or occupancy agreement for the Stadium Property or any portions thereof (but excluding tickets or other rights, permission, or licenses to go upon the Stadium Property that are sold, granted, or made available to the public, visitors, spectators, etc.) (hereinafter, a "Stadium Lease") provisions, among others, stating (i) that the tenant (or licensee, as applicable,) under any Stadium Lease (hereinafter, a "Stadium Tenant"), provide, at its sole cost, after-event clean-up of the Office Property in connection with any use of the easements

created hereunder, (ii) that the Stadium Tenant indemnify All Office Tenants from and against any loss, cost, damage, or liability (including reasonable attorneys' fees and court costs) arising out of its use of the Office Property (including use by its employees, agents, contractors, and invitees, hereinafter "Use," the lower-case "use" specifically referring to use only by a Stadium Tenant itself or by its employees and agent, but excluding use by its contractors and invitees) pursuant to easements created herein, (iii) that the Stadium Tenant shall maintain public liability insurance for matters arising out of its Use of the Office Property pursuant to easements created herein in a minimum amount of $5,000,000 naming All Office Tenants as additional insureds; (iv) that the Stadium Tenant shall comply with all applicable governmental rules, regulations, laws, restrictions (including any public or private covenants, conditions, or restrictions applicable to the Stadium Property as part of Daniel Island), and ordinances in its use of the Stadium Property and in its use of the Office Property hereunder; and (v) that the Stadium Tenant shall maintain the Stadium Property (or the portion thereof that is the subject of its Stadium Lease) in good condition. Upon written request, Declarant, at its election, shall provide to the Office Tenant a copy of any Stadium Lease(s) containing such provisions. In the event that Declarant has elected not to provide the Office Tenant with a requested copy of a Stadium Lease containing such provisions or in the event that Declarant has not entered into a Stadium Lease in connection with any particular use of the Stadium, then Declarant itself shall directly and for the benefit of All Office Tenants be obligated to perform the covenants set forth in subparagraphs (i) through (v), above, with respect to the activities of (a) any Stadium Tenant the Stadium Lease for which Declarant has elected not to provide the Office Tenant a copy and (b) any particular use of the Stadium for which Declarant has not entered into a Stadium Lease.

5. This Declaration of Easement shall inure to and be binding upon the heirs, successors and assigns of Declarant and shall run with and benefit and burden the Stadium Property and shall run with and benefit and burden the Office Property forever or until this Declaration and the easements created hereunder shall be terminated by Declarant or its heirs, successors and assigns by written, recorded instrument.

6. Declarant shall use its reasonable best efforts to provide Blackbaud, Inc., the initial tenant of the Office Property (together with its successors and assigns, but specifically excluding its subtenants, if any, the "Office Tenant"), reasonable prior notice of the events to be held at the Stadium. Declarant will not materially amend this Declaration of Easement without the prior written consent of the Office Tenant which consent shall not unreasonably be withheld, conditioned, or delayed.

7. In the event that Declarant reasonably determines that it is in the best interest of the Office Property and the Stadium Property to subdivide the Stadium Property from the Office Property, in compliance with all local laws and ordinances, All Office Tenants shall reasonably cooperate with Declarant to accomplish the same, at no expense to any such tenant(s) provided that any such subdivision shall not have a material adverse effect on the use, utility, value of, or expenses required to own or operate, the Office Property. Any such subdivision may necessarily include a provision for recording a shared access and parking easement between the Office Property and the Stadium Property in reasonable and customary form and reasonably acceptable to Declarant, the Office Tenant, the local governmental jurisdiction having authority over such subdivision, and any lenders holding either a fee or leasehold mortgage on the Office Property or the Stadium Property.

8. The Office Tenant shall be a third-party beneficiary hereunder and, as such, shall be entitled to enforce the covenants and obligations contained herein against the Declarant and any Stadium Tenant.

IN WITNESS WHEREOF, the duly authorized Manager of Declarant has set his hand and affixed his seal as of the day and year first above written.

DUCK POND CREEK LLC

Witness: _____

Witness: _____ By: _____(SEAL)

Title: _____

SOUTH CAROLINA

BERKELEY COUNTY

I, the undersigned Notary Public do hereby certify that _____ personally appeared before me this day and acknowledged that he is the Manager of DUCK POND CREEK LLC, a South Carolina limited liability company, and that by authority duly given as the act of the limited liability company, the foregoing instrument was signed by him as its Manager under seal.

Witness my hand and official seal this _____ day of _____, 1999.

NOTARY PUBLIC

My Commission Expires:

(Notary Seal)

EXHIBIT A

TO DECLARATION OF ACCESS AND PARKING EASEMENT

The "Office Property" shall consist of all of that tract, parcel and piece of land, situate, lying and being on Daniel Island, City of Charleston, Berkeley County, measuring and containing approximately 36.491 acres above the DHEC-OCRM Critical Line, more or less, located in Parcel K, Phase 1, as more fully shown on a plat entitled "A Subdivision Plat of A 36.491 Acre Tract of Land Parcel K Phase 1 Owned by The Daniel Island Company Located In The City of Charleston Berkeley County, South Carolina," prepared by Mark S. Busey, R.L.S., dated December 8, 1997, with latest revisions dated January 27, 1998, and recorded in Plat Cabinet N, Page 114, in the RMC Office for Berkeley County, South Carolina (the "36.491 Acre Tract") LESS AND EXCEPT that portion of such tract identified in cross-hatch on Exhibit A-1, attached hereto and made a part hereof.

The "Stadium Tract" shall consist of that portion of the 36.491 Acre Tract identified in cross-hatch on Exhibit A-1.

Exhibit D

1. Construction Management Agreement, dated as of May 28, 1998, between Landlord and Hill Construction Corporation, as amended, modified or supplemented.

2. Architect's Agreement, dated as of May 21, 1998, between Landlord and Stubbs Muldrow Herin Architects, Inc., as amended, modified or supplemented.

3. Site Work Engineering Agreement between Landlord and Seamon & Whiteside, as amended, modified or supplemented.

4. Interior Design Agreement between Landlord and Henry J. Smith Architects, as amended, modified or supplemented (if applicable), subject to the limitations set forth in subparagraph 5(c) below.

5. The current plans, drawings and specifications for the office building and other improvements to the Property (a) issued by Stubbs Muldrow Herin Architects, Inc., as of October 13, 1999, (b) issued by Seamon & Whiteside (site work engineers), as of October 13, 1999, and (c) to be issued by Henry J. Smith Architects (interior designer) and approved by Landlord, provided that Landlord covenants that the interior design work to be designed by such firm and approved by Landlord shall be consistent with the standards for newly constructed first-class office buildings in Charleston, South Carolina. Landlord and Tenant shall, not later than October 22, 1999, cause to be prepared, and shall confirm in writing, a list of such plans, drawings and specifications, and such list, upon confirmation thereof in writing by Landlord and Tenant, shall be deemed to be included in, and made a part of, this Exhibit D.

EXHIBIT 10.5

TRADEMARK LICENSE AND PROMOTIONAL AGREEMENT

This AGREEMENT (the "Agreement") is made as of the 13th day of October, 1999 (the "Effective Date") by and between Blackbaud, Inc., a corporation organized and existing under the laws of the State of South Carolina ("BLACKBAUD"), and Charleston Battery, Inc., a corporation organized and existing under the laws of the State of South Carolina ("CBI").

RECITALS

WHEREAS, BLACKBAUD is the owner of various trademarks, service marks and trade names, which include the term "Blackbaud" (the "Trademarks") and the goodwill associated therewith;

WHEREAS, CBI desires to use the name "Blackbaud Stadium" (the "Name") on and in connection with a stadium located on Daniel Island in Berkeley County in the City of Charleston, South Carolina, a description of which is contained in Exhibit A attached hereto and incorporated herein (the "Stadium"); and

WHEREAS, BLACKBAUD desires CBI to use the Name on and in connection with the Stadium and desires to grant CBI an exclusive license to effect such use pursuant to the Terms set forth herein;

NOW, THEREFORE, for good and valuable consideration, including the mutual promises and covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, BLACKBAUD and CBI (the "Parties") agree as follows:

1. NAME OF STADIUM

Subject to the provisions of this Agreement, the Stadium shall be named "Blackbaud Stadium" throughout the term of this Agreement, as hereinafter defined. CBI agrees that it will refer to the Stadium as "Blackbaud Stadium" in all public matters relating to its leasing and operation of the Stadium during the term of this Agreement. In consideration of the benefits to BLACKBAUD of CBI utilizing and promoting the name "Blackbaud Stadium," BLACKBAUD will pay CBI an annual fee of Two Hundred Thousand ($200,000) Dollars, beginning on the Effective Date of this Agreement and continuing on the anniversary date of each year throughout the term of this Agreement and any extension thereof.

2. GRANT OF LICENSE

Subject to the terms and conditions of this Agreement, BLACKBAUD hereby grants to CBI an exclusive, non-transferable royalty-free license to use the name "Blackbaud Stadium" in the Territory, as hereinafter defined, in connection with the operation of the Stadium and the production and advertising of any and all events occurring at the Stadium.

3. TERRITORY

The Territory shall be the State of South Carolina.

4. SIGNAGE AND OTHER USE OF NAME

CBI shall be solely responsible for maintaining Stadium signage (size, placement and style), which signage shall include the name "Blackbaud Stadium" and must be approved by BLACKBAUD, which approval shall not be unreasonably withheld. The Name may also be used on promotional goods, distributed free of charge and directly related to the advertisement of the Stadium itself or the professional soccer teams utilizing the Stadium. The Name may not be used in connection with any other goods or services without the written consent of BLACKBAUD.

5. TERM OF THE AGREEMENT

The Term of this Agreement shall begin on the Effective Date and shall continue for a ten (10) year period (the "Term"), unless sooner terminated in accordance with the provisions hereof. No later than six (6) months prior to the expiration of the Term, the Parties shall confer concerning a possible renewal of the Agreement.

6. TERMINATION

A. Should CBI become bankrupt or insolvent, or should the business of CBI be placed in the hands of a receiver or trustee, whether by the voluntarily act of CBI or otherwise, or if CBI liquidates its business in any manner whatsoever, BLACKBAUD may terminate this Agreement at its discretion, to the extent permissible under law, upon thirty (30) days notice, in writing, to CBI.

B. Except as may otherwise be expressly provided in this Agreement, in the event either party hereto shall materially breach or default in the performance of any of the terms, conditions or obligations to be performed by it hereunder, and said breach or default is not cured within sixty (60) days after the breaching or defaulting party receives written notice from the other party of such material breach or default, the non-breaching or non-defaulting party may immediately terminate this Agreement and all of the rights and obligations hereunder (except as otherwise expressly provided by this Agreement).

C. In the event that CBI ceases to operate the Stadium primarily as a venue for professional soccer matches, or the soccer team, the Stadium or CBI is sold or experiences a change in control which, in the reasonable judgment of BLACKBAUD, makes it undesirable for BLACKBAUD to continue this Agreement, BLACKBAUD may terminate this Agreement upon 30 days notice, in writing, to CBI.

D. In the event of a termination of this Agreement, BLACKBAUD shall be entitled to a pro rata refund of any annual fee paid.

7. QUALITY CONTROL

BLACKBAUD shall have the right to periodically review and inspect all signage and materials utilizing the Name or the Trademarks. Upon request, CBI shall provide BLACKBAUD with actual samples of such materials, or photographs of such signage.

8. OWNERSHIP

A. CBI acknowledges BLACKBAUD's exclusive right, title, and interest in and to the trademarks to be used in connection with the Stadium. CBI shall not, in any way, during the term of this Agreement, or thereafter, directly or indirectly do or cause to be done any act or thing contesting or in any way challenging any part of BLACKBAUD's right, title and interest in the Trademarks. CBI shall not, in any manner, represent that it has any ownership of the Trademarks. CBI acknowledges that its use of the Trademarks shall not create in CBI any right, title and interest in or to any of the Trademarks and that all use of the Trademarks by CBI shall inure to the benefit of BLACKBAUD. CBI covenants and agrees that it shall at no time adopt or use any word or corporate name or mark which is similar to, or likely to cause confusion with, any trademark licensed hereunder or used by CBI in connection with licensed services or products and that, after the termination hereof, CBI will not use any of BLACKBAUD's trademarks, trade names or its corporate name in any manner whatsoever.

B. CBI shall, at the request of BLACKBAUD, execute, deliver or file any and all documents which BLACKBAUD deems necessary or appropriate to make fully effective or to implement the provisions of this Agreement, or any other provisions of this Agreement, relating to the ownership or registration of the Trademarks or to conform the undertakings contained herein.

C. CBI agrees that, in addition to fulfilling all of its other obligations hereunder, CBI shall, at BLACKBAUD'S request and expense, do all other reasonable acts and things necessary to protect and preserve the validity of the Trademarks.

D. BLACKBAUD shall have the right, in its sole discretion, to register the Name with the United States Patent and Trademark Office or with the office responsible for trademark registration in any other foreign or domestic jurisdiction.

9. INFRINGEMENT, COUNTERFEITS, UNFAIR COMPETITION ACTIONS

A. In the event that any infringement of trademarks licensed hereunder or any counterfeits or unfair competition affecting the Name or the Trademarks comes to the attention of CBI, CBI shall inform BLACKBAUD in writing and BLACKBAUD may, in its sole discretion, bring appropriate proceedings against such infringers. Any such action shall be prosecuted, wherever possible, in the name of BLACKBAUD and by its counsel, and the expenses of any such action shall be borne by BLACKBAUD. Any recovery, including attorneys' fees in such action shall belong to BLACKBAUD.

B. CBI shall not be entitled to take or institute any action thereon, either by way of informal protest or legal, equitable or criminal proceedings, without express written approval unless, after notice by CBI, BLACKBAUD fails to take reasonable action to protect the Name and such failure may lead to an impairment of CBI's rights under this Agreement. CBI shall be entitled to recover its costs for such an action.

10. INDEMNIFICATION

A. CBI agrees to indemnify and hold BLACKBAUD and any of its affiliates, partners, shareholders, agents, officers, employees, and directors harmless, from and against any and all claims, demands or judgments, including incidental costs and attorneys' fees incurred in connection therewith, against BLACKBAUD for injuries or damages arising out of any alleged injury, loss or damage of any kind or nature whatever sustained relating to the Stadium.

B. CBI shall, at its own cost, defend against any claims brought or actions filed against BLACKBAUD, whether such claims or actions are rightfully or wrongfully brought or filed, and BLACKBAUD shall execute all papers necessary in connection with such suit and shall testify in any such suit whenever required to do so by CBI, all, however, at the expense of CBI with respect to travel and similar out-of-pocket disbursements.

C. BLACKBAUD shall promptly give written notice to CBI of any claims against BLACKBAUD with respect to the subject of indemnity contained herein.

D. BLACKBAUD agrees to indemnify and hold CBI and any of its affiliates, partners, shareholders, agents, officers, employees, and directors harmless, from and against any and all claims, demands or judgments, including incidental costs and attorneys' fees incurred in connection therewith, against CBI arising out of or related to CBI's use of the Name pursuant to this Agreement unless such claims arise out of or relate to CBI's breach of this Agreement or other wrongful acts.

E. BLACKBAUD shall, at its own cost, defend against any claims brought or actions filed against CBI arising out of or related to its use of the Name pursuant to this Agreement, whether such claims or actions are rightfully or wrongfully brought or filed, unless such claims arise out of or relate to CBI's breach of this Agreement or other wrongful acts and CBI shall execute all papers necessary in connection with such suit and shall testify in any such suit whenever required to do so by BLACKBAUD, all, however, at the expense of BLACKBAUD with respect to travel and similar out-of-pocket disbursements.

F. CBI shall promptly give written notice to BLACKBAUD of any claims against CBI with respect to the subject of indemnity contained herein.

11. REPRESENTATIONS & WARRANTIES

A. BLACKBAUD represents and warrants that from and after the Effective Date it will not take any action that would interfere with BLACKBAUD's performance hereunder.

B. CBI represents and warrants that:

(i) the primary use of the Stadium is and shall be to provide a venue for the performance of professional soccer matches;

(ii) the execution, delivery and performance of this Agreement by CBI has been duly authorized by all necessary actions on the part of CBI and does not and will not conflict with or violate or constitute a default or breach under any provision of any security agreement, license agreement, or other agreement or instrument or any order, judgment or decree or other restriction of any kind or nature binding on CBI or violate any law or regulation binding on CBI; and

(iii) there is no other contract, agreement or legal action to which CBI is a party that would prevent it from entering into and carrying out this Agreement.

12. TRANSFER, ASSIGNMENT OR SUBLICENSE

This Agreement and all rights and duties hereunder are personal to CBI and shall not be directly or indirectly transferred, assigned, sublicensed, or otherwise encumbered by CBI or by operation of law, in each case without BLACKBAUD's consent which should not be unreasonably withheld. BLACKBAUD may assign this Agreement or any rights hereunder, but shall furnish written notice of such assignment to CBI.

13. MISCELLANEOUS

A. Relationship of the Parties: Nothing in this agreement shall be construed to create a partnership, joint venture or agency relationship between the Parties. Neither BLACKBAUD nor CBI shall have any right, power, or authority to act as a legal representative of the other, and neither party shall have any power to obligate or bind the other, or to make any representations, express or implied, on behalf of or in the name of the other in any manner for any purpose whatsoever.

B. No Rights to Third Parties: No person, firm, group, or corporation other than CBI and BLACKBAUD shall be deemed to have acquired any rights by reason of anything contained in this Agreement.

C. Survival of Representations and Warranties: All representations, warranties, covenants and agreements contained in this Agreement and in all documents and agreements incorporated herein shall survive the execution of this Agreement.

D. Waiver of Interpretation: This Agreement has been negotiated by the Parties hereto and the Parties hereto represent and warrant to one another that each has, by counsel or otherwise, actively participated in the finalization of this Agreement, and in the event of a dispute concerning the interpretation of this Agreement, each party hereby waives the doctrine that an ambiguity should be interpreted against the party which has drafted the document.

E. Severability: If any part, term, or provision of this Agreement shall for any reason be found invalid, illegal, unenforceable, or in conflict with any valid controlling law, such term or provision shall be separated from this Agreement and such invalidity, illegality or unenforceability shall not affect any other term or provision hereof and this Agreement shall be interpreted and construed as if such term or provision, to the extent the same shall have been held invalid, illegal, or unenforceable, had never been contained herein.

F. Waiver, Integration, Alteration.

(i) Waiver. The waiver of a breach hereunder may be affected only by a writing signed by the waiving party and shall not constitute, or be held to be, a waiver of any other or subsequent breach, or to affect in any way the effectiveness of such provision. Failure by either party to object to a breach by the other party shall not constitute or be held to be a waiver of the party's right to later object to, or to terminate this Agreement, due to any other breach or subsequent breach.

(ii) Integration. This Agreement contains the entire agreement between the Parties and supersedes all other agreements, representations, and warranties, expressed or implied, between the Parties concerning the Name. This agreement explicitly supersedes and terminates the prior agreement between the Parties, dated April 1, 1999, entitled "Name Rights License Agreement."

(iii) Alteration. Any modification or amendment of this Agreement shall be effective only if made in writing and signed by both Parties hereto.

G. Applicable Governing Law:

(i) This Agreement shall be construed and interpreted and its performance shall be governed by the substantive laws of the United States and the State of South Carolina. Any lawsuit relating to the enforcement, interpretation, or construction of this Agreement shall be brought in a United States Federal District Court in South Carolina or, if applicable, a State court in the County of Charleston or Berkeley.

(ii) The Parties hereby agree and understand that this Agreement shall be considered entered into in the State of South Carolina, and consent to personal jurisdiction and agree that venue is proper in the State of South Carolina.

H. Remedies:

(i) In the event of a dispute between the Parties, the prevailing party shall be entitled to be reimbursed for all attorney's fees incurred in connection with enforcing the terms of this Agreement or preventing misuse of the Name, except as otherwise provided in this Agreement.

(ii) CBI acknowledges that its use of the Name contrary to the terms of this Agreement or continued use upon the termination or expiration of this Agreement will result in

immediate, substantial and irremediable damage to BLACKBAUD and to the rights of any subsequent licensee. CBI acknowledges and admits that there is no adequate remedy at law for such failure to cease use of the Name, and that in the event of such failure BLACKBAUD shall be entitled to equitable relief by way of temporary and permanent injunctions and such other further relief as any court with jurisdiction may deem just and proper.

(iii) Resort to any remedy referred to herein shall not be construed as an election of remedies or a waiver of any other rights and remedies to which a party is or may be entitled under this Agreement or otherwise.

I. Force Majeure: Neither party shall be liable for failure to perform any obligation under this Agreement where such failure is due to fire, flood, labor dispute, natural calamity, illness, or causes otherwise beyond the reasonable control of such party. If, despite the delay, performance may still be possible, the obligation to perform shall be extended for the duration of the event or circumstance occasioning the delay. The party delayed shall give prompt notice thereof to the other party.

J. Notices. Any communications or notices required or permitted to be given under this Agreement shall be in writing and will be deemed sufficiently given if delivered personally, sent by documented overnight delivery service, mailed by certified mail, or to the extent that receipt is confirmed, telecopy, telefax or other electronic transmission service, addressed to the party concerned as follows:

If to BLACKBAUD:

_____
_____
_____

Facsimile: _____
Telephone number: _____

with a copy to:
_____
_____
_____

Facsimile: _____
Telephone number: _____

If to CBI:

_____
_____
_____

Facsimile: _____
Telephone number: _____

with a copy to:

_____
_____
_____

Facsimile: _____
Telephone number: _____

K. Binding. This Agreement shall be binding upon the Parties hereto, and their respective permitted heirs, successors and assigns.

L. Counterparts. This Agreement may be executed in any number of counterparts each of which shall be an original and taken together shall constitute one and the same instrument.

M. Headings. All Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such Articles or Sections.

N. Validity. Each party acknowledges the validity of this Agreement and neither party shall take any action to attack its validity for any reason.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first set forth above.

BLACKBAUD, INC.	CHARLESTON BATTERY, INC.
By: /s/ Gary F. Thornhill	By: /s/ Anthony E. Bakker
Title: EVP	Title: President

EXHIBIT 10.6

BLACKBAUD, INC.
1999 STOCK OPTION PLAN

SECTION 1. PURPOSE; DEFINITIONS

The purpose of the Plan is to give Blackbaud, Inc., a South Carolina corporation (the "Company") and its Affiliates (each as defined below) a competitive advantage in attracting, retaining and motivating key employees and other individuals providing services to the Company and its Affiliates, and to enable the Company and its Affiliates to provide incentives linked to the financial results of the Company's and its subsidiaries' businesses.

For purposes of the Plan, the following terms are defined as set forth below:

"Affiliate" of a Person means a Person directly or indirectly controlled by, controlling or under common control with such Person.

"Board" means the Board of Directors of the Company.

"Closing" and "Closing Date" have the meanings set forth in the Recapitalization Agreement.

"Closing Options" has the meaning set forth in Section 5(a).

"Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Committee" has the meaning set forth in Section 2(a).

"Company" means Blackbaud, Inc., a South Carolina corporation.

"Employment/Service" means employment with, or the performance of services as a non-employee director, consultant or other independent contractor for, the Company or any of its Affiliates.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

"Exercise Date" has the meaning set forth in Section 6(b).

"Exercise Notice" means a written notice by a Participant to the Company, on such form as the Committee may prescribe from time to time, stating that an Option is being exercised.

"Exercise Price" shall mean the price per Share at which Shares can be purchased pursuant to Options.

"Fair Market Value" of a Share as of any given date means (i) if the Shares are not then listed on any exchange or NASDAQ, the fair market value of a Share as determined in good faith by the Board, as of the most recent December 31 or June 30 that occurs on or before such date, on the basis of the Company's status as privately held and without reference to any discount for minority interest, control premium, restrictions on transfer or disparate voting rights (if any), and (ii) if the Shares are so listed, the mean between the highest and lowest reported sales prices on such date of a Share on the New York Stock Exchange or, if not listed on such exchange, on any other national securities exchange on which the Shares is listed or, if not so listed, on NASDAQ on the last preceding date on which there was a sale of Shares on such exchange or on NASDAQ.

"Incentive Stock Option" means any Option that is designated in the applicable Option Agreement, and that qualifies as, an "incentive stock option" within the meaning of Section 422 of the Code.

"Investor Rights Agreement" means the Investor Rights Agreement, dated as of October 13, 1999, among the Company and certain shareholders of the Company, as amended from time to time.

"IPO" means a Qualified Public Offering, as defined in the Investor Rights Agreement.

"Mature Shares" means Shares that have been owned by the Participant in question for at least six months.

"NASDAQ" means The NASDAQ Stock Market.

"Nonqualified Stock Option" means any Option that is not an Incentive Stock Option.

"Option" means a right to purchase Shares granted pursuant to this Plan.

"Option Agreement" means an agreement setting forth the terms and conditions of an Option or Options.

"Participant" means any individual eligible to receive grants of Options as set forth in Section 4 to whom an Option has been granted.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, government (or any department or agency thereof) or other entity.

"Plan" means the Blackbaud, Inc. 1999 Stock Option Plan, as set forth herein and as hereinafter amended from time to time.

"Plan Shares" has the meaning set forth in Section 11(b).

"Pobeda" means Pobeda Partners Ltd., a Bermuda exempt company.

"Pobeda's Consent" means the written consent of Pobeda.

"Recapitalization Agreement" means the Recapitalization Agreement, dated September 13, 1999, among the Company, Blackbaud Pacific, Pty Ltd. and Blackbaud Europe, Ltd., Pobeda, Hellman & Friedman Capital Partners III, L.P. and certain related entities, and the Selling Shareholders (as defined therein).

"Rule 13d-3" means Rule 13d-3, as promulgated by the SEC under the Exchange Act, as amended from time to time.

"SEC" means the Securities and Exchange Commission or any successor agency.

"Section 162(m) Option" means an Option that is (i) granted at a time when the Company is a "publicly held corporation" within the meaning of Section 162(m)(2) of the Code, and (ii) not exempt from the application of Section 162(m) of the Code by reason of one of the transition rules set forth in Treasury Regulation Section 1.162-27(f) or a similar transition rule.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor thereto.

"Shares" means the shares of beneficial interest in the Company.

SECTION 2. ADMINISTRATION

(a) Committee. The Plan shall be administered by a committee of the Board designated for such purpose (the "Committee"), or, if no Committee has been designated, by the Board (in which case all references herein to the Committee shall include the Board).

(b) Powers of Committee. Among other things, the Committee shall have the authority, subject to the terms of the Plan, to:

(i) select the Participants to whom Options are granted;

(ii) determine whether and to what extent awards of Incentive Stock Options and Nonqualified Stock Options or any combination thereof are to be granted hereunder, provided, that no Incentive Stock Options shall be granted without Pobeda's consent;

(iii) determine the number of Shares to be covered by each Option granted hereunder;

(iv) determine the terms and conditions of any Option granted hereunder;

(v) with Pobeda's Consent, accelerate the vesting, and otherwise modify, amend or adjust the terms and conditions, of any Option, at any time or from time to time;

(vi) adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(vii) interpret the terms and provisions of the Plan and any Option issued under the Plan and the Option Agreement relating thereto in its sole discretion; and

(viii) otherwise supervise the administration of the Plan.

(c) Action by Majority. The Committee may act only by a majority of its members, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

(d) Dispute Resolution. Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of the Plan or an Option (or related Option Agreement) granted hereunder shall be resolved by the Committee in its sole discretion. All decisions made by the Committee shall be final and binding on all Persons, including the Company and the Participants.

(e) Indemnification. No member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Option or Option Agreement. To the full extent permitted by law, the Company shall indemnify and save harmless each Person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that such Person, or such Person's testator or intestate, is or was a member of the Committee.

SECTION 3. SHARES SUBJECT TO PLAN

(a) Number of Shares. The total number of Shares reserved and available for grant under the Plan shall be 505.4378. Shares subject to Options under the Plan may be authorized and unissued shares or may be treasury shares. If any Option terminates without being exercised, the shares subject to such Options shall again be available for grants of Options under the Plan. In addition, the maximum number of shares with respect to which Section 162(m) Options may be granted to any one individual in any one calendar year shall be 168.4793.

(b) Adjustments. In the event of any incorporation, merger, reorganization, consolidation, recapitalization, spinoff, share dividend, split or reverse split, extraordinary distribution with respect to the Shares or other change in the structure of the Company affecting the Shares, the Committee or the Board may make such substitution or adjustment in the aggregate number and kind of shares or other property reserved for issuance under the Plan, in the number, kind and Exercise Price of shares or other property subject to outstanding Options, in

the limitation set forth in the last sentence of Section 3(a), and/or such other equitable substitution or adjustments as it may determine to be fair and appropriate in its sole discretion.

SECTION 4. PARTICIPANTS

Any individual who is employed by, or performs services as a non-employee director, consultant or other independent contractor for, the Company or any of its Affiliates, and who is responsible for or contributes to the management, growth and profitability of the business of the Company and/or its Affiliates, shall be eligible to be granted Options under the Plan.

SECTION 5. GRANTS OF OPTIONS

(a) Closing Options. Effective immediately following the Closing, there shall be granted Options with respect to 252.7180 Shares (the "Closing Options") to those eligible individuals who are selected by the Committee based upon the recommendation of the Chairman of the Board and the Chief Executive Officer of the Company. The Closing Options shall have the following terms and conditions, unless otherwise determined by the Board at the time of grant (with Pobeda's Consent):

(i) the Exercise Price of the Closing Options shall be $67,562.20;

(ii) the Closing Options shall have a term ending at the close of business on the tenth anniversary of the Closing Date; and

(iii) each Participant's Closing Options shall vest as follows: 37.5% of the Options shall vest on the 545th day following the date of grant (the "First Vesting Date") and (ii) the remaining 62.5% of the Options shall vest in five equal semi-annual installments beginning on the 730th day following the Grant Date, subject to the limitations set forth in Section 7 below.

(b) Required Terms for Other Options. Options other than the Closing Options shall have the following terms and conditions, unless otherwise determined by the Committee at the time of grant (with Pobeda's Consent in the case of clause (iii)):

(i) the Exercise Price per Share of such an Option shall be not less than the Fair Market Value of a Share on the date of grant;

(ii) Each such Option shall have a term ending at the close of business on the tenth anniversary of the date of grant; and

(iii) each such Option shall vest in eight equal semi-annual installments beginning on the 180th day following the Grant Date, subject to the limitations set forth in Section 7 below.

(c) Requirements Applicable to All Options. Options shall be evidenced by Option Agreements setting forth the terms and conditions thereof in such detail as the Committee may determine from time to time. An Option Agreement shall expressly indicate whether it is intended to be an agreement for an Incentive Stock Option or a Nonqualified Stock Option. The grant of an Option shall occur on the date the Committee by resolution selects an individual to receive a grant of an Option, determines the number of Shares to be subject to such Option to be granted to such individual and specifies the terms and provisions of the Option, or on such later date as the Committee may determine. The Company shall notify a Participant of any grant of an Option, and a written Option Agreement shall be duly executed and delivered by the Company to the Participant. Subject to Section 11(a), such agreement shall become effective upon execution by the Company and the Participant.

(d) Change-of-Control. Notwithstanding any other provision of this Plan, unless otherwise provided in the applicable Option Agreement, in the event of a Change in Control, each outstanding Option shall vest, to the extent not theretofore vested, upon the acquisition, for consideration consisting solely of cash, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) that is not affiliated with the Company or its owners immediately before such acquisition, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the equity interests, measured by vote or value, of the Company.

(e) Incentive Stock Options. Options granted under the Plan may be either Incentive Stock Options or Nonqualified Stock Options, and shall be designated as such in the applicable Option Agreement. Incentive Stock Options may be granted only to employees of the Company or any Affiliate that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, even if so designated, it shall be deemed to be a Nonqualified Stock Option.

SECTION 6. EXERCISE OF OPTIONS

(a) Exercise. Subject to the provisions of this Section 6, Options may be exercised, in whole or in part, at any time during the option term after they have vested by giving an Exercise Notice to the Company in accordance with this Section 6; provided, that no Option may be exercised with respect to a number of Shares that is less than the lesser of (i) one hundred and (ii) the total number of Shares remaining available for exercise pursuant to the Option.

(b) Procedures. Unless otherwise permitted by the Committee, an Exercise Notice shall be delivered no less than two business days in advance of the effective date of the proposed exercise (the "Exercise Date"). An Exercise Notice shall be accompanied by the Stock Option Agreement evidencing the Option and shall specify the number of Shares with respect to which the Option is being exercised, the Exercise Date and any requests with respect to the form of payment and withholding taxes or as provided in Sections 6(c) and 11(f), respectively, and shall be signed by the Participant. The partial exercise of an Option shall not cause the expiration, termination or cancellation of the remaining portion thereof. Upon the partial exercise of an Option, the Stock Option Agreement evidencing such Option, marked with any

notations deemed appropriate by the Committee, shall be returned to the Participant exercising such Option.

(c) Payment. Each Exercise Notice shall be accompanied by payment in full of the aggregate Exercise Price for the shares being purchased. Such payment shall be made by certified or bank check, wire transfer, or such other instrument as the Committee may accept. If approved by the Committee, payment, in full or in part, may also be made in the form of unrestricted Mature Shares, based on the Fair Market Value of the Shares on the date the Option is exercised; provided, however, that, in the case of an Incentive Stock Option the right to make a payment in such Shares may be authorized only at the time the Option is granted. In the discretion of the Committee, payment for any Shares in connection with the exercise of an Option at a time when the Shares are listed on a national securities exchange or on NASDAQ may also be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price, and, if requested by the Company, the amount of statutory and regulatory federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

(d) Rights as Shareholders. Notwithstanding any other provision of this Plan or any Option Agreement, no Shares shall be issued pursuant to the exercise of an Option until full payment therefor has been made. Except as otherwise provided in the Investor Rights Agreement or the applicable Option Agreement, subject to a Participant's compliance with Section 11(a) hereof, a Participant shall have all of the rights of a shareholder of the Company holding the class or series of Shares that is subject to such Option (including, if applicable, the right to vote the shares and the right to receive dividends and distributions), when the Participant has given written notice of exercise, has paid in full for such shares and, if requested, has given the representations referred to in Section 11(c).

SECTION 7. EFFECT OF TERMINATION OF EMPLOYMENT/SERVICE

Except as otherwise provided in the Option Agreement or as otherwise determined by the Committee, in the event that a Participant's Employment/Service is terminated (A) as a result of death or disability, each then-outstanding option granted to the Participant that had vested as of the date of termination shall remain exercisable until the earlier of (1) the close of business on the 180th day following the date of such termination of Employment/Service, or such other date as determined by the Committee (not later than the 365th day following the date of such termination of Employment/Service) and (2) the end of its term, (B) for any reason other than death or disability, each then-outstanding Option granted to such Participant that had vested as of the date of such termination of Employment/Service shall remain exercisable until the earlier of the close of business on the 90th day following the date of such termination of Employment/Service and the end of its term, and (C) all then-outstanding Options granted to such Participant that had not vested as of the date of such termination of Employment/Service shall be forfeited.

SECTION 8. TRANSFERABILITY OF OPTIONS

(a) Limit on Transfers. No Option shall be transferable by the Participant other than (i) by designation of a beneficiary in accordance with Section 8(b), or (ii) in the case of a Nonqualified Stock Option, as otherwise expressly permitted under the applicable Option Agreement including, if so permitted, pursuant to a gift to such Participant's spouse, children, grandchildren or other living descendants, whether directly or indirectly or by means of a trust, partnership, limited liability company or otherwise. All Options shall be exercisable, subject to the terms of this Plan, during the Participant's lifetime, only by the Participant or any Person to whom such Option is transferred pursuant to the preceding sentence. The term "Participant" includes the beneficiary of the Participant pursuant to Section 8(b) and any Person to whom an Option is otherwise transferred in accordance with this Section 8; provided, however, that references herein to Employment/Service of a Participant or termination of Employment/Service of a Participant shall continue to refer to the Employment/Service or termination of Employment/Service of the Participant to whom the Option was granted hereunder.

(b) Beneficiaries. A Participant shall have the right to designate a beneficiary who shall be entitled to exercise the Participant's Options (subject to their terms and conditions) following the Participant's death, and to whom any amounts payable or Shares deliverable following the Participant's death shall be paid or delivered, as applicable. Such designations shall be made in accordance with procedures established by the Committee from time to time. If no beneficiary designation form is on file with the Committee at the time of a Participant's death, or the Committee determines in good faith that the form on file is invalid, then the Participant's beneficiary shall be deemed to be the Participant's estate.

SECTION 9. AMENDMENT, TERMINATION AND CANCELLATION

(a) Plan. The Board may amend, alter, or terminate the Plan, prospectively or retroactively, but no amendment, alteration or termination shall impair the rights of any Participant under an Option theretofore granted without the Participant's consent.

(b) Options. The Committee may amend the terms of any Option, prospectively or retroactively, but no such amendment shall impair the rights of any Participant thereunder without the Participant's consent.

(c) Cancellation. Notwithstanding any other provision of this Plan or any Option Agreement, the Committee may elect at any time before or upon receipt of notice of exercise of an Option to cancel all or any portion of any Option by delivering to the Participant Shares having a Fair Market Value equal to (i) the excess of the Fair Market Value of one Share on the effective date of such cancellation over the Exercise Price per Share of the Option, times (ii) the number of Shares as to which the Option is being cancelled.

SECTION 10. UNFUNDED STATUS OF PLAN

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares or make payments; provided, however, that unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 11. GENERAL PROVISIONS

(a) Investor Rights Agreement. Notwithstanding anything in this Plan to the contrary, unless the Committee determines otherwise, it shall be a condition to receiving any Option under the Plan or transferring any Option in accordance with Section 8 that the Participant (or transferee in the case of such a transfer) shall become a party to the Investor Rights Agreement, and such Participant (or transferee in the case of such transfer) shall become a "Holder" thereunder (or such transferee shall become a "Permitted Transferee" of a "Holder" thereunder).

(b) Options and Certificates. (i) Shares issuable upon the exercise of an Option (each, a "Plan Share") shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more share certificates. Any certificate issued in respect of Plan Shares shall be registered in the name of such Participant and shall bear appropriate legends referring to the terms, conditions, and restrictions applicable to such Option, substantially in the following form (to be revised as applicable):

> "The transferability of this certificate and the shares represented hereby are subject to the terms, conditions and restrictions set forth in [the Investor Rights Agreement, dated as of October 13, 1999, among the issuer and certain shareholders of the issuer, including the registered holder hereof and] the applicable Option Agreement, dated as of _____. Copies of such agreement are on file at the offices of Blackbaud, Inc., 4401 Belle Oaks Drive, Charleston, South Carolina 29405. The [Investor Rights Agreement and] Option Agreement, among other things, contain[s] restrictions on the transferability of the securities represented by this certificate and put and call options with respect to certain securities. The Company will not register the transfer of such securities on the books of the Company unless and until the transfer has been made in compliance with the terms of such agreement[s]."
>
> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or under the securities laws of any state, and may not be sold or otherwise disposed of except pursuant to an effective registration statement

under said Act and applicable state securities laws or an applicable exemption to the registration requirements of such Act and laws."

Such Plan Shares may bear other legends to the extent the Committee determines it to be necessary or appropriate, including any required by the Investor Rights Agreement or pursuant to any applicable Option Agreement. If and when all restrictions expire without a prior forfeiture of the Plan Shares theretofore subject to such restrictions, new certificates for such shares shall be delivered to the Participant without the first legend listed above.

(ii) The Committee may require that any certificates evidencing Plan Shares be held in custody by the Company until the restrictions thereon shall have lapsed and that the Participant deliver a share power, endorsed in blank, relating to the Plan Shares.

(c) Representations and Warranties. The Committee may require each Person purchasing or receiving Plan Shares to (i) represent to and agree with the Company in writing that such Person is acquiring the shares without a view to the distribution thereof and (ii) make any other representations and warranties that the Committee deems appropriate.

(d) Additional Compensation. Nothing contained in the Plan shall prevent the Company or any of its Affiliates from adopting other or additional compensation arrangements for its employees.

(e) No Right of Employment/Service. Adoption of the Plan or grant of any Option shall not confer upon any individual eligible for grants of Options any right to continued Employment/Service, nor shall it interfere in any way with the right of the Company or any of its Affiliates thereof to terminate the Employment/Service of any such individual at any time.

(f) Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal income tax purposes with respect to any Option under the Plan, such Participant shall pay to the Company or, if appropriate, any of its Affiliates, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. If approved by the Committee, and subject to Pobeda's Consent, withholding obligations may be settled with Mature Shares. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Shares.

(g) Governing Law. Except to the extent that provisions of the Plan are governed by applicable provisions of the Code or other substantive provisions of Federal law, the Plan and all Options made and actions taken thereunder shall be governed by and construed and enforced in accordance with the laws of the State of South Carolina without regard to the principles of conflicts of law thereof.

(h) Compliance with Laws. If any law or any regulation of any commission or agency having jurisdiction shall require the Company or a Participant seeking to exercise Options to take any action with respect to the Plan Shares to be issued upon the exercise of Options, then the date upon which the Company shall issue or cause to be issued the certificate or certificates for the Plan Shares shall be postponed until full compliance has been made with all such requirements of law or regulation; provided, that the Company shall use its reasonable efforts to take all necessary action to comply with such requirements of law or regulation. Moreover, in the event that the Company shall determine that, in compliance with the Securities Act or other applicable statutes or regulations, it is necessary to register any of the Plan Shares with respect to which an exercise of an Option has been made, or to qualify any such Plan Shares for exemption from any of the requirements of the Securities Act or any other applicable statute or regulation, no Option may be exercised and no Plan Shares shall be issued to the exercising Participant until the required action has been completed; provided, that the Company shall use its reasonable efforts to take all necessary action to comply with such requirements of law or regulation. Notwithstanding anything to the contrary contained herein, neither the Board nor the members of the Committee owes a fiduciary duty to any Participant in his or her capacity as such.

(i) Notices. All Exercise Notices, notices, requests, demands or other communications required by or otherwise with respect to the Plan shall be in writing and shall be deemed to have been duly given to any party when delivered by hand, by messenger, or by a nationally recognized overnight delivery company, when delivered by facsimile, or when delivered by first-class mail, postage prepaid and return receipt requested, in each case to the applicable addresses set forth below:

If to the Participant:

To the address shown on the Stock Option Agreement.

If to the Company:

Blackbaud, Inc.
4401 Belle Oaks Drive
Charleston, South Carolina 29405
Attention: General Counsel

Facsimile: (843) 740-5412

(or to such other address as the party in question shall from time to time designate by written notice to the other parties). Notices sent by registered or certified mail in accordance with this Section shall be deemed delivered as of the date posted in the United States mail.

SECTION 12. EFFECTIVE DATE OF PLAN

The Plan shall be effective as of the Closing Date.

EXHIBIT 10.7

BLACKBAUD, INC.
2000 STOCK OPTION PLAN

SECTION 1. PURPOSE; DEFINITIONS

The purpose of the Plan is to give Blackbaud, Inc., a South Carolina corporation (the "Company") and its Affiliates (each as defined below) a competitive advantage in attracting, retaining and motivating key employees and other individuals providing services to the Company and its Affiliates, and to enable the Company and its Affiliates to provide incentives linked to the financial results of the Company's and its subsidiaries' businesses.

For purposes of the Plan, the following terms are defined as set forth below:

"Affiliate" of a Person means a Person directly or indirectly controlled by, controlling or under common control with such Person.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Committee" has the meaning set forth in Section 2(a).

"Company" means Blackbaud, Inc., a South Carolina corporation.

"Employment/Service" means employment with, or the performance of services as a non-employee director, consultant or other independent contractor for, the Company or any of its Affiliates.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

"Exercise Date" has the meaning set forth in Section 6(b).

"Exercise Notice" means a written notice by a Participant to the Company, on such form as the Committee may prescribe from time to time, stating that an Option is being exercised.

"Exercise Price" shall mean the price per Share at which Shares can be purchased pursuant to Options.

"Fair Market Value" of a Share as of any given date means (i) if the Shares are not then listed on any exchange or NASDAQ, the fair market value of a Share as determined in good faith by the Board, as of the most recent December 31 or June 30 that occurs on or before such date, on the basis of the Company's status as privately held and without reference to any discount for minority interest, control premium, restrictions on transfer or disparate voting rights (if any),

and (ii) if the Shares are so listed, the mean between the highest and lowest reported sales prices on such date of a Share on the New York Stock Exchange or, if not listed on such exchange, on any other national securities exchange on which the Shares is listed or, if not so listed, on NASDAQ on the last preceding date on which there was a sale of Shares on such exchange or on NASDAQ.

"Incentive Stock Option" means any Option that is designated in the applicable Option Agreement, and that qualifies as, an "incentive stock option" within the meaning of Section 422 of the Code.

"IPO" means a firmly underwritten public offering of the Company's stock, of not less than $20,000,000 in gross proceeds, registered with the Securities and Exchange Commission under the 1933 Act and shall not include any registration of shares pursuant to a Company stock option or incentive plan.

"NASDAQ" means The NASDAQ Stock Market.

"Nonqualified Stock Option" means any Option that is not an Incentive Stock Option.

"Option" means a right to purchase Shares granted pursuant to this Plan.

"Option Agreement" means an agreement setting forth the terms and conditions of an Option or Options.

"Participant" means any individual eligible to receive grants of Options as set forth in Section 4 to whom an Option has been granted.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, government (or any department or agency thereof) or other entity.

"Plan" means the Blackbaud, Inc. 2000 Stock Option Plan, as set forth herein and as hereinafter amended from time to time.

"Plan Shares" has the meaning set forth in Section 11(a).

"Rule 13d-3" means Rule 13d-3, as promulgated by the SEC under the Exchange Act, as amended from time to time.

"SEC" means the Securities and Exchange Commission or any successor agency.

"Section 162(m) Option" means an Option that is (i) granted at a time when the Company is a "publicly held corporation" within the meaning of Section 162(m)(2) of the Code, and (ii) not exempt from the application of Section 162(m) of the Code by reason of one of the transition rules set forth in Treasury Regulation Section 1.162-27(f) or a similar transition rule.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor thereto.

"Shares" means the shares of beneficial interest in the Company.

SECTION 2. ADMINISTRATION

(a) Committee. The Plan shall be administered by a committee of the Board designated for such purpose (the "Committee"), or, if no Committee has been designated, by the Board (in which case all references herein to the Committee shall include the Board).

(b) Powers of Committee. Among other things, the Committee shall have the authority, subject to the terms of the Plan, to:

(i) select the Participants to whom Options are granted;

(ii) determine whether and to what extent awards of Incentive Stock Options and Nonqualified Stock Options or any combination thereof are to be granted hereunder;

(iii) determine the number of Shares to be covered by each Option granted hereunder;

(iv) determine the terms and conditions of any Option granted hereunder;

(v) accelerate the vesting, and otherwise modify, amend or adjust the terms and conditions, of any Option, at any time or from time to time;

(vi) adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(vii) interpret the terms and provisions of the Plan and any Option issued under the Plan and the Option Agreement relating thereto in its sole discretion; and

(viii) otherwise supervise the administration of the Plan.

(c) Action by Majority. The Committee may act only by a majority of its members, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

(d) Dispute Resolution. Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of the Plan or an Option (or related Option Agreement) granted hereunder shall be resolved by the Committee in its sole discretion. All such decisions made by the Committee shall be final and binding on all Persons, including the Company and the Participants.

(e) Indemnification. No member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Option or Option Agreement. To the full extent permitted by law, the Company shall indemnify and save harmless each Person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that such Person, or such Person's testator or intestate, is or was a member of the Committee.

SECTION 3. SHARES SUBJECT TO PLAN

(a) Number of Shares. The total number of Shares reserved and available for grant under the Plan shall be Sixteen Million One Hundred Ten Thousand Eight Hundred Thirty (16,110,830). Shares subject to Options under the Plan may be authorized and unissued shares or may be treasury shares. If any Option terminates without being exercised, the shares subject to such Options shall again be available for grants of Options under the Plan. In addition, the maximum number of shares with respect to which Section 162(m) Options may be granted to any one individual in any one calendar year shall be Five Million Seven Hundred Thousand (5,700,000).

(b) Adjustments. Subject to Section 13(b) below, if the Common Stock is changed by reason of a stock split, stock dividend, reverse split, recapitalization, reclassification or similar transaction, or converted into or exchanged for other securities as a result of a merger, consolidation, combination, reorganization or similar transaction (including any change in the shares of Common Stock in connection with a change of domicile of the Company), the Board shall make such appropriate adjustments in the exercise price, in the number and class of securities that may be issued or delivered under the Plan, and/or in the calculations thereof, so that (i) Participants shall be entitled to receive the same kind and number of securities upon exercise of such Options as to which they would have been entitled to receive upon such event had they exercised all of their Options immediately prior to such event, and (ii) the aggregate exercise price payable by a Participant on the full exercise of such Participant's Options shall remain as nearly as possible the same as (but shall not be greater than) it was prior to such event. Such adjustment shall be made by the Board, whose determination shall be final, binding and conclusive.

SECTION 4. PARTICIPANTS

Any individual who is employed by, or performs services as a non-employee director, consultant or other independent contractor for, the Company or any of its Affiliates, and who is responsible for or contributes to the management, growth and profitability of the business of the Company and/or its Affiliates, shall be eligible to be granted Options under the Plan.

SECTION 5. GRANTS OF OPTIONS

(a) Required Terms for Options. Options shall have the following terms and conditions, unless otherwise determined by the Committee at the time of grant:

(i) the Exercise Price per Share of such an Option shall be not less than the Fair Market Value of a Share on the date of grant; and

(ii) Each such Option shall have a term ending at the close of business on the tenth anniversary of the date of grant.

(b) Requirements Applicable to All Options. The Committee shall specify the vesting schedule applicable to each Option and such vesting schedule shall be set forth in the applicable Option Agreement. Options shall be evidenced by Option Agreements setting forth the terms and conditions thereof in such detail as the Committee may determine from time to time. An Option Agreement shall expressly indicate whether it is intended to be an agreement for an Incentive Stock Option or a Nonqualified Stock Option. The grant of an Option shall occur on the date the Committee by resolution selects an individual to receive a grant of an Option, determines the number of Shares to be subject to such Option to be granted to such individual and specifies the terms and provisions of the Option, or on such later date as the Committee may determine. The Company shall notify a Participant of any grant of an Option, and a written Option Agreement shall be duly executed and delivered by the Company to the Participant. Such agreement shall become effective upon execution by the Company and the Participant.

(c) Change in Control. In the event of a Change in Control (as defined below), all outstanding options granted under the Plan shall become immediately exercisable. The term "Change in Control" shall mean the acquisition (including as a result of merger but excluding any acquisition or transfer by or to an Affiliate of any shareholder) by any one or more persons or entities acting in concert of substantially all of the assets of the Company or of beneficial ownership, either directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the then outstanding voting securities of the Company.

(d) Incentive Stock Options. Options granted under the Plan may be either Incentive Stock Options or Nonqualified Stock Options, and shall be designated as such in the applicable Option Agreement. Incentive Stock Options may be granted only to employees of the Company or any Affiliate that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, even if so designated, it shall be deemed to be a Nonqualified Stock Option.

SECTION 6. EXERCISE OF OPTIONS

(a) Exercise. Subject to the provisions of this Section 6, Options may be exercised, in whole or in part, at any time during the option term after they have vested by giving an Exercise Notice to the Company in accordance with this Section 6; provided, that no Option may be exercised with respect to a number of Shares that is less than the lesser of (i) one hundred and (ii) the total number of Shares remaining available for exercise pursuant to the Option.

(b) Procedures. Unless otherwise permitted by the Committee, an Exercise Notice shall be delivered no less than two business days in advance of the effective date of the

proposed exercise (the "Exercise Date"). An Exercise Notice shall be accompanied by the Stock Option Agreement evidencing the Option and shall specify the number of Shares with respect to which the Option is being exercised, the Exercise Date and any requests with respect to the form of payment and withholding taxes or as provided in Sections 6(c) and 11(e), respectively, and shall be signed by the Participant. The partial exercise of an Option shall not cause the expiration, termination or cancellation of the remaining portion thereof. Upon the partial exercise of an Option, the Stock Option Agreement evidencing such Option, marked with any notations deemed appropriate by the Committee, shall be returned to the Participant exercising such Option.

(c) Payment. Each Exercise Notice shall be accompanied by payment in full of the aggregate Exercise Price for the shares being purchased. Such payment shall be made by certified or bank check, wire transfer, or such other instrument as the Committee may accept. In the discretion of the Committee, payment for any Shares in connection with the exercise of an Option at a time when the Shares are listed on a national securities exchange or on NASDAQ may also be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price, and, if requested by the Company, the amount of statutory and regulatory federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

(d) Rights as Shareholders. Notwithstanding any other provision of this Plan or any Option Agreement, no Shares shall be issued pursuant to the exercise of an Option until full payment therefor has been made. Except as otherwise provided in the applicable Option Agreement, a Participant shall have all of the rights of a shareholder of the Company holding the class or series of Shares that is subject to such Option (including, if applicable, the right to vote the shares and the right to receive dividends and distributions), when the Participant has given written notice of exercise, has paid in full for such shares and, if requested, has given the representations referred to in Section 11(b).

SECTION 7. EFFECT OF TERMINATION OF EMPLOYMENT/SERVICE

Except as otherwise provided in the Option Agreement or as otherwise determined by the Committee, in the event that a Participant's Employment/Service is terminated (A) as a result of death or disability, each then-outstanding option granted to the Participant that had vested as of the date of termination shall remain exercisable until the earlier of (1) the close of business on the 180th day following the date of such termination of Employment/Service, or such other date as determined by the Committee (not later than the 365th day following the date of such termination of Employment/Service) and (2) the end of its term, (B) for any reason other than death or disability, each then-outstanding Option granted to such Participant that had vested as of the date of such termination of Employment/Service shall remain exercisable until the earlier of the close of business on the 90th day following the date of such termination of Employment/Service and the end of its term, and (C) all then-outstanding Options granted to

such Participant that had not vested as of the date of such termination of Employment/Service shall be forfeited.

SECTION 8. TRANSFERABILITY OF OPTIONS

(a) Limit on Transfers. No Option shall be transferable by the Participant other than (i) by designation of a beneficiary in accordance with Section 8(b), or (ii) in the case of a Nonqualified Stock Option, and subject to the approval of the Board, which approval may be granted or denied in the sole discretion of the Board pursuant to a gift to such Participant's spouse, children, grandchildren or other living descendants, whether directly or indirectly or by means of a trust, partnership, limited liability company or otherwise. All Options shall be exercisable, subject to the terms of this Plan, during the Participant's lifetime, only by the Participant or any Person to whom such Option is transferred pursuant to the preceding sentence. The term "Participant" includes the beneficiary of the Participant pursuant to Section 8(b) and any Person to whom an Option is otherwise transferred in accordance with this Section 8; provided, however, that references herein to Employment/Service of a Participant or termination of Employment/Service of a Participant shall continue to refer to the Employment/Service or termination of Employment/Service of the Participant to whom the Option was granted hereunder.

(b) Beneficiaries. A Participant shall have the right to designate a beneficiary who shall be entitled to exercise the Participant's Options (subject to their terms and conditions) following the Participant's death, and to whom any amounts payable or Shares deliverable following the Participant's death shall be paid or delivered, as applicable. Such designations shall be made in accordance with procedures established by the Committee from time to time. If no beneficiary designation form is on file with the Committee at the time of a Participant's death, or the Committee determines in good faith that the form on file is invalid, then the Participant's beneficiary shall be deemed to be the Participant's estate.

(c) Transfers Subject to this Agreement. The Transferee of any transfer permitted by the terms of this Agreement shall prior to any such transfer be obligated to execute an Agreement indicating that such transferee agrees to be bound by the terms and conditions of this Agreement.

SECTION 9. Amendment, Termination and Cancellation

(a) Plan. The Board may amend, alter, or terminate the Plan, prospectively or retroactively, but no amendment, alteration or termination shall impair the rights of any Participant under an Option theretofore granted without the Participant's consent.

(b) Options. The Committee may amend the terms of any Option, prospectively or retroactively, but no such amendment shall impair the rights of any Participant thereunder without the Participant's consent.

(c) Cancellation. Notwithstanding any other provision of this Plan, the Committee may elect at any time before or upon receipt of notice of exercise of an Option to cancel all or

any portion of any Option by delivering to the Participant Shares having a Fair Market Value equal to (i) the excess of the Fair Market Value of one Share on the effective date of such cancellation over the Exercise Price per Share of the Option, times (ii) the number of Shares as to which the Option is being cancelled.

SECTION 10. UNFUNDED STATUS OF PLAN

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares or make payments; provided, however, that unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 11. GENERAL PROVISIONS

(a) Options and Certificates. (i) Shares issuable upon the exercise of an Option (each, a "Plan Share") shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more share certificates. Any certificate issued in respect of Plan Shares shall be registered in the name of such Participant and shall bear appropriate legends referring to the terms, conditions, and restrictions applicable to such Option, substantially in the following form (to be revised as applicable):

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or under the securities laws of any state, and may not be sold or otherwise disposed of except pursuant to an effective registration statement under said Act and applicable state securities laws or an applicable exemption to the registration requirements of such Act and laws."

Such Plan Shares may bear other legends to the extent the Committee determines it to be necessary or appropriate, including any required pursuant to any applicable Option Agreement. If and when all restrictions expire without a prior forfeiture of the Plan Shares theretofore subject to such restrictions, new certificates for such shares shall be delivered to the Participant without the first legend listed above.

(i) The Committee may require that any certificates evidencing Plan Shares be held in custody by the Company until the restrictions thereon shall have lapsed and that the Participant deliver a share power, endorsed in blank, relating to the Plan Shares.

(b) Representations and Warranties. The Committee may require each Person purchasing or receiving Plan Shares to (i) represent to and agree with the Company in writing that such Person is acquiring the shares without a view to the distribution thereof and (ii) make any other representations and warranties, reasonable under the circumstances, that the Committee deems appropriate.

(c) Additional Compensation. Nothing contained in the Plan shall prevent the Company or any of its Affiliates from adopting other or additional compensation arrangements for its employees.

(d) No Right of Employment/Service. Adoption of the Plan or grant of any Option shall not confer upon any individual eligible for grants of Options any right to continued Employment/Service, nor shall it interfere in any way with the right of the Company or any of its Affiliates thereof to terminate the Employment/Service of any such individual at any time.

(e) Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal income tax purposes with respect to any Option under the Plan, such Participant shall pay to the Company or, if appropriate, any of its Affiliates, or make arrangements satisfactory to the Committee regarding the payment of any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of required minimum withholding obligations with Shares.

(f) Governing Law. Except to the extent that provisions of the Plan are governed by applicable provisions of the Code or other substantive provisions of Federal law, the Plan and all Options made and actions taken thereunder shall be governed by and construed and enforced in accordance with the laws of the State of South Carolina without regard to the principles of conflicts of law thereof.

(g) Compliance with Laws. If any law or any regulation of any commission or agency having jurisdiction shall require the Company or a Participant seeking to exercise Options to take any action with respect to the Plan Shares to be issued upon the exercise of Options, then the date upon which the Company shall issue or cause to be issued the certificate or certificates for the Plan Shares shall be postponed until full compliance has been made with all such requirements of law or regulation; provided, that the Company shall use its reasonable efforts to take all necessary action to comply with such requirements of law or regulation. Moreover, in the event that the Company shall determine that, in compliance with the Securities Act or other applicable statutes or regulations, it is necessary to register any of the Plan Shares with respect to which an exercise of an Option has been made, or to qualify any such Plan Shares for exemption from any of the requirements of the Securities Act or any other applicable statute or regulation, no Option may be exercised and no Plan Shares shall be issued to the exercising Participant until the required action has been completed; provided, that the Company shall use its reasonable efforts to take all necessary action to comply with such requirements of law or regulation. Notwithstanding anything to the contrary contained herein, neither the Board nor the members of the Committee owes a fiduciary duty to any Participant in his or her capacity as such.

(h) Notices. All Exercise Notices, notices, requests, demands or other communications required by or otherwise with respect to the Plan shall be in writing and shall be

deemed to have been duly given to any party when delivered by hand, by messenger, or by a nationally recognized overnight delivery company, when delivered by facsimile, or when delivered by first-class mail, postage prepaid and return receipt requested, in each case to the applicable addresses set forth below:

If to the Participant:

To the address shown on the Stock Option Agreement.

If to the Company:

Blackbaud, Inc.
2000 Daniel Island Drive
Charleston, South Carolina 29492-7541
Attention: General Counsel

Facsimile: (843) 216-6100

(or to such other address as the party in question shall from time to time designate by written notice to the other parties). Notices sent by registered or certified mail in accordance with this Section shall be deemed delivered as of the date posted in the United States mail.

SECTION 12. EFFECTIVE DATE OF PLAN

The Plan shall be effective as of March 1, 2000.

EXHIBIT 10.8

BLACKBAUD, INC.
2001 STOCK OPTION PLAN

SECTION 1. PURPOSE; DEFINITIONS

The purpose of the Plan is to give Blackbaud, Inc., a South Carolina corporation (the "Company") and its Affiliates (each as defined below) a competitive advantage in attracting, retaining and motivating key employees and other individuals providing services to the Company and its Affiliates, and to enable the Company and its Affiliates to provide incentives linked to the financial results of the Company's and its subsidiaries' businesses.

For purposes of the Plan, the following terms are defined as set forth below:

"Affiliate" of a Person means a Person directly or indirectly controlled by, controlling or under common control with such Person.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Committee" has the meaning set forth in Section 2(a).

"Company" means Blackbaud, Inc., a South Carolina corporation.

"Employment/Service" means employment with, or the performance of services as a non-employee director, consultant or other independent contractor for, the Company or any of its Affiliates.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

"Exercise Date" has the meaning set forth in Section 6(b).

"Exercise Notice" means a written notice by a Participant to the Company, on such form as the Committee may prescribe from time to time, stating that an Option is being exercised.

"Exercise Price" shall mean the price per Share at which Shares can be purchased pursuant to Options.

"Fair Market Value" of a Share as of any given date means (i) if the Shares are not then listed on any exchange or NASDAQ, the fair market value of a Share as determined in good faith by the Board, as of the most recent December 31 or June 30 that occurs on or before such date, on the basis of the Company's status as privately held and without reference to any discount for minority interest, control premium, restrictions on transfer or disparate voting rights (if any),

and (ii) if the Shares are so listed, the mean between the highest and lowest reported sales prices on such date of a Share on the New York Stock Exchange or, if not listed on such exchange, on any other national securities exchange on which the Shares is listed or, if not so listed, on NASDAQ on the last preceding date on which there was a sale of Shares on such exchange or on NASDAQ.

"Incentive Stock Option" means any Option that is designated in the applicable Option Agreement, and that qualifies as, an "incentive stock option" within the meaning of Section 422 of the Code.

"IPO" means a firmly underwritten public offering of the Company's stock, of not less than $20,000,000 in gross proceeds, registered with the Securities and Exchange Commission under the 1933 Act and shall not include any registration of shares pursuant to a Company stock option or incentive plan.

"NASDAQ" means The NASDAQ Stock Market.

"Nonqualified Stock Option" means any Option that is not an Incentive Stock Option.

"Option" means a right to purchase Shares granted pursuant to this Plan.

"Option Agreement" means an agreement setting forth the terms and conditions of an Option or Options.

"Participant" means any individual eligible to receive grants of Options as set forth in Section 4 to whom an Option has been granted.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, government (or any department or agency thereof) or other entity.

"Plan" means the Blackbaud, Inc. 2001 Stock Option Plan, as set forth herein and as hereinafter amended from time to time.

"Plan Shares" has the meaning set forth in Section 11(a).

"Rule 13d-3" means Rule 13d-3, as promulgated by the SEC under the Exchange Act, as amended from time to time.

"SEC" means the Securities and Exchange Commission or any successor agency.

"Section 162(m) Option" means an Option that is (i) granted at a time when the Company is a "publicly held corporation" within the meaning of Section 162(m)(2) of the Code, and (ii) not exempt from the application of Section 162(m) of the Code by reason of one of the transition rules set forth in Treasury Regulation Section 1.162-27(f) or a similar transition rule.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor thereto.

"Shares" means the shares of beneficial interest in the Company.

SECTION 2. ADMINISTRATION

(a) Committee. The Plan shall be administered by a committee of the Board designated for such purpose (the "Committee"), or, if no Committee has been designated, by the Board (in which case all references herein to the Committee shall include the Board).

(b) Powers of Committee. Among other things, the Committee shall have the authority, subject to the terms of the Plan, to:

(i) select the Participants to whom Options are granted;

(ii) determine whether and to what extent awards of Incentive Stock Options and Nonqualified Stock Options or any combination thereof are to be granted hereunder;

(iii) determine the number of Shares to be covered by each Option granted hereunder;

(iv) determine the terms and conditions of any Option granted hereunder;

(v) accelerate the vesting, and otherwise modify, amend or adjust the terms and conditions, of any Option, at any time or from time to time;

(vi) adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(vii) interpret the terms and provisions of the Plan and any Option issued under the Plan and the Option Agreement relating thereto in its sole discretion; and

(viii) otherwise supervise the administration of the Plan.

(c) Action by Majority. The Committee may act only by a majority of its members, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

(d) Dispute Resolution. Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of the Plan or an Option (or related Option Agreement) granted hereunder shall be resolved by the Committee in its sole discretion. All such decisions made by the Committee shall be final and binding on all Persons, including the Company and the Participants.

(e) Indemnification. No member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Option or Option Agreement. To the full extent permitted by law, the Company shall indemnify and save harmless each Person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that such Person, or such Person's testator or intestate, is or was a member of the Committee.

SECTION 3. SHARES SUBJECT TO PLAN

(a) Number of Shares. The total number of Shares reserved and available for grant under the Plan shall be Sixteen Million One Hundred Ten Thousand Eight Hundred Thirty (16,110,830). Shares subject to Options under the Plan may be authorized and unissued shares or may be treasury shares. If any Option terminates without being exercised, the shares subject to such Options shall again be available for grants of Options under the Plan. In addition, the maximum number of shares with respect to which Section 162(m) Options may be granted to any one individual in any one calendar year shall be Five Million Seven Hundred Thousand (5,700,000).

(b) Adjustments. Subject to Section 13(b) below, if the Common Stock is changed by reason of a stock split, stock dividend, reverse split, recapitalization, reclassification or similar transaction, or converted into or exchanged for other securities as a result of a merger, consolidation, combination, reorganization or similar transaction (including any change in the shares of Common Stock in connection with a change of domicile of the Company), the Board shall make such appropriate adjustments in the exercise price, in the number and class of securities that may be issued or delivered under the Plan, and/or in the calculations thereof, so that (i) Participants shall be entitled to receive the same kind and number of securities upon exercise of such Options as to which they would have been entitled to receive upon such event had they exercised all of their Options immediately prior to such event, and (ii) the aggregate exercise price payable by a Participant on the full exercise of such Participant's Options shall remain as nearly as possible the same as (but shall not be greater than) it was prior to such event. Such adjustment shall be made by the Board, whose determination shall be final, binding and conclusive.

SECTION 4. PARTICIPANTS

Any individual who is employed by, or performs services as a non-employee director, consultant or other independent contractor for, the Company or any of its Affiliates, and who is responsible for or contributes to the management, growth and profitability of the business of the Company and/or its Affiliates, shall be eligible to be granted Options under the Plan.

SECTION 5. GRANTS OF OPTIONS

(a) Required Terms for Options. Options shall have the following terms and conditions, unless otherwise determined by the Committee at the time of grant:

(i) the Exercise Price per Share of such an Option shall be not less than the Fair Market Value of a Share on the date of grant; and

(ii) Each such Option shall have a term ending at the close of business on the tenth anniversary of the date of grant.

(b) Requirements Applicable to All Options. The Committee shall specify the vesting schedule applicable to each Option and such vesting schedule shall be set forth in the applicable Option Agreement. Options shall be evidenced by Option Agreements setting forth the terms and conditions thereof in such detail as the Committee may determine from time to time. An Option Agreement shall expressly indicate whether it is intended to be an agreement for an Incentive Stock Option or a Nonqualified Stock Option. The grant of an Option shall occur on the date the Committee by resolution selects an individual to receive a grant of an Option, determines the number of Shares to be subject to such Option to be granted to such individual and specifies the terms and provisions of the Option, or on such later date as the Committee may determine. The Company shall notify a Participant of any grant of an Option, and a written Option Agreement shall be duly executed and delivered by the Company to the Participant. Such agreement shall become effective upon execution by the Company and the Participant.

(c) Change in Control. In the event of a Change in Control (as defined below), all outstanding options granted under the Plan shall become immediately exercisable. The term "Change in Control" shall mean the acquisition (including as a result of merger but excluding any acquisition or transfer by or to an Affiliate of any shareholder) by any one or more persons or entities acting in concert of substantially all of the assets of the Company or of beneficial ownership, either directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the then outstanding voting securities of the Company.

(d) Incentive Stock Options. Options granted under the Plan may be either Incentive Stock Options or Nonqualified Stock Options, and shall be designated as such in the applicable Option Agreement. Incentive Stock Options may be granted only to employees of the Company or any Affiliate that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, even if so designated, it shall be deemed to be a Nonqualified Stock Option.

SECTION 6. EXERCISE OF OPTIONS

(a) Exercise. Subject to the provisions of this Section 6, Options may be exercised, in whole or in part, at any time during the option term after they have vested by giving an Exercise Notice to the Company in accordance with this Section 6; provided, that no Option may be exercised with respect to a number of Shares that is less than the lesser of (i) one hundred and (ii) the total number of Shares remaining available for exercise pursuant to the Option.

(b) Procedures. Unless otherwise permitted by the Committee, an Exercise Notice shall be delivered no less than two business days in advance of the effective date of the

proposed exercise (the "Exercise Date"). An Exercise Notice shall be accompanied by the Stock Option Agreement evidencing the Option and shall specify the number of Shares with respect to which the Option is being exercised, the Exercise Date and any requests with respect to the form of payment and withholding taxes or as provided in Sections 6(c) and 11(e), respectively, and shall be signed by the Participant. The partial exercise of an Option shall not cause the expiration, termination or cancellation of the remaining portion thereof. Upon the partial exercise of an Option, the Stock Option Agreement evidencing such Option, marked with any notations deemed appropriate by the Committee, shall be returned to the Participant exercising such Option.

(c) Payment. Each Exercise Notice shall be accompanied by payment in full of the aggregate Exercise Price for the shares being purchased. Such payment shall be made by certified or bank check, wire transfer, or such other instrument as the Committee may accept. In the discretion of the Committee, payment for any Shares in connection with the exercise of an Option at a time when the Shares are listed on a national securities exchange or on NASDAQ may also be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price, and, if requested by the Company, the amount of statutory and regulatory federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

(d) Rights as Shareholders. Notwithstanding any other provision of this Plan or any Option Agreement, no Shares shall be issued pursuant to the exercise of an Option until full payment therefor has been made. Except as otherwise provided in the applicable Option Agreement, a Participant shall have all of the rights of a shareholder of the Company holding the class or series of Shares that is subject to such Option (including, if applicable, the right to vote the shares and the right to receive dividends and distributions), when the Participant has given written notice of exercise, has paid in full for such shares and, if requested, has given the representations referred to in Section 11(b).

SECTION 7. EFFECT OF TERMINATION OF EMPLOYMENT/SERVICE

Except as otherwise provided in the Option Agreement or as otherwise determined by the Committee, in the event that a Participant's Employment/Service is terminated (A) as a result of death or disability, each then-outstanding option granted to the Participant that had vested as of the date of termination shall remain exercisable until the earlier of (1) the close of business on the 180th day following the date of such termination of Employment/Service, or such other date as determined by the Committee (not later than the 365th day following the date of such termination of Employment/Service) and (2) the end of its term, (B) for any reason other than death or disability, each then-outstanding Option granted to such Participant that had vested as of the date of such termination of Employment/Service shall remain exercisable until the earlier of the close of business on the 90th day following the date of such termination of Employment/Service and the end of its term, and (C) all then-outstanding Options granted to

such Participant that had not vested as of the date of such termination of Employment/Service shall be forfeited.

SECTION 8. TRANSFERABILITY OF OPTIONS

(a) Limit on Transfers. No Option shall be transferable by the Participant other than (i) by designation of a beneficiary in accordance with Section 8(b), or (ii) in the case of a Nonqualified Stock Option, and subject to the approval of the Board, which approval may be granted or denied in the sole discretion of the Board pursuant to a gift to such Participant's spouse, children, grandchildren or other living descendants, whether directly or indirectly or by means of a trust, partnership, limited liability company or otherwise. All Options shall be exercisable, subject to the terms of this Plan, during the Participant's lifetime, only by the Participant or any Person to whom such Option is transferred pursuant to the preceding sentence. The term "Participant" includes the beneficiary of the Participant pursuant to Section 8(b) and any Person to whom an Option is otherwise transferred in accordance with this Section 8; provided, however, that references herein to Employment/Service of a Participant or termination of Employment/Service of a Participant shall continue to refer to the Employment/Service or termination of Employment/Service of the Participant to whom the Option was granted hereunder.

(b) Beneficiaries. A Participant shall have the right to designate a beneficiary who shall be entitled to exercise the Participant's Options (subject to their terms and conditions) following the Participant's death, and to whom any amounts payable or Shares deliverable following the Participant's death shall be paid or delivered, as applicable. Such designations shall be made in accordance with procedures established by the Committee from time to time. If no beneficiary designation form is on file with the Committee at the time of a Participant's death, or the Committee determines in good faith that the form on file is invalid, then the Participant's beneficiary shall be deemed to be the Participant's estate.

(c) Transfers Subject to this Agreement. The Transferee of any transfer permitted by the terms of this Agreement shall prior to any such transfer be obligated to execute an Agreement indicating that such transferee agrees to be bound by the terms and conditions of this Agreement.

SECTION 9. Amendment, Termination and Cancellation

(a) Plan. The Board may amend, alter, or terminate the Plan, prospectively or retroactively, but no amendment, alteration or termination shall impair the rights of any Participant under an Option theretofore granted without the Participant's consent.

(b) Options. The Committee may amend the terms of any Option, prospectively or retroactively, but no such amendment shall impair the rights of any Participant thereunder without the Participant's consent.

(c) Cancellation. Notwithstanding any other provision of this Plan, the Committee may elect at any time before or upon receipt of notice of exercise of an Option to cancel all or

any portion of any Option by delivering to the Participant Shares having a Fair Market Value equal to (i) the excess of the Fair Market Value of one Share on the effective date of such cancellation over the Exercise Price per Share of the Option, times (ii) the number of Shares as to which the Option is being cancelled.

SECTION 10. UNFUNDED STATUS OF PLAN

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares or make payments; provided, however, that unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 11. GENERAL PROVISIONS

(a) Options and Certificates. (i) Shares issuable upon the exercise of an Option (each, a "Plan Share") shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more share certificates. Any certificate issued in respect of Plan Shares shall be registered in the name of such Participant and shall bear appropriate legends referring to the terms, conditions, and restrictions applicable to such Option, substantially in the following form (to be revised as applicable):

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or under the securities laws of any state, and may not be sold or otherwise disposed of except pursuant to an effective registration statement under said Act and applicable state securities laws or an applicable exemption to the registration requirements of such Act and laws."

Such Plan Shares may bear other legends to the extent the Committee determines it to be necessary or appropriate, including any required pursuant to any applicable Option Agreement. If and when all restrictions expire without a prior forfeiture of the Plan Shares theretofore subject to such restrictions, new certificates for such shares shall be delivered to the Participant without the first legend listed above.

(i) The Committee may require that any certificates evidencing Plan Shares be held in custody by the Company until the restrictions thereon shall have lapsed and that the Participant deliver a share power, endorsed in blank, relating to the Plan Shares.

(b) Representations and Warranties. The Committee may require each Person purchasing or receiving Plan Shares to (i) represent to and agree with the Company in writing that such Person is acquiring the shares without a view to the distribution thereof and (ii) make any other representations and warranties, reasonable under the circumstances, that the Committee deems appropriate.

(c) Additional Compensation. Nothing contained in the Plan shall prevent the Company or any of its Affiliates from adopting other or additional compensation arrangements for its employees.

(d) No Right of Employment/Service. Adoption of the Plan or grant of any Option shall not confer upon any individual eligible for grants of Options any right to continued Employment/Service, nor shall it interfere in any way with the right of the Company or any of its Affiliates thereof to terminate the Employment/Service of any such individual at any time.

(e) Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal income tax purposes with respect to any Option under the Plan, such Participant shall pay to the Company or, if appropriate, any of its Affiliates, or make arrangements satisfactory to the Committee regarding the payment of any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of required minimum withholding obligations with Shares.

(f) Governing Law. Except to the extent that provisions of the Plan are governed by applicable provisions of the Code or other substantive provisions of Federal law, the Plan and all Options made and actions taken thereunder shall be governed by and construed and enforced in accordance with the laws of the State of South Carolina without regard to the principles of conflicts of law thereof.

(g) Compliance with Laws. If any law or any regulation of any commission or agency having jurisdiction shall require the Company or a Participant seeking to exercise Options to take any action with respect to the Plan Shares to be issued upon the exercise of Options, then the date upon which the Company shall issue or cause to be issued the certificate or certificates for the Plan Shares shall be postponed until full compliance has been made with all such requirements of law or regulation; provided, that the Company shall use its reasonable efforts to take all necessary action to comply with such requirements of law or regulation. Moreover, in the event that the Company shall determine that, in compliance with the Securities Act or other applicable statutes or regulations, it is necessary to register any of the Plan Shares with respect to which an exercise of an Option has been made, or to qualify any such Plan Shares for exemption from any of the requirements of the Securities Act or any other applicable statute or regulation, no Option may be exercised and no Plan Shares shall be issued to the exercising Participant until the required action has been completed; provided, that the Company shall use its reasonable efforts to take all necessary action to comply with such requirements of law or regulation. Notwithstanding anything to the contrary contained herein, neither the Board nor the members of the Committee owes a fiduciary duty to any Participant in his or her capacity as such.

(h) Notices. All Exercise Notices, notices, requests, demands or other communications required by or otherwise with respect to the Plan shall be in writing and shall be

deemed to have been duly given to any party when delivered by hand, by messenger, or by a nationally recognized overnight delivery company, when delivered by facsimile, or when delivered by first-class mail, postage prepaid and return receipt requested, in each case to the applicable addresses set forth below:

If to the Participant:

To the address shown on the Stock Option Agreement.

If to the Company:

Blackbaud, Inc.
2000 Daniel Island Drive
Charleston, South Carolina 29492
Attention: General Counsel

Facsimile: (843) 216-6100

(or to such other address as the party in question shall from time to time designate by written notice to the other parties). Notices sent by registered or certified mail in accordance with this Section shall be deemed delivered as of the date posted in the United States mail.

SECTION 12. EFFECTIVE DATE OF PLAN

The Plan shall be effective as of March 1, 2001.

EXHIBIT 10.9

BLACKBAUD SOFTWARE LICENSE AGREEMENT ("AGREEMENT")

READ THE TERMS AND CONDITIONS OF THIS LICENSE AGREEMENT CAREFULLY BEFORE OPENING THE PACKAGE CONTAINING THE COMPUTER SOFTWARE AND THE ACCOMPANYING USER DOCUMENTATION (COLLECTIVELY, THE "SOFTWARE". THE SOFTWARE IS COPYRIGHTED AND LICENSED (NOT SOLD). BY OPENING THE PACKAGE CONTAINING THE SOFTWARE, YOU ARE ACCEPTING AND AGREEING TO THE TERMS OF THIS LICENSE AGREEMENT. IF YOU ARE NOT WILLING TO BE BOUND BY THE TERMS OF THIS LICENSE AGREEMENT, YOU SHOULD RETURN THE PACKAGE UNOPENED WITHIN THIRTY (30) DAYS OF YOUR INVOICE DATE, AND YOU WILL RECEIVE A CREDIT OR A REFUND. THIS LICENSE AGREEMENT REPRESENTS THE ENTIRE AGREEMENT CONCERNING THE SOFTWARE BETWEEN YOU AND BLACKBAUD AND IT SUPERCEDES ANY PRIOR PROPOSAL, REPRESENTATION, OR UNDERSTANDING BETWEEN THE PARTIES.

1. LICENSE GRANT. This is a legal agreement between You, the end user, and Blackbaud, Inc. ("Blackbaud"). Blackbaud grants to You, and You accept, a nontransferable, nonexclusive license to use one copy of the Software in machine readable, object code form only, and the accompanying user documentation ("User Documentation") for the Software, only as authorized in this Agreement. For purposes of this Agreement, the "Software" includes not only the computer program contained in this package and updates thereto, but also all applications or modifications written by Blackbaud for You utilizing the Application Programming Interface ("API") or Visual Basic Application ("VBA") contained in the Software ("Blackbaud Tools"), if any. You have a non-transferable, royalty free license to use such applications or modifications under the terms of this License. If You or a third party on your behalf creates an application or modification using the Blackbaud Tools, You shall only have title to such modification that remains after the Blackbaud Tools are separated from the modification. You hereby grant to Blackbaud a perpetual, royalty free, transferable license to use any application or modification created by you or a third party on your behalf using the Blackbaud Tools. You may purchase a single copy license or a network license for the Software. If you have purchased a single copy license, You may only use the Software on one single computer at a time. If You have purchased a network license, You may only use the Software on a licensed computer network where Your simultaneous use of and access to the Software must be limited to the number of authorized users You designate in Blackbaud's standard order form. For purposes of this Agreement, a computer network is any combination of two or more terminals that are electronically linked and capable of sharing the use of a single copy of the Software. If this License includes runtime applications, such License is transferable with respect to such applications only to Your bona fide affiliate offices disclosed in writing to Blackbaud. Your use of the Software may not exceed the scope of the use provisions above without the express written agreement of Blackbaud and Your payment of additional license fees. Blackbaud reserves the right to charge late fees for overdue payments. In addition, you may make only one (1) exact copy of the Software (using the same Blackbaud serial number) for testing purposes only, in a non-production environment.

2. COPYRIGHT. The Software contains trade secret and proprietary information owned by Blackbaud or its third party licensors and is protected by United States copyright laws and international trade provisions. You must treat the Software like any other copyrighted material and, except solely for backup or archival purposes for which You may make copies, You may not disclose, copy, transfer or transmit the Software or the User Documentation, electronically or otherwise, for any purpose. All permitted copies of the Software and the User Documentation must include Blackbaud's copyright and other proprietary notices.

3. OTHER RESTRICTIONS. You agree that the Software and the User Documentation are proprietary products and that all right, title and interest in and to the Software and User Documentation, including all associated intellectual property rights, are and shall at all times remain with Blackbaud and its third party licensors. You may not sublicense, assign, transfer, sell, rent, lend or lease the Software or the User Documentation, or any portions thereof, and any attempt to do so is null and void. You may not reverse engineer, disassemble, decompile or make any attempt to ascertain, derive or obtain the source code for the Software.

4. LIMITED WARRANTY. For a period of thirty (30) days from the date of Your receipt of the Software (the "Warranty Period"), Blackbaud warrants that the media on which the Software is distributed will be free from defects in materials and workmanship and that the Software will perform substantially in accordance with the functional specifications contained in the User Documentation. Any written or oral information or representations provided by Blackbaud agents, employees, resellers, consultants or service providers with respect to the use or operation of the Software will in no way increase the scope of this warranty.

5. CUSTOMER REMEDIES. If during the Warranty Period the Software fails to comply with the warranty set forth above, Blackbaud's entire liability and Your exclusive remedy will be either a) repair or replacement of the Software, or if in Blackbaud's opinion such repair or replacement is not possible, then b) a full refund of the price paid for the Software. The foregoing remedies apply only if You return all copies of the Software to Blackbaud within 30 days of receipt by You. This limited warranty is void if failure of the Software has resulted from accident, abuse, misuse or negligence of any kind in the use,

handling or operation of the Software, including any use not consistent with the User Documentation or Blackbaud training.

6. MAINTENANCE. Payment of Blackbaud's annual maintenance fee entitles You to receive those maintenance services provided to Blackbaud's general client base for the Software You have licensed. Unless otherwise agreed in writing, Blackbaud's maintenance obligations do not cover any application, modification or interface written by Blackbaud, You or a third party using Blackbaud Tools.

You are responsible for (i) installing all Updates and Enhancements to the Software; (ii) updating all other non-Blackbaud software used in conjunction with the Software, including but not limited to operating system software, word processing, spreadsheet, reporting and/or database software; and (iii) upgrading any hardware and memory on the system on which You use the Software. If you are using Blackbaud products that require a common database, you must remain current on maintenance for all products for as long as the software is in use in order to assure the integrity of your Software. Cancellation of maintenance on any one system may cause incompatibilities with related products, and performance of all Software could be adversely affected. Blackbaud has no other responsibilities with respect to Maintenance other than those specified in this Section and will not be responsible for maintaining other than the most current, unaltered release of the Software.

7. NO OTHER WARRANTIES. BLACKBAUD DOES NOT AND CANNOT WARRANT THE PERFORMANCE OR RESULTS OBTAINED BY YOU IN USING THE SOFTWARE, OR THAT THE SOFTWARE WILL MEET YOUR REQUIREMENTS OR THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. EXCEPT FOR THE WARRANTIES SET FORTH ABOVE, THE SOFTWARE IS LICENSED "AS IS" AND BLACKBAUD EXPRESSLY DISCLAIMS ANY AND ALL OTHER WARRANTIES WITH RESPECT TO THE SOFTWARE, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

8. LIMITATION ON LIABILITY. IN NO EVENT WILL BLACKBAUD BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOST PROFITS, OPPORTUNITIES OR CONTRIBUTIONS, BUSINESS INTERRUPTION, LOSS OF BUSINESS INFORMATION, GOOD WILL, OR OTHER PECUNIARY OR NON-PECUNIARY LOSS) ARISING OUT OF THE USE OF OR INABILITY TO USE THE SOFTWARE, EVEN IF BLACKBAUD HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL BLACKBAUD'S LIABILITY EXCEED THE LICENSE FEES PAID BY YOU DURING THE TWO-YEAR PERIOD PRECEEDING NOTICE TO BLACKBAUD OF YOUR LOSS. BECAUSE SOME STATES DO NOT ALLOW THE EXCLUSION OR LIMITATION OF LIABILITY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES, THE ABOVE LIMITATION MAY NOT APPLY TO YOU.

9. TERMINATION. This license is effective until terminated. You may terminate the license granted under this Agreement at any time by returning all copies of the Software to Blackbaud or destroying or erasing all copies of the Software. It will also terminate at our option upon your failure to comply with any material term and condition hereof. In the event of termination, all the sections of the license will survive except the License Grant and Maintenance sections.

10. SOFTWARE MODIFICATIONS. Other than modifications using Blackbaud API or VBA tools, any modifications that You make to the Software, including any modifications to any third party licensor software included with or embedded in the Software will void any Maintenance or Warranty obligations contained in this Agreement. Blackbaud will not be liable, in any respect, for any such modifications or any errors or damages resulting from such modifications.

11. MISCELLANEOUS. This Agreement and your Agreement to Purchase together set forth the entire agreement between the parties with respect to the subject matter hereof and all other agreements, representations, communications and understandings, both oral and written, are superceded hereby. (You will have a separate agreement for maintenance services.) If any court of competent jurisdiction declares any term of this Agreement void or unenforceable, that declaration shall have no effect on the remaining terms hereof. The failure by either party to enforce any rights granted hereunder or to take action against the other party in the event of any breach of this Agreement will not be deemed a waiver by that party as to the subsequent enforcement of rights or subsequent actions in the event of future breaches. Neither party shall be liable for any delay, nonperformance or related damages if such delay or nonperformance was due to causes beyond its reasonable control, including, but not limited to acts of God, civil emergencies, electrical power failure, loss of communications, or the delay of the other party or third parties.

12. ARBITRATION. Any disputes or claims under this Agreement or its breach shall be submitted to and resolved exclusively by arbitration conducted in accordance with American Arbitration Association rules. One arbitrator appointed under such rules shall conduct arbitration. Arbitration shall be in Charleston, S.C., and the laws of South Carolina shall be applied. Any decision in arbitration shall be final and binding upon the parties. Judgment may be entered thereon in any court of competent jurisdiction. Notwithstanding the above, Blackbaud may sue in any court for infringement of its proprietary or intellectual property rights.

Software License Agreement 06/01/00

EXHIBIT 10.10

PROFESSIONAL SERVICES AGREEMENT

This master Professional Services Agreement ("AGREEMENT") is made as of the Effective Date specified at the end of this agreement by and between BLACKBAUD, INC. ("BLACKBAUD") a South Carolina corporation having a principal place of business at 2000 Daniel Island Drive, Charleston SC 29492 and <> ("CLIENT"), having a place of business at <>. Collectively Blackbaud and Client shall be known as the "PARTIES".

The Parties agree as follows:

1. SERVICES PROVIDED BY BLACKBAUD. Blackbaud shall provide Client certain services ("SERVICES") specified in a properly executed Scope of Work ("SOW") to be incorporated herein and made a part hereof. Each SOW shall incorporate the terms and provisions of this Agreement. To the extent an SOW provides additional and/or conflicting terms to this Agreement, the terms of the SOW shall prevail. All Blackbaud subcontractors under an SOW, if any, shall be bound to perform all obligations under this Agreement as if they were being performed by Blackbaud.

2. CLIENT DUTIES. (a) Client shall perform such duties and tasks designated in an SOW to facilitate Blackbaud's performance of the Services outlined thereunder and provide Blackbaud with reasonable and necessary access to Client's facilities during Client's normal business hours and otherwise as reasonably requested by Blackbaud in order to facilitate Blackbaud's performance of the Services outlined in each SOW. (b) Client shall not contract for related services with any current or former Blackbaud employees or subcontractors for a period of six (6) months from the date agreement or employment relationship with Blackbaud terminated. Failure to comply with this provision may at Blackbaud's sole discretion result in (i) removal of all existing consultant resources from Client sites and/or (ii) the immediate termination of this Agreement and Blackbaud's obligation to provide any further Services.

3. FEES, EXPENSES, & PAYMENT. For all Services performed under an SOW or other request for Services that references this Agreement, Client shall: (i) pay Blackbaud in accordance with each SOW or at the then current Blackbaud standard rates, whichever are applicable; (ii) reimburse Blackbaud for all reasonable and necessary travel and living expenses Blackbaud incurs performing such Services, provided such expenses are incurred in compliance with Blackbaud's travel and expense policy, and provided further that such expenses are incurred pursuant to an applicable SOW or other request for Services by Client; and (iii) pay Blackbaud upon receipt of each invoice. All payments pursuant to this Agreement are non-refundable. Unless Client provides Blackbaud with a valid tax exemption or direct pay certificate upon execution of this Agreement, Client is responsible for all taxes, duties, and customs fees which may be assessed on the amounts paid for Services performed hereunder, excluding taxes based on Blackbaud's income or payroll. Blackbaud reserves the right to invoice Client the lesser of twelve percent (12%) annual interest or the highest interest rate allowable under applicable laws for any outstanding, undisputed invoice not paid within thirty (30) days after receipt. Blackbaud invoices shall describe the following: (i) the time period for which work and expenses are billed; (ii) the quantity of work performed; (iii) the hourly rates charged, if applicable; (iv) travel and living expenses by type and amount; and (v) totals.

4. INSURANCE. Blackbaud shall maintain statutory minimum Worker's Compensation and Employer's Liability Insurance as required by the laws of any state or country in which Services are performed.

5. CONFIDENTIAL INFORMATION.

5.1 DEFINITION. The term "CONFIDENTIAL INFORMATION" shall mean: (i) any and all information which is disclosed by either party ("OWNER") to the other ("RECIPIENT") verbally, electronically, visually, or in a written or other tangible form which is either identified or should be reasonably understood to be confidential or proprietary; and (ii) the terms, including without limitation, the pricing, of this Agreement and any proposals or other documents that preceded this Agreement. Confidential Information may include, but not be limited to, trade secrets, computer programs, software, documentation, formulas, data, inventions, techniques, marketing plans, strategies, forecasts, client lists, employee information, financial information, confidential information concerning Owner's business or organization, as Owner has conducted it or as Owner may conduct it in the future. In addition, Confidential Information may include information concerning any of Owner's past, current, or possible future products or methods, including information about Owner's research, development, engineering, purchasing, manufacturing, accounting, marketing, selling, leasing, and/or software (including third party software).

5.2 TREATMENT OF CONFIDENTIAL INFORMATION. Owner's Confidential Information shall be treated as strictly confidential by Recipient and shall not be disclosed by Recipient to any third party except to those third parties operating under non-disclosure provisions no less restrictive than in this Section and who have a justified business "need to know". Client shall protect the deliverables resulting from Services with the same degree of care. This Agreement imposes no obligation upon the Parties with respect to Confidential Information which either party can establish by legally sufficient evidence: (a)

was in the possession of, or was rightfully known by the Recipient without an obligation to maintain its confidentiality prior to receipt from Owner; (b) is or becomes generally known to the public without violation of this Agreement; (c) is obtained by Recipient in good faith from a third party having the right to disclose it without an obligation of confidentiality; (d) is independently developed by Recipient without the participation of individuals who have had access to the Confidential Information; or (e) is required to be disclosed by court order or applicable law, provided notice is promptly given to the Owner and provided further that diligent efforts are undertaken to limit disclosure.

5.3 CONFIDENTIALITY AND DISCLOSURE OF PATIENT INFORMATION. Healthcare Clients Only: Blackbaud does not expect to have access to confidential individually identifiable health information ("IIHI"), as that term is used in the Health Insurance Portability and Accountability Act ("HIPAA") in connection with its fundraising database analytical services. Because Blackbaud does have many healthcare clients and may inadvertently receive IIHI, it is Blackbaud's policy that it will: (i) treat all donor information in compliance with all applicable federal and state laws; and (ii) implement and use any and all reasonable means and appropriate safeguards to prevent the use or disclosure of IIHI and will immediately notify Client of any unauthorized use or disclosure of IIHI.

5.4 RIGHTS AND DUTIES. The Recipient shall not obtain, by virtue of this Agreement, any rights, title, or interest in any Confidential Information of the Owner. Within fifteen (15) days after termination of this Agreement, each party shall certify in writing to the other that all copies of Confidential Information in any form, including partial copies, have been destroyed, returned, or used solely as the Owner so directs.

5.5 SURVIVABILITY. The terms of this Section 5 shall survive termination of this Agreement. If the Parties have executed a separate agreement that contains confidentiality terms prior to or contemporaneously with this Agreement, those separate confidentiality terms shall remain in full force to the extent they do not conflict.

6. INDEMNITY.

6.1 PATENT AND COPYRIGHT INDEMNITY. Blackbaud shall indemnify and defend Client against any claims that the Work Product (defined below) delivered to Client pursuant to an SOW infringes any United States or Canadian patent or copyright, provided that Blackbaud is given prompt notice of such claim and is given information, reasonable assistance, and the sole authority to defend or settle said claim. In the defense or settlement of any claim, provided the associated software license agreement between the Parties has not been terminated, Blackbaud shall, in its reasonable judgment and at its option and expense: (i) obtain for Client the right to continue using the Work Product; (ii) replace or modify the Work Product so that it becomes non-infringing while giving equivalent performance; or (iii) if Blackbaud cannot obtain the remedies in (i) or (ii), as its sole obligation, terminate the license for the infringing Work Product and return only the Services fees paid by Client for such Work Product. Blackbaud shall have no liability to indemnify and defend Client to the extent (i) the alleged infringement is based on infringing information, data, software, applications, services, or programs created or furnished by or on behalf of Client (ii) the alleged infringement is the result of a modification made by anyone other than Blackbaud; or (iii) Client uses the Work Product other than in accordance with this Agreement, any delivered documentation under an SOW, or the underlying software license to use such Work Product.

6.2 INDEMNITY. Each party ("INDEMNIFYING PARTY") shall indemnify and hold the other party ("INDEMNIFIED PARTY") harmless against any third party claim, including costs and reasonable attorney's fees, in which the Indemnified Party is named as a result of the grossly negligent or intentional acts or failure to act by the Indemnifying Party, its employees or agents, while performing its obligations hereunder, which result in death, personal injury, or tangible property damage. This indemnification obligation is contingent upon the Indemnified Party providing the Indemnifying Party with prompt written notice of such claim, information, all reasonable assistance in the defense of such action, and sole authority to defend or settle such claim.

6.3 SURVIVAL. The terms of this Section 6 shall survive termination of this Agreement.

7. WARRANTIES AND REPRESENTATIONS. Each party warrants that it has the right and power to enter into this Agreement and an authorized representative has executed this Agreement. Blackbaud warrants that the Services will be performed in a professional and workmanlike manner in accordance with recognized industry standards. To the extent Services provided by Blackbaud are advisory, no specific result is assured or guaranteed. BLACKBAUD EXPRESSLY DISCLAIMS ALL OTHER REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS, IMPLIED, OR STATUTORY (BY ANY TERRITORY OR JURISDICTION) TO THE EXTENT PERMITTED BY LAW, AND FURTHER BLACKBAUD EXPRESSLY EXCLUDES ANY WARRANTY OF NON-INFRINGEMENT, TITLE, FITNESS FOR A PARTICULAR PURPOSE, OR MERCHANTABILITY TO THE EXTENT PERMITTED BY LAW.

8. LIMITATION OF LIABILITY. EXCEPT FOR THE INDEMNIFICATION PROVIDED IN SECTION 6, BLACKBAUD'S MAXIMUM LIABILITY FOR ANY ACTION ARISING UNDER THIS AGREEMENT, REGARDLESS OF THE FORM OF ACTION AND WHETHER IN TORT OR CONTRACT, SHALL BE LIMITED TO THE AMOUNT OF SERVICES FEES PAID BY CLIENT FOR THE SERVICES FROM WHICH THE CLAIM AROSE. IN NO EVENT SHALL BLACKBAUD BE LIABLE FOR INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING WITHOUT LIMITATION, LOST DATA OR LOST PROFITS, HOWEVER ARISING, EVEN IF CLIENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE PARTIES AGREE TO THE ALLOCATION OF RISK SET FORTH HEREIN.

9. RIGHTS TO WORK PRODUCT. Any expression or result of Blackbaud's Services, or the work, findings, analyses, conclusions, opinions, recommendations, ideas, techniques, know-how, designs, programs, tools, applications, interfaces, enhancements, software, and other technical information (collectively "WORK PRODUCT") created by Blackbaud in the course of performing the Services hereunder are the property of Blackbaud and are licensed to Client, without further license fees, pursuant to the Blackbaud software license(s) to which the consultation Services pertain, provided, however, to the extent such Work Product provided to Client by Blackbaud contains Client's Confidential Information, Client shall retain title to such Confidential Information. Client shall have no right to sublicense, transfer, assign, convey or permit any third party to use or copy any Work Product.

10. MAINTENANCE OF DEVELOPMENT WORK. Standard maintenance and support services offered by Blackbaud do not cover any customized software or new development created under an SOW. If available, maintenance and support may be addressed under a separate services agreement.

11. INDEPENDENT CONTRACTOR STATUS. Blackbaud performs this Agreement as an independent contractor, not as an employee of Client. Nothing in this Agreement is intended to construe the existence of a partnership, joint venture, or agency relationship between Client and Blackbaud.

12. NOTICE. All notices or other communications referenced under this Agreement shall be made in writing and sent to the address designated above, designated in a specific SOW, or designated from time to time in writing by the Parties. All notices shall be deemed given to the other party if delivered receipt confirmed using one of the following methods: registered or certified first class mail, postage prepaid; recognized courier delivery; or electronic mail.

13.1 TERMINATION OF PROFESSIONAL SERVICE. Unless otherwise agreed to, either party may terminate this Agreement or any SOW at any time by giving the other party written notice of termination. If this Agreement or an SOW is terminated by the Client, Client shall pay Blackbaud for all work performed and for all expenses incurred prior to the effective date of termination. Client shall also pay a termination fee equal to 25% of the total amount contracted for the professional service under the applicable SOW. If Client provides less than six (6) business days advance notice of an SOW termination for which professional services have been scheduled, the termination fee payable as set forth above shall be equal to 100% of the scheduled service as set forth in the SOW.

13.2 POSTPONEMENT OF PROFESSIONAL SERVICE. No penalty will be assessed if Client postpones a scheduled professional service at least 20 business days or more before the start of the scheduled professional service. If Client postpones a scheduled professional service at least six (6) but less than twenty (20) business days before the start of the scheduled professional service, a penalty of 25% of the amount of the scheduled professional service may be assessed. If Client postpones a scheduled professional service less than six (6) business days before the start of the scheduled professional service, a penalty up to 100% of the scheduled service may be assessed.

14. WAIVER. No modification to this Agreement nor any failure or delay in enforcing any term, exercising any option, or requiring performance shall be binding or construed as a waiver unless agreed to in writing by both parties.

15. FORCE MAJEURE. Except for Client's obligation to pay Blackbaud, neither party shall be liable for any failure to perform its obligations under this Agreement or any SOW if prevented from doing so by a cause or causes beyond its control, including without limitation, acts of God or public enemy, failure of suppliers to perform, fire, floods, storms, earthquakes, riots, strikes, war, and restraints of government.

16. SEPARATE AGREEMENTS. All Services provided herein are acquired separately from any software licenses agreed to between the Parties. Specifically, Client may acquire software licenses without acquiring consulting services. Client understands and agrees that this Agreement and any SOW is a separate and independent contractual obligation from any schedule relating to software licenses. Client shall not withhold payments that are due and payable under this Agreement because of the status of any software licenses or schedules, nor shall Client withhold payments that are due and payable relating to software licenses or schedules because of the status of work performed hereunder. In addition, the ability to provide such services are not exclusive or specific to Blackbaud and are commercially available from a variety of third party service providers.

17. DISPUTE RESOLUTION. Any disputes or claims under this Agreement or its breach shall be submitted to and resolved exclusively by arbitration conducted

in accordance with American Arbitration Association rules. One arbitrator appointed under such rules shall conduct arbitration. Arbitration shall be in Charleston, S.C., and the laws of South Carolina shall be applied. Any decision in arbitration shall be final and binding upon the parties. Judgment may be entered thereon in any court of competent jurisdiction. Notwithstanding the above, Blackbaud may sue in any court for infringement of its proprietary or intellectual property rights.

18. GENERAL. This Agreement shall be governed by the laws of the State of South Carolina, excluding choice of law principles. Except as otherwise specifically stated herein, remedies shall be cumulative and there shall be no obligation to exercise a particular remedy. If any provision of this Agreement is held to be unenforceable, the other provisions shall nevertheless remain in full force and effect. This Agreement and the SOW(s) constitute the entire understanding between the Parties with respect to the subject matter herein and may only be amended or modified by a writing signed by a duly authorized representative of each party. This Agreement may be executed by facsimile. This Agreement replaces and supersedes any prior verbal or written understandings, communications, and representations between the Parties regarding the subject matter contained herein. No purchase order or other ordering document that purports to modify or supplement the printed text of this Agreement or any Exhibit shall add to or vary the terms of this Agreement or Exhibit. All such proposed variations, edits, or additions (whether submitted by Blackbaud or Client) to this Agreement or to an SOW, are objected to and deemed material unless otherwise mutually agreed to in writing.

19. SPECIAL TERMS AND CONDITIONS PERTAINING TO DATA RESEARCH SERVICES. Client will be licensed to utilize its updated master file database, without restriction, once the Services are delivered by Blackbaud, with the understanding that the data provided is from proprietary sources and may be utilized for Client's internal purposes only.

1. Client represents and warrants that (i) it has all right and authority necessary to enter into and perform this Agreement; (ii) it owns all rights in and to data provided to Blackbaud for use in and in connection with the Services; (iii) Blackbaud's use of such materials in and in connection with the Services will not violate the rights of any third party.

2. If Email Append Services are part of this Order, Terms and Conditions on Attachments A and A-1 affixed hereto shall apply.

The Parties hereby agree to all of the above terms and have executed this Agreement by a duly authorized officer or officer representative.

EFFECTIVE DATE:

	ACCEPTED BY: BLACKBAUD, INC.
ACCEPTED BY: [CUSTOMERNAME]	
_____	_____
Authorized Signature	Authorized Signature
_____	ANTHONY J. POWELL, CFRE - DIRECTOR, CONSULTING SERVICES
Printed Name and Title	Printed Name and Title

EXHIBIT 10.11

BLACKBAUD RE:NETSOLUTIONS(TM) SERVICES AGREEMENT

This is a legal agreement between your organization ("CLIENT") and Blackbaud, Inc. ("BLACKBAUD") a South Carolina corporation having a principal place of business at 2000 Daniel Island Drive, Charleston, SC 29492.

The Effective Date of this Agreement is the date of the Agreement to Purchase covering the Services. Client acknowledges its unconditional acceptance of this Agreement when it accepts and executes the Agreement to Purchase.

1. SERVICES PROVIDED BY BLACKBAUD. For the term of this Agreement, Blackbaud shall provide Client with its NetSolutions services ("SERVICES"). Blackbaud retains all right, title and interest in and to the Services, all materials furnished by Blackbaud, and all trademarks, service marks and trade names worldwide, subject to a limited license necessary to perform this Agreement.

2. FEES AND PAYMENT. Client shall pay annual fees in advance and in a timely manner, but no later than 10 days after invoicing. Unless otherwise provided, annual fees entitle Client to 5,000 transactions per month per module. Additional annual transaction blocks may be purchased in accordance with Blackbaud's then current rates.

3. TERM. This Agreement commences the date Client purchases the Services and unless terminated sooner pursuant to Section 8, shall be effective until the date one year following. Unless Client or Blackbaud notifies the other in writing at least sixty (60) days before the end of the Term (including any extension) of its intention to terminate this Agreement, the Term shall be automatically extended for additional one (1) year periods.

4. CONFIDENTIAL INFORMATION. Each party shall treat the proprietary information of the other party as strictly confidential and shall not disclose such information to any third party except to those third parties operating under non-disclosure provisions no less restrictive than in this Section and who have a justified business "need to know". Client shall protect the deliverables resulting from Services with the same degree of care. This Agreement imposes no obligation upon the Parties with respect to Confidential Information which either party can establish by legally sufficient evidence: (a) was in the possession of, or was rightfully known by the Recipient without an obligation to maintain its confidentiality prior to receipt from Owner; (b) is or becomes generally known to the public without violation of this Agreement; (c) is obtained by Recipient in good faith from a third party having the right to disclose it without an obligation of confidentiality; (d) is independently developed by Recipient without the participation of individuals who have had access to the Confidential Information; or (e) is required to be disclosed by court order or applicable law, provided notice is promptly given to the Owner and provided further that diligent efforts are undertaken to limit disclosure.

5. INDEMNITY.

5.1 BY BLACKBAUD. Blackbaud shall indemnify and defend Client against any claims that the Services delivered to Client infringes any United States or Canadian patent or copyright, provided that Blackbaud is given prompt notice of such claim and is given information, reasonable assistance, and the sole authority to defend or settle said claim. Blackbaud shall have no liability to indemnify and defend Client to the extent (i) the alleged infringement is based on infringing information, data, or content created or furnished by or on behalf of Client or (ii) the alleged infringement is the result of a modification made by anyone other than Blackbaud.

5.2 BY CLIENT. Client shall indemnify and defend Blackbaud against any claims that any of Client's content provided and included on the donation site infringes or violates any rights of third parties, including without limitation, rights of publicity, rights of privacy, intellectual property, trade secrets or licenses.

6. WARRANTIES AND REPRESENTATIONS.

6.1 EACH PARTY. Each party warrants that: (i) it has the right and power to enter into this Agreement, (ii) an authorized representative has executed this Agreement, and (iii) it will comply with any applicable laws and regulations pertaining to this Agreement and the provision of Services. Blackbaud warrants that the Services will be performed in a professional and workmanlike manner in accordance with recognized industry standards. BLACKBAUD EXPRESSLY DISCLAIMS ALL OTHER REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS, IMPLIED, OR STATUTORY (BY ANY TERRITORY OR JURISDICTION) TO THE EXTENT PERMITTED BY LAW, AND FURTHER BLACKBAUD EXPRESSLY EXCLUDES ANY WARRANTY OF NON-INFRINGEMENT (EXCEPT AS SPECIFICALLY

PROVIDED), TITLE, FITNESS FOR A PARTICULAR PURPOSE, OR MERCHANTABILITY TO THE EXTENT PERMITTED BY LAW.

6.2 ASSURANCES OF CLIENT. Client acknowledges that it is the end user of the Services and that Client is a 501(c) organization under IRS regulations and has legal authority to accept charitable donations. Client shall: (a) designate and provide a point of contact, responsible for decisions regarding the donation site, and for answering and resolving questions and issues relating to the Services; (b) provide to Blackbaud all images and content, if any, desired for the donation site in the format required by Blackbaud, and all images and content shall be legally permissible content that does not infringe any third party rights; (c) advise Blackbaud of any changes to Client's operations, or banking relationships or other information that would require a change in the donation site; (d) pay all applicable fees and expenses as same become due.

7. LIMITATION OF LIABILITY. BLACKBAUD'S MAXIMUM LIABILITY FOR ANY ACTION ARISING UNDER THIS AGREEMENT, REGARDLESS OF THE FORM OF ACTION AND WHETHER IN TORT OR CONTRACT, SHALL BE LIMITED TO THE AMOUNT OF SERVICES FEES PAID BY CLIENT FOR THE SERVICES FROM WHICH THE CLAIM AROSE. IN NO EVENT SHALL BLACKBAUD BE LIABLE FOR INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING WITHOUT LIMITATION, LOST DATA OR LOST PROFITS, HOWEVER ARISING, EVEN IF CLIENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE PARTIES AGREE TO THE ALLOCATION OF RISK SET FORTH HEREIN. BLACKBAUD SHALL HAVE NO LIABILITY OR RESPONSIBILITY IN THE EVENT OF ANY LOSS OR INTERRUPTION IN HOSTING SERVICES DUE TO CAUSES BEYOND ITS REASONABLE CONTROL OR FORESEEABILITY, SUCH AS LOSS, INTERRUPTION OR FAILURE OF TELECOMMUNICATIONS OR DIGITAL TRANSMISSIONS AND LINKS, INTERNET SLOWDOWN OR FAILURES.

8. TERMINATION. Either party may terminate this Agreement in the event of a material default by the other and failure to cure such default within 10 days after notice thereof. Client's failure to fully pay any fees due within 10 days after the applicable due date shall be deemed a material breach. Any such termination does not relieve Client of its obligation to pay past due fees as well as legal fees and costs of collection. In the event of any loss or interruption in hosting services due to causes similar to and including scheduled maintenance, repairs, or causes beyond the reasonable control or foreseeability of Blackbaud, such loss or interruption shall not be a material default or cause for termination.

9. GENERAL. Blackbaud performs this Agreement as an independent contractor, not as an employee of Client. Nothing in this Agreement is intended to construe the existence of a partnership, joint venture, or agency relationship between Client and Blackbaud. No modification to this Agreement nor any failure or delay in enforcing any term, exercising any option, or requiring performance shall be binding or construed as a waiver unless agreed to in writing by both parties. Except for Client's obligation to pay Blackbaud, neither party shall be liable for any failure to perform its obligations under this Agreement if prevented from doing so by a cause or causes beyond its control, including without limitation, acts of God or public enemy, failure of suppliers to perform, fire, floods, storms, earthquakes, riots, strikes, war, and restraints of government. All notices or other communications referenced under this Agreement shall be made in writing and sent to the address designated above or otherwise designated from time to time in writing by the Parties. All notices shall be deemed given to the other party if delivered by registered or certified first class mail, postage prepaid; recognized courier delivery; electronic mail or fax. The terms of this Section 5 shall survive termination of this Agreement. This Agreement shall be governed by the laws of the State of South Carolina. Except as otherwise specifically stated herein, remedies shall be cumulative and there shall be no obligation to exercise a particular remedy. If any provision of this Agreement is held to be unenforceable, the other provisions shall nevertheless remain in full force and effect. This Agreement constitutes the entire understanding between the Parties with respect to the subject matter herein, supersedes all prior oral and written understandings, and may only be amended or modified by a writing signed by a duly authorized representative of each party. This Agreement may be executed by facsimile.

CLIENT:	BLACKBAUD:
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title:_____

EXHIBIT 10.12

STANDARD BLACKBAUD TERMS AND CONDITIONS FOR

SOFTWARE MAINTENANCE AND SUPPORT

All Software Maintenance and Support is provided subject to the following Standard Terms and Conditions. These provisions set forth are only obligations of Blackbaud regarding Software Maintenance and Support. For purposes of this Agreement, "You" or "Your" shall refer to the entity entitled to receive Maintenance and Support hereunder.

I. BLACKBAUD SOFTWARE MAINTENANCE SERVICES:

1. Unlimited use of Blackbaud's online and telephone support, as described in the Blackbaud Maintenance Benefits document, to receive technical assistance and/or general consultation with regard to software You have licensed from Blackbaud and for which You have elected to receive Maintenance and Support (the "Covered Software").

2. As they become available, Blackbaud will provide new versions, updates and/or enhancements to current versions of the Covered Software. Some new versions, updates and/or enhancements may require more advanced or larger capacity equipment and/or third party software. Equipment and software compatibility shall be Your sole responsibility.

3. As they become available, Blackbaud will provide updates and enhancements to existing documentation.

4. Blackbaud will take all reasonable steps to correct defects in the Covered Software that are directly attributable to programming if Blackbaud, in its sole discretion, recognizes them as having a materially detrimental effect on the performance of the Covered Software.

5. Blackbaud will take all reasonable steps to have data anomalies repaired and data loss in the Covered Software directly attributable to programming minimized. This provision is subject to Your performance of scheduled data backups using a prudent method of media rotation.

II. CHARGES

1. The Annual Maintenance period begins 7 days after ship date of the Covered Software from Blackbaud.

2. The initial Annual Maintenance fee is based upon a % of current list price of the Covered Software. Renewal fees are calculated annually for a 1-year period and may be subject to an inflationary adjustment defined at the time of renewal. If You purchase additional Software or licensed users for such Software, these additions will automatically be subject to Maintenance fees and will be invoiced accordingly. Charges for any partial month of coverage will be prorated on the basis of a thirty (30) day month to coincide with existing annual Maintenance term.

3. All charges for Software Maintenance are payable in advance. Failure to give at least thirty (30) days notice of intention not to renew the Maintenance contract will result in automatic renewal and You will be liable for an additional year's charges. Notwithstanding this, if You fail to pay any invoice within thirty (30) days of the invoice date, Blackbaud may withhold services until payment has been received.

4. Charges do not include charges related to third party software programs, which may be required to run the Covered Software. You may be required to pay separately for any upgrades in such third party programs.

5. Blackbaud reserves the right to charge late fees on overdue accounts.

III. EXCLUSIONS FROM BLACKBAUD SOFTWARE MAINTENANCE SERVICE

The following is expressly excluded from the terms of this Agreement:

1. Provision, installation and/or support of new versions and/or enhancements to current versions of non-Blackbaud software. Non-Blackbaud software includes but shall not be limited to, operating system software, word processing, spreadsheet, reporting and/or database software.

2. Installation of updates and enhancements to Blackbaud software.

3. Upgrading any hardware and memory on the system on which You use the Covered Software.

4. If You are using Blackbaud products that require a common database, You

must remain current on Maintenance for all products for as long as the Covered Software is in use in order to assure the integrity of Your Covered Software. Cancellation of Maintenance on any one system may cause incompatibilities with related products, and performance of all Covered Software could be adversely affected.

5. Repair of the Covered Software and data if Blackbaud determines the failure is related to:

(a) the equipment or supplies You are using.

(b) misuse or neglect of the covered Software including, but not limited to, failure to perform scheduled data backups using a prudent method of media rotation.

(c) anyone other than a member of Blackbaud's staff making any alteration to the Covered Software or to the system files which may affect the Covered Software.

(d) environmental conditions, including, but not limited to, insufficient, excessive, or irregular electrical power, failure of air conditioning, excessive heat or humidity, flood, water, wind or lightening.

(e) use of the Covered Software for purposes other than those which it was expressly designed.

(f) the relocation or reinstallation of the Covered Software.

(g) the use of any software other than the Covered Software.

IMPORTANT ** MAINTENANCE IS EFFECTIVE 7 DAYS AFTER SHIP DATE OF SOFTWARE. SEE SECTION II, ITEM 1 ABOVE. **IMPORTANT

Last Modified 08/01/03

6. Blackbaud reserves the right to charge additional support fees at its then standard rates for services performed in connection with reported incidents that are later determined to have been due to hardware or software not supplied by Blackbaud. Notwithstanding the foregoing, Blackbaud has no obligation to perform support services in connection with issues resulting from hardware or software not supplied by Blackbaud.

IV. SOFTWARE MODIFICATIONS

Any modifications that You make to the Software, including any modifications to any third party licensed software included with or embedded in the Software, will render any Maintenance or Warranty obligations contained in this Agreement null and void. Blackbaud will not be liable, in any respect, for any such modifications or any errors, losses or damage resulting from such modifications. Blackbaud has no other responsibilities with respect to Maintenance other than those specified in this Section and will not be responsible for maintaining other than the most current, unaltered release of the Software.

V. DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY

1. NO WARRANTIES: BLACKBAUD DOES NOT AND CANNOT WARRANT THE PERFORMANCE OR RESULTS OBTAINED BY YOU IN USING THE SOFTWARE, THAT THE SOFTWARE WILL MEET YOUR REQUIREMENTS, OR THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. THE SOFTWARE IS LICENSED "AS IS" AND THE MAINTENANCE SERVICES PROVIDED HEREUNDER SHALL BE PERFORMED IN A WORKMANLIKE MANNER. BLACKBAUD EXPRESSLY DISCLAIMS ANY AND ALL OTHER WARRANTIES WITH RESPECT TO THE SOFTWARE AND SERVICES, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2. LIMITATION OF LIABILITY. IN NO EVENT WILL BLACKBAUD BE LIABLE FOR ANY LOSS OF PROFITS, LOSS OF USE, BUSINESS INTERRUPTION, LOSS OF DATA, COST OF COVER OR OTHER INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE DELIVERY OF MAINTENANCE SERVICES OR ANY DELAY IN DELIVERY OF THE MAINTENANCE SERVICES. BLACKBAUD'S MAXIMUM AGGREGATE LIABILITY (WHETHER IN CONTRACT OR IN TORT OR UNDER ANY OTHER FORM OF LIABILITY) FOR DAMAGES OR LOSS, HOWSOEVER ARISING OR CAUSED, SHALL IN NO EVENT EXCEED THE AMOUNT ACTUALLY PAID BY YOU FOR THE RELEVANT SERVICES GIVING RISE TO THE LIABILITY.

VI. GENERAL

1. Delivery of any Software Maintenance service to You by Blackbaud is subject to conditions beyond the control of Blackbaud or its agents, including but not limited to, Acts of God, acts of any public enemy, fire, flood, epidemic or quarantine restrictions, strikes, riots or civil commotion, freight or other embargoes, weather conditions or any failures by Blackbaud's subcontractors or suppliers.

2. You may not sub-license, sell, rent, lend or lease any portion of the Covered Software. You may not translate or create derivative works based on the Covered Software.

3. You may cancel maintenance by giving notice at least 30 days notice in advance of the annual period renewal date. Cancellations will become effective on the renewal date. No credit will be given for partial Maintenance periods. If You allow your Maintenance coverage to lapse, You may purchase telephone and/or email support for currently supported software versions on an as-needed basis. Telephone and/or email support is billed at $200 per hour, with a minimum charge of one hour. After the first hour, support is billed in 15-minute increments of $50.00 each. Software updates and access to the Support web site are not available without Maintenance.

4. Reinstatement of lapsed Maintenance will require full payment of Maintenance fees that would have been due from the expiration of the last active Maintenance period through the reinstatement date, plus a 15% administrative surcharge. Payment of the applicable amount for the current Maintenance period will be due upon reinstatement. This reinstatement policy applies if Maintenance has been cancelled or there is otherwise a lapse in Maintenance coverage, such as for nonpayment of fees. Upon reinstatement, You will receive the latest version of the software.

5. All provisions of this agreement shall be governed by the laws of South Carolina.

6. If You choose not to install the latest version of the Covered Software, Blackbaud reserves the right to limit the scope of the Maintenance services provided.

IMPORTANT ** MAINTENANCE IS EFFECTIVE 7 DAYS AFTER SHIP DATE OF SOFTWARE. SEE SECTION II, ITEM 1 ABOVE. **IMPORTANT

Last Modified 08/01/03

EXHIBIT 10.13

$130,000,000

CREDIT AGREEMENT

DATED AS OF OCTOBER 13, 1999

AMONG

BLACKBAUD, INC.,
AS BORROWER,

THE LENDERS LISTED HEREIN,
AS LENDERS,

BANKERS TRUST COMPANY,
AS ADMINISTRATIVE AGENT,

FLEET NATIONAL BANK,
AS DOCUMENTATION AGENT

AND

FIRST UNION SECURITIES, INC.,
AS SYNDICATION AGENT

ARRANGED BY:

DEUTSCHE BANK SECURITIES INC.

AND

FIRST UNION SECURITIES, INC.

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EXHIBITS

SCHEDULES

BLACKBAUD, INC.

CREDIT AGREEMENT

This CREDIT AGREEMENT is dated as of October 13, 1999 and entered into by and among BLACKBAUD, INC., a South Carolina corporation (the "COMPANY"), THE FINANCIAL INSTITUTIONS LISTED ON THE SIGNATURE PAGES HEREOF (each individually referred to herein as a "LENDER" and collectively as "LENDERS"), and BANKERS TRUST COMPANY ("BTCO"), as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), FLEET NATIONAL BANK, as documentation agent for Lenders (in such capacity, "DOCUMENTATION AGENT") and FIRST UNION SECURITIES, INC., as syndication agent for Lenders (in such capacity, "SYNDICATION AGENT").

R E C I T A L S

WHEREAS, on the Closing Date pursuant to the Recapitalization Agreement the New Investor Group will purchase an aggregate amount of $155,000,000 of shares of capital stock of each of the Company and the Related Entities from the Selling Shareholders, such shares to constitute, upon consummation of the Recapitalization, all the outstanding shares of capital stock of the Company and the Related Entities other than approximately $38,508,115 of shares of capital stock (the "ROLLOVER SHARES") of each of the Company and the Related Entities to be retained by (or, in the case of the Related Entities' stock, exchanged by the existing shareholders in the merger contemplated by subsection 7.16) the Company's and the Related Entities' existing shareholders (the "ROLLOVER SHAREHOLDERS");

WHEREAS, upon consummation of the Recapitalization, the New Investor Group will directly or indirectly control not less than 80% of the outstanding capital stock of the Company and the Related Entities;

WHEREAS, Lenders have agreed to extend certain credit facilities to Company, the proceeds of which will be used (i) together with (a) approximately $155,000,000 of Cash of the New Investor Group and (b) the Cash proceeds of approximately $36,126,000 of cash on hand at the Company and the repayment in full of certain affiliate notes receivable to the Company of approximately $18,038,000, to purchase approximately $301,302,885 of the Company's capital stock (including the funding of a cash escrow in accordance with the Recapitalization Agreement), to refinance the Company's existing Indebtedness in the approximate amount of $4,723,000, to pay fees and expenses of approximately $4,800,000 in connection with the Recapitalization, to make certain tax distributions to the Company's existing shareholders of approximately $11,782,000 and to make a payment with respect to closing bonuses to members of Company's management of approximately $2,542,000, and (ii) to provide financing for working capital and other general corporate purposes of Company and its Subsidiaries; and

WHEREAS, Company desires to secure all of the Obligations hereunder and under the other Loan Documents by granting to Administrative Agent, on behalf of Lenders, a first priority Lien on substantially all of its personal property, including a pledge of all of the capital stock or other equity interests of each of its Subsidiaries:

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Company, Lenders and Agents agree as follows:

SECTION 1. DEFINITIONS

1.1 CERTAIN DEFINED TERMS.

The following terms used in this Agreement shall have the following meanings:

"ACQUIRED INDEBTEDNESS" means Indebtedness of any other Person existing at the time such other Person is merged with or into Company or any Subsidiary of Company or becomes a Subsidiary of Company or which is assumed in connection with the acquisition by Company or a Subsidiary of Company of assets from another Person, and which is in each case not incurred in connection with, or in anticipation of, such other Person merging with or into Company or a Subsidiary of Company or becoming a Subsidiary of Company or such acquisition.

"ADJUSTED EURODOLLAR RATE" means, for any Interest Rate Determination Date with respect to an Interest Period for a Eurodollar Rate Loan, the rate per annum obtained by dividing (i) the offered quotation (rounded upward to the nearest 1/16 of one percent) to first class banks in the interbank Eurodollar market by BTCo for U.S. dollar deposits of amounts in same day funds comparable to the principal amount of the Eurodollar Rate Loan of BTCo for which the Adjusted Eurodollar Rate is then being determined with maturities comparable to such Interest Period as of approximately 10:00 a.m. (New York City time) on such Interest Rate Determination Date by (ii) a percentage equal to 100% minus the stated maximum rate of all reserve requirements (including any marginal, emergency, supplemental, special or other reserves) applicable on such Interest Rate Determination Date to any member bank of the Federal Reserve System in respect of "Eurocurrency liabilities" as defined in Regulation D (or any successor category of liabilities under Regulation D).

"ADMINISTRATIVE AGENT" has the meaning assigned to that term in the introduction to this Agreement and includes any successor Administrative Agent appointed pursuant to subsection 9.5.

"AFFECTED LENDER" has the meaning assigned to that term in subsection 2.6C.

"AFFILIATE", as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"AGENTS" means, collectively, the Administrative Agent, the Documentation Agent and Syndication Agent and also means and includes any successor Administrative Agent appointed pursuant to subsection 9.5A.

"AGREEMENT" means this Credit Agreement dated as of October 13, 1999, as it may be amended, supplemented or otherwise modified from time to time.

"APPLICABLE BASE RATE MARGIN" has the meaning assigned to that term in subsection 2.2A(i)(a).

"APPLICABLE EURODOLLAR RATE MARGIN" has the meaning assigned to that term in subsection 2.2A(i)(b).

"ASSET SALE" means the sale, lease, assignment or other transfer (whether voluntary or involuntary (collectively a "transfer")) by Company or any of its Subsidiaries to any Person other than Company or any of its wholly-owned Subsidiaries of (i) any of the stock or other equity interest of any of Company's Subsidiaries, (ii) substantially all of the assets of any division or line of business of Company or any of its Subsidiaries, or (iii) any other assets (whether tangible or intangible) of Company or any of its Subsidiaries other than (a) inventory sold in the ordinary course of business and (b) any such other assets to the extent that the aggregate value of such assets sold in any single transaction or series of related transactions does not exceed $50,000.

"ASSIGNMENT AGREEMENT" means an Assignment Agreement in substantially the form of Exhibit X annexed hereto.

"AUXILIARY PLEDGE AGREEMENT" means each pledge agreement or similar instrument governed by the laws of a country other than the United States executed in accordance with subsection 6.8 by Company or any Domestic Subsidiary that owns capital stock or other equity interests of the Foreign Subsidiaries organized in such country in form and substance satisfactory to Administrative Agent as such Auxiliary Pledge Agreement may be amended, supplemented or otherwise modified from time to time and "AUXILIARY PLEDGE AGREEMENTS" means all such pledge agreements, collectively.

"BANKRUPTCY CODE" means Title 11 of the United States Code entitled "Bankruptcy", as now and hereafter in effect, or any successor statute.

"BASE RATE" means, at any time, the higher of (x) the Prime Rate or (y) the rate which is 1/2 of 1% in excess of the Federal Funds Effective Rate.

"BASE RATE LOANS" means Loans bearing interest at rates determined by reference to the Base Rate as provided in subsection 2.2A.

"BTCo" has the meaning assigned to that term in the introduction to the Agreement.

"BUSINESS DAY" means (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of South Carolina or the State of New York or is a day on which banking institutions located in such jurisdiction are authorized or required by law or other governmental action to close and (ii) with respect to all notices, determinations, fundings and payments in connection with the Adjusted Eurodollar Rate or any Eurodollar Rate Loans, any day that is a Business Day described in clause (i) above and that is also a day for trading by and between banks in Dollar deposits in the interbank Eurodollar Market.

"CAPITAL LEASE", as applied to any Person, means any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

"CASH" means money, currency or a credit balance in a Deposit Account.

"CASH EQUIVALENTS" means, as at any date of determination, (i) marketable securities (a) issued or directly and unconditionally guaranteed as to interest and principal by the United States Government or (b) issued by any agency of the United States the obligations of which are backed by the full faith and credit of the United States, in each case maturing within one year after such date; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after such date and having, at the time of the acquisition thereof, the highest rating obtainable from either Standard & Poor's Ratings Group ("S&P") or Moody's Investors Service, Inc. ("MOODY'S"); (iii) commercial paper maturing no more than one year from the date of creation thereof and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody's; (iv) certificates of deposit or bankers' acceptances maturing within one year after such date and issued or accepted by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that (a) is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and (b) has Tier 1 capital (as defined in such regulations) of not less than $100,000,000; and (v) shares of any money market mutual fund that (a) invests solely in the type of investments referred to in clauses (i) through (iv) above or in substantially similar investments and, (b) has a rating of no less than "AAA" from Moody's and equivalent rating from S&P.

"CERTIFICATE RE NON-BANK STATUS" means a certificate substantially in the form of Exhibit XI annexed hereto delivered by a Lender to Administrative Agent pursuant to subsection 2.7B(iii).

"CLOSING DATE" means the date on or before November 30, 1999, on which the initial Loans are made.

"COLLATERAL" means, collectively, all of the real, personal and mixed property (including capital stock or other equity interests) in which Liens are purported to be granted pursuant to the Collateral Documents as security for the Obligations.

"COLLATERAL ACCOUNT" has the meaning assigned to that term in the Collateral Account Agreement.

"COLLATERAL ACCOUNT AGREEMENT" means the Collateral Account Agreement executed and delivered by Company and Administrative Agent on the Closing Date, substantially in the form of Exhibit XIII annexed hereto, as such Collateral Account Agreement may hereafter be amended, supplemented or otherwise modified from time to time.

"COLLATERAL DOCUMENTS" means the Company Pledge Agreement, the Company Security Agreement, the Collateral Account Agreement, the Subsidiary Pledge Agreements, the Subsidiary Security Agreements, the Auxiliary Pledge Agreements, the Mortgages and all other

instruments or documents delivered by any Loan Party pursuant to this Agreement or any of the other Loan Documents in order to grant to Administrative Agent, on behalf of Lenders, a Lien on any real, personal or mixed property of that Loan Party as security for the Obligations.

"COMMITMENTS" means the commitments of Lenders to make Loans as set forth in subsection 2.1A.

"COMPANY" has the meaning assigned to that term in the introduction of this Agreement.

"COMPANY EMPLOYEE BENEFIT PLAN" means any Employee Benefit Plan which is maintained or contributed to by Company or any of its Subsidiaries.

"COMPANY PENSION PLAN" means any Pension Plan which is a Company Employee Benefit Plan.

"COMPANY PLEDGE AGREEMENT" means the Company Pledge Agreement executed and delivered by Company on the Closing Date, substantially in the form of Exhibit XIV annexed hereto, as such Company Pledge Agreement may thereafter be amended, supplemented or otherwise modified from time to time.

"COMPANY SECURITY AGREEMENT" means the Company Security Agreement executed and delivered by Company on the Closing Date, substantially in the form of Exhibit XV annexed hereto, as such Company Security Agreement may thereafter be amended, supplemented or otherwise modified from time to time.

"COMPLIANCE CERTIFICATE" means a certificate substantially in the form of Exhibit VII annexed hereto delivered to Administrative Agent and Lenders by Company pursuant to subsection 6.1(iv).

"CONFORMING LEASEHOLD INTEREST" means any Recorded Leasehold Interest as to which the lessor has agreed in writing for the benefit of Administrative Agent (which writing has been delivered to Administrative Agent), whether under the terms of the applicable lease, under the terms of a Landlord Consent and Estoppel, or otherwise, to the matters described in the definition of "Landlord Consent and Estoppel," which interest, if a subleasehold or sub-subleasehold interest, is not subject to any contrary restrictions contained in a superior lease or sublease.

"CONSOLIDATED ADJUSTED EBITDA" means, for any period, the sum, without duplication, of the amounts for such period of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) provisions (positive and negative) for taxes based on income, (iv) total depreciation expense, (v) total amortization expense, (vi) other non-cash items reducing Consolidated Net Income and (vii) (a) for the Fiscal Year ending December 31, 1999, (1) an amount not to exceed $635,000 for the corporate sponsorship of the Charleston Battery, Inc., a professional soccer team, (2) an amount not to exceed $180,000 in professional fees, (3) an amount not to exceed $750,000 for expenses associated with Blackbaud Stadium, (4) an amount not to exceed $5,750,000 for certain non-recurring expenses related to the Recapitalization, (5) an amount not to exceed $3,750,000 for the Selling Shareholders' and the Company's transaction expenses related to the Recapitalization (to the extent deducted to achieve Consolidated Net

Income) and (6) an amount not to exceed $191,000 for certain non-recurring expenses related to acquisitions consummated by Company prior to the Closing Date and (b) for the Fiscal Years ending December 31, 1999, 2000, 2001 and 2002, an amount not to exceed $10,000,000 (plus related payroll taxes) in the aggregate for all such Fiscal Years, for bonuses paid to members of Company's management pursuant to the Recapitalization Agreement, less other non-cash items increasing Consolidated Net Income, all of the foregoing as determined on a consolidated basis for Company and its Subsidiaries in conformity with GAAP.

"CONSOLIDATED CAPITAL EXPENDITURES" means, for any period, the sum of (i) the aggregate of all expenditures (whether paid in cash or other consideration or accrued as a liability and including that portion of Capital Leases which is capitalized on the consolidated balance sheet of Company and its Subsidiaries) by Company and its Subsidiaries during that period that, in conformity with GAAP, are included in "additions to property, plant or equipment" or comparable items reflected in the consolidated statement of cash flows of Company and its Subsidiaries; provided however up to $300,000 in non-recurring expenditures related to the Charleston Battery, Inc. and Blackbaud Stadium made during Fiscal Year 1999 shall not be included as Consolidated Capital Expenditures for purposes of this definition, plus (ii) to the extent not covered by clause (i) of this definition, the aggregate of all expenditures by Company and its Subsidiaries during that period to purchase or develop computer software or systems (but only to the extent such expenditures are capitalized on the consolidated balance sheet of Company and its Subsidiaries in conformity with GAAP).

"CONSOLIDATED CURRENT ASSETS" means, as at any date of determination, the total assets of Company and its Subsidiaries on a consolidated basis which may properly be classified as current assets in conformity with GAAP, but excluding Cash and Cash Equivalents.

"CONSOLIDATED CURRENT LIABILITIES" means, as at any date of determination, the total liabilities of Company and its Subsidiaries on a consolidated basis which may properly be classified as current liabilities in conformity with GAAP, but excluding (i) unearned revenue as identified on Company's balance sheet and (ii) indebtedness permitted in accordance with subsection 7.1.

"CONSOLIDATED EXCESS CASH FLOW" means, for any period, an amount (if positive) equal to (i) the sum, without duplication, of the amounts for such period of (a) Consolidated Adjusted EBITDA and (b) the Consolidated Working Capital Adjustment minus (ii) the sum, without duplication, of the amounts for such period of (a) voluntary and scheduled repayments of Consolidated Total Debt (excluding repayments of Revolving Loans except to the extent the Revolving Loan Commitments are permanently reduced in connection with such repayments), (b) Consolidated Capital Expenditures (net of any proceeds of any related financings with respect to such expenditures), (c) Consolidated Interest Expense, (d) the provision for current taxes based on income of Company and its Subsidiaries and payable in cash with respect to such period, (e) Investments permitted in accordance with subsection 7.3(v), subsection 7.3(viii) and consideration paid pursuant to subsection 7.3(vi)(b)(z) in connection with a Permitted Acquisition, (f) Restricted Junior Payments permitted in accordance with subsection 7.5, and (g) payments directly related to the Recapitalization not to exceed $5,750,000 in the aggregate to the extent such payments were added back to compute Consolidated Adjusted EBITDA by virtue of clause (vii) of the definition thereof.

"CONSOLIDATED INTEREST EXPENSE" means, for any period, total interest expense (including that portion attributable to Capital Leases in accordance with GAAP and capitalized interest) of Company and its Subsidiaries on a consolidated basis with respect to all outstanding Indebtedness of Company and its Subsidiaries, including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Interest Rate Agreements, but excluding, however, any amounts referred to in subsection 2.3 payable to Administrative Agent and Lenders on or before the Closing Date; provided that Consolidated Interest Expense for Fiscal Year 1999 shall mean as at the end of the last Fiscal Quarter of 1999, Consolidated Interest Expense for such Fiscal Quarter multiplied by four; provided further that Consolidated Interest Expense for Fiscal Year 2000 shall mean (i) as at the end of the first Fiscal Quarter of 2000, Consolidated Interest Expense for the period from the beginning of the last Fiscal Quarter of 1999 through the first Fiscal Quarter of 2000 multiplied by two and (ii) as of the end of the second Fiscal Quarter of 1999, Consolidated Interest Expense for the period from the beginning of the last Fiscal Quarter of 1999 through the second Fiscal Quarter of 2000 multiplied by 4/3.

"CONSOLIDATED LEVERAGE RATIO" means, as at any date of determination the ratio of (a) Consolidated Total Debt as of the last day of the Fiscal Quarter for which such determination is being made to (b) Consolidated Adjusted EBITDA for the consecutive four Fiscal Quarters for which such determination is made.

"CONSOLIDATED NET INCOME" means, for any period, the net income (or loss) of Company and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP; provided that there shall be excluded (i) the income (or loss) of any Person (other than a Subsidiary of Company) in which any other Person (other than Company or any of its Subsidiaries) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to Company or any of its Subsidiaries by such Person during such period, (ii) the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Company or is merged into or consolidated with Company or any of its Subsidiaries or that Person's assets are acquired by Company or any of its Subsidiaries, (iii) the income of any Subsidiary of Company to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary, (iv) any after-tax gains or losses attributable to Asset Sales or returned surplus assets of any Pension Plan, and (v) (to the extent not included in clauses (i) through (iv) above) any net extraordinary gains or net non-cash extraordinary losses.

"CONSOLIDATED TOTAL DEBT" means, as at any date of determination, the aggregate stated balance sheet amount of all Indebtedness of Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED WORKING CAPITAL" means, as at any date of determination, the excess (or deficit) of Consolidated Current Assets over Consolidated Current Liabilities.

"CONSOLIDATED WORKING CAPITAL ADJUSTMENT" means, for any period on a consolidated basis, the amount (which may be a negative number) by which Consolidated Working Capital as

of the beginning of such period exceeds (or is less than) Consolidated Working Capital as of the end of such period.

"CONTINGENT OBLIGATION", as applied to any Person, means any direct or indirect liability, contingent or otherwise, of that Person (i) with respect to any Indebtedness, lease, dividend or other obligation of another if the primary purpose or intent thereof by the Person incurring the Contingent Obligation is to provide assurance to the obligee of such obligation of another that such obligation of another will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected (in whole or in part) against loss in respect thereof, (ii) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings, or (iii) under Hedge Agreements. Contingent Obligations shall include (a) the direct or indirect guaranty, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another, (b) the obligation to make take-or-pay or similar payments if required regardless of non-performance by any other party or parties to an agreement, and (c) any liability of such Person for the obligation of another through any agreement (contingent or otherwise) (X) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (Y) to maintain the solvency or any balance sheet item, level of income or financial condition of another if, in the case of any agreement described under subclauses (X) or (Y) of this sentence, the primary purpose or intent thereof is as described in the preceding sentence. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if less, the amount to which such Contingent Obligation is specifically limited.

"CONTRACTUAL OBLIGATION", as applied to any Person, means any provision of any Security issued by that Person or of any material indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"CURRENCY AGREEMENT" means any foreign exchange contract, currency swap agreement, futures contract, option contract, synthetic cap or other similar agreement or arrangement to which Company or any of its Subsidiaries is a party.

"DEPOSIT ACCOUNT" means a demand, time, savings, passbook or like account with a bank, savings and loan association, credit union or like organization or an investment account, in either case, containing Cash or Cash Equivalents.

"DOCUMENTATION AGENT" has the meaning assigned to that term in the introduction to this Agreement.

"DOLLARS" and the sign "$" mean the lawful money of the United States of America.

"DOMESTIC SUBSIDIARY" means a Subsidiary of Company which is incorporated in a state of the United States or in the District of Columbia.

"ELIGIBLE ASSIGNEE" means (A) (i) a commercial bank organized under the laws of the United States or any state thereof; (ii) a savings and loan association or savings bank organized under the laws of the United States or any state thereof; (iii) a commercial bank organized under the laws of any other country or a political subdivision thereof; provided that (x) such bank is acting through a branch or agency located in the United States or (y) such bank is organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development or a political subdivision of such country; and (iv) any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act) which extends credit or buys loans as one of its businesses, including insurance companies, mutual funds and lease financing companies; and (B) any Lender and any Affiliate of any Lender; provided that no Affiliate of Company shall be an Eligible Assignee.

"EMPLOYEE BENEFIT PLAN" means any "employee benefit plan" as defined in Section 3(3) of ERISA which is or was maintained or contributed to by Company, any of its Subsidiaries or any of their respective ERISA Affiliates. Any such plan of a former ERISA Affiliate of the Company shall continue to be considered an Employee Benefit Plan within the meaning of this definition solely with respect to the period during which such former ERISA Affiliate was an ERISA Affiliate of the Company and with respect to liabilities existing after such period for which the Company could be liable under the Internal Revenue Code or ERISA.

"ENVIRONMENTAL CLAIM" means any investigation, notice, notice of violation, claim, action, suit, proceeding, demand, abatement order or other order or directive (conditional or otherwise), by any governmental authority or any other Person, arising (i) pursuant to or in connection with any actual or alleged violation of any Environmental Law, (ii) in connection with any Hazardous Materials or any actual or alleged Hazardous Materials Activity, or (iii) in connection with any actual or alleged damage, injury, threat or harm to health, safety, natural resources or the environment.

"ENVIRONMENTAL LAWS" means any and all current or future statutes, ordinances, orders, rules, regulations, guidance documents, judgments, Governmental Authorizations, or any other requirements of governmental authorities relating to (i) environmental matters, including those relating to any Hazardous Materials Activity, (ii) the generation, use, storage, transportation or disposal of Hazardous Materials, or (iii) occupational safety and health, industrial hygiene, land use or the protection of human, plant or animal health or welfare, in any manner applicable to Company or any of its Subsidiaries or any Facility, including the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C.Section 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C.Section 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C.Section 1251 et seq.), the Clean Air Act (42 U.S.C.Section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C.Section 2601 et seq.), the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C.Section 136 et seq.), the Occupational Safety and Health Act (29 U.S.C.Section 651 et seq.), the Oil Pollution Act (33 U.S.C.Section 2701 et seq.) and the Emergency Planning and Community Right-to-Know Act (42 U.S.C.Section 11001 et seq.), each as amended or supplemented, any analogous present or future state or local statutes or laws, and any regulations promulgated pursuant to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor thereto.

"ERISA AFFILIATE" means, as applied to any Person, (i) any corporation which is a member of a controlled group of corporations within the meaning of Section 414(b) of the Internal Revenue Code of which that Person is a member; (ii) any trade or business (whether or not incorporated) which is a member of a group of trades or businesses under common control within the meaning of Section 414(c) of the Internal Revenue Code of which that Person is a member; and (iii) any member of an affiliated service group within the meaning of Section 414(m) or (o) of the Internal Revenue Code of which that Person, any corporation described in clause (i) above or any trade or business described in clause (ii) above is a member. Any former ERISA Affiliate of Company or any of its Subsidiaries shall continue to be considered an ERISA Affiliate of Company or such Subsidiary within the meaning of this definition with respect to the period such entity was an ERISA Affiliate of Company or such Subsidiary and with respect to liabilities arising after such period for which Company or such Subsidiary could be liable under the Internal Revenue Code or ERISA.

"ERISA EVENT" means (i) a "reportable event" within the meaning of Section 4043 of ERISA and the regulations issued thereunder with respect to any Pension Plan (excluding those for which the provision for 30-day notice to the PBGC has been waived by regulation); (ii) the failure to meet the minimum funding standard of Section 412 of the Internal Revenue Code with respect to any Pension Plan (whether or not waived in accordance with Section 412(d) of the Internal Revenue Code) or the failure to make by its due date a required installment under Section 412(m) of the Internal Revenue Code with respect to any Pension Plan or the failure to make any required contribution to a Multiemployer Plan; (iii) the provision by the administrator of any Pension Plan pursuant to Section 4041(a)(2) of ERISA of a notice of intent to terminate such plan in a distress termination described in Section 4041(c) of ERISA; (iv) the withdrawal by Company, any of its Subsidiaries or any of their respective ERISA Affiliates from any Pension Plan with two or more contributing sponsors or the termination of any such Pension Plan, in either case resulting in liability pursuant to Section 4063 or 4064 of ERISA; (v) the institution by the PBGC of proceedings to terminate any Pension Plan, or the occurrence of any event or condition which constitutes grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (vi) the imposition of liability on Company, any of its Subsidiaries or any of their respective ERISA Affiliates pursuant to Section 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA; (vii) the withdrawal of Company, any of its Subsidiaries or any of their respective ERISA Affiliates in a complete or partial withdrawal (within the meaning of Sections 4203 and 4205 of ERISA) from any Multiemployer Plan if there is any liability therefor, or the receipt by Company, any of its Subsidiaries or any of their respective ERISA Affiliates of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA, or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA; (viii) the occurrence of an act or omission which could give rise to the imposition on Company, any of its Subsidiaries or any of their respective ERISA Affiliates of fines, penalties, taxes or related charges under Chapter 43 of the Internal Revenue Code or under Section 409, Section 502(c), (i) or (l), or Section 4071 of ERISA in respect of any Employee Benefit Plan; (ix) the assertion of a material claim (other than routine claims for benefits) against any Employee Benefit Plan other than a Multiemployer Plan or the assets thereof, or against Company, any of its Subsidiaries or any of their respective ERISA Affiliates in connection with any Employee Benefit Plan; (x) receipt from the Internal Revenue Service of notice of the failure of any Pension Plan (or any other Employee Benefit Plan intended to be qualified under Section 401(a) of the Internal

Revenue Code) to qualify under Section 401(a) of the Internal Revenue Code, or the failure of any trust forming part of any Pension Plan to qualify for exemption from taxation under Section 501(a) of the Internal Revenue Code; or (xi) the imposition of a Lien pursuant to Section 401(a)(29); provided that any event described in the foregoing clauses shall not be an ERISA Event if Company and/or its Subsidiaries are (or would be) liable for any potential liability resulting from such event solely because of their affiliation with an ERISA Affiliate (excluding Company and all Subsidiaries) and (A) such events could not reasonably be expected to result (individually or in the aggregate) in liability (including joint and several liability) of Company and its Subsidiaries of more than $1,000,000 or (B) neither Company nor any of its Subsidiaries could reasonably be expected to be required to pay (either individually or on a joint and several basis) for any potential liability resulting from such event; provided further that any event described in the foregoing proviso shall be an ERISA Event if the PBGC or any other governmental authority notifies Company or one of its Subsidiaries that Company or one of its Subsidiaries is liable for any potential liability resulting from such event or 412(n) of the Internal Revenue Code or pursuant to ERISA with respect to any Pension Plan.

"EURODOLLAR RATE LOANS" means Loans bearing interest at rates determined by reference to the Adjusted Eurodollar Rate as provided in subsection 2.2A.

"EVENT OF DEFAULT" means each of the events set forth in Section 8.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute.

"EXISTING CREDIT AGREEMENT" means that certain Loan Agreement dated as of May 13, 1997 between Company and SouthTrust Bank of Alabama, N.A., as amended.

"FACILITIES" means any and all real property (including all buildings, fixtures or other improvements located thereon) now, hereafter or heretofore owned, leased, operated or used by Company or any of its Subsidiaries or any of their respective predecessors or Affiliates.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Administrative Agent from three Federal funds brokers of recognized standing selected by Administrative Agent.

"FINANCIAL PLAN" has the meaning assigned to that term in subsection 6.1(xiii).

"FIRST PRIORITY" means, with respect to any Lien purported to be created in any Collateral pursuant to any Collateral Document, that (i) such Lien has priority over any other Lien on such Collateral (other than Permitted Encumbrances which as a matter of statutory law have priority over any other Lien irrespective of the prior perfection or filing of such other Lien) and (ii) such Lien is the only Lien (other than Permitted Encumbrances and Liens permitted pursuant to subsection 7.2) to which such Collateral is subject.

"FISCAL QUARTER" means a fiscal quarter of any Fiscal Year.

"FISCAL YEAR" means the fiscal year of Company and its Subsidiaries ending on December 31 of each calendar year.

"FLOOD HAZARD PROPERTY" means a Mortgaged Property located in an area designated by the Federal Emergency Management Agency as having special flood or mud slide hazards.

"FOREIGN SUBSIDIARY" means a direct or indirect Subsidiary of Company which is incorporated in a jurisdiction other than the states of the United States and the District of Columbia.

"FUNDING AND PAYMENT OFFICE" means (i) the office of Administrative Agent and Swing Line Lender located at 130 Liberty Street, New York, New York 10006 or (ii) such other office of Administrative Agent and Swing Line Lender as may from time to time hereafter be designated as such in a written notice delivered by Administrative Agent and Swing Line Lender to Company and each Lender.

"FUNDING DATE" means the date of the funding of a Loan.

"GAAP" means, subject to the limitations on the application thereof set forth in subsection 1.2, generally accepted accounting principles set forth in opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, in each case as the same are applicable to the circumstances as of the date of determination.

"GOVERNMENTAL AUTHORITY" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"GOVERNMENTAL AUTHORIZATION" means any permit, license, authorization, plan, directive, consent order or consent decree of or from any federal, state or local governmental authority, agency or court.

"GUARANTIES" means the Subsidiary Guaranty and any guaranty which may hereafter be provided by any Loan Party.

"H&F" means Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P. or H&F International Partners III, L.P.

"HAZARDOUS MATERIALS" means (i) any chemical, material or substance at any time defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous waste", acutely hazardous waste", "radioactive waste", "biohazardous waste", "pollutant", "toxic pollutant", "contaminant", "restricted hazardous waste", "infectious waste", "toxic substances", or any other term or expression intended to define, list or classify substances by reason of properties harmful to health, safety or the indoor or outdoor environment (including harmful properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "TCLP toxicity" or "EP toxicity" or

words of similar import under any applicable Environmental Laws); (ii) any oil, petroleum, petroleum fraction or petroleum derived substance; (iii) any drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; (iv) any flammable substances or explosives; (v) any radioactive materials; (vi) any asbestos-containing materials; (vii) urea formaldehyde foam insulation; (viii) electrical equipment which contains any oil or dielectric fluid containing polychlorinated biphenyls; (ix) pesticides; and (x) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or which may or could pose a hazard to the health and safety of the owners, occupants or any Persons in the vicinity of any Facility or to the indoor or outdoor environment.

"HAZARDOUS MATERIALS ACTIVITY" means any past, current, proposed or threatened activity, event or occurrence involving any Hazardous Materials, including the use, manufacture, possession, storage, holding, presence, existence, location, Release, threatened Release, discharge, placement, generation, transportation, processing, construction, treatment, abatement, removal, remediation, disposal, disposition or handling of any Hazardous Materials, and any corrective action or response action with respect to any of the foregoing.

"HEDGE AGREEMENT" means an Interest Rate Agreement or a Currency Agreement designed to hedge against fluctuations in interest rates or currency values, respectively.

"INDEBTEDNESS", as applied to any Person, means (i) all indebtedness for borrowed money, (ii) that portion of obligations with respect to Capital Leases that is properly classified as a liability on a balance sheet in conformity with GAAP, (iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (iv) any obligation owed for all or any part of the deferred purchase price of property or services (excluding any such obligations incurred under ERISA), which purchase price is (a) due more than six months from the date of incurrence of the obligation in respect thereof or (b) evidenced by a note or similar written instrument, and (v) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person. Obligations under Interest Rate Agreements and Currency Agreements constitute (X) in the case of Hedge Agreements, Contingent Obligations, and (Y) in all other cases, Investments, and in neither case constitute Indebtedness.

"INDEMNITEE" has the meaning assigned to that term in subsection 10.3.

"INFORMATION SYSTEMS AND EQUIPMENT" means all computer hardware, firmware and software, as well as other information processing systems, or any equipment containing embedded microchips, whether directly owned, licensed, leased, operated or otherwise controlled by the Company or any of its Subsidiaries, including through third-party service providers, and which, in whole or in part, are used, operated, relied upon or integral to, the Company's or any of its Subsidiaries' conduct of their business.

"INTELLECTUAL PROPERTY" means all patents, trademarks, tradenames, copyrights, technology, know-how and processes used in or necessary for the conduct of the business of Company and its Subsidiaries as currently conducted that are material to the condition (financial

or otherwise), business or operations of Company and its Subsidiaries, taken as a whole; provided that patents, trademarks, tradenames, copyrights, technology, know-how and processes considered to be work product performed for or acquired on behalf of customers of Company or its Subsidiaries or which have been assigned or are required to be assigned to such customer shall not be deemed Intellectual Property.

"INTEREST PAYMENT DATE" means (i) with respect to any Base Rate Loan, each March 15, June 15, September 15 and December 15 of each year, commencing on the first such date to occur after the Closing Date, and (ii) with respect to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan; provided that in the case of each Interest Period of longer than three months "Interest Payment Date" shall also include the date that is three months after the commencement of such Interest Period.

"INTEREST PERIOD" has the meaning assigned to that term in subsection 2.2B.

"INTEREST RATE AGREEMENT" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement to which Company or any of its Subsidiaries is a party.

"INTEREST RATE DETERMINATION DATE" means, with respect to any Interest Period, the second Business Day prior to the first day of such Interest Period.

"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as amended to the date hereof and from time to time hereafter, and any successor statute.

"INVESTMENT" means (i) any direct or indirect purchase or other acquisition by Company or any of its Subsidiaries of, or of a beneficial interest in, any Securities of any other Person (including any Subsidiary of Company), (ii) any direct or indirect redemption, retirement, purchase or other acquisition for value, by any Subsidiary of Company from any Person other than Company or any of its wholly-owned domestic Subsidiaries, of any equity Securities of such Subsidiary, (iii) any direct or indirect loan, advance (other than advances to employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution by Company or any of its Subsidiaries to any other Person (other than a wholly-owned domestic Subsidiary of Company), including all indebtedness and accounts receivable from that other Person that are not current assets or did not arise from sales to that other Person in the ordinary course of business, or (iv) Interest Rate Agreements or Currency Agreements not constituting Hedge Agreements. The amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment.

"IP COLLATERAL" means, collectively, the Intellectual Property Collateral under the Company Security Agreement and the Subsidiary Security Agreement.

"ISSUING LENDER" means, with respect to any Letter of Credit, the Lender (including Deutsche Bank AG, New York Branch, an affiliate of Administrative Agent) which agrees or is otherwise obligated to issue such Letter of Credit, determined as provided in subsection 3.1B(ii).

"JOINT VENTURE" means a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form; provided that in no event shall any Subsidiary of any Person be considered to be a Joint Venture to which such Person is a party.

"LANDLORD CONSENT AND ESTOPPEL" means, with respect to any Leasehold Property, a letter, certificate or other instrument in writing from the lessor under the related lease, satisfactory in form and substance to Administrative Agent, pursuant to which such lessor agrees, for the benefit of Administrative Agent, (i) that without any further consent of such lessor or any further action on the part of the Loan Party holding such Leasehold Property, such Leasehold Property may be encumbered pursuant to a Mortgage and may be assigned to the purchaser at a foreclosure sale or in a transfer in lieu of such a sale (and to a subsequent third party assignee if Administrative Agent, any Lender, or an Affiliate of either so acquires such Leasehold Property), (ii) that such lessor shall not terminate such lease as a result of a default by such Loan Party thereunder without first giving Administrative Agent notice of such default and at least 60 days (or, if such default cannot reasonably be cured by Administrative Agent within such period, such longer period as may reasonably be required) to cure such default, and (iii) to such other matters relating to such Leasehold Property as Administrative Agent may reasonably request.

"LEASEHOLD PROPERTY" means any leasehold interest of any Loan Party as lessee under any lease of real property.

"LENDER" and "LENDERS" means the persons identified as "Lenders" and listed on the signature pages of this Agreement, together with their successors and permitted assigns pursuant to subsection 10.1, and the term "Lenders" shall include Swing Line Lender unless the context otherwise requires; provided that the term "Lenders", when used in the context of a particular Commitment, shall mean Lenders having that Commitment.

"LETTER OF CREDIT" or "LETTERS OF CREDIT" means Standby Letters of Credit issued or to be issued by Issuing Lenders for the account of Company pursuant to subsection 3.1.

"LETTER OF CREDIT USAGE" means, as at any date of determination, the sum of (i) the maximum aggregate amount which is or at any time thereafter may become available for drawing under all Letters of Credit then outstanding plus (ii) the aggregate amount of all drawings under Letters of Credit honored by Issuing Lenders and not theretofore reimbursed by Company.

"LIEN" means any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing.

"LOAN" or "LOANS" means one or more of the Term Loans, Revolving Loans or Swing Line Loans or any combination thereof.

"LOAN DOCUMENTS" means this Agreement, the Notes, the Letters of Credit (and any applications for, or reimbursement agreements or other documents or certificates executed by

Company in favor of an Issuing Lender relating to, the Letters of Credit), the Guaranties and the Collateral Documents.

"LOAN PARTY" means each of Company, any of Company's Subsidiaries (other than the Related Entities) and any other Person from time to time executing a Loan Document, and "LOAN PARTIES" means all such Persons, collectively.

"MANAGEMENT CONTRACTS" means the Executive Employment Agreements substantially in the form of Exhibit C to the Recapitalization Agreement entered into by and between the Company and the individuals listed on Exhibit C to the Recapitalization Agreement and the Non-Competition Agreements substantially in the form of Exhibit G to the Recapitalization Agreement entered into by and between the Company and the individuals listed on Exhibit G to the Recapitalization Agreement.

"MARGIN DETERMINATION CERTIFICATE" means an Officers' Certificate of Company delivered pursuant to subsection 6.1(iv) setting forth in reasonable detail the Consolidated Leverage Ratio for the four-Fiscal Quarter period ending as of the last day of the Fiscal Quarter immediately preceding the Fiscal Quarter during which such Officers' Certificate is delivered.

"MARGIN STOCK" has the meaning assigned to that term in Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

"MATERIAL ADVERSE EFFECT" means (i) a material adverse effect upon the business, operations, properties, assets, condition (financial or otherwise) or prospects of Company and its Subsidiaries, taken as a whole or (ii) the impairment in any material respect of the ability of any Loan Party to perform, or of Administrative Agent or Lenders to enforce, the Obligations.

"MATERIAL CONTRACT" means any contract or other arrangement to which Company or any of its Subsidiaries is a party (other than the Loan Documents) for which breach, nonperformance, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect.

"MATERIAL LEASEHOLD PROPERTY" means a Leasehold Property reasonably determined by Administrative Agent to be of material value as Collateral or of material importance to the operations of Company or any of its Subsidiaries.

"MATERIAL SUBSIDIARY" means each Subsidiary of Company now existing or hereafter acquired or formed by Company which, on a consolidated basis for such Subsidiary and its Subsidiaries, (i) for the most recent Fiscal Year accounted for more than 5% of the Consolidated Net Income of Company and its Subsidiaries or (ii) as at the end of such Fiscal Year, was the owner of more than 5% of the consolidated assets of Company and its Subsidiaries.

"MORTGAGE" means (i) a security instrument (whether designated as a deed of trust or a mortgage or by any similar title) executed and delivered by any Loan Party, in such form as may be approved by Administrative Agent in its sole discretion, in each case with such changes thereto as may be recommended by Administrative Agent's local counsel based on local laws or customary local mortgage or deed of trust practices, or (ii) at Administrative Agent's option, in the case of an Additional Mortgaged Property (as defined in subsection 6.9), an amendment to an

existing Mortgage, in form satisfactory to Administrative Agent, adding such Additional Mortgaged Property to the Real Property Assets encumbered by such existing Mortgage, in either case as such security instrument or amendment may be amended, supplemented or otherwise modified from time to time. "MORTGAGES" means all such instruments and any Additional Mortgages (as defined in subsection 6.9), collectively.

"MORTGAGED PROPERTY" means an Additional Mortgaged Property (as defined in subsection 6.9).

"MULTIEMPLOYER PLAN" means any Employee Benefit Plan which is a "multiemployer plan" as defined in Section 3(37) of ERISA.

"NET ASSET SALE PROCEEDS" means, with respect to any Asset Sale, Cash payments (including any Cash received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) received from such Asset Sale, net of any reasonable fees and expenses incurred in connection with such Asset Sale, including (i) income taxes reasonably estimated to be actually payable within two years of the date of such Asset Sale (or receipt of Cash by way of such a deferred prepayment) as a result of any gain recognized in connection with such Asset Sale and (ii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the Loans) that is secured by a Lien on the stock or assets in question and that is required to be repaid under the terms thereof as a result of such Asset Sale.

"NET INSURANCE/CONDEMNATION PROCEEDS" means any Cash payments or proceeds received by Company or any of its Subsidiaries (i) under any business interruption or casualty insurance policy in respect of a covered loss thereunder or (ii) as a result of the taking of any assets of Company or any of its Subsidiaries by any Person pursuant to the power of eminent domain, condemnation or otherwise, or pursuant to a sale of any such assets to a purchaser with such power under threat of such a taking, in each case net of any actual and reasonable documented costs incurred by Company or any of its Subsidiaries in connection with the adjustment or settlement of any claims of Company or such Subsidiary in respect thereof.

"NEW INVESTOR GROUP" means Hellman & Friedman Capital Partners III, L.P., H&F Orchard Partners III, L.P., H&F International Partners III, L.P., Pobeda Partners Ltd. and any other investors designated by H&F and reasonably satisfactory to Administrative Agent.

"NOTES" means one or more of the Term Notes, Revolving Notes or Swing Line Note or any combination thereof.

"NOTICE OF BORROWING" means a notice substantially in the form of Exhibit I annexed hereto delivered by Company to Administrative Agent pursuant to subsection 2.1B with respect to a proposed borrowing.

"NOTICE OF CONVERSION/CONTINUATION" means a notice substantially in the form of Exhibit II annexed hereto delivered by Company to Administrative Agent pursuant to subsection 2.2D with respect to a proposed conversion or continuation of the applicable basis for determining the interest rate with respect to the Loans specified therein.

"OBLIGATIONS" means all obligations of every nature of each Loan Party from time to time owed to Administrative Agent, Lenders or any of them under the Loan Documents, whether for principal, interest, reimbursement of amounts drawn under Letters of Credit, fees, expenses, indemnification or otherwise.

"OFFICERS' CERTIFICATE" means, as applied to any corporation, a certificate executed on behalf of such corporation by its chairman of the board (if an officer), chief executive officer or its president or one of its vice presidents and by its chief financial officer or its treasurer; provided that every Officers' Certificate with respect to the compliance with a condition precedent to the making of any Loans hereunder shall include (i) a statement that the officer or officers making or giving such Officers' Certificate have read such condition and any definitions or other provisions contained in this Agreement relating thereto, (ii) a statement that, in the opinion of the signers, they have made or have caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such condition has been complied with, and (iii) a statement as to whether, in the opinion of the signers, such condition has been complied with.

"OPERATING LEASE" means, as applied to any Person, any lease (including leases that may be terminated by the lessee at any time) of any property (whether real, personal or mixed) that is not a Capital Lease other than any such lease under which that Person is the lessor.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"PENSION PLAN" means any Employee Benefit Plan, other than a Multiemployer Plan, which is subject to Section 412 of the Internal Revenue Code or Section 302 of ERISA.

"PERMITTED ACQUISITION" means any acquisition of a Person's capital stock or other equity interests or of all or a substantial portion of a Person's business, property or fixed assets permitted pursuant to subsection 7.3(vi).

"PERMITTED ENCUMBRANCES" means the following types of Liens (excluding any such Lien imposed pursuant to Section 401(a)(29) or 412(n) of the Internal Revenue Code or by ERISA, any such Lien relating to or imposed in connection with any Environmental Claim, and any such Lien expressly prohibited by any applicable terms of any of the Collateral Documents):

(i) Liens for taxes, assessments or governmental charges or claims the payment of which is not, at the time, required by subsection 6.3;

(ii) statutory Liens of landlords, statutory Liens of banks and rights of set-off, statutory Liens of carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and other Liens imposed by law, in each case incurred in the ordinary course of business (a) for amounts not yet overdue or (b) for amounts that are overdue and that (in the case of any such amounts overdue for a period in excess of 5 days) are being contested in good faith by appropriate proceedings, so long as (1) such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made for any such contested amounts, and (2) in the case of a Lien with respect to any portion of the Collateral, such contest proceedings conclusively operate to stay the sale of any portion of the Collateral on account of such Lien;

(iii) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money), so long as no foreclosure, sale or similar proceedings have been commenced with respect to any portion of the Collateral on account thereof;

(iv) any attachment or judgment Lien not constituting an Event of Default under subsection 8.8;

(v) leases or subleases granted to third parties in accordance with any applicable terms of the Collateral Documents and not interfering in any material respect with the ordinary conduct of the business of Company or any of its Subsidiaries or resulting in a material diminution in the value of any Collateral as security for the Obligations;

(vi) easements, rights-of-way, restrictions, encroachments, and other minor defects or irregularities in title, in each case which do not and will not interfere in any material respect with the ordinary conduct of the business of Company or any of its Subsidiaries or result in a material diminution in the value of any Collateral as security for the Obligations;

(vii) any (a) interest or title of a lessor or sublessor under any lease permitted under this Agreement, (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to, or (c) subordination of the interest of the lessee or sublessee under such lease to any restriction or encumbrance referred to in the preceding clause (b), so long as the holder of such restriction or encumbrance agrees to recognize the rights of such lessee or sublessee under such lease;

(viii) Liens arising from filing UCC financing statements relating solely to leases permitted by this Agreement;

(ix) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(x) any zoning or similar law or right reserved to or vested in any governmental office or agency to control or regulate the use of any real property;

(xi) Liens securing obligations (other than obligations representing Indebtedness for borrowed money) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business of Company and its Subsidiaries; and

(xii) licenses of patents, trademarks and other intellectual property rights granted by Company or any of its Subsidiaries in the ordinary course of business and not interfering in any material respect with the ordinary conduct of the business of Company or such Subsidiary.

"PERSON" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, Joint Ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments (whether federal, state or local, domestic or foreign, and including political subdivisions thereof) and agencies or other administrative or regulatory bodies thereof.

"PLEDGED COLLATERAL" means, collectively, the "Pledged Collateral" as defined in the Company Pledge Agreement, the Subsidiary Pledge Agreements, the Auxiliary Pledge Agreements and any other pledge agreement executed by a Loan Party.

"POTENTIAL EVENT OF DEFAULT" means a condition or event that, after notice or lapse of time or both, would constitute an Event of Default.

"PRIME RATE" means the rate that BTCo announces from time to time as its prime lending rate, as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. BTCo or any other Lender may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

"PRO FORMA BASIS" means, as of any date of determination, the compliance of Company with the financial covenants set forth in subsections 7.6A and 7.6B as of the last day of the four Fiscal Quarter period most recently ended prior to such date of determination for which the relevant financial information is available (the "COMPLIANCE PERIOD"), after giving effect on a pro forma basis to any Permitted Acquisitions made during such Compliance Period and any dispositions made during such Compliance Period, other than sales of inventory in the ordinary course of business, dispositions of assets under $100,000 and dispositions of obsolete equipment, on the following basis:

(i) any Indebtedness incurred or assumed by Company or any of its Subsidiaries in connection with such Permitted Acquisitions and any Indebtedness repaid in connection with such Permitted Acquisitions or dispositions shall be deemed to have been incurred or repaid, respectively, as of the first day of the Compliance Period;

(ii) if such Indebtedness incurred or assumed by Company or any of its Subsidiaries in connection with such Permitted Acquisitions has a floating or formula rate, then the rate of interest for such Indebtedness for the applicable period shall be computed as if the rate in effect for such Indebtedness on the relevant measurement date had been the applicable rate for the entire applicable period;

(iii) income statement items (whether positive or negative) attributable to the property or business acquired or disposed of in such Permitted Acquisitions or dispositions shall be included as if such acquisitions or dispositions took place on the first day of such Compliance Period on a pro forma basis; and

(iv) any historical extraordinary non-recurring costs or expenses or other verifiable costs or expenses that will not continue after the acquisition or disposition date may be eliminated and other expenses and cost reductions may be reflected on a basis

consistent with Regulation S-X promulgated by the Securities and Exchange Commission or as approved by the Administrative Agent.

With respect to any such Permitted Acquisitions, such pro forma calculations (other than clause (iv)) shall be based on the audited or reviewed financial results delivered in compliance with subsection 7.7.

"PRO RATA SHARE" means, with respect to a Lender (i) with respect to all payments, computations and other matters relating to the Term Loan Commitment or the Term Loan of any Lender, the percentage obtained by dividing (x) the Term Loan Exposure of that Lender by (y) the Term Loan Exposure of all Lenders, (ii) with respect to all payments, computations and other matters relating to the Revolving Loan Commitment or the Revolving Loans of any Lender or any Letter of Credit issued or participations in any Swing Line Loans purchased or deemed purchased by any Lender, the percentage obtained by dividing (x) the Revolving Loan Exposure of that Lender by (y) the aggregate Revolving Loan Exposure of all Lenders, and (iii) for all other purposes with respect to each Lender, the percentage obtained by dividing (x) the sum of the Term Loan Exposure of that Lender plus the Revolving Loan Exposure of that Lender by (y) the sum of the aggregate Term Loan Exposure of all Lenders plus the aggregate Revolving Loan Exposure of all Lenders, as such percentage may be adjusted by assignments permitted pursuant to subsection 10.1. The initial Pro Rata Share of each Lender for purposes of each of clauses (i) and (ii) of the preceding sentence is set forth opposite the name of that Lender in Schedule 2.1 annexed hereto.

"PTO" means the United States Patent and Trademark Office or any successor or substitute office in which filings are necessary or, in the opinion of Administrative Agent, desirable in order to create or perfect Liens on any IP Collateral.

"REAL PROPERTY ASSET" means, at any time of determination, any interest then owned by any Loan Party in any real property.

"RECAPITALIZATION" means the transactions contemplated by the Recapitalization Agreement.

"RECAPITALIZATION AGREEMENT" means that certain Recapitalization Agreement among Company, the Related Entities, the Selling Shareholders signatory thereto and certain members of the New Investor Group dated as of September 13, 1999 in the form delivered to the Administrative Agent and Lenders prior to their execution of this Agreement and as such may be amended from time to time thereafter to the extent permitted under subsection 7.14A.

"RECORDED LEASEHOLD INTEREST" means a Leasehold Property with respect to which a Record Document (as hereinafter defined) has been recorded in all places necessary or desirable, in Administrative Agent's reasonable judgment, to give constructive notice of such Leasehold Property to third-party purchasers and encumbrancers of the affected real property. For purposes of this definition, the term "RECORD DOCUMENT" means, with respect to any Leasehold Property, (a) the lease evidencing such Leasehold Property or a memorandum thereof, executed and acknowledged by the owner of the affected real property, as lessor, or (b) if such Leasehold Property was acquired or subleased from the holder of a Recorded Leasehold Interest, the

applicable assignment or sublease document, executed and acknowledged by such holder, in each case in form sufficient to give such constructive notice upon recordation and otherwise in form reasonably satisfactory to Administrative Agent.

"REFERENCE LENDERS" means BTCo.

"REFUNDED SWING LINE LOANS" has the meaning assigned to that term in subsection 2.1A(iii).

"REGISTER" has the meaning assigned to that term in subsection 2.1D.

"REGULATION D" means Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"REIMBURSEMENT DATE" has the meaning assigned to that term in subsection 3.3B.

"RELATED AGREEMENTS" means, collectively, the Recapitalization Agreement and the Management Contracts.

"RELATED ENTITIES" means Blackbaud Pacific, Pty Ltd., a South Carolina corporation, and Blackbaud Europe, Ltd., a South Carolina corporation.

"RELEASE" means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Materials into the indoor or outdoor environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Materials), including the movement of any Hazardous Materials through the air, soil, surface water or groundwater.

"REQUEST FOR ISSUANCE OF LETTER OF CREDIT" means a notice substantially in the form of Exhibit III annexed hereto delivered by Company to Administrative Agent pursuant to subsection 3.1B(i) with respect to the proposed issuance of a Letter of Credit.

"REQUISITE LENDERS" means Lenders having or holding more than 50% of the sum of the aggregate Term Loan Exposure of all Lenders plus the aggregate Revolving Loan Exposure of all Lenders.

"RESTRICTED JUNIOR PAYMENT" means (i) any distribution, direct or indirect, on account of any shares of any class of stock of Company now or hereafter outstanding, except a dividend payable solely in shares of that class of stock payable solely to holders of that class, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock of Company now or hereafter outstanding, (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of stock of Company now or hereafter outstanding, and (iv) any payment or prepayment of principal of, premium, if any, or interest on, or redemption, purchase, retirement, defeasance (including in-substance or legal defeasance), sinking fund or similar payment with respect to, any Subordinated Indebtedness.

"REVOLVING LENDER" means any Lender who is committed to make Revolving Loans to Company.

"REVOLVING LOAN COMMITMENT" means the commitment of a Lender to make Revolving Loans to Company pursuant to subsection 2.1A(ii), and "REVOLVING LOAN COMMITMENTS" means such commitments of all Lenders in the aggregate.

"REVOLVING LOAN COMMITMENT TERMINATION DATE" means September 30, 2005.

"REVOLVING LOAN EXPOSURE" means, with respect to any Lender as of any date of determination (i) prior to the termination of the Revolving Loan Commitments, that Lender's Revolving Loan Commitment and (ii) after the termination of the Revolving Loan Commitments, the sum of (a) the aggregate outstanding principal amount of the Revolving Loans of that Lender plus (b) in the event that Lender is an Issuing Lender, the aggregate Letter of Credit Usage in respect of all Letters of Credit issued by that Lender (in each case net of any participations purchased or deemed purchased by other Lenders in such Letters of Credit or any unreimbursed drawings thereunder) plus (c) the aggregate amount of all participations purchased or deemed purchased by that Lender in any outstanding Letters of Credit or any unreimbursed drawings under any Letters of Credit plus (d) in the case of Swing Line Lender, the aggregate outstanding principal amount of all Swing Line Loans (net of any participations therein purchased or deemed purchased by other Lenders) plus (e) the aggregate amount of all participations purchased or deemed purchased by that Lender in any outstanding Swing Line Loans.

"REVOLVING LOANS" means the Loans made by Lenders to Company pursuant to subsection 2.1A(ii).

"REVOLVING NOTES" means (i) the promissory notes of Company issued pursuant to subsection 2.1E(i)(b) on the Closing Date and (ii) any promissory notes issued by Company pursuant to the last sentence of subsection 10.1B(i) in connection with assignments of the Revolving Loan Commitments and Revolving Loans of any Lenders, in each case substantially in the form of Exhibit V annexed hereto, as they may be amended, supplemented or otherwise modified from time to time.

"ROLLOVER SHAREHOLDERS" has the meaning assigned to that term in the Recitals to this Agreement.

"ROLLOVER SHARES" has the meaning assigned to that term in the Recitals to this Agreement.

"SECURITIES" means any stock, shares, membership interests, partnership interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time, and any successor statute.

"SELLING SHAREHOLDERS" means the shareholders listed on Disclosure Schedule 2.1 to the Recapitalization Agreement.

"SOLVENT" means, with respect to any Person, that as of the date of determination both (A) (i) the then fair saleable value of the property of such Person is (y) greater than the total amount of liabilities (including contingent liabilities) of such Person and (z) not less than the amount that will be required to pay the probable liabilities on such Person's then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to such Person; (ii) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (iii) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (B) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"STANDBY LETTER OF CREDIT" means any standby letter of credit or similar instrument issued for the purpose of supporting (i) Indebtedness of Company or any of its Subsidiaries in respect of industrial revenue or development bonds or financings, (ii) workers' compensation liabilities of Company or any of its Subsidiaries, (iii) the obligations of third party insurers of Company or any of its Subsidiaries arising by virtue of the laws of any jurisdiction requiring third party insurers, (iv) obligations with respect to Capital Leases or Operating Leases of Company or any of its Subsidiaries, and (v) performance, payment, deposit or surety obligations of Company or any of its Subsidiaries, in any case if required by law or governmental rule or regulation or in accordance with custom and practice in the industry; provided that Standby Letters of Credit may not be issued for the purpose of supporting (a) trade payables or (b) any Indebtedness constituting "antecedent debt" (as that term is used in Section 547 of the Bankruptcy Code).

"SUBORDINATED INDEBTEDNESS" means any Indebtedness of Company subordinated in right of payment to the Obligations pursuant to documentation containing maturities, amortization schedules, covenants, defaults, remedies, subordination provisions and other material terms in form and substance satisfactory to Administrative Agent and Requisite Leaders.

"SUBSIDIARY" means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than 50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or

controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"SUBSIDIARY GUARANTOR" means any Subsidiary of Company that executes and delivers a counterpart of the Subsidiary Guaranty on the Closing Date or from time to time thereafter pursuant to subsection 6.8.

"SUBSIDIARY GUARANTY" means the Subsidiary Guaranty executed and delivered by existing Subsidiaries of Company on the Closing Date and to be executed and delivered by additional Subsidiaries of Company from time to time thereafter in accordance with subsection 6.8, substantially in the form of Exhibit XVI annexed hereto, as such Subsidiary Guaranty may hereafter be amended, supplemented or otherwise modified from time to time.

"SUBSIDIARY PLEDGE AGREEMENT" means each such Subsidiary Pledge Agreement executed and delivered by an existing Subsidiary Guarantor on the Closing Date or executed and delivered by any additional Subsidiary Guarantor from time to time thereafter in accordance with subsection 6.8, in each case substantially in the form of Exhibit XVII annexed hereto, as such Subsidiary Pledge Agreement may be amended, supplemented or otherwise modified from time to time, and "SUBSIDIARY PLEDGE AGREEMENTS" means all such Subsidiary Pledge Agreements, collectively.

"SUBSIDIARY SECURITY AGREEMENT" means each Subsidiary Security Agreement executed and delivered by an existing Subsidiary Guarantor on the Closing Date or executed and delivered by an existing Subsidiary Guarantor from time to time thereafter in accordance with subsection 6.8, in each case substantially in the form of Exhibit XVIII annexed hereto, as such Subsidiary Security Agreement may be amended, supplemented or otherwise modified from time to time, and "SUBSIDIARY SECURITY AGREEMENTS" means all such Subsidiary Security Agreements, collectively.

"SUPPLEMENTAL COLLATERAL AGENT" has the meaning assigned to that term in subsection 9.1C.

"SWING LINE LENDER" means BTCo, or any Person serving as a successor Administrative Agent hereunder, in its capacity as Swing Line Lender hereunder.

"SWING LINE LOAN COMMITMENT" means the commitment of Swing Line Lender to make Swing Line Loans to Company pursuant to subsection 2.1A(iii).

"SWING LINE LOANS" means the Loans made by Swing Line Lender to Company pursuant to subsection 2.1A(iii).

"SWING LINE NOTE" means (i) the promissory note of Company issued pursuant to subsection 2.1E(ii) on the Closing Date and (ii) any promissory note issued by Company to any successor Administrative Agent and Swing Line Lender pursuant to the last sentence of subsection 9.5B, in each case substantially in the form of Exhibit VI annexed hereto, as it may be amended, supplemented or otherwise modified from time to time.

"SYNDICATION AGENT" has the meaning assigned to that term in the introduction to this Agreement.

"TAX" or "TAXES" means any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature and whatever called, by any Governmental Authority, on whomsoever and wherever imposed, levied, collected, withheld or assessed; provided that "TAX ON THE OVERALL NET INCOME" of a Person shall be construed as a reference to a tax imposed by the jurisdiction in which that Person is organized or in which that Person's principal office (and/or, in the case of a Lender, its lending office) is located or in which that Person (and/or, in the case of a Lender, its lending office) is deemed to be doing business (each such jurisdiction, a "Home Jurisdiction") on all or part of the net income, profits or gains (whether worldwide, or only insofar as such income, profits or gains are considered to arise in or to relate to a particular jurisdiction, or otherwise) of that Person (and/or, in the case of a Lender, its lending office) or a franchise tax imposed by a Home Jurisdiction of such Person.

"TERM LOAN COMMITMENT" means the commitment of a Lender to make a Term Loan to Company pursuant to subsection 2.1A(i), and "TERM LOAN COMMITMENTS" means such commitments of all Lenders in the aggregate.

"TERM LOAN EXPOSURE" means, with respect to any Lender as of any date of determination (i) prior to the funding of the Term Loans, that Lender's Term Loan Commitment and (ii) after the funding of the Term Loans, the outstanding principal amount of the Term Loan of that Lender.

"TERM LOAN LENDER" means any Lender who is committed to make Term Loans to Company.

"TERM LOANS" means the Loans made by Lenders to Company pursuant to subsection 2.1A(i).

"TERM NOTES" means (i) the promissory notes of Company issued pursuant to subsection 2.1E(i) on the Closing Date and (ii) any promissory notes issued by Company pursuant to the last sentence of subsection 10.1B(i) in connection with assignments of the Term Loan Commitments or Term Loans of any Lenders, in each case substantially in the form of Exhibit IV annexed hereto, as they may be amended, supplemented or otherwise modified from time to time.

"TITLE COMPANY" means any title insurance company reasonably satisfactory to Administrative Agent.

"TOTAL UTILIZATION OF REVOLVING LOAN COMMITMENTS" means, as at any date of determination, the sum of (i) the aggregate principal amount of all outstanding Revolving Loans plus (ii) the aggregate principal amount of all outstanding Swing Line Loans plus (iii) the Letter of Credit Usage.

"TRANSACTION COSTS" means the fees, costs and expenses payable by Company on or before the Closing Date in connection with the transactions contemplated by the Loan Documents and the Related Agreements.

"UCC" means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

"YEAR 2000 COMPLIANT" means that all Information Systems and Equipment accurately process date data (including, but not limited to, calculating, comparing and sequencing), before, during and after the year 2000, as well as same and multi-century dates, or between the years 1999 and 2000, taking into account all leap years, including the fact that the year 2000 is a leap year, and further, that when used in combination with, or interfacing with, other Information Systems and Equipment, shall accurately accept, release and exchange date data, and shall in all material respects continue to function in the same manner as it performs today and shall not otherwise impair the accuracy or functionality of Information Systems and Equipment.

1.2 ACCOUNTING TERMS; UTILIZATION OF GAAP FOR PURPOSES OF CALCULATIONS UNDER AGREEMENT.

Except as otherwise expressly provided in this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with GAAP. Financial statements and other information required to be delivered by Company to Lenders pursuant to clauses (i), (ii), (iii) and (xiii) of subsection 6.1 shall be prepared in accordance with GAAP as in effect at the time of such preparation (and delivered together with the reconciliation statements provided for in subsection 6.1(v)). Calculations in connection with the definitions, covenants and other provisions of this Agreement shall utilize accounting principles and policies in conformity with those used to prepare the financial statements referred to in subsection 5.3.

1.3 OTHER DEFINITIONAL PROVISIONS AND RULES OF CONSTRUCTION.

A. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference.

B. References to "Sections" and "subsections" shall be to Sections and subsections, respectively, of this Agreement unless otherwise specifically provided.

C. The use in any of the Loan Documents of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.

SECTION 2. AMOUNTS AND TERMS OF COMMITMENTS AND LOANS

2.1 COMMITMENTS; MAKING OF LOANS; THE REGISTER; NOTES.

A. COMMITMENTS. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Company herein set forth, each Lender

hereby severally agrees to make the Loans described in subsections 2.1A(i) and 2.1A(ii) and Swing Line Lender hereby agrees to make the Loans described in subsection 2.1A(iii).

(i) Term Loans. Each Term Loan Lender severally agrees to lend to Company on the Closing Date an amount not exceeding its Pro Rata Share of the aggregate amount of the Term Loan Commitments to be used for the purposes identified in subsection 2.5A. The amount of each Term Loan Lender's Term Loan Commitment is set forth opposite its name on Schedule 2.1 annexed hereto and the aggregate amount of the Term Loan Commitments is $115,000,000; provided that the Term Loan Commitments of Term Loan Lenders shall be adjusted to give effect to any assignments of the Term Loan Commitments pursuant to subsection 10.1B. Each Term Loan Lender's Term Loan Commitment shall expire immediately and without further action on November 30, 1999 if the Term Loans are not made on or before that date. Company may make only one borrowing under the Term Loan Commitments. Amounts borrowed under this subsection 2.1A(i) and subsequently repaid or prepaid may not be reborrowed.

(ii) Revolving Loans. Each Revolving Lender severally agrees, subject to the limitations set forth below with respect to the maximum amount of Revolving Loans permitted to be outstanding from time to time, to lend to Company from time to time during the period from the Closing Date to but excluding the Revolving Loan Commitment Termination Date an aggregate amount not exceeding its Pro Rata Share of the aggregate amount of the Revolving Loan Commitments to be used for the purposes identified in subsection 2.5B. The original amount of each Revolving Lender's Revolving Loan Commitment is set forth opposite its name on Schedule 2.1 annexed hereto and the aggregate original amount of the Revolving Loan Commitments is $15,000,000; provided that the Revolving Loan Commitments of Lenders shall be adjusted to give effect to any assignments of the Revolving Loan Commitments pursuant to subsection 10.1B; and provided, further that the amount of the Revolving Loan Commitments shall be reduced from time to time by the amount of any reductions thereto made pursuant to subsections 2.4B(ii) and 2.4B(iii). Each Revolving Lender's Revolving Loan Commitment shall expire on the Revolving Loan Commitment Termination Date and all Revolving Loans and all other amounts owed hereunder with respect to the Revolving Loans and the Revolving Loan Commitments shall be paid in full no later than that date; provided that each Revolving Lender's Revolving Loan Commitment shall expire immediately and without further action on November 30, 1999 if the Term Loans and any initial Revolving Loans are not made on or before that date. Amounts borrowed under this subsection 2.1A(ii) may be repaid and reborrowed to but excluding the Revolving Loan Commitment Termination Date.

Anything contained in this Agreement to the contrary notwithstanding, the Revolving Loans and the Revolving Loan Commitments shall be subject to the following limitations in the amounts and during the periods indicated:

(a) in no event shall the Total Utilization of Revolving Loan Commitments at any time exceed the Revolving Loan Commitments then in effect; and

(b) for 30 consecutive days during each consecutive twelve-month period, the sum of the aggregate outstanding principal amount of all Revolving Loans plus the aggregate outstanding principal amount of all Swing Line Loans shall not exceed $0.

(iii) Swing Line Loans. Swing Line Lender hereby agrees, subject to the limitations set forth below with respect to the maximum amount of Swing Line Loans permitted to be outstanding from time to time, to make a portion of the Revolving Loan Commitments available to Company from time to time during the period from the Closing Date to but excluding the Revolving Loan Commitment Termination Date by making Swing Line Loans to Company in an aggregate amount not exceeding the amount of the Swing Line Loan Commitment to be used for the purposes identified in subsection 2.5B, notwithstanding the fact that such Swing Line Loans, when aggregated with Swing Line Lender's outstanding Revolving Loans and Swing Line Lender's Pro Rata Share of the Letter of Credit Usage then in effect, may exceed Swing Line Lender's Revolving Loan Commitment. The original amount of the Swing Line Loan Commitment is $3,500,000; provided that any reduction of the Revolving Loan Commitments made pursuant to subsection 2.4B(ii) or 2.4B(iii) which reduces the aggregate Revolving Loan Commitments to an amount less than the then current amount of the Swing Line Loan Commitment shall result in an automatic corresponding reduction of the Swing Line Loan Commitment to the amount of the Revolving Loan Commitments, as so reduced, without any further action on the part of Company, Administrative Agent or Swing Line Lender. The Swing Line Loan Commitment shall expire on the Revolving Loan Commitment Termination Date and all Swing Line Loans and all other amounts owed hereunder with respect to the Swing Line Loans shall be paid in full no later than that date; provided that the Swing Line Loan Commitment shall expire immediately and without further action on November 30, 1999 if the Term Loans and any initial Revolving Loans are not made on or before that date. Amounts borrowed under this subsection 2.1A(iii) may be repaid and reborrowed to but excluding the Revolving Loan Commitment Termination Date.

Anything contained in this Agreement to the contrary notwithstanding, the Swing Line Loans and the Swing Line Loan Commitment shall be subject to the following limitations in the amounts and during the periods indicated:

(a) in no event shall the Total Utilization of Revolving Loan Commitments at any time exceed the Revolving Loan Commitments then in effect; and

(b) for 30 consecutive days during each consecutive twelve-month period, the sum of the aggregate outstanding principal amount of all Revolving Loans plus the aggregate outstanding principal amount of all Swing Line Loans shall not exceed $0.

With respect to any Swing Line Loans which have not been voluntarily prepaid by Company pursuant to subsection 2.4B(i), Swing Line Lender may, at any time in its sole and absolute discretion, deliver to Administrative Agent (with a copy to Company), no later than 10:00 A.M.

(New York City time) on the first Business Day in advance of the proposed Funding Date, a notice (which shall be deemed to be a Notice of Borrowing given by Company) requesting Revolving Lenders to make Revolving Loans that are Base Rate Loans on such Funding Date in an amount equal to the amount of such Swing Line Loans (the "REFUNDED SWING LINE LOANS") outstanding on the date such notice is given which Swing Line Lender requests Revolving Lenders to prepay. Anything contained in this Agreement to the contrary notwithstanding, (i) the proceeds of such Revolving Loans made by Revolving Lenders other than Swing Line Lender shall be immediately delivered by Administrative Agent to Swing Line Lender (and not to Company) and applied to repay a corresponding portion of the Refunded Swing Line Loans and (ii) on the day such Revolving Loans are made, Swing Line Lender's Pro Rata Share of the Refunded Swing Line Loans shall be deemed to be paid with the proceeds of a Revolving Loan made by Swing Line Lender, and such portion of the Swing Line Loans deemed to be so paid shall no longer be outstanding as Swing Line Loans and shall no longer be due under the Swing Line Note of Swing Line Lender but shall instead constitute part of Swing Line Lender's outstanding Revolving Loans and shall be due under the Revolving Note of Swing Line Lender. Company hereby authorizes Administrative Agent and Swing Line Lender to charge Company's accounts with Administrative Agent and Swing Line Lender (up to the amount available in each such account) in order to immediately pay Swing Line Lender the amount of the Refunded Swing Line Loans to the extent the proceeds of such Revolving Loans made by Lenders, including the Revolving Loan deemed to be made by Swing Line Lender, are not sufficient to repay in full the Refunded Swing Line Loans. If any portion of any such amount paid (or deemed to be paid) to Swing Line Lender should be recovered by or on behalf of Company from Swing Line Lender in bankruptcy, by assignment for the benefit of creditors or otherwise, the loss of the amount so recovered shall be ratably shared among all Revolving Lenders in the manner contemplated by subsection 10.5.

If for any reason (a) Revolving Loans are not made upon the request of Swing Line Lender as provided in the immediately preceding paragraph in an amount sufficient to repay any amounts owed to Swing Line Lender in respect of any outstanding Swing Line Loans or (b) the Revolving Loan Commitments are terminated at a time when any Swing Line Loans are outstanding, each Revolving Lender shall be deemed to, and hereby agrees to, have purchased a participation in such outstanding Swing Line Loans in an amount equal to its Pro Rata Share (calculated, in the case of the foregoing clause (b), immediately prior to such termination of the Revolving Loan Commitments) of the unpaid amount of such Swing Line Loans together with accrued interest thereon. Upon one Business Day's notice from Swing Line Lender, each Revolving Lender shall deliver to Swing Line Lender an amount equal to its respective participation in same day funds at the Funding and Payment Office. In order to further evidence such participation (and without prejudice to the effectiveness of the participation provisions set forth above), each Revolving Lender agrees to enter into a separate participation agreement at the request of Swing Line Lender in form and substance reasonably satisfactory to Swing Line Lender. In the event any Revolving Lender fails to make available to Swing Line Lender the amount of such Revolving Lender's participation as provided in this paragraph, Swing Line Lender shall be entitled to recover such amount on demand from such Revolving Lender together with interest thereon at the rate customarily used by Swing Line Lender for the correction of errors among banks for three Business Days and thereafter at the Base Rate. In the event Swing Line Lender receives a payment of any amount in which other Revolving Lenders have

purchased participations as provided in this paragraph, Swing Line Lender shall promptly distribute to each such other Lender its Pro Rata Share of such payment.

Anything contained herein to the contrary notwithstanding, each Revolving Lender's obligation to make Revolving Loans for the purpose of repaying any Refunded Swing Line Loans pursuant to the second preceding paragraph and each Revolving Lender's obligation to purchase a participation in any unpaid Swing Line Loans pursuant to the immediately preceding paragraph shall be absolute and unconditional and shall not be affected by any circumstance, including (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against Swing Line Lender, Company or any other Person for any reason whatsoever; (b) the occurrence or continuation of an Event of Default or a Potential Event of Default; (c) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of Company or any of its Subsidiaries; (d) any breach of this Agreement or any other Loan Document by any party thereto; or (e) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided that such obligations of each Revolving Lender are subject to the condition that (X) Swing Line Lender believed in good faith that all conditions under Section 4 to the making of the applicable Refunded Swing Line Loans or other unpaid Swing Line Loans, as the case may be, were satisfied at the time such Refunded Swing Line Loans or unpaid Swing Line Loans were made or (Y) the satisfaction of any such condition not satisfied had been waived in accordance with subsection 10.6 prior to or at the time such Refunded Swing Line Loans or other unpaid Swing Line Loans were made.

B. BORROWING MECHANICS. Term Loans or Revolving Loans made on any Funding Date (other than Revolving Loans made pursuant to a request by Swing Line Lender pursuant to subsection 2.1A(iii) for the purpose of repaying any Refunded Swing Line Loans or Revolving Loans made pursuant to subsection 3.3B for the purpose of reimbursing any Issuing Lender for the amount of a drawing under a Letter of Credit issued by it) shall be in an aggregate minimum amount of $500,000 and integral multiples of $250,000 in excess of that amount; provided that Term Loans or Revolving Loans made on any Funding Date as Eurodollar Rate Loans with a particular Interest Period shall be in an aggregate minimum amount of $1,000,000 and integral multiples of $500,000 in excess of that amount. Swing Line Loans made on any Funding Date shall be in an aggregate minimum amount of $250,000 and integral multiples of $100,000 in excess of that amount. Whenever Company desires that Lenders make Term Loans or Revolving Loans it shall deliver to Administrative Agent a Notice of Borrowing no later than 10:00 A.M. (New York City time) at least three Business Days in advance of the proposed Funding Date (in the case of a Eurodollar Rate Loan) or at least one Business Day in advance of the proposed Funding Date (in the case of a Base Rate Loan). Whenever Company desires that Swing Line Lender make a Swing Line Loan, it shall deliver to Administrative Agent a Notice of Borrowing no later than 12:00 Noon (New York City time) on the proposed Funding Date. The Notice of Borrowing shall specify (i) the proposed Funding Date (which shall be a Business Day), (ii) the amount and type of Loans requested, (iii) in the case of Swing Line Loans and any Loans made on the Closing Date or within a period of 90 days after the Closing Date, that such Loans shall be Base Rate Loans or Eurodollar Rate Loans with an Interest Period of one-month unless approved by Administrative Agent, (iv) in the case of Revolving Loans not made on the Closing Date or within a period of 30 days after the Closing Date, whether such Loans shall be Base Rate Loans or Eurodollar Rate Loans, and (v) in the case of any Loans requested to be made as Eurodollar Rate Loans, the initial Interest Period requested therefor. Term Loans and Revolving Loans may

be continued as or converted into Base Rate Loans and Eurodollar Rate Loans in the manner provided in subsection 2.2D. In lieu of delivering the above-described Notice of Borrowing, Company may give Administrative Agent telephonic notice by the required time of any proposed borrowing under this subsection 2.1B; provided that such notice shall be promptly confirmed in writing by delivery of a Notice of Borrowing to Administrative Agent on or before the applicable Funding Date.

Neither Administrative Agent nor any Lender shall incur any liability to Company in acting upon any telephonic notice referred to above that Administrative Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of Company or for otherwise acting in good faith under this subsection 2.1B, and upon funding of Loans by Lenders in accordance with this Agreement pursuant to any such telephonic notice Company shall have effected Loans hereunder.

Company shall notify Administrative Agent prior to the funding of any Loans in the event that any of the matters to which Company is required to certify in the applicable Notice of Borrowing is no longer true and correct as of the applicable Funding Date, and the acceptance by Company of the proceeds of any Loans shall constitute a re-certification by Company, as of the applicable Funding Date, as to the matters to which Company is required to certify in the applicable Notice of Borrowing.

Except as otherwise provided in subsections 2.6B, 2.6C and 2.6G, a Notice of Borrowing for a Eurodollar Rate Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and Company shall be bound to make a borrowing in accordance therewith.

C. DISBURSEMENT OF FUNDS. All Term Loans and Revolving Loans under this Agreement shall be made by Lenders simultaneously and proportionately to their respective Pro Rata Shares, it being understood that no Lender shall be responsible for any default by any other Lender in that other Lender's obligation to make a Loan requested hereunder nor shall the Commitment of any Lender to make the particular type of Loan requested be increased or decreased as a result of a default by any other Lender in that other Lender's obligation to make a Loan requested hereunder. Promptly after receipt (and in any event on the day following Administrative Agent's receipt) by Administrative Agent of a Notice of Borrowing pursuant to subsection 2.1B (or telephonic notice in lieu thereof), Administrative Agent shall notify each Lender or Swing Line Lender, as the case may be, of the proposed borrowing. Each Lender shall make the amount of its Loan available to Administrative Agent not later than 12:00 Noon (New York City time) on the applicable Funding Date, and Swing Line Lender shall make the amount of its Swing Line Loan available to Administrative Agent not later than 2:00 P.M.(New York City time) on the applicable Funding Date, in each case in same day funds in Dollars, at the Funding and Payment Office. Except as provided in subsection 2.1A(iii) or subsection 3.3B with respect to Revolving Loans used to repay Refunded Swing Line Loans or to reimburse any Issuing Lender for the amount of a drawing under a Letter of Credit issued by it, upon satisfaction or waiver of the conditions precedent specified in subsections 4.1 (in the case of Loans made on the Closing Date) and 4.2 (in the case of all Loans), Administrative Agent shall make the proceeds of such Loans available to Company on the applicable Funding Date by causing an amount of same day funds in Dollars equal to the proceeds of all such Loans received

by Administrative Agent from Lenders or Swing Line Lender, as the case may be, to be credited to the account of Company as directed by its Notice of Borrowing.

Unless Administrative Agent shall have been notified by any Lender prior to the Funding Date for any Loans that such Lender does not intend to make available to Administrative Agent the amount of such Lender's Loan requested on such Funding Date, Administrative Agent may assume that such Lender has made such amount available to Administrative Agent on such Funding Date and Administrative Agent may, in its sole discretion, but shall not be obligated to, make available to Company a corresponding amount on such Funding Date. If such corresponding amount is not in fact made available to Administrative Agent by such Lender, Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon, for each day from such Funding Date until the date such amount is paid to Administrative Agent, at the customary rate set by Administrative Agent for the correction of errors among banks for three Business Days and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon Administrative Agent's demand therefor, Administrative Agent shall promptly notify Company and Company shall immediately pay such corresponding amount to Administrative Agent together with interest thereon, for each day from such Funding Date until the date such amount is paid to Administrative Agent, at the rate payable under this Agreement for Base Rate Loans. Nothing in this subsection 2.1C shall be deemed to relieve any Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Company may have against any Lender as a result of any default by such Lender hereunder.

D. THE REGISTER.

(i) Administrative Agent shall maintain, at its address referred to in subsection 10.8, a register for the recordation of the names and addresses of Lenders and the Commitments and Loans of each Lender from time to time (the "REGISTER"). The Register shall be available for inspection by Company or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(ii) Administrative Agent shall record in the Register the Term Loan Commitment and Revolving Loan Commitment and the Term Loan and Revolving Loans from time to time of each Lender, the Swing Line Loan Commitment and the Swing Line Loans from time to time of Swing Line Lender, and each repayment or prepayment in respect of the principal amount of the Term Loan or Revolving Loans of each Lender or the Swing Line Loans of Swing Line Lender. Any such recordation shall be conclusive and binding on Company and each Lender, absent manifest error; provided that failure to make any such recordation, or any error in such recordation, shall not affect any Lender's Commitments or Company's Obligations in respect of any applicable Loans.

(iii) Each Lender shall record on its internal records (including the Notes held by such Lender) the amount of the Term Loan and each Revolving Loan made by it and each payment in respect thereof. Any such recordation shall be conclusive and binding on Company, absent manifest error; provided that failure to make any such recordation, or any error in such recordation, shall not affect any Lender's Commitments or Company's Obligations in respect of any applicable Loans; and provided, further that in

the event of any inconsistency between the Register and any Lender's records, the recordations in the Register shall govern.

(iv) Company, Administrative Agent and Lenders shall deem and treat the Persons listed as Lenders in the Register as the holders and owners of the corresponding Commitments and Loans listed therein for all purposes hereof, and no assignment or transfer of any such Commitment or Loan shall be effective, in each case unless and until an Assignment Agreement effecting the assignment or transfer thereof shall have been accepted by Administrative Agent and recorded in the Register as provided in subsection 10.1B(ii). Prior to such recordation, all amounts owed with respect to the applicable Commitment or Loan shall be owed to the Lender listed in the Register as the owner thereof, and any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is listed in the Register as a Lender shall be conclusive and binding on any subsequent holder, assignee or transferee of the corresponding Commitments or Loans.

(v) Company hereby designates BTCo to serve as Company's agent solely for purposes of maintaining the Register as provided in this subsection 2.1D, and Company hereby agrees that, to the extent BTCo serves in such capacity, BTCo and its officers, directors, employees, agents and affiliates shall constitute Indemnitees for all purposes under subsection 10.3.

E. NOTES. Company shall execute and deliver on the Closing Date (i) to each Term Loan Lender (or to Administrative Agent for that Lender) a Term Note substantially in the form of Exhibit IV annexed hereto to evidence that Term Loan Lender's Term Loan, in the principal amount of that Term Loan Lender's Term Loan and with other appropriate insertions, and (ii) to each Revolving Lender (or to Administrative Agent for that Lender) a Revolving Note substantially in the form of Exhibit V annexed hereto to evidence that Revolving Lender's Revolving Loans, in the principal amount of that Revolving Lender's Revolving Loan Commitment and with other appropriate insertions, and (iii) to Swing Line Lender (or to Administrative Agent for Swing Line Lender) a Swing Line Note substantially in the form of Exhibit VI annexed hereto to evidence Swing Line Lender's Swing Line Loans, in the principal amount of the Swing Line Loan Commitment and with other appropriate insertions.

Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until an Assignment Agreement effecting the assignment or transfer thereof shall have been accepted by Administrative Agent as provided in subsection 10.1B(ii). Any request, authority or consent of any person or entity who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, assignee or transferee of that Note or of any Note or Notes issued in exchange therefor.

2.2 INTEREST ON THE LOANS.

A. RATE OF INTEREST. Subject to the provisions of subsections 2.6 and 2.7, each Term Loan and each Revolving Loan shall bear interest on the unpaid principal amount thereof from the date made through maturity (whether by acceleration or otherwise) at a rate determined by

reference to the Base Rate or the Adjusted Eurodollar Rate. Subject to the provisions of subsection 2.7, each Swing Line Loan shall bear interest on the unpaid principal amount thereof from the date made through maturity (whether by acceleration or otherwise) at a rate determined by reference to the Base Rate as described in subsection 2.2A(ii). The applicable basis for determining the rate of interest with respect to any Term Loan or any Revolving Loan shall be selected by Company initially at the time a Notice of Borrowing is given with respect to such Loan pursuant to subsection 2.1B, and the basis for determining the interest rate with respect to any Term Loan or any Revolving Loan may be changed from time to time pursuant to subsection 2.2D; provided that for the first 90 days following the Closing Date any Term Loan or Revolving Loan shall bear interest at a rate determined by reference to the Base Rate or Eurodollar Rate with an Interest Period of one-month unless otherwise approved by Administrative Agent. If on any day a Term Loan or Revolving Loan is outstanding with respect to which notice has not been delivered to Administrative Agent in accordance with the terms of this Agreement specifying the applicable basis for determining the rate of interest, then for that day that Loan shall bear interest determined by reference to the Base Rate.

(i) Subject to the provisions of subsections 2.2E and 2.7, the Term Loans and the Revolving Loans shall bear interest through maturity as follows:

(a) If a Base Rate Loan, then at the sum of the Base Rate plus the Base Rate margin (the "APPLICABLE BASE RATE MARGIN") set forth in the table below opposite the Consolidated Leverage Ratio for the four-Fiscal Quarter period for which the applicable Margin Determination Certificate is being delivered pursuant to subsection 6.1(iv); or

(b) if a Eurodollar Rate Loan, then at the sum of the Adjusted Eurodollar Rate plus the Eurodollar Rate margin (the "APPLICABLE EURODOLLAR RATE MARGIN") set forth in the table below opposite the Consolidated Leverage Ratio for the four-Fiscal Quarter period for which the applicable Margin Determination Certificate is being delivered pursuant to subsection 6.1(iv):

Consolidated Leverage Ratio	Applicable Eurodollar Rate Margin	Applicable Base Rate Margin
Greater than or equal to 3.75:1:00	3.25%	2.25%
Greater than or equal to 3.00:1.00 but less than 3.75:1.00	3.00%	2.00%
Greater than or equal to 2.50:1.00 but less than 3.00:1.00	2.75%	1.75%

Greater than or equal to 2.00:1.00 but less than 2.50:1.00	2.50%	1.50%
Less than 2.00:1.00	2.25%	1.25%

Upon delivery of a Margin Determination Certificate by Company to Administrative Agent pursuant to subsection 6.1(iv), the Applicable Base Rate Margin and the Applicable Eurodollar Rate Margin shall automatically be adjusted in accordance with such Margin Determination Certificate, such adjustment to become effective on the next succeeding Business Day following the receipt by Administrative Agent of such Margin Determination Certificate; provided that until the delivery of the first Margin Determination Certificate after the six month anniversary of the Closing Date, the Applicable Eurodollar Rate Margin shall be 3.00% per annum and the Applicable Base Rate Margin shall be 2.00% per annum; provided further that at any time a Margin Determination Certificate is not delivered at the time required pursuant to subsection 6.1(iv), from the time such Margin Determination Certificate was required to be delivered until delivery of such Margin Determination Certificate, the Applicable Eurodollar Rate Margin shall be 3.25% per annum and the Applicable Base Rate Margin shall be 2.25% per annum; provided further that if a Margin Determination Certificate erroneously indicates an applicable margin more favorable to Company than would be afforded by the actual calculation of the Consolidated Leverage Ratio, Company shall promptly pay such additional interest and letter of credit fees as shall correct for such error.

(ii) Subject to the provisions of subsections 2.2E and 2.7, the Swing Line Loans shall bear interest through maturity at the sum of the Base Rate plus the Applicable Base Rate Margin less the commitment fee percentage provided for in subsection 2.3A.

B. INTEREST PERIODS. In connection with each Eurodollar Rate Loan, Company may, pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation, as the case may be, select an interest period (each an "INTEREST PERIOD") to be applicable to such Loan, which Interest Period shall be, at Company's option, either a one, two, three or six month period; provided that:

(i) the initial Interest Period for any Eurodollar Rate Loan shall commence on the Funding Date in respect of such Loan, in the case of a Loan initially made as a Eurodollar Rate Loan, or on the date specified in the applicable Notice of Conversion/Continuation, in the case of a Loan converted to a Eurodollar Rate Loan;

(ii) in the case of immediately successive Interest Periods applicable to a Eurodollar Rate Loan continued as such pursuant to a Notice of Conversion/Continuation, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires;

(iii) if an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided

that, if any Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iv) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (v) of this subsection 2.2B, end on the last Business Day of a calendar month;

(v) no Interest Period with respect to any portion of the Term Loans shall extend beyond September 30, 2005 and no Interest Period with respect to any portion of the Revolving Loans shall extend beyond the Revolving Loan Commitment Termination Date;

(vi) no Interest Period with respect to any portion of the Term Loans shall extend beyond a date on which Company is required to make a scheduled payment of principal of the Term Loans unless the sum of (a) the aggregate principal amount of Term Loans that are Base Rate Loans plus (b) the aggregate principal amount of Term Loans that are Eurodollar Rate Loans with Interest Periods expiring on or before such date equals or exceeds the principal amount required to be paid on the Term Loans on such date;

(vii) there shall be no more than seven Interest Periods outstanding at any time; and

(viii) in the event Company fails to specify an Interest Period for any Eurodollar Rate Loan in the applicable Notice of Borrowing or Notice of Conversion/Continuation, Company shall be deemed to have selected an Interest Period of one month.

C. INTEREST PAYMENTS. Subject to the provisions of subsection 2.2E, interest on each Loan shall be payable in arrears on and to each Interest Payment Date applicable to that Loan, upon any prepayment of that Loan (to the extent accrued on the amount being prepaid) and at maturity (including final maturity); provided that in the event any Swing Line Loans or any Revolving Loans that are Base Rate Loans are prepaid pursuant to subsection 2.4B(i), interest accrued on such Swing Line Loans or Revolving Loans through the date of such prepayment shall be payable on the next succeeding Interest Payment Date applicable to Base Rate Loans (or, if earlier, at final maturity).

D. CONVERSION OR CONTINUATION. Subject to the provisions of subsection 2.6, Company shall have the option (i) to convert at any time all or any part of its outstanding Term Loans or Revolving Loans equal to $1,000,000 and integral multiples of $500,000 in excess of that amount from Loans bearing interest at a rate determined by reference to one basis to Loans bearing interest at a rate determined by reference to an alternative basis or (ii) upon the expiration of any Interest Period applicable to a Eurodollar Rate Loan, to continue all or any portion of such Loan equal to $1,000,000 and integral multiples of $500,000 in excess of that amount as a Eurodollar Rate Loan; provided, however, that a Eurodollar Rate Loan may only be converted into a Base Rate Loan on the expiration date of an Interest Period applicable thereto.

Company shall deliver a Notice of Conversion/Continuation to Administrative Agent no later than 10:00 A.M. (New York City time) at least one Business Day in advance of the proposed conversion date (in the case of a conversion to a Base Rate Loan) and at least three Business Days in advance of the proposed conversion/continuation date (in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan). A Notice of Conversion/Continuation shall specify (i) the proposed conversion/continuation date (which shall be a Business Day), (ii) the amount and type of the Loan to be converted/continued, (iii) the nature of the proposed conversion/continuation, provided that no Loans shall be converted to Eurodollar Rate Loans with an Interest Period of greater than one-month prior to the 90th day after the Closing Date unless otherwise approved by Administrative Agent, (iv) in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan, the requested Interest Period, and (v) in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan, that no Potential Event of Default or Event of Default has occurred and is continuing. In lieu of delivering the above-described Notice of Conversion/Continuation, Company may give Administrative Agent telephonic notice by the required time of any proposed conversion/continuation under this subsection 2.2D; provided that such notice shall be promptly confirmed in writing by delivery of a Notice of Conversion/Continuation to Administrative Agent on or before the proposed conversion/continuation date. Upon receipt of written or telephonic notice of any proposed conversion/continuation under this subsection 2.2D, Administrative Agent shall promptly transmit such notice by telefacsimile or telephone to each Lender.

Neither Administrative Agent nor any Lender shall incur any liability to Company in acting upon any telephonic notice referred to above that Administrative Agent believes in good faith to have been given by a duly authorized officer or other person authorized to act on behalf of Company or for otherwise acting in good faith under this subsection 2.2D, and upon conversion or continuation of the applicable basis for determining the interest rate with respect to any Loans in accordance with this Agreement pursuant to any such telephonic notice Company shall have effected a conversion or continuation, as the case may be, hereunder.

Except as otherwise provided in subsections 2.6B, 2.6C and 2.6G, a Notice of Conversion/Continuation for conversion to, or continuation of, a Eurodollar Rate Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and Company shall be bound to effect a conversion or continuation in accordance therewith.

E. DEFAULT RATE. Upon the occurrence and during the continuation of any Event of Default, the outstanding principal amount of all Loans and, to the extent permitted by applicable law, any interest payments thereon not paid when due and any fees and other amounts then due and payable hereunder, shall thereafter bear interest (including post-petition interest in any proceeding under the Bankruptcy Code or other applicable bankruptcy laws) payable upon demand at a rate that is 2% per annum in excess of the interest rate otherwise payable under this Agreement with respect to the applicable Loans (or, in the case of any such fees and other amounts, at a rate which is 2% per annum in excess of the interest rate otherwise payable under this Agreement for Base Rate Loans); provided that, in the case of Eurodollar Rate Loans, upon the expiration of the Interest Period in effect at the time any such increase in interest rate is effective such Eurodollar Rate Loans shall thereupon become Base Rate Loans and shall thereafter bear interest payable upon demand at a rate which is 2% per annum in excess of the

interest rate otherwise payable under this Agreement for Base Rate Loans. Payment or acceptance of the increased rates of interest provided for in this subsection 2.2E is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Administrative Agent or any Lender.

F. COMPUTATION OF INTEREST. Interest on the Loans shall be computed on the basis of a 360-day year, in each case for the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of such Loan or the first day of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted from a Eurodollar Rate Loan, the date of conversion of such Eurodollar Rate Loan to such Base Rate Loan, as the case may be, shall be included, and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted to a Eurodollar Rate Loan, the date of conversion of such Base Rate Loan to such Eurodollar Rate Loan, as the case may be, shall be excluded; provided that if a Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Loan.

2.3 FEES.

A. COMMITMENT FEES. Company agrees to pay to Administrative Agent, for distribution to each Revolving Lender in proportion to that Revolving Lender's Pro Rata Share, commitment fees for the period from and including the Closing Date to and excluding the Revolving Loan Commitment Termination Date equal to the average of the daily excess of the Revolving Loan Commitments over the sum of the aggregate principal amount of outstanding Revolving Loans (but not including any outstanding Swing Line Loans) plus the Letter of Credit Usage multiplied by the per annum commitment fee percentage set forth below opposite the Consolidated Leverage Ratio for the four Fiscal Quarter period for which the applicable Margin Determination Certificate has been delivered pursuant to subsection 6.1(iv):

Consolidated Leverage Ratio	Commitment Fee Percentage
Greater than or equal to 2.00:1.00	0.50%
Less than 2.00:1.00	0.40%

such commitment fees to be calculated on the basis of a 360-day year and the actual number of days elapsed and to be payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on the first such date to occur after the Closing Date, and on the Revolving Loan Commitment Termination Date; provided that until the delivery of the first Margin Determination Certificate after the sixth month anniversary of the Closing Date the applicable commitment fee percentage shall be 0.50% per annum. Upon delivery of the Margin Determination Certificate by Company to Administrative Agent pursuant to subsection 6.1(iv), the applicable commitment fee percentage shall automatically be adjusted in accordance with such Margin Determination Certificate, such adjustment to become effective on the next succeeding Business Day following the receipt by Administrative Agent of such Margin Determination Certificate; provided that in the event that Company fails to deliver a Margin

Determination Certificate timely in accordance with the provisions of subsection 6.1(iv), from the time such a Margin Determination Certificate is actually delivered, the applicable commitment fee percentage shall be the maximum percentage amount set forth above per annum.

B. OTHER FEES. Company agrees to pay to Arranger and Administrative Agent such other fees in the amounts and at the times separately agreed upon between Company and Administrative Agent and Arranger.

2.4 REPAYMENTS, PREPAYMENTS AND REDUCTIONS IN COMMITMENTS; GENERAL PROVISIONS REGARDING PAYMENTS.

A. SCHEDULED PAYMENTS OF TERM LOANS. Company shall make principal payments on the Term Loans in installments on the dates and in the amounts set forth below:

Date	Scheduled Repayment
March 31, 2000	$3,125,000
June 30, 2000	$3,125,000
September 30, 2000	$3,125,000
December 31, 2000	$3,125,000
March 31, 2001	$4,375,000
June 30, 2001	$4,375,000
September 30, 2001	$4,375,000
December 31, 2001	$4,375,000
March 31, 2002	$5,000,000
June 30, 2002	$5,000,000
September 30, 2002	$5,000,000
December 31, 2002	$5,000,000
March 31, 2003	$5,000,000
June 30, 2003	$5,000,000
September 30, 2003	$5,000,000
December 31, 2003	$5,000,000
March 31, 2004	$5,000,000
June 30, 2004	$5,000,000
September 30, 2004	$5,000,000
December 31, 2004	$5,000,000
March 31, 2005	$8,333,333
June 30, 2005	$8,333,333
September 30, 2005	$8,333,334

; provided that the scheduled installments of principal of the Term Loans set forth above shall be reduced in connection with any voluntary or mandatory prepayments of the Term

Loans in accordance with subsection 2.4B(iv); and provided, further that the Term Loans and all other amounts owed hereunder with respect to the Term Loans shall be paid in full no later than September 30, 2005, and the final installment payable by Company in respect of the Term Loans on such date shall be in an amount, if such amount is different from that specified above, sufficient to repay all amounts owing by Company under this Agreement with respect to the Term Loans.

B. PREPAYMENTS AND REDUCTIONS IN REVOLVING LOAN COMMITMENTS.

(i) Voluntary Prepayments.

(a) Company may, upon written or telephonic notice to Administrative Agent on or prior to 12:00 Noon (New York City time) on the date of prepayment, which notice, if telephonic, shall be promptly confirmed in writing, at any time and from time to time prepay any Swing Line Loan on any Business Day in whole or in part in an aggregate minimum amount of $250,000 and integral multiples of $100,000 in excess of that amount. Company may, upon not less than one Business Day's prior written or telephonic notice, in the case of Base Rate Loans, and three Business Days' prior written or telephonic notice, in the case of Eurodollar Rate Loans, in each case given to Administrative Agent by 12:00 Noon (New York City time) on the date required and, if given by telephone, promptly confirmed in writing to Administrative Agent (which original written or telephonic notice Administrative Agent will promptly transmit by telefacsimile or telephone to each Lender), at any time and from time to time prepay any Term Loans or Revolving Loans on any Business Day in whole or in part in an aggregate minimum amount for Base Rate Loans of $500,000 and integral multiples of $250,000 in excess of that amount and for Eurodollar Rate Loans of $1,000,000 and integral multiples of $500,000 in excess of that amount; provided, however, that a Eurodollar Rate Loan may only be prepaid on the expiration of the Interest Period applicable thereto unless Company shall pay to Lenders all amounts payable under subsection 2.6D with respect to such prepayment. Notice of prepayment having been given as aforesaid, the principal amount of the Loans specified in such notice shall become due and payable on the prepayment date specified therein. Any such voluntary prepayment shall be applied as specified in subsection 2.4B(iv).

(b) In the event Company is entitled to replace a non-consenting Lender pursuant to subsection 10.6B, Company shall have the right, upon five Business Days' written notice to Administrative Agent (which notice Administrative Agent shall promptly transmit to each of the Lenders), to prepay all Loans, together with accrued and unpaid interest, fees and other amounts owing to such Lender (including without limitation amounts owing to such Lender pursuant to subsection 2.6D) in accordance with subsection 10.6B so long as (1) in the case of the prepayment of the Revolving Loans of any Lender pursuant to this subsection 2.4B(i)(b), the Revolving Loan Commitment of such Lender is terminated concurrently with such prepayment pursuant to subsection 2.4B(ii)(b) (at which time Schedule 2.1 shall be deemed modified to reflect the

changed Revolving Loan Commitments), and (2) in the case of the prepayment of the Loans of any Lender, the consents required by subsection 10.6B in connection with the prepayment pursuant to this subsection 2.4B(i)(b) shall have been obtained, and at such time, such Lender shall no longer constitute a "Lender" for purposes of this Agreement, except with respect to indemnifications under this Agreement (including, without limitation, subsections 2.6D, 2.7, 3.6, 10.2 and 10.3), which shall survive as to such Lender.

(ii) Voluntary Reductions of Revolving Loan Commitments.

(a) Company may, upon not less than three Business Days' prior written or telephonic notice confirmed in writing to Administrative Agent (which original written or telephonic notice Administrative Agent will promptly transmit by telefacsimile or telephone to each Lender), at any time and from time to time terminate in whole or permanently reduce in part, without premium or penalty, the Revolving Loan Commitments in an amount up to the amount by which the Revolving Loan Commitments exceed the Total Utilization of Revolving Loan Commitments at the time of such proposed termination or reduction; provided that any such partial reduction of the Revolving Loan Commitments shall be in an aggregate minimum amount of $1,000,000 and integral multiples of $500,000 in excess of that amount. Company's notice to Administrative Agent shall designate the date (which shall be a Business Day) of such termination or reduction and the amount of any partial reduction, and such termination or reduction of the Revolving Loan Commitments shall be effective on the date specified in Company's notice and shall reduce the Revolving Loan Commitment of each Lender proportionately to its Pro Rata Share.

(b) In the event Company is entitled to replace a non-consenting Lender pursuant to subsection 10.6B, Company shall have the right, upon five Business Days' written notice to Administrative Agent (which notice Administrative Agent shall promptly transmit to each of the Lenders), to terminate the entire Revolving Loan Commitment of such Lender so long as (1) all Loans, together with accrued and unpaid interest, fees and other amounts owing to such Lender are repaid, including without limitation amounts owing to such Lender pursuant to subsection 2.6D, pursuant to subsection 2.4B(i)(b) concurrently with the effectiveness of such termination (at which time Schedule 2.1 shall be deemed modified to reflect such changed Revolving Loan Commitments), and (2) the consents required by subsection 10.6B in connection with the prepayment pursuant to subsection 2.4B(i)(b) shall have been obtained, and at such time, such Lender shall no longer constitute a "Lender" for purposes of this Agreement, except with respect to indemnifications under this Agreement (including, without limitation, subsections 2.6D, 2.7, 3.6, 10.2 and 10.3), which shall survive as to such Lender.

(iii) Mandatory Prepayments and Mandatory Reductions of Revolving Loan Commitments. The Loans shall be prepaid and/or the Revolving Loan Commitments shall be permanently reduced in the amounts and under the circumstances set forth below,

all such prepayments and/or reductions to be applied as set forth below or as more specifically provided in subsection 2.4B(iv):

(a) Prepayments and Reductions From Net Asset Sale Proceeds. No later than the first Business Day following the date of receipt by Company or any of its Subsidiaries of any Net Asset Sale Proceeds in respect of any Asset Sale, Company shall prepay the Loans and/or the Revolving Loan Commitments shall be permanently reduced in an aggregate amount equal to such Net Asset Sale Proceeds; provided that Company may in its sole discretion elect, pursuant to a written notice given by Company to Administrative Agent describing such election, to postpone any mandatory prepayments otherwise required to be made by Company pursuant to this subsection 2.4B(iii)(a) (any such prepayment, until the time actually made, being "POSTPONED PREPAYMENTS") until such time as the aggregate amount of Postponed Prepayments equal $1,000,000.

(b) Prepayments and Reductions from Net Insurance/ Condemnation Proceeds. No later than the first Business Day following the date of receipt by Administrative Agent or by Company or any of its Subsidiaries of any Net Insurance/Condemnation Proceeds that are required to be applied to prepay the Loans and/or reduce the Revolving Loan Commitments pursuant to the provisions of subsection 6.4B, Company shall prepay the Loans and/or the Revolving Loan Commitments shall be permanently reduced in an aggregate amount equal to the amount of such Net Insurance/Condemnation Proceeds; provided, however, that no such prepayment shall be required to the extent (i) under the terms of any lease or other agreement existing on the date hereof such Net Insurance/Condemnation Proceeds are required to be used to replace, rebuild or repair the asset so damaged, destroyed or taken or (ii) Company or the applicable Subsidiary determines to utilize such Net Insurance/Condemnation Proceeds to replace, rebuild or repair the asset damaged, destroyed or taken, and in each case referred to in clauses (i) and (ii) above, Company or such Subsidiary so utilizes Net Insurance/Condemnation Proceeds within 180 days of the receipt thereof.

(c) Prepayments and Reductions Due to Issuance of Equity Securities. No later than the first Business Day following the date of receipt by Company of the Cash proceeds (any such proceeds, net of underwriting discounts and commissions and other reasonable costs and expenses associated therewith, including reasonable legal fees and expenses, being "NET EQUITY SECURITIES PROCEEDS") from the issuance of any equity Securities of Company (or any holding company parent of Company) after the Closing Date (other than proceeds from equity interests in Company (or holding company parent of Company) issued to officers and employees of Company and its Subsidiaries pursuant to option plans or similar plans or agreements adopted by Company's (or any holding company parent of Company) Board of Directors, as the case may be), Company shall prepay the Loans and/or the Revolving Loan Commitments shall be permanently reduced in an aggregate amount equal to 100% of the first $15,000,000 of such Net Equity Securities Proceeds and 50% of such Net Equity Securities Proceeds thereafter; provided that, (i) if the most current Margin

Determination Certificate indicates that the Consolidated Leverage Ratio is less than 2.00:1.00 then such percentage shall be reduced to 0% and (ii) Net Equity Securities Proceeds used to make Permitted Acquisitions shall be excluded from the provisions of this subsection 2.4B(iii)(c).

(d) Prepayments and Reductions Due to Issuance of Debt Securities. No later than the first Business Day following the date of receipt by Company of the Cash proceeds (any such proceeds, net of underwriting discounts and commissions and other reasonable costs and expenses associated therewith, including reasonable legal fees and expenses, being "NET DEBT SECURITIES PROCEEDS") from the issuance of debt Securities of Company after the Closing Date, Company shall prepay the Loans and/or the Revolving Loan Commitments shall be permanently reduced in an aggregate amount equal to 100% of such Net Debt Securities Proceeds; provided that Net Debt Securities Proceeds received from the issuance of Indebtedness permitted by subsection 7.1 shall be excluded from the provisions of this subsection 2.4B(iii)(d).

(e) Prepayments and Reductions from Consolidated Excess Cash Flow. In the event that there shall be Consolidated Excess Cash Flow for any Fiscal Year (commencing with Fiscal Year 2000), Company shall, no later than 90 days after the end of such Fiscal Year, prepay the Loans and/or the Revolving Loan Commitments shall be permanently reduced in an aggregate amount equal to 75% of such Consolidated Excess Cash Flow; provided that, if the Margin Determination Certificate for the last day of the Fiscal Year immediately preceding the Fiscal Year in which such determination is being made establishes that the Consolidated Leverage Ratio is less than 2.00:1.00 then such percentage shall be reduced to 0%.

(f) Calculations of Net Proceeds Amounts; Additional Prepayments and Reductions Based on Subsequent Calculations. Concurrently with any prepayment of the Loans and/or reduction of the Revolving Loan Commitments pursuant to subsections 2.4B(iii)(a)-(e), Company shall deliver to Administrative Agent an Officers' Certificate demonstrating the calculation of the amount (the "NET PROCEEDS AMOUNT") of the applicable Net Asset Sale Proceeds or Net Insurance/Condemnation Proceeds, Net Debt Securities Proceeds or Net Equity Securities Proceeds (as such terms are defined in subsections 2.4B(iii)(c) and (d)), or the applicable Consolidated Excess Cash Flow, as the case may be, that gave rise to such prepayment and/or reduction. In the event that Company shall subsequently determine that the actual Net Proceeds Amount was greater than the amount set forth in such Officers' Certificate, Company shall promptly make an additional prepayment of the Loans (and/or, if applicable, the Revolving Loan Commitments shall be permanently reduced) in an amount equal to the amount of such excess, and Company shall concurrently therewith deliver to Administrative Agent an Officers' Certificate demonstrating the derivation of the additional Net Proceeds Amount resulting in such excess.

(g) Prepayments Due to Reductions or Restrictions of Revolving Loan Commitments. Company shall from time to time prepay first the Swing Line Loans and second the Revolving Loans to the extent necessary (1) so that the Total Utilization of Revolving Loan Commitments shall not at any time exceed the Revolving Loan Commitments then in effect and (2) to give effect to the limitations set forth in clause (b) of the second paragraph of subsection 2.1A(ii) and clause (b) of the second paragraph of subsection 2.1A(iii).

(iv) Application of Prepayments.

(a) Application of Voluntary Prepayments by Type of Loans and Order of Maturity. Any voluntary prepayments pursuant to subsection 2.4B(i) shall be applied as specified by Company in the applicable notice of prepayment; provided that in the event Company fails to specify the Loans to which any such prepayment shall be applied, such prepayment shall be applied first to repay outstanding Swing Line Loans to the full extent thereof, second to repay outstanding Revolving Loans to the full extent thereof, and third to repay outstanding Term Loans to the full extent thereof. Any voluntary prepayments of the Term Loans pursuant to subsection 2.4B(i) shall be applied first to reduce the scheduled installments of principal of the Term Loans set forth in subsection 2.4A commencing on March 31, 2000 through and including December 31, 2000 in forward order of maturity and thereafter to reduce the remaining scheduled installments on a pro rata basis (in accordance with the respective outstanding principal amounts thereof).

(b) Application of Mandatory Prepayments by Type of Loans. Any amount (the "APPLIED AMOUNT") required to be applied as a mandatory prepayment of the Loans and/or a reduction of the Revolving Loan Commitments pursuant to subsections 2.4B(iii)(a)-(f) shall be applied first to prepay the Term Loans to the full extent thereof, second, to the extent of any remaining portion of the Applied Amount, to prepay the Swing Line Loans to the full extent thereof and to permanently reduce the Revolving Loan Commitments by the amount of such prepayment, third, to the extent of any remaining portion of the Applied Amount, to prepay the Revolving Loans to the full extent thereof and to further permanently reduce the Revolving Loan Commitments by the amount of such prepayment, and fourth, to the extent of any remaining portion of the Applied Amount, to further permanently reduce the Revolving Loan Commitments to the full extent thereof.

(c) Application of Mandatory Prepayments of Term Loans by Order of Maturity. Any mandatory prepayments of the Term Loans pursuant to subsection 2.4B(iii) shall be applied on a pro rata basis (in accordance with the respective outstanding principal amounts thereof) to each scheduled installment of principal of the Term Loans set forth in subsection 2.4A that is unpaid at the time of such prepayment.

(d) Application of Prepayments to Base Rate Loans and Eurodollar Rate Loans. Considering Term Loans and Revolving Loans being prepaid separately, any prepayment thereof shall be applied first to Base Rate Loans to the full extent thereof before application to Eurodollar Rate Loans, in each case in a manner which minimizes the amount of any payments required to be made by Company pursuant to subsection 2.6D.

C. GENERAL PROVISIONS REGARDING PAYMENTS.

(i) Manner and Time of Payment. All payments by Company of principal, interest, fees and other Obligations hereunder and under the Notes shall be made in Dollars in same day funds, without defense, setoff or counterclaim, free of any restriction or condition, and delivered to Administrative Agent not later than 12:00 Noon (New York City time) on the date due at the Funding and Payment Office for the account of Lenders; funds received by Administrative Agent after that time on such due date shall be deemed to have been paid by Company on the next succeeding Business Day. Company hereby authorizes Administrative Agent to charge its accounts with Administrative Agent in order to cause timely payment to be made to Administrative Agent of all principal, interest, fees and expenses due hereunder (subject to sufficient funds being available in its accounts for that purpose).

(ii) Application of Payments to Principal and Interest. Except as provided in subsection 2.2C, all payments in respect of the principal amount of any Loan shall include payment of accrued interest on the principal amount being repaid or prepaid, and all such payments (and, in any event, any payments in respect of any Loan on a date when interest is due and payable with respect to such Loan) shall be applied to the payment of interest before application to principal.

(iii) Apportionment of Payments. Aggregate principal and interest payments in respect of Term Loans and Revolving Loans shall be apportioned among all outstanding Loans to which such payments relate, in each case proportionately to Lenders' respective Pro Rata Shares. Administrative Agent shall promptly distribute (and in any event shall distribute one day following Administrative Agent's receipt) to each Lender, at its primary address set forth below its name on the appropriate signature page hereof or at such other address as such Lender may request, its Pro Rata Share of all such payments received by Administrative Agent and the commitment fees of such Lender when received by Administrative Agent pursuant to subsection 2.3. Notwithstanding the foregoing provisions of this subsection 2.4C(iii), if, pursuant to the provisions of subsection 2.6C, any Notice of Conversion/Continuation is withdrawn as to any Affected Lender or if any Affected Lender makes Base Rate Loans in lieu of its Pro Rata Share of any Eurodollar Rate Loans, Administrative Agent shall give effect thereto in apportioning payments received thereafter.

(iv) Payments on Non-Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be

included in the computation of the payment of interest hereunder or of the commitment fees or the letter of credit fees hereunder, as the case may be.

(v) Notation of Payment. Each Lender agrees that before disposing of any Note held by it, or any part thereof (other than by granting participations therein), that Lender will make a notation thereon of all Loans evidenced by that Note and all principal payments previously made thereon and of the date to which interest thereon has been paid; provided that the failure to make (or any error in the making of) a notation of any Loan made under such Note shall not limit or otherwise affect the obligations of Company hereunder or under such Note with respect to any Loan or any payments of principal or interest on such Note.

D. APPLICATION OF PROCEEDS OF COLLATERAL AND PAYMENTS UNDER GUARANTIES.

(i) Application of Proceeds of Collateral. Except as provided in subsection 2.4B(iii)(a) with respect to prepayments from Net Asset Sale Proceeds, all proceeds received by Administrative Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral under any Collateral Document may, in the discretion of Administrative Agent, be held by Administrative Agent as Collateral for, and/or (then or at any time thereafter) applied in full or in part by Administrative Agent against, the applicable Secured Obligations (as defined in such Collateral Document) in the following order of priority:

(a) To the payment of all costs and expenses of such sale, collection or other realization, including reasonable compensation to Administrative Agent and its agents and counsel, and all other expenses, liabilities and advances made or incurred by Administrative Agent in connection therewith, and all amounts for which Administrative Agent is entitled to indemnification under such Collateral Document and all advances made by Administrative Agent thereunder for the account of the applicable Loan Party, and to the payment of all costs and expenses paid or incurred by Administrative Agent in connection with the exercise of any right or remedy under such Collateral Document, all in accordance with the terms of this Agreement and such Collateral Document;

(b) thereafter, to the extent of any excess such proceeds, to the payment of all other such Secured Obligations for the ratable benefit of the holders thereof; and

(c) thereafter, to the extent of any excess such proceeds, to the payment to or upon the order of such Loan Party or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

(ii) Application of Payments Under Guaranties. All payments received by Administrative Agent under any of the Guaranties shall be applied promptly from time to time by Administrative Agent in the following order of priority:

(a) To the payment of the costs and expenses of any collection or other realization under such Guaranty, including reasonable compensation to

Administrative Agent and its agents and counsel, and all expenses, liabilities and advances made or incurred by Administrative Agent in connection therewith, all in accordance with the terms of this Agreement and such Guaranty;

(b) thereafter, to the extent of any excess such payments, to the payment of all other Guarantied Obligations (as defined in such Guaranty) for the ratable benefit of the holders thereof; and

(c) thereafter, to the extent of any excess such payments, to the payment to the applicable Subsidiary Guarantor or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

2.5 USE OF PROCEEDS.

A. TERM LOANS. The proceeds of the Term Loans, together with the proceeds of an aggregate of not less than $155,000,000 of Cash of the New Investor Group and the Cash proceeds of $36,126,000 of cash on hand at the Company and of the repayment of certain notes receivable to the Company in an aggregate amount of up to $18,038,000, shall be applied (i) to the purchase of the Company's and the Related Entities' outstanding shares of capital stock and options for a maximum aggregate consideration of approximately $301,302,885 (including the funding of a cash escrow in accordance with the terms of the Recapitalization Agreement), (ii) to refinance the existing Indebtedness of Company in an aggregate amount of approximately $4,723,000, (iii) to pay Transaction Costs in an aggregate amount of approximately $4,800,000, (iv) to make certain tax distributions to Company's shareholders in an aggregate amount of approximately $11,782,000 and (v) to make a payment with respect to closing bonuses to members of Company's management of approximately $2,542,000.

B. REVOLVING LOANS; SWING LINE LOANS. In addition to the purpose specified in subsection 2.5A, the proceeds of the Revolving Loans and any Swing Line Loans shall be applied by Company for working capital requirements and general corporate purposes of the Company and its Subsidiaries.

C. MARGIN REGULATIONS. No portion of the proceeds of any borrowing under this Agreement shall be used by Company or any of its Subsidiaries in any manner that might cause the borrowing or the application of such proceeds to violate Regulation U, Regulation T or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of such Board or to violate the Exchange Act, in each case as in effect on the date or dates of such borrowing and such use of proceeds.

2.6 SPECIAL PROVISIONS GOVERNING EURODOLLAR RATE LOANS.

Notwithstanding any other provision of this Agreement to the contrary, the following provisions shall govern with respect to Eurodollar Rate Loans as to the matters covered:

A. DETERMINATION OF APPLICABLE INTEREST RATE. As soon as practicable after 10:00 A.M. (New York City time) on each Interest Rate Determination Date, Administrative Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate that shall apply to the Eurodollar Rate Loans for which

an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to Company and each Lender.

B. INABILITY TO DETERMINE APPLICABLE INTEREST RATE. In the event that Administrative Agent shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination Date with respect to any Eurodollar Rate Loans, that by reason of circumstances affecting the Eurodollar market adequate and fair means do not exist for ascertaining the interest rate applicable to such Loans on the basis provided for in the definition of Adjusted Eurodollar Rate, Administrative Agent shall on such date give notice (by telefacsimile or by telephone confirmed in writing) to Company and each Lender of such determination, whereupon (i) no Loans may be made as, or converted to, Eurodollar Rate Loans until such time as Administrative Agent notifies Company and Lenders that the circumstances giving rise to such notice no longer exist and (ii) any Notice of Borrowing or Notice of Conversion/Continuation given by Company with respect to the Loans in respect of which such determination was made shall be deemed to be rescinded by Company.

C. ILLEGALITY OR IMPRACTICABILITY OF EURODOLLAR RATE LOANS. In the event that on any date any Lender shall have determined (which determination shall be final and conclusive and binding upon all parties hereto but shall be made only after consultation with Company and Administrative Agent) that the making, maintaining or continuation of its Eurodollar Rate Loans (i) has become unlawful as a result of compliance by such Lender in good faith with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful) or (ii) has become impracticable, or would cause such Lender material hardship, as a result of contingencies occurring after the date of this Agreement which materially and adversely affect the Eurodollar market or the position of such Lender in that market, then, and in any such event, such Lender shall be an "Affected Lender" and it shall on that day give notice (by telefacsimile or by telephone confirmed in writing) to Company and Administrative Agent of such determination (which notice Administrative Agent shall promptly transmit to each other Lender). Thereafter (a) the obligation of the Affected Lender to make Loans as, or to convert Loans to, Eurodollar Rate Loans shall be suspended until such notice shall be withdrawn by the Affected Lender, (b) to the extent such determination by the Affected Lender relates to a Eurodollar Rate Loan then being requested by Company pursuant to a Notice of Borrowing or a Notice of Conversion/Continuation, the Affected Lender shall make such Loan as (or convert such Loan to, as the case may be) a Base Rate Loan, (c) the Affected Lender's obligation to maintain its outstanding Eurodollar Rate Loans (the "AFFECTED LOANS") shall be terminated at the earlier to occur of the expiration of the Interest Period then in effect with respect to the Affected Loans or when required by law, and (d) the Affected Loans shall automatically convert into Base Rate Loans on the date of such termination. Notwithstanding the foregoing, to the extent a determination by an Affected Lender as described above relates to a Eurodollar Rate Loan then being requested by Company pursuant to a Notice of Borrowing or a Notice of Conversion/Continuation, Company shall have the option, subject to the provisions of subsection 2.6D, to rescind such Notice of Borrowing or Notice of Conversion/Continuation as to all Lenders by giving notice (by telefacsimile or by telephone confirmed in writing) to Administrative Agent of such rescission on the date on which the Affected Lender gives notice of its determination as described above (which notice of rescission

Administrative Agent shall promptly transmit to each other Lender). Except as provided in the immediately preceding sentence, nothing in this subsection 2.6C shall affect the obligation of any Lender other than an Affected Lender to make or maintain Loans as, or to convert Loans to, Eurodollar Rate Loans in accordance with the terms of this Agreement.

D. COMPENSATION FOR BREAKAGE OR NON-COMMENCEMENT OF INTEREST PERIODS. Company shall compensate each Lender, upon written request by that Lender (which request shall set forth in reasonable detail the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including any interest paid by that Lender to lenders of funds borrowed by it to make or carry its Eurodollar Rate Loans and any loss, expense or liability sustained by that Lender in connection with the liquidation or re-employment of such funds) which that Lender may sustain: (i) if for any reason (other than a default by that Lender) a borrowing of any Eurodollar Rate Loan does not occur on a date specified therefor in a Notice of Borrowing or a telephonic request for borrowing, or a conversion to or continuation of any Eurodollar Rate Loan does not occur on a date specified therefor in a Notice of Conversion/Continuation or a telephonic request for conversion or continuation, (ii) if any prepayment (including any prepayment pursuant to subsection 2.4B(i)) or other principal payment or any conversion of any of its Eurodollar Rate Loans occurs on a date prior to the last day of an Interest Period applicable to that Loan, (iii) if any prepayment of any of its Eurodollar Rate Loans is not made on any date specified in a notice of prepayment given by Company, or (iv) as a consequence of any other default by Company in the repayment of its Eurodollar Rate Loans when required by the terms of this Agreement.

E. BOOKING OF EURODOLLAR RATE LOANS. Any Lender may make, carry or transfer Eurodollar Rate Loans at, to, or for the account of any of its branch offices or the office of an Affiliate of that Lender.

F. ASSUMPTIONS CONCERNING FUNDING OF EURODOLLAR RATE LOANS. Calculation of all amounts payable to a Lender under this subsection 2.6 and under subsection 2.7A shall be made as though that Lender had actually funded each of its relevant Eurodollar Rate Loans through the purchase of a Eurodollar deposit bearing interest at the rate obtained pursuant to clause (i) of the definition of Adjusted Eurodollar Rate in an amount equal to the amount of such Eurodollar Rate Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar deposit from an offshore office of that Lender to a domestic office of that Lender in the United States of America; provided, however, that each Lender may fund each of its Eurodollar Rate Loans in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this subsection 2.6 and under subsection 2.7A.

G. EURODOLLAR RATE LOANS AFTER DEFAULT. After the occurrence of and during the continuation of a Potential Event of Default or an Event of Default, (i) Company may not elect to have a Loan be made or maintained as, or converted to, a Eurodollar Rate Loan after the expiration of any Interest Period then in effect for that Loan and (ii) subject to the provisions of subsection 2.6D, any Notice of Borrowing or Notice of Conversion/Continuation given by Company with respect to a requested borrowing or conversion/continuation that has not yet occurred shall be deemed to be rescinded by Company.

2.7 INCREASED COSTS; TAXES; CAPITAL ADEQUACY.

A. COMPENSATION FOR INCREASED COSTS AND TAXES. Subject to the provisions of subsection 2.7B (which shall be controlling with respect to the matters covered thereby), in the event that any Lender shall determine (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto) that any law, treaty or governmental rule, regulation or order, or any change therein or in the interpretation, administration or application thereof (including the introduction of any new law, treaty or governmental rule, regulation or order), or any determination of a court or governmental authority, in each case that becomes effective after the date hereof, or compliance by such Lender with any guideline, request or directive issued or made after the date hereof by any central bank or other governmental or quasi-governmental authority (whether or not having the force of law):

(i) subjects such Lender (or its applicable lending office) to any additional Tax (other than any Tax on the overall net income of such Lender) with respect to this Agreement or any of its obligations hereunder or any payments to such Lender (or its applicable lending office) of principal, interest, fees or any other amount payable hereunder;

(ii) imposes, modifies or holds applicable any reserve (including any marginal, emergency, supplemental, special or other reserve), special deposit, compulsory loan, FDIC insurance or similar requirement against assets held by, or deposits or other liabilities in or for the account of, or advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender (other than any such reserve or other requirements with respect to Eurodollar Rate Loans that are reflected in the definition of Adjusted Eurodollar Rate); or

(iii) imposes any other condition (other than with respect to a Tax matter) on or affecting such Lender (or its applicable lending office) or its obligations hereunder or the Eurodollar market;

and the result of any of the foregoing is to increase the cost to such Lender of agreeing to make, making or maintaining Loans hereunder or to reduce any amount received or receivable by such Lender (or its applicable lending office) with respect thereto in an amount deemed by such Lender (in its sole discretion) to be material; then, in any such case, Company shall promptly pay to such Lender, upon receipt of the statement referred to in the next sentence, such additional amount or amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as may be necessary to compensate such Lender for any such increased cost or reduction in amounts received or receivable hereunder. Such Lender shall deliver to Company (with a copy to Administrative Agent) a written statement, setting forth in reasonable detail the basis for calculating the additional amounts owed to such Lender under this subsection 2.7A, which statement shall be conclusive and binding upon all parties hereto absent manifest error.

B. WITHHOLDING OF TAXES.

(i) Payments to Be Free and Clear. All sums payable by Company under this Agreement and the other Loan Documents shall (except to the extent required by law) be paid free and clear of, and without any deduction or withholding on account of, any Tax (other than a Tax on the overall net income of any Lender) imposed, levied, collected, withheld or assessed by or within the United States of America or any political subdivision in or of the United States of America or any other jurisdiction from or to which a payment is made by or on behalf of Company.

(ii) Grossing-up of Payments. If Company or any other Person is required by law to make any deduction or withholding on account of any such Tax from any sum paid or payable by Company to Administrative Agent or any Lender under any of the Loan Documents:

(a) Company shall notify Administrative Agent of any such requirement or any change in any such requirement as soon as Company becomes aware of it;

(b) Company shall pay any such Tax before the date on which penalties attach thereto, such payment to be made (if the liability to pay is imposed on Company) for its own account or (if that liability is imposed on Administrative Agent or such Lender, as the case may be) on behalf of and in the name of Administrative Agent or such Lender;

(c) the sum payable by Company in respect of which the relevant deduction, withholding or payment is required shall be increased to the extent necessary to ensure that, after the making of that deduction, withholding or payment, Administrative Agent or such Lender, as the case may be, receives on the due date a net sum equal to what it would have received had no such deduction, withholding or payment been required or made; and

(d) within 30 days after paying any sum from which it is required by law to make any deduction or withholding, and within 30 days after the due date of payment of any Tax which it is required by clause (b) above to pay, Company shall deliver to Administrative Agent evidence satisfactory to the Administrative Agent of such deduction, withholding or payment and of the remittance thereof to the relevant taxing or other authority;

provided that no such additional amount shall be required to be paid to any Lender under clause (c) above except to the extent that any change after the date hereof (in the case of each Lender listed on the signature pages hereof) or after the date of the Assignment Agreement pursuant to which such Lender became a Lender (in the case of each other Lender) in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof imposing any such requirement for a deduction, withholding or payment as is mentioned therein shall result in an increase in the applicable rate (including an increase from a zero rate to a positive

rate) of such deduction, withholding or payment from that in effect at the date of this Agreement or at the date of such Assignment Agreement, as the case may be, in respect of payments to such Lender.

(iii) Evidence of Exemption from U.S. Withholding Tax.

(a) Each Lender that is organized under the laws of any jurisdiction other than the United States or any state or other political subdivision thereof (for purposes of this subsection 2.7B(iii), a "NON-US LENDER") shall deliver to Administrative Agent for transmission to Company, on or prior to the Closing Date (in the case of each Lender listed on the signature pages hereof) or on or prior to the date of the Assignment Agreement pursuant to which it becomes a Lender (in the case of each other Lender), and at such other times as may be necessary in the determination of Company or Administrative Agent (each in the reasonable exercise of its discretion), (1) two original copies of Internal Revenue Service Form 1001 or 4224 (or any successor forms), properly completed and duly executed by such Lender, together with any other certificate or statement of exemption required under the Internal Revenue Code or the regulations issued thereunder to establish that such Lender is not subject to deduction or withholding of United States federal income tax with respect to any payments to such Lender of principal, interest, fees or other amounts payable under any of the Loan Documents or (2) if such Lender is not a "bank" or other Person described in Section 881(c)(3) of the Internal Revenue Code and cannot deliver either Internal Revenue Service Form 1001 or 4224 pursuant to clause (1) above, a Certificate re Non-Bank Status together with two original copies of Internal Revenue Service Form W-8 (or any successor form), properly completed and duly executed by such Lender, together with any other certificate or statement of exemption required under the Internal Revenue Code or the regulations issued thereunder to establish that such Lender is not subject to deduction or withholding of United States federal income tax with respect to any payments to such Lender of interest payable under any of the Loan Documents.

(b) Each Lender required to deliver any forms, certificates or other evidence with respect to United States federal income tax withholding matters pursuant to subsection 2.7B(iii)(a) hereby agrees, from time to time after the initial delivery by such Lender of such forms, certificates or other evidence, whenever a lapse in time or change in circumstances renders such forms, certificates or other evidence obsolete or inaccurate in any material respect, that such Lender shall promptly (1) deliver to Administrative Agent for transmission to Company two new original copies of Internal Revenue Service Form 1001 or 4224, or a Certificate re Non-Bank Status and two original copies of Internal Revenue Service Form W-8, as the case may be, properly completed and duly executed by such Lender, together with any other certificate or statement of exemption required in order to confirm or establish that such Lender is not subject to deduction or withholding of United States federal income tax with respect to payments to such Lender under the Loan Documents or (2) notify Administrative

Agent and Company of its inability to deliver any such forms, certificates or other evidence.

(c) Company shall not be required to pay any additional amount to any Non-US Lender under clause (c) of subsection 2.7B(ii) if such Lender shall have failed to satisfy the requirements of clause (a) or (b)(1) of this subsection 2.7B(iii); provided that if such Lender shall have satisfied the requirements of subsection 2.7B(iii)(a) on the Closing Date (in the case of each Lender listed on the signature pages hereof) or on the date of the Assignment Agreement pursuant to which it became a Lender (in the case of each other Lender), nothing in this subsection 2.7B(iii)(c) shall relieve Company of its obligation to pay any additional amounts pursuant to clause (c) of subsection 2.7B(ii) in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender is not subject to withholding as described in subsection 2.7B(iii)(a).

(iv) If Administrative Agent or any Lender shall become aware that it is entitled to receive a refund in respect of Taxes as to which Company has paid additional or increased amounts pursuant to this Section 2.7, it shall promptly notify Company of the availability of such refund and shall apply for such refund. If Administrative Agent or any Lender receives a refund in respect of Taxes as to which Company has paid additional or increased amounts pursuant to this Section 2.7, it shall promptly notify Company of such refund and repay such refund to Company.

C. CAPITAL ADEQUACY ADJUSTMENT. If any Lender shall have determined that the adoption, effectiveness, phase-in or applicability after the date hereof of any law, rule or regulation (or any provision thereof) regarding capital adequacy, or any change therein or in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its applicable lending office) with any guideline, request or directive regarding capital adequacy (whether or not having the force of law) of any such governmental authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of, or with reference to, such Lender's Loans or Commitments or Letters of Credit or participations therein or other obligations hereunder with respect to the Loans or the Letters of Credit to a level below that which such Lender or such controlling corporation could have achieved but for such adoption, effectiveness, phase-in, applicability, change or compliance (taking into consideration the policies of such Lender or such controlling corporation with regard to capital adequacy) and in an amount deemed by such Lender (in its sole discretion) to be material, then from time to time, within five Business Days after receipt by Company from such Lender of the statement referred to in the next sentence, Company shall pay to such Lender such additional amount or amounts as will compensate such Lender or such controlling corporation on an after-tax basis for such reduction. Such Lender shall deliver to Company (with a copy to Administrative Agent) a written statement, setting forth in reasonable detail the basis of the calculation of such additional

amounts, which statement shall be conclusive and binding upon all parties hereto absent manifest error.

2.8 OBLIGATION OF LENDERS AND ISSUING LENDERS TO MITIGATE; REPLACEMENT OF LENDER.

A. MITIGATION. Each Lender and Issuing Lender agrees that, as promptly as practicable after the officer of such Lender or Issuing Lender responsible for administering the Loans or Letters of Credit of such Lender or Issuing Lender, as the case may be, becomes aware of the occurrence of an event or the existence of a condition that would cause such Lender to become an Affected Lender or that would entitle such Lender or Issuing Lender to receive payments under subsection 2.7 or subsection 3.6, it will, to the extent not inconsistent with the internal policies of such Lender or Issuing Lender and any applicable legal or regulatory restrictions, use reasonable efforts (i) to make, issue, fund or maintain the Commitments of such Lender or the affected Loans or Letters of Credit of such Lender or Issuing Lender through another lending or letter of credit office of such Lender or Issuing Lender, or (ii) take such other measures as such Lender or Issuing Lender may deem reasonable, if as a result thereof the circumstances which would cause such Lender to be an Affected Lender would cease to exist or the additional amounts which would otherwise be required to be paid to such Lender or Issuing Lender pursuant to subsection 2.7 or subsection 3.6 would be materially reduced and if, as determined by such Lender or Issuing Lender in its sole discretion, the making, issuing, funding or maintaining of such Commitments or Loans or Letters of Credit through such other lending or letter of credit office or in accordance with such other measures, as the case may be, would not otherwise materially adversely affect such Commitments or Loans or Letters of Credit or the interests of such Lender or Issuing Lender; provided that such Lender or Issuing Lender will not be obligated to utilize such other lending or letter of credit office pursuant to this subsection 2.8 unless Company agrees to pay all incremental expenses incurred by such Lender or Issuing Lender as a result of utilizing such other lending or letter of credit office as described in clause (i) above. A certificate as to the amount of any such expenses payable by Company pursuant to this subsection 2.8 (setting forth in reasonable detail the basis for requesting such amount) submitted by such Lender or Issuing Lender to Company (with a copy to Administrative Agent) shall be conclusive absent manifest error.

B. REPLACEMENT OF LENDER. If Company receives a notice pursuant to subsection 2.7A, 2.7C or 3.6, is required to pay any additional amounts pursuant to subsection 2.7B or in the event a Lender has not consented to a proposed change, waiver, discharge or termination with respect to this Agreement which has been approved by the Requisite Lenders as provided in subsection 10.6, Company shall have the right, if no Potential Event of Default or Event of Default then exists, to replace such Lender (a "REPLACED LENDER") with one or more Eligible Assignees (collectively, the "REPLACEMENT LENDER") acceptable to Administrative Agent; provided that (i) at the time of any replacement pursuant to this subsection 2.8, the Replacement Lender shall enter into one or more Assignment Agreements pursuant to subsection 10.1B (and with all fees payable pursuant to such subsection 10.1B to be paid by the Replacement Lender) pursuant to which the Replacement Lender shall acquire all of the outstanding Loans and Commitments of, and in each case participations in Letters of Credit and Swing Line Loans by, the Replaced Lender and, in connection therewith, shall pay to (x) the Replaced Lender in respect thereof an amount equal to the sum of (A) an amount equal to the principal of, and all accrued interest on, all outstanding Loans of the Replaced Lender, (B) an amount equal to all

unpaid drawings with respect to Letters of Credit that have been funded by (and not reimbursed to) such Replaced Lender, together with all then unpaid interest with respect thereto at such time and (C) an amount equal to all accrued, but theretofore unpaid, fees owing to the Replaced Lender with respect thereto, (y) the appropriate Issuing Lender an amount equal to such Replaced Lender's Pro Rata Share of any unpaid drawings with respect to Letters of Credit (which at such time remains an unpaid drawing) issued by it to the extent such amount was not theretofore funded by such Replaced Lender, and (z) Swing Line Lender an amount equal to such Replaced Lender's Pro Rata Share of any Refunded Swing Line Loans to the extent such amount was not theretofore funded by such Replaced Lender, and (ii) all obligations (including without limitation all such amounts, if any, owing under subsection 2.6D) of Company owing to the Replaced Lender (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid), shall be paid in full to such Replaced Lender concurrently with such replacement. Upon the execution of the respective Assignment Agreements, recordation of such assignment in the Register by Administrative Agent pursuant to subsection 2.1D, the payment of amounts referred to in clauses (i) and (ii) above and delivery to the Replacement Lender of the appropriate Note or Notes executed by Company, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder except with respect to indemnification provisions under this Agreement which by the terms of this Agreement survive the termination of this Agreement, which indemnification provisions shall survive as to such Replaced Lender. Notwithstanding anything to the contrary contained above, no Issuing Lender may be replaced hereunder at any time while it has Letters of Credit outstanding hereunder unless arrangements satisfactory to such Issuing Lender (including the furnishing of a Standby Letter of Credit in form and substance, and issued by an issuer, satisfactory to such Issuing Lender or the furnishing of cash collateral in amounts and pursuant to arrangements satisfactory to such Issuing Lender) have been made with respect to such outstanding Letters of Credit.

SECTION 3. LETTERS OF CREDIT

3.1 ISSUANCE OF LETTERS OF CREDIT AND LENDERS' PURCHASE OF PARTICIPATIONS THEREIN.

A. LETTERS OF CREDIT. In addition to Company requesting that Revolving Lenders make Revolving Loans pursuant to subsection 2.1A(ii) and that Swing Line Lender make Swing Line Loans pursuant to subsection 2.1A(iii), Company may request, in accordance with the provisions of this subsection 3.1, from time to time during the period from the Closing Date to the 30th day prior to the Revolving Loan Commitment Termination Date, that one or more Lenders issue Letters of Credit for the account of Company for the purposes specified in the definitions of Standby Letters of Credit. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Company herein set forth, any one or more Lenders may, but (except as provided in subsection 3.1B(ii)) shall not be obligated to, issue such Letters of Credit in accordance with the provisions of this subsection 3.1; provided that Company shall not request that any Lender issue (and no Lender shall issue):

(i) any Letter of Credit if, after giving effect to such issuance, the Total Utilization of Revolving Loan Commitments would exceed the Revolving Loan Commitments then in effect;

(ii) any Letter of Credit if, after giving effect to such issuance, the Letter of Credit Usage would exceed $3,000,000;

(iii) any Standby Letter of Credit having an expiration date later than the earlier of (a) ten days prior to the Revolving Loan Commitment Termination Date and (b) the date which is one year from the date of issuance of such Standby Letter of Credit; provided that the immediately preceding clause (b) shall not prevent any Issuing Lender from agreeing that a Standby Letter of Credit will automatically be extended for one or more successive periods not to exceed one year each unless such Issuing Lender elects not to extend for any such additional period; and provided, further that such Issuing Lender shall elect not to extend such Standby Letter of Credit if it has knowledge that an Event of Default has occurred and is continuing (and has not been waived in accordance with subsection 10.6) at the time such Issuing Lender must elect whether or not to allow such extension;

(iv) any Letter of Credit denominated in a currency other than Dollars; or

(v) any Letter of Credit without presentation of sight drafts.

B. MECHANICS OF ISSUANCE.

(i) Notice of Issuance. Whenever Company desires the issuance of a Letter of Credit, it shall deliver to Administrative Agent either an original or a facsimile (provided that an original be delivered to Administrative Agent the day following Administrative Agent's receipt of the facsimile) Request for Issuance of Letter of Credit in the form of Exhibit III annexed hereto no later than 12:00 Noon (New York City time) at least three Business Days, or in such shorter period as may be agreed to by the Issuing Lender in any particular instance, in advance of the proposed date of issuance. The Request for Issuance of Letter of Credit shall specify (a) the proposed date of issuance (which shall be a Business Day), (b) the face amount of the Letter of Credit, (c) the expiration date of the Letter of Credit, (d) the name and address of the beneficiary, and (e) either the verbatim text of the proposed Letter of Credit or the proposed terms and conditions thereof, including a precise description of any documents to be presented by the beneficiary which, if presented by the beneficiary prior to the expiration date of the Letter of Credit, would require the Issuing Lender to make payment under the Letter of Credit; provided that the Issuing Lender, in its reasonable discretion, may require changes in the text of the proposed Letter of Credit or any such documents.

Company shall notify the applicable Issuing Lender (and Administrative Agent, if Administrative Agent is not such Issuing Lender) prior to the issuance of any Letter of Credit in the event that any of the matters to which Company is required to certify in the applicable Request for Issuance of Letter of Credit is no longer true and correct as of the proposed date of issuance of such Letter of Credit, and upon the issuance of any Letter of Credit Company shall be deemed to have re-certified, as of the date of such issuance, as to the matters to which Company is required to certify in the applicable Request for Issuance of Letter of Credit.

(ii) Determination of Issuing Lender. Upon receipt by Administrative Agent of a Request for Issuance of Letter of Credit pursuant to subsection 3.1B(i) requesting the issuance of a Letter of Credit, in the event Administrative Agent elects to issue such Letter of Credit, Administrative Agent shall promptly so notify Company, and Administrative Agent shall be the Issuing Lender with respect thereto. In the event that Administrative Agent, in its sole discretion, elects not to issue such Letter of Credit, Administrative Agent shall promptly so notify Company, whereupon Company may request any other Lender to issue such Letter of Credit by delivering to such Lender a copy of the applicable Request for Issuance of Letter of Credit. Any Lender so requested to issue such Letter of Credit shall promptly notify Company and Administrative Agent whether or not, in its sole discretion, it has elected to issue such Letter of Credit, and any such Lender which so elects to issue such Letter of Credit shall be the Issuing Lender with respect thereto. In the event that all other Lenders shall have declined to issue such Letter of Credit, notwithstanding the prior election of Administrative Agent not to issue such Letter of Credit, Administrative Agent shall be obligated to issue such Letter of Credit and shall be the Issuing Lender with respect thereto, notwithstanding the fact that the Letter of Credit Usage with respect to such Letter of Credit and with respect to all other Letters of Credit issued by Administrative Agent, when aggregated with Administrative Agent's outstanding Revolving Loans and Swing Line Loans, may exceed Administrative Agent's Revolving Loan Commitment then in effect.

(iii) Issuance of Letter of Credit. Upon satisfaction or waiver (in accordance with subsection 10.6) of the conditions set forth in subsection 4.3, the Issuing Lender shall issue the requested Letter of Credit in accordance with the Issuing Lender's standard operating procedures.

(iv) Notification to Lenders. Upon the issuance of or amendment to any Letter of Credit the applicable Issuing Lender shall promptly notify Administrative Agent and each other Lender of such issuance or amendment. The notice to the Administrative Agent shall be accompanied by a copy of such Letter of Credit or amendment and in the event a Lender requests a copy of such issuance or amendment such copies will be provided by the Administrative Agent. The Administrative Agent shall notify each Lender of the amount of such Lender's respective participation in such Letter of Credit, determined in accordance with subsection 3.1C.

(v) Reports to Lenders. Within 15 days after the end of each calendar quarter ending after the Closing Date, so long as any Letter of Credit shall have been outstanding during such calendar quarter, each Issuing Lender shall deliver to each other Lender a report setting forth for such calendar quarter the daily aggregate amount available to be drawn under the Letters of Credit issued by such Issuing Lender that were outstanding during such calendar quarter.

C. LENDERS' PURCHASE OF PARTICIPATIONS IN LETTERS OF CREDIT. Immediately upon the issuance of each Letter of Credit, each Revolving Lender shall be deemed to, and hereby agrees to, have irrevocably purchased from the Issuing Lender a participation in such Letter of Credit and any drawings honored thereunder in an amount equal to such Revolving Lender's Pro

Rata Share of the maximum amount which is or at any time may become available to be drawn thereunder.

3.2 LETTER OF CREDIT FEES.

Company agrees to pay the following amounts with respect to Letters of Credit issued hereunder:

(i) with respect to each Standby Letter of Credit, (a) a fronting fee, payable directly to the applicable Issuing Lender for its own account, equal to 0.25% per annum of the daily amount available to be drawn under such Standby Letter of Credit; provided that in any event, the minimum fronting fee for any Standby Letter of Credit shall be $500 per year per Standby Letter of Credit and (b) a letter of credit fee, payable to Administrative Agent for the account of Lenders, equal to the Applicable Eurodollar Rate Margin set forth in subsection 2.2A hereof for Eurodollar Rate Loans multiplied by the daily amount available from time to time to be drawn under such Standby Letter of Credit, each such fronting fee or letter of credit fee to be payable in arrears on and to (but excluding) each March 15, June 15, September 15 and December 15 of each year and computed on the basis of a 360-day year for the actual number of days elapsed; and

(ii) with respect to the issuance, amendment or transfer of each Letter of Credit and each payment of a drawing made thereunder (without duplication of the fees payable under clause (i) above), documentary and processing charges payable directly to the applicable Issuing Lender for its own account in accordance with such Issuing Lender's standard schedule for such charges in effect at the time of such issuance, amendment, transfer or payment, as the case may be.

For purposes of calculating any fees payable under clause (i) of this subsection 3.2, the daily amount available to be drawn under any Letter of Credit shall be determined as of the close of business on any date of determination. Promptly upon receipt by Administrative Agent of any amount described in clause (i)(b) of this subsection 3.2, Administrative Agent shall distribute to each Revolving Lender its Pro Rata Share of such amount.

3.3 DRAWINGS AND REIMBURSEMENT OF AMOUNTS PAID UNDER LETTERS OF CREDIT.

A. RESPONSIBILITY OF ISSUING LENDER WITH RESPECT TO DRAWINGS. In determining whether to honor any drawing under any Letter of Credit by the beneficiary thereof, the Issuing Lender shall be responsible only to examine the documents delivered under such Letter of Credit with reasonable care so as to ascertain whether they appear on their face to be in accordance with the terms and conditions of such Letter of Credit.

B. REIMBURSEMENT BY COMPANY OF AMOUNTS PAID UNDER LETTERS OF CREDIT. In the event an Issuing Lender has determined to honor a drawing under a Letter of Credit issued by it, such Issuing Lender shall immediately notify Company and Administrative Agent, and Company shall reimburse such Issuing Lender on or before the Business Day immediately following the date on which such drawing is honored (the "REIMBURSEMENT DATE") in an amount in Dollars and in same day funds equal to the amount of such drawing; provided that, anything contained in this Agreement to the contrary notwithstanding, (i) unless Company shall

have notified Administrative Agent and such Issuing Lender prior to 10:00 A.M. (New York City time) on the date such drawing is that Company intends to reimburse such Issuing Lender for the amount of such drawing with funds other than the proceeds of Revolving Loans, Company shall be deemed to have given a timely Notice of Borrowing to Administrative Agent requesting Revolving Lenders to make Revolving Loans that are Base Rate Loans on the Reimbursement Date in an amount in Dollars equal to the amount of such drawing and (ii) subject to satisfaction or waiver of the conditions specified in subsection 4.2B, Lenders shall, on the Reimbursement Date, make Revolving Loans that are Base Rate Loans in the amount of such drawing, the proceeds of which shall be applied directly by Administrative Agent to reimburse such Issuing Lender for the amount of such drawing; and provided, further that if for any reason proceeds of Revolving Loans are not received by such Issuing Lender on the Reimbursement Date in an amount equal to the amount of such drawing, Company shall reimburse such Issuing Lender, on demand, in an amount in same day funds equal to the excess of the amount of such drawing over the aggregate amount of such Revolving Loans, if any, which are so received. Nothing in this subsection 3.3B shall be deemed to relieve any Revolving Lender from its obligation to make Revolving Loans on the terms and conditions set forth in this Agreement, and Company shall retain any and all rights it may have against any Revolving Lender resulting from the failure of such Revolving Lender to make such Revolving Loans under this subsection 3.3B.

C. PAYMENT BY LENDERS OF UNREIMBURSED AMOUNTS PAID UNDER LETTERS OF CREDIT.

(i) Payment by Lenders. In the event that Company shall fail for any reason to reimburse any Issuing Lender as provided in subsection 3.3B in an amount equal to the amount of any drawing honored by such Issuing Lender under a Letter of Credit issued by it, such Issuing Lender shall promptly notify each other Revolving Lender of the unreimbursed amount of such drawing and of such other Lender's respective participation therein based on such Revolving Lender's Pro Rata Share. Each Revolving Lender shall make available to such Issuing Lender an amount equal to its respective participation, in Dollars and in same day funds, at the office of such Issuing Lender specified in such notice, not later than 12:00 Noon (New York City time) on the first business day (under the laws of the jurisdiction in which such office of such Issuing Lender is located) after the date notified by such Issuing Lender. In the event that any Revolving Lender fails to make available to such Issuing Lender on such business day the amount of such Revolving Lender's participation in such Letter of Credit as provided in this subsection 3.3C, such Issuing Lender shall be entitled to recover such amount on demand from such Revolving Lender together with interest thereon at the rate customarily used by such Issuing Lender for the correction of errors among banks for three Business Days and thereafter at the Base Rate. Nothing in this subsection 3.3C shall be deemed to prejudice the right of any Revolving Lender to recover from any Issuing Lender any amounts made available by such Revolving Lender to such Issuing Lender pursuant to this subsection 3.3C in the event that it is determined by the final judgment of a court of competent jurisdiction that the payment with respect to a Letter of Credit by such Issuing Lender in respect of which payment was made by such Revolving Lender constituted gross negligence or willful misconduct on the part of such Issuing Lender.

(ii) Distribution to Lenders of Reimbursements Received From Company. In the event any Issuing Lender shall have been reimbursed by other Revolving Lenders pursuant to subsection 3.3C(i) for all or any portion of any drawing honored by such Issuing Lender under a Letter of Credit issued by it, such Issuing Lender shall distribute to each other Revolving Lender which has paid all amounts payable by it under subsection 3.3C(i) with respect to such honored drawing such other Revolving Lender's Pro Rata Share of all payments subsequently received by such Issuing Lender from Company in reimbursement of such honored drawing when such payments are received. Any such distribution shall be made to a Lender at its primary address set forth below its name on the appropriate signature page hereof or at such other address as such Revolving Lender may request.

D. INTEREST ON AMOUNTS PAID UNDER LETTERS OF CREDIT.

(i) Payment of Interest by Company. Company agrees to pay to each Issuing Lender, with respect to drawings honored under any Letters of Credit issued by it, interest on the amount paid by such Issuing Lender in respect of each such drawing from the date such drawing is honored to but excluding the date such amount is reimbursed by Company (including any such reimbursement out of the proceeds of Revolving Loans pursuant to subsection 3.3B) at a rate equal to (a) for the period from the date of such drawing to but excluding the Reimbursement Date, the rate then in effect under this Agreement with respect to Revolving Loans that are Base Rate Loans and (b) thereafter, a rate which is 2% per annum in excess of the rate of interest otherwise payable under this Agreement with respect to Revolving Loans that are Base Rate Loans. Interest payable pursuant to this subsection 3.3D(i) shall be computed on the basis of a 360-day year for the actual number of days elapsed in the period during which it accrues and shall be payable on demand or, if no demand is made, on the date on which the related drawing under a Letter of Credit is reimbursed in full.

(ii) Distribution of Interest Payments by Issuing Lender. Promptly upon receipt by any Issuing Lender of any payment of interest pursuant to subsection 3.3D(i) with respect to a drawing under a Letter of Credit issued by it, (a) such Issuing Lender shall distribute to each other Revolving Lender, out of the interest received by such Issuing Lender in respect of the period from the date of such drawing to but excluding the date on which such Issuing Lender is reimbursed for the amount of such drawing (including any such reimbursement out of the proceeds of Revolving Loans pursuant to subsection 3.3B), the amount that such other Revolving Lender would have been entitled to receive in respect of the letter of credit fee that would have been payable in respect of such Letter of Credit for such period pursuant to subsection 3.2 if no drawing had been honored under such Letter of Credit, and (b) in the event such Issuing Lender shall have been reimbursed by other Revolving Lenders pursuant to subsection 3.3C(i) for all or any portion of such drawing, such Issuing Lender shall distribute to each other Lender which has paid all amounts payable by it under subsection 3.3C(i) with respect to such drawing such other Revolving Lender's Pro Rata Share of any interest received by such Issuing Lender in respect of that portion of such drawing so reimbursed by other Revolving Lenders for the period from the date on which such Issuing Lender was so reimbursed by other Revolving Lenders to but excluding the date on which such portion of such drawing

is reimbursed by Company. Any such distribution shall be made to a Revolving Lender at its primary address set forth below its name on the appropriate signature page hereof or at such other address as such Lender may request.

3.4 OBLIGATIONS ABSOLUTE.

The obligation of Company to reimburse each Issuing Lender for drawings made under the Letters of Credit issued by it and to repay any Revolving Loans made by Revolving Lenders pursuant to subsection 3.3B and the obligations of Revolving Lenders under subsection 3.3C(i) shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances including any of the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit;

(ii) the existence of any claim, set-off, defense or other right which Company or any Revolving Lender may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), any Issuing Lender or other Revolving Lender or any other Person or, in the case of a Revolving Lender, against Company, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between Company or one of its Subsidiaries and the beneficiary for which any Letter of Credit was procured);

(iii) any draft or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) payment by the applicable Issuing Lender under any Letter of Credit against presentation of a draft or other document which does not substantially comply with the terms of such Letter of Credit;

(v) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of Company or any of its Subsidiaries;

(vi) any breach of this Agreement or any other Loan Document by any party thereto;

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing; or

(viii) the fact that an Event of Default or a Potential Event of Default shall have occurred and be continuing;

provided, in each case, that payment by the applicable Issuing Lender under the applicable Letter of Credit shall not have constituted gross negligence or willful misconduct of such Issuing Lender under the circumstances in question (as determined by a final judgment of a court of competent jurisdiction).

3.5 INDEMNIFICATION; NATURE OF ISSUING LENDERS' DUTIES.

A. INDEMNIFICATION. In addition to amounts payable as provided in subsection 3.6, Company hereby agrees to protect, indemnify, pay and save harmless each Issuing Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which such Issuing Lender may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit by such Issuing Lender, other than as a result of (a) the gross negligence or willful misconduct of such Issuing Lender as determined by a final judgment of a court of competent jurisdiction or (b) subject to the following clause (ii), the wrongful dishonor by such Issuing Lender of a proper demand for payment made under any Letter of Credit issued by it or (ii) the failure of such Issuing Lender to honor a drawing under any such Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "GOVERNMENTAL ACTS").

B. NATURE OF ISSUING LENDERS' DUTIES. As between Company and any Issuing Lender, Company assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by such Issuing Lender by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, such Issuing Lender shall not be responsible (absent a determination of a court of competent jurisdiction of gross negligence or willful misconduct by Issuing Lender) for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) failure of the beneficiary of any such Letter of Credit to comply fully with any conditions required in order to draw upon such Letter of Credit; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of such Issuing Lender, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of such Issuing Lender's rights or powers hereunder.

In furtherance and extension and not in limitation of the specific provisions set forth in the first paragraph of this subsection 3.5B, any action taken or omitted by any Issuing Lender under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put such Issuing Lender under any resulting liability to Company.

Notwithstanding anything to the contrary contained in this subsection 3.5, Company shall retain any and all rights it may have against any Issuing Lender for any liability arising solely out

of the gross negligence or willful misconduct of such Issuing Lender, as determined by a final judgment of a court of competent jurisdiction or out of a wrongful dishonor by Issuing Lender of a proper demand for payment made under any Letter of Credit.

3.6 INCREASED COSTS AND TAXES RELATING TO LETTERS OF CREDIT.

Subject to the provisions of subsection 2.7B (which shall be controlling with respect to the matters covered thereby), in the event that any Issuing Lender or Lender shall determine (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto) that any law, treaty or governmental rule, regulation or order, or any change therein or in the interpretation, administration or application thereof (including the introduction of any new law, treaty or governmental rule, regulation or order), or any determination of a court or governmental authority, in each case that becomes effective after the date hereof, or compliance by any Issuing Lender or Lender with any guideline, request or directive issued or made after the date hereof by any central bank or other governmental or quasi-governmental authority (whether or not having the force of law):

(i) subjects such Issuing Lender or Lender (or its applicable lending or letter of credit office) to any additional Tax (other than any Tax on the overall net income of such Issuing Lender or Lender) with respect to the issuing or maintaining of any Letters of Credit or the purchasing or maintaining of any participations therein or any other obligations under this Section 3, whether directly or by such being imposed on or suffered by any particular Issuing Lender;

(ii) imposes, modifies or holds applicable any reserve (including any marginal, emergency, supplemental, special or other reserve), special deposit, compulsory loan, FDIC insurance or similar requirement in respect of any Letters of Credit issued by any Issuing Lender or participations therein purchased by any Lender; or

(iii) imposes any other condition (other than with respect to a Tax matter) on or affecting such Issuing Lender or Lender (or its applicable lending or letter of credit office) regarding this Section 3 or any Letter of Credit or any participation therein;

and the result of any of the foregoing is to increase the cost to such Issuing Lender or Lender of agreeing to issue, issuing or maintaining any Letter of Credit or agreeing to purchase, purchasing or maintaining any participation therein or to reduce any amount received or receivable by such Issuing Lender or Lender (or its applicable lending or letter of credit office) with respect thereto (in an amount deemed by such Issuing Lender (in its sole discretion) to be material); then, in any case, Company shall promptly pay to such Issuing Lender or Lender, upon receipt of the statement referred to in the next sentence, such additional amount or amounts as may be necessary to compensate such Issuing Lender or Lender for any such increased cost or reduction in amounts received or receivable hereunder. Such Issuing Lender or Lender shall deliver to Company a written statement, setting forth in reasonable detail the basis for calculating the additional amounts owed to such Issuing Lender or Lender under this subsection 3.6, which statement shall be conclusive and binding upon all parties hereto absent manifest error.

SECTION 4. CONDITIONS TO LOANS AND LETTERS OF CREDIT

The obligations of Lenders to make Loans and the issuance of Letters of Credit hereunder are subject to the satisfaction of the following conditions.

4.1 CONDITIONS TO TERM LOANS AND INITIAL REVOLVING LOANS AND SWING LINE LOANS.

The obligations of Lenders to make the Term Loans and any Revolving Loans and Swing Line Loans to be made on the Closing Date are, in addition to the conditions precedent specified in subsection 4.2, subject to prior or concurrent satisfaction of the following conditions:

A. LOAN PARTY DOCUMENTS. On or before the Closing Date, Company shall, and shall cause each other Loan Party to, deliver to Lenders (or to Administrative Agent for Lenders with sufficient originally executed copies, where appropriate, for each Lender and its counsel) the following with respect to Company or such Loan Party, as the case may be, each, unless otherwise noted, dated the Closing Date:

(i) Certified copies of the Certificate or Articles of Incorporation or other organizational documents of such Person, together with a good standing certificate from the Secretary of State of its jurisdiction of incorporation and each other state in which such Person is qualified as a foreign corporation to do business and, to the extent generally available, a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of each of such jurisdictions, each dated a recent date prior to the Closing Date;

(ii) Copies of the Bylaws or other organizational documents of such Person, certified as of the Closing Date by such Person's corporate secretary or an assistant secretary;

(iii) Resolutions of the Board of Directors of such Person approving and authorizing the execution, delivery and performance of the Loan Documents and Related Agreements to which it is a party, certified as of the Closing Date by the corporate secretary or an assistant secretary of such Person as being in full force and effect without modification or amendment;

(iv) Signature and incumbency certificates of the officers of such Person executing the Loan Documents to which it is a party;

(v) Executed originals of the Loan Documents to which such Person is a party; and

(vi) Such other documents as Administrative Agent may reasonably request.

B. NO MATERIAL ADVERSE EFFECT. Since December 31, 1998, no material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of Company and its Subsidiaries, taken as a whole, and (ii) no impairment in any material respect on the ability of any Loan Party to perform, or of Administrative Agent or Lenders to enforce, the Obligations, shall have occurred in the sole opinion of Administrative Agent.

C. CORPORATE AND CAPITAL STRUCTURE, OWNERSHIP, MANAGEMENT, ETC.

(i) Corporate Structure. The corporate organizational structure of the Company and the Related Entities, both before and after giving effect to the Recapitalization, shall be as set forth on Schedule 4.1C annexed hereto.

(ii) Capital Structure and Ownership. The capital structure and ownership of the Company and the Related Entities, both before and after giving effect to the Recapitalization, shall be as set forth on Schedule 4.1C annexed hereto.

(iii) Management; Employment Contracts. The management structure of the Company and the Related Entities and the percentage ownership interests in the Company of senior management, after giving effect to the Recapitalization, shall be as set forth on Schedule 4.1C annexed hereto, and Administrative Agent shall have received executed copies of each of the Management Contracts substantially in the form attached to the Recapitalization Agreement or as otherwise satisfactory to Administrative Agent.

D. OTHER SOURCES OF FUNDS.

(i) Equity Capitalization of Company. On or before the Closing Date, the New Investor Group shall have purchased shares of capital stock of the Company and the Related Entities in an aggregate amount of not less than $155,000,000, in accordance with the terms and conditions of the Recapitalization Agreement and not less than $38,508,115 of shares of the Company's and Related Entities' capital stock shall constitute Rollover Shares retained by the existing shareholders of Company and the Related Entities.

(ii) Company Cash. On or before the Closing Date, the Company shall have (i) terminated the loan agreement entered into on or about February 15, 1999 with Duckling, LLC, (ii) been released from the Unconditional Guaranty of Company dated May 27, 1999 guaranteeing a promissory note of Duck Pond Creek, LLC payable to SouthTrust Bank, N.A. and (iii) been repaid by members of Duck Pond Creek, LLC for the loan to Duck Pond Creek, LLC.

E. SATISFACTION WITH RECAPITALIZATION; FINANCING. Administrative Agent shall have received evidence satisfactory to it that (i) the final structure of the Recapitalization and (ii) the sources and uses of proceeds to consummate the transactions contemplated by the Loan Documents and the Related Agreements are in accordance with the Recapitalization Agreement.

F. RELATED AGREEMENTS. Administrative Agent shall have received a fully executed copy or photocopy of each Related Agreement in the form attached to the Recapitalization Agreement, including any revised Disclosure Memorandum to the Recapitalization Agreement delivered in connection with the Recapitalization Agreement, and any documents executed in connection therewith, and each Related Agreement shall be in full force and effect and no provision thereof shall have been modified or waived in any respect determined by the Administrative Agent to be material, in each case without the consent of the Administrative Agent.

G. MATTERS RELATING TO EXISTING INDEBTEDNESS OF COMPANY AND ITS SUBSIDIARIES. On the Closing Date, Company shall have (a) repaid in full all Indebtedness outstanding under the Existing Credit Agreement (the aggregate principal amount of which Indebtedness shall not exceed approximately $4,723,000), (b) terminated any commitments to lend or make other extensions of credit thereunder, (c) delivered to Administrative Agent all documents or instruments necessary to release all Liens securing Indebtedness or other obligations of Company thereunder, and (d) made arrangements satisfactory to Administrative Agent with respect to the cancellation of any letters of credit outstanding thereunder or the issuance of Letters of Credit to support the obligations of Company with respect thereto. No existing Indebtedness of the Company shall remain outstanding except as permitted by subsection 7.1.

H. NECESSARY GOVERNMENTAL AUTHORIZATIONS AND CONSENTS; EXPIRATION OF WAITING PERIODS, ETC. Company shall have obtained all Governmental Authorizations and all consents of other Persons, in each case that are necessary or advisable in connection with the Recapitalization and the other transactions contemplated by the Loan Documents and the Related Agreements, and the continued operation of the business conducted by Company in substantially the same manner as conducted prior to the consummation of the Recapitalization, and each of the foregoing shall be in full force and effect, in each case other than those the failure to obtain or maintain which, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. All applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the Recapitalization or the financing thereof. No action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing shall be pending, and the time for any applicable agency to take action to set aside its consent on its own motion shall have expired.

I. CONSUMMATION OF THE RECAPITALIZATION.

(i) All conditions to the Recapitalization set forth in the Recapitalization Agreement shall have been satisfied or the fulfillment of any such conditions shall have been waived with the consent of Administrative Agent and Requisite Lenders;

(ii) the Recapitalization shall have become effective in accordance with the terms of the Recapitalization Agreement;

(iii) Transaction Costs shall not exceed $5,750,000, and Administrative Agent shall have received evidence to its satisfaction to such effect; and

(iv) Administrative Agent shall have received an Officers' Certificate of Company to the effect set forth in clauses (i)-(iii) above and stating that Company will proceed to consummate the Recapitalization immediately upon the making of the initial Loans.

J. SECURITY INTERESTS IN PERSONAL AND MIXED PROPERTY. To the extent not otherwise satisfied pursuant to subsection 4.1K, Administrative Agent shall have received evidence satisfactory to it that Company, Subsidiary Guarantors and the shareholders of the Company shall have taken or caused to be taken all such actions, executed and delivered or

caused to be executed and delivered all such agreements, documents and instruments, and made or caused to be made all such filings and recordings (other than the filing or recording of items described in clauses (iii), (iv) and (v) below) that may be necessary or, in the opinion of Administrative Agent, desirable in order to create in favor of Administrative Agent, for the benefit of Lenders, a valid and (upon such filing and recording) perfected First Priority security interest in the entire personal and mixed property Collateral. Such actions shall include the following:

(i) Schedules to Collateral Documents. Delivery to Administrative Agent of accurate and complete schedules to all of the applicable Collateral Documents.

(ii) Stock Certificates and Instruments. Delivery to Administrative Agent of (a) certificates (which certificates shall be accompanied by irrevocable undated stock powers, duly endorsed in blank and otherwise satisfactory in form and substance to Administrative Agent) representing all capital stock or other equity interests pledged pursuant to the Company Pledge Agreement and the Subsidiary Pledge Agreements and the Auxiliary Pledge Agreements and (b) all promissory notes or other instruments (duly endorsed, where appropriate, in a manner satisfactory to Administrative Agent) evidencing any Collateral;

(iii) Lien Searches and UCC Termination Statements. Delivery to Administrative Agent of (a) the results of a recent search, by a Person satisfactory to Administrative Agent, of all effective UCC financing statements and fixture filings and all judgment and tax lien filings which may have been made with respect to any personal or mixed property of any Loan Party, together with copies of all such filings disclosed by such search, and (b) UCC termination statements duly executed by all applicable Persons for filing in all applicable jurisdictions as may be necessary to terminate any effective UCC financing statements or fixture filings disclosed in such search (other than any such financing statements or fixture filings in respect of Liens permitted to remain outstanding pursuant to the terms of this Agreement).

(iv) UCC Financing Statements and Fixture Filings. Delivery to Administrative Agent of UCC financing statements and, where appropriate, fixture filings, duly executed by each applicable Loan Party with respect to all personal and mixed property Collateral of such Loan Party, for filing in all jurisdictions as may be necessary or, in the opinion of Administrative Agent, desirable to perfect the security interests created in such Collateral pursuant to the Collateral Documents;

(v) PTO Cover Sheets, Etc. Delivery to Administrative Agent of all cover sheets or other documents or instruments required to be filed with the PTO in order to create or perfect Liens in respect of any IP Collateral.

(vi) Opinions of Local Counsel. Delivery to Administrative Agent of an opinion of counsel (which counsel shall be reasonably satisfactory to the Administrative Agent) under the laws of each jurisdiction in which any Loan Party or any personal or mixed property Collateral is located with respect to the creation and perfection of the security interests in favor of Administrative Agent in such Collateral and such other

matters governed by the laws of such jurisdiction regarding such security interests as Administrative Agent may reasonably request, in each case in form and substance reasonably satisfactory to Administrative Agent.

K. CLOSING DATE MORTGAGES; CLOSING DATE MORTGAGE POLICIES; ETC. Administrative Agent shall have received from Company and each applicable Subsidiary Guarantor:

(i) Closing Date Mortgages. Fully executed and notarized Mortgages (each a "CLOSING DATE MORTGAGE" and, collectively, the "CLOSING DATE MORTGAGES"), in proper form for recording in all appropriate places in all applicable jurisdictions, encumbering each Real Property Asset listed in Schedule 4.1K annexed hereto and identified as being subject to a Closing Date Mortgage (each a "CLOSING DATE MORTGAGED PROPERTY" and, collectively, the "CLOSING DATE MORTGAGED PROPERTIES");

(ii) Opinions of Local Counsel. An opinion of counsel (which counsel shall be reasonably satisfactory to Administrative Agent) in each state in which a Closing Date Mortgaged Property is located with respect to the enforceability of the form(s) of Closing Date Mortgages to be recorded in such state and such other matters as Administrative Agent may reasonably request, in each case in form and substance reasonably satisfactory to Administrative Agent;

(iii) Landlord Consents and Estoppels; Recorded Leasehold Interests. In the case of each Closing Date Mortgaged Property consisting of a Leasehold Property, (a) a Landlord Consent and Estoppel with respect thereto and (b) evidence that such Leasehold Property is a Recorded Leasehold Interest;

(iv) Matters Relating to Flood Hazard Properties. (a) Evidence, which may be in the form of a letter from an insurance broker or a municipal engineer, as to whether (1) any Closing Date Mortgaged Property is a Flood Hazard Property and (2) the community in which any such Flood Hazard Property is located is participating in the National Flood Insurance Program, (b) if there are any such Flood Hazard Properties, such Loan Party's written acknowledgment of receipt of written notification from Administrative Agent (1) as to the existence of each such Flood Hazard Property and (2) as to whether the community in which each such Flood Hazard Property is located is participating in the National Flood Insurance Program, and (c) in the event any such Flood Hazard Property is located in a community that participates in the National Flood Insurance Program, evidence that flood insurance in respect of such Flood Hazard Property to the extent required under the applicable regulations of the Board of Governors of the Federal Reserve System has been obtained; and

(v) Environmental Indemnity . If requested by Administrative Agent, an environmental indemnity agreement, satisfactory in form and substance to Administrative Agent and its counsel, with respect to the indemnification of Administrative Agent and Lenders for any liabilities that may be imposed on or incurred by any of them as a result of any Hazardous Materials Activity.

L. ENVIRONMENTAL REPORTS. Administrative Agent shall have received reports and other information in form, scope and substance satisfactory to Administrative Agent, regarding environmental matters relating to each Closing Date Mortgaged Property.

M. FINANCIAL STATEMENTS; PRO FORMA BALANCE SHEET. On or before the Closing Date, Lenders shall have received from Company (i) unaudited financial statements of Company and its Subsidiaries for the six-month fiscal period ending June 30, 1999 and monthly financial statements for each month thereafter, consisting of a balance sheet and the related consolidated and consolidating statements of income, stockholders' equity and cash flows, all in reasonable detail and certified by the chief financial officer of Company that they fairly present the financial condition of Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments, (ii) pro forma balance sheet of Company and its Subsidiaries as of the Closing Date, prepared in accordance with GAAP and reflecting the consummation of the Recapitalization, the related financings and the other transactions contemplated by the Loan Documents and the Related Agreements, which pro forma financial statements shall be in form and substance satisfactory to Lenders, and (iii) any projected financial statements (including balance sheets and statements of operations, stockholders' equity and cash flows) of the Company and its Subsidiaries, delivered subsequent to September 23, 1999 for the six-year period after the Closing Date to be in form and substance satisfactory to Administrative Agent and Lenders.

N. SOLVENCY ASSURANCES. On the Closing Date, Administrative Agent and Lenders shall have received a Financial Condition Certificate executed by the Chief Financial Officer of Company dated the Closing Date, substantially in the form of Exhibit XIII annexed hereto and with appropriate attachments, in each case demonstrating that, after giving effect to the consummation of the Recapitalization, the related financings and the other transactions contemplated by the Loan Documents and the Related Agreements, Company will be Solvent.

O. EVIDENCE OF INSURANCE. Administrative Agent shall have received a certificate from Company's insurance broker or other evidence satisfactory to it that all insurance required to be maintained pursuant to subsection 6.4 is in full force and effect and that Administrative Agent on behalf of Lenders has been named as additional insured and/or loss payee thereunder to the extent required under subsection 6.4.

P. OPINIONS OF COUNSEL TO LOAN PARTIES. Lenders and their respective counsel shall have received (i) originally executed copies of one or more favorable written opinions of Wachtell, Lipton, Rosen & Katz, Wyche, Burgess, Freeman & Parham, Bryan & Cave LLP and Nexsen Pruet Jacobs Pollard & Robinson, counsel for Loan Parties, in form and substance reasonably satisfactory to Administrative Agent and its counsel, dated as of the Closing Date and setting forth substantially the matters in the opinions designated in Exhibit VIII annexed hereto and as to such other matters as Administrative Agent acting on behalf of Lenders may reasonably request and (ii) evidence satisfactory to Administrative Agent that Company has requested such counsel to deliver such opinions to Lenders.

Q. OPINIONS OF ADMINISTRATIVE AGENT'S COUNSEL. Lenders shall have received originally executed copies of one or more favorable written opinions of O'Melveny & Myers

LLP, counsel to Administrative Agent, dated as of the Closing Date, substantially in the form of Exhibit IX annexed hereto and as to such other matters as Administrative Agent acting on behalf of Lenders may reasonably request.

R. FEES. Company shall have paid to Administrative Agent, for distribution (as appropriate) to Administrative Agent and Lenders, the fees payable on the Closing Date referred to in subsection 2.3.

S. REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF AGREEMENTS. Company shall have delivered to Administrative Agent an Officers' Certificate, in form and substance satisfactory to Administrative Agent, to the effect that the representations and warranties in Section 5 hereof are true, correct and complete in all material respects on and as of the Closing Date to the same extent as though made on and as of that date (or, to the extent such representations and warranties specifically relate to an earlier date, that such representations and warranties were true, correct and complete in all material respects on and as of such earlier date) and that for purposes of the foregoing, the Related Entities shall be deemed to be Subsidiaries of the Company, and that Company shall have performed in all material respects all agreements and satisfied all conditions which this Agreement provides shall be performed or satisfied by it on or before the Closing Date except as otherwise disclosed to and agreed to in writing by Administrative Agent and Requisite Lenders.

T. COMPLETION OF PROCEEDINGS. All corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incidental thereto not previously found acceptable by Administrative Agent, acting on behalf of Lenders, and its counsel shall be satisfactory in form and substance to Administrative Agent and such counsel, and Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as Administrative Agent may reasonably request.

4.2 CONDITIONS TO ALL LOANS.

The obligations of Lenders to make Loans on each Funding Date are subject to the following further conditions precedent:

A. Administrative Agent shall have received before that Funding Date, in accordance with the provisions of subsection 2.1B, an originally executed Notice of Borrowing, in each case signed by the chief executive officer, the chief financial officer or the treasurer of Company or by any executive officer of Company designated by any of the above-described officers on behalf of Company in a writing delivered to Administrative Agent.

B. As of that Funding Date:

(i) The representations and warranties contained herein and in the other Loan Documents shall be true, correct and complete in all material respects on and as of that Funding Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true, correct and complete in all material respects on and as of such earlier date;

(ii) No event shall have occurred and be continuing or would result from the consummation of the borrowing contemplated by such Notice of Borrowing that would constitute an Event of Default or a Potential Event of Default;

(iii) Each Loan Party shall have performed in all material respects all agreements and satisfied all conditions which this Agreement provides shall be performed or satisfied by it on or before that Funding Date;

(iv) No order, judgment or decree of any court, arbitrator or governmental authority shall purport to enjoin or restrain any Lender from making the Loans to be made by it on that Funding Date;

(v) The making of the Loans requested on such Funding Date shall not violate any law including Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System; and

(vi) There shall not be pending or, to the knowledge of Company, threatened, any action, suit, proceeding, governmental investigation or arbitration against or affecting Company or any of its Subsidiaries or any property of Company or any of its Subsidiaries that has not been disclosed by Company in writing pursuant to subsection 5.5 or 6.1(x) prior to the making of the last preceding Loans (or, in the case of the initial Loans, prior to the execution of this Agreement), and there shall have occurred no development not so disclosed in any such action, suit, proceeding, governmental investigation or arbitration so disclosed, that, in either event, in the opinion of Administrative Agent or of Requisite Lenders, would be expected to have a Material Adverse Effect; and no injunction or other restraining order shall have been issued and no hearing to cause an injunction or other restraining order to be issued shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated by this Agreement or the making of Loans hereunder.

4.3 CONDITIONS TO LETTERS OF CREDIT.

The issuance of any Letter of Credit hereunder (whether or not the applicable Issuing Lender is obligated to issue such Letter of Credit) is subject to the following conditions precedent:

A. On or before the date of issuance of the initial Letter of Credit pursuant to this Agreement, the initial Loans shall have been made.

B. On or before the date of issuance of such Letter of Credit, Administrative Agent shall have received, in accordance with the provisions of subsection 3.1B(i), an originally executed Request for Issuance of Letter of Credit, in each case signed by the chief executive officer, the chief financial officer or the treasurer of Company or by any executive officer of Company designated by any of the above-described officers on behalf of Company in a writing delivered to Administrative Agent, together with all other information specified in subsection 3.1B(i) and such other documents or information as the applicable Issuing Lender may reasonably require in connection with the issuance of such Letter of Credit.

C. On the date of issuance of such Letter of Credit, all conditions precedent described in subsection 4.2B shall be satisfied to the same extent as if the issuance of such Letter of Credit were the making of a Loan and the date of issuance of such Letter of Credit were a Funding Date.

SECTION 5. COMPANY'S REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this Agreement and to make the Loans, to induce Issuing Lenders to issue Letters of Credit and to induce other Lenders to purchase participations therein, Company represents and warrants to each Lender, on the date of this Agreement, on each Funding Date and on the date of issuance of each Letter of Credit, that the following statements are true, correct and complete:

5.1 ORGANIZATION, POWERS, QUALIFICATION, GOOD STANDING, BUSINESS AND SUBSIDIARIES.

A. ORGANIZATION AND POWERS. Each Loan Party is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation as specified in Schedule 5.1 annexed hereto. Each Loan Party has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents and Related Agreements to which it is a party and to carry out the transactions contemplated thereby.

B. QUALIFICATION AND GOOD STANDING. Each Loan Party is qualified to do business and in good standing in every jurisdiction where its assets are located and wherever necessary to carry out its business and operations, except where the failure to be so qualified or in good standing has not had and will not have a Material Adverse Effect.

C. CONDUCT OF BUSINESS. Company and its Subsidiaries are engaged only in the businesses permitted to be engaged in pursuant to subsections 7.13.

D. SUBSIDIARIES. All of the Subsidiaries of Company are identified in Schedule 5.1 annexed hereto, as said Schedule 5.1 may be supplemented from time to time pursuant to the provisions of subsection 6.1(xvi). The capital stock of each of the Subsidiaries of Company identified in Schedule 5.1 annexed hereto (as so supplemented) is duly authorized, validly issued, fully paid and nonassessable and none of such capital stock constitutes Margin Stock. Each of the Subsidiaries of Company identified in Schedule 5.1 annexed hereto (as so supplemented) is a corporation duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation set forth therein, has all requisite corporate power and authority to own and operate its properties and to carry on its business as now conducted and as proposed to be conducted, and is qualified to do business and in good standing in every jurisdiction where its assets are located and wherever necessary to carry out its business and operations, in each case except where failure to be so qualified or in good standing or a lack of such corporate power and authority has not had and will not reasonably be expected to have a Material Adverse Effect. Schedule 5.1 annexed hereto (as so supplemented) correctly sets forth, the ownership interest of Company and each of its Subsidiaries in each of the Subsidiaries of Company identified therein.

5.2 AUTHORIZATION OF BORROWING, ETC.

A. AUTHORIZATION OF BORROWING. The execution, delivery and performance of the Loan Documents and the Related Agreements have been duly authorized by all necessary corporate action on the part of each Loan Party that is a party thereto.

B. NO CONFLICT. The execution, delivery and performance by Loan Parties of the Loan Documents and the Related Agreements to which they are parties and the consummation of the transactions contemplated by the Loan Documents and such Related Agreements do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Company or any of its Subsidiaries, the Certificate or Articles of Incorporation or Bylaws of Company or any of its Subsidiaries or any order, judgment or decree of any court or other agency of government binding on Company or any of its Subsidiaries, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Company or any of its Subsidiaries, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of Company or any of its Subsidiaries (other than any Liens created under any of the Loan Documents in favor of Administrative Agent on behalf of Lenders), or (iv) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of Company or any of its Subsidiaries, except for such approvals or consents which will be obtained on or before the Closing Date and disclosed in writing to Lenders and except for such violations, conflicts, breaches, defaults, Liens or failures to obtain approvals or consents which could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

C. GOVERNMENTAL CONSENTS. The execution, delivery and performance by Loan Parties of the Loan Documents and the Related Agreements to which they are parties and the consummation of the transactions contemplated by the Loan Documents and such Related Agreements do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body except for (i) registrations, consents, approvals, notices or other actions the failure to obtain or take could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (ii) any required Hart-Scott-Rodino filings and (iii) filings and recordings required in connection with the perfection of the security interests under the Loan Documents.

D. BINDING OBLIGATION. Each of the Loan Documents and Related Agreements has been duly executed and delivered by each Loan Party that is a party thereto and is the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

5.3 FINANCIAL CONDITION.

Company has heretofore delivered to Lenders, at Lenders' request, the following financial statements and information: (i) the audited consolidated balance sheet of Company and its Subsidiaries as at December 31, 1998 and the related consolidated statements of income, stockholders' equity and cash flows of Company and its Subsidiaries for the Fiscal Year then

ended, (ii) the unaudited consolidated balance sheet of Company and its Subsidiaries as at June 30, 1999 and the related unaudited consolidated statements of income, stockholders' equity and cash flows of Company and its Subsidiaries for the six months then ended and monthly financial statements for each month thereafter, (iii) a pro forma balance sheet of Company and its Subsidiaries as of the Closing Date and reflecting the consummation of the Recapitalization, the related financings and the other transactions contemplated by the Loan Documents and the Related Agreements, which pro forma financial statements shall be in form and substance satisfactory to Lenders, and (iv) projected financial statements (including balance sheets and statements of operations, stockholders' equity and cash flows) of the Company and its Subsidiaries, for the six-year period after the Closing Date. The statements referred to in clauses (i) through (iii) were prepared in conformity with GAAP (except as disclosed in the notes thereto) and fairly present, in all material respects, the financial position (on a consolidated basis) of the entities described in such financial statements as at the respective dates thereof and the results of operations and cash flows (on a consolidated basis) of the entities described therein for each of the periods then ended, subject, in the case of any such unaudited financial statements, to changes resulting from audit and normal year-end adjustments. Company does not (and will not following the funding of the initial Loans) have any Contingent Obligation, contingent liability or liability for taxes, long-term lease or unusual forward or long-term commitment that is not reflected in the foregoing financial statements or the notes thereto (or, with respect to any Contingent Obligation arising after the date of the delivery of such financial statements, that is not reflected in the financial statements next delivered pursuant to subsection 6.1 after the incurrence of such Contingent Obligation) and which in any such case is material in relation to the business, operations, properties, assets or condition (financial or otherwise), or after the Closing Date, prospects of Company or any of its Subsidiaries.

5.4 NO MATERIAL ADVERSE CHANGE; NO RESTRICTED JUNIOR PAYMENTS.

Since December 31, 1998, no event or change has occurred that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect. Except as set forth in Schedule 5.4, neither Company nor any of its Subsidiaries since September 13, 1999, has directly or indirectly declared, ordered, paid or made, or set apart any sum or property for, any Restricted Junior Payment or agreed to do so except as permitted by subsection 7.5.

5.5 TITLE TO PROPERTIES; LIENS; REAL PROPERTY.

A. TITLE TO PROPERTIES; LIENS. As of the date hereof, neither the Company nor any of its Subsidiaries owns any real property. To the extent Company or any of its Subsidiaries acquires an ownership interest in any real property after the Closing Date, Company and each of its Subsidiaries will have good, sufficient and legal title to all such owned real property. Company and its Subsidiaries has (i) valid leasehold interests in (in the case of leasehold interests in real or personal property), or (ii) good title to (in the case of all other personal property), all of their respective properties and assets reflected in the financial statements referred to in subsection 5.3 or in the most recent financial statements delivered pursuant to subsection 6.1, in each case except for assets disposed of since the date of such financial statements in the ordinary course of business or as otherwise permitted under subsection 7.7. Except as permitted by this Agreement, all such properties and assets are free and clear of Liens.

B. REAL PROPERTY. As of the Closing Date, Schedule 5.5 annexed hereto contains a true, accurate and complete list of all leases, subleases or assignments of leases (together with all amendments, modifications, supplements, renewals or extensions of any thereof) affecting each Real Property Asset of any Loan Party, regardless of whether such Loan Party is the landlord or tenant (whether directly or as an assignee or successor in interest) under such lease, sublease or assignment. Except as specified in Schedule 5.5 annexed hereto, each agreement listed in the immediately preceding sentence is in full force and effect and Company does not have knowledge of any default that has occurred and is continuing thereunder, and each such agreement constitutes the legally valid and binding obligation of each applicable Loan Party, enforceable against such Loan Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles.

5.6 LITIGATION; ADVERSE FACTS.

Except as set forth in Schedule 5.6 annexed hereto, there are no actions, suits, proceedings, arbitrations or governmental investigations (whether or not purportedly on behalf of Company or any of its Subsidiaries) at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign (including any Environmental Claims) that are pending or, to the knowledge of Company, threatened against or affecting Company or any of its Subsidiaries or any property of Company or any of its Subsidiaries and that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither Company nor any of its Subsidiaries (i) is in violation of any applicable laws (including Environmental Laws) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect, or (ii) is subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

5.7 PAYMENT OF TAXES.

Except to the extent permitted by subsection 6.3, all material tax returns and reports of Company and its Subsidiaries required to be filed by any of them have been timely filed, and all material taxes shown on such tax returns to be due and payable and all material assessments, fees and other governmental charges upon Company and its Subsidiaries and upon their respective properties, assets, income, businesses and franchises which are due and payable have been paid when due and payable. Company knows of no tax assessment proposed in writing against Company or any of its Subsidiaries which is not being actively contested by Company or such Subsidiary in good faith and by appropriate proceedings; provided that such reserves or other appropriate provisions, if any, as shall be required in conformity with GAAP shall have been made or provided therefor.

5.8 PERFORMANCE OF AGREEMENTS; MATERIALLY ADVERSE AGREEMENTS; MATERIAL CONTRACTS.

A. Neither Company nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any of its Contractual Obligations, and no condition exists that, with the giving of notice or the lapse of time or both, would constitute such a default, except where the consequences, direct or indirect, of such default or defaults, if any, could not reasonably be expected to have a Material Adverse Effect.

B. Neither Company nor any of its Subsidiaries is a party to or is otherwise subject to any agreements or instruments or any charter or other internal restrictions which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

C. Schedule 5.8 contains a true, correct and complete list of all the Material Contracts in effect on the Closing Date. Except as described on Schedule 5.8, all such Material Contracts are in full force and effect and, to Company's knowledge, no material defaults currently exist thereunder.

5.9 GOVERNMENTAL REGULATION.

Neither Company nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act or the Investment Company Act of 1940 or under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable.

5.10 SECURITIES ACTIVITIES.

A. Neither Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock.

B. Following application of the proceeds of each Loan, not more than 25% of the value of the assets (either of Company only or of Company and its Subsidiaries on a consolidated basis) subject to the provisions of subsection 7.2 or 7.7 or subject to any restriction contained in any agreement or instrument, between Company and any Lender or any Affiliate of any Lender, relating to Indebtedness and within the scope of subsection 8.2, will be Margin Stock.

5.11 EMPLOYEE BENEFIT PLANS.

A. Company, and each of its Subsidiaries are in compliance with all applicable provisions and requirements of ERISA and the regulations and published interpretations thereunder with respect to each Company Employee Benefit Plan, and have performed all their obligations under each Company Employee Benefit Plan. Each Company Employee Benefit Plan which is intended to qualify under Section 401(a) of the Internal Revenue Code is so qualified.

B. No ERISA Event has occurred or is expected to occur that could reasonably be expected to result in a liability to the Company or any of its Subsidiaries in excess of $1,000,000.

C. As of the most recent valuation date for any Pension Plan, and excluding for purposes of such computation all Pension Plans with respect to which assets exceed benefit liabilities (as defined in Section 4001(a)(16) of ERISA), the sum of:

(i) the unfunded benefit liabilities (as defined in Section 4001(a)(18) of ERISA) individually or in the aggregate for all Company Pension Plans; and

(ii) the liability that the Company or its Subsidiaries could reasonably be expected to incur as the result of such unfunded benefit liabilities, individually or in the aggregate, for all Pension Plans other than Company Pension Plans (assuming amortization of such unfunded benefit liabilities over ten years);

does not exceed $1,000,000.

D. As of the most recent valuation date for which an actuarial report has been received and based on information available pursuant to Section 4221(e) of ERISA, the sum of:

(i) the potential liability of Company and its Subsidiaries for a complete withdrawal from all Multiemployer Plans (within the meaning of Section 4203 of ERISA) to which the Company or any of its Subsidiaries contribute, and

(ii) the liability that the Company or its Subsidiaries could be reasonably be expected to incur as a result of the complete withdrawal from all Multiemployer Plans to which neither the Company nor any of its Subsidiaries contribute, after considering the financial condition of the all of the ERISA Affiliates most closely related to the contributing employer(s);

does not exceed $1,000,000.

5.12 CERTAIN FEES.

No broker's or finder's fee or commission will be payable by Company with respect to this Agreement or any of the transactions contemplated hereby, and Company hereby indemnifies Lenders against, and agrees that it will hold Lenders harmless from, any claim, demand or liability for any such broker's or finder's fees alleged to have been incurred in connection herewith or therewith and any expenses (including reasonable fees, expenses and disbursements of counsel) arising in connection with any such claim, demand or liability except as previously disclosed in writing to Administrative Agent.

5.13 EMPLOYEE MATTERS.

There is no strike or work stoppage in existence or, to Company's knowledge, threatened involving Company or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

5.14 SOLVENCY.

Each Loan Party is and, upon the incurrence of any Obligations by such Loan Party on any date on which this representation is made, will be, Solvent.

5.15 MATTERS RELATING TO COLLATERAL.

A. CREATION, PERFECTION AND PRIORITY OF LIENS. The execution and delivery of the Collateral Documents by Loan Parties, together with (i) the actions taken on or prior to the date hereof pursuant to subsections 4.1J, 4.1K, 6.8 and 6.9 and (ii) the delivery to Administrative Agent of any Pledged Collateral not delivered to Administrative Agent at the time of execution and delivery of the applicable Collateral Document (all of which Pledged Collateral has been so delivered) are effective to create in favor of Administrative Agent for the benefit of Lenders, as security for the respective Secured Obligations (as defined in the applicable Collateral Document in respect of any Collateral), a valid and perfected First Priority Lien on all of the Collateral, and all filings and other actions necessary or desirable to perfect and maintain the perfection and First Priority status of such Liens have been duly made or taken and remain in full force and effect, other than the filing of any UCC financing statements delivered to Administrative Agent for filing (but not yet filed) and the periodic filing of UCC continuation statements in respect of UCC financing statements filed by or on behalf of Administrative Agent.

B. GOVERNMENTAL AUTHORIZATIONS. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for either (i) the pledge or grant by any Loan Party of the Liens purported to be created in favor of Administrative Agent pursuant to any of the Collateral Documents or (ii) the exercise by Administrative Agent of any rights or remedies in respect of any Collateral (whether specifically granted or created pursuant to any of the Collateral Documents or created or provided for by applicable law), except for filings or recordings contemplated by subsection 5.15A and except as may be required, in connection with the disposition of any Pledged Collateral, by laws generally affecting the offering and sale of securities.

C. ABSENCE OF THIRD-PARTY FILINGS. Except such as may have been filed in favor of Administrative Agent as contemplated by subsection 5.15A, (i) no effective UCC financing statement, fixture filing or other instrument similar in effect covering all or any part of the Collateral is on file in any filing or recording office and (ii) no effective filing covering all or any part of the IP Collateral is on file in the PTO.

D. MARGIN REGULATIONS. The pledge of the Pledged Collateral pursuant to the Collateral Documents does not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System.

E. INFORMATION REGARDING COLLATERAL. All information supplied to Administrative Agent by or on behalf of any Loan Party with respect to any of the Collateral (in each case taken as a whole with respect to any particular Collateral) is accurate and complete in all material respects.

5.16 RELATED AGREEMENTS.

A. DELIVERY OF RELATED AGREEMENTS. Company has delivered to Lenders complete and correct copies of each Related Agreement and of all exhibits and schedules thereto.

B. WARRANTIES OF COMPANY. Subject to the qualifications set forth therein, each of the representations and warranties given by Company to H&F in the Recapitalization Agreement is true and correct in all material respects as of the date hereof and will be true and correct in all material respects as of the Closing Date.

5.17 DISCLOSURE.

No representation or warranty of Company or any of its Subsidiaries contained in any Loan Document or Related Agreement or in any other document, certificate or written statement furnished to Lenders by or on behalf of Company or any of its Subsidiaries for use in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact (known to Company, in the case of any document not furnished by it) necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made, except to the extent that a prior statement was subsequently updated, amended or revised in written material provided to the Administrative Agent prior to the Closing Date. Any projections and pro forma financial information contained in such materials are based upon good faith estimates and assumptions believed by Company to be reasonable at the time made, it being recognized by Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results, except to the extent that a prior statement was subsequently updated, amended or revised in written material provided to the Administrative Agent prior to the Closing Date. There are no facts known (or which should upon the reasonable exercise of diligence be known) to Company (other than matters of a general economic nature) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect and that have not been disclosed herein or in such other documents, certificates and statements furnished to Lenders for use in connection with the transactions contemplated hereby.

5.18 INTELLECTUAL PROPERTY.

Company and each of its Subsidiaries owns, or is licensed to use, all Intellectual Property except for those the failure to own or license which could not reasonably be expected to have a Material Adverse Effect. Company has registered with the United States Copyright Office all of its material software assets. No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does Company know of any valid basis for any such claim, except for any such claims which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect. The use of such Intellectual Property by Company and its Subsidiaries does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.19 ENVIRONMENTAL PROTECTION.

Except for such exceptions as in the aggregate could not reasonably be expected to have a Material Adverse Effect:

(i) the operations of Company and each of its Subsidiaries (including, without limitation, all operations and condition at or in the Facilities) comply with all Environmental Laws;

(ii) Company and each of its Subsidiaries have obtained all Governmental Authorizations under Environmental Laws necessary to their respective operations, and all such Governmental Authorizations are in good standing, and Company and each of its Subsidiaries are in compliance with the terms and conditions of such Governmental Authorizations;

(iii) neither Company nor any of its Subsidiaries has received (a) any notice or claim to the effect that it is or may be liable to any Person as a result of the Release or threatened Release of any Hazardous Materials or (b) any letter or request for information under Section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9604) or comparable state laws, and, to the best of Company's knowledge, none of the operations of Company or any of its Subsidiaries is the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to any Release or threatened Release of any Hazardous Materials at any Facility or at any other location;

(iv) none of the operations of Company or any of its Subsidiaries is the subject of any pending judicial or administrative proceeding alleging the violation of or liability under any Environmental Laws;

(v) neither Company nor any of its Subsidiaries nor any of their respective Facilities or operations are subject to any outstanding written order or agreement with any governmental authority or private party relating to (x) any Environmental Laws or (y) any Environmental Claims;

(vi) neither Company nor any of its Subsidiaries has, to its knowledge, any contingent liability in connection with any Release of any Hazardous Materials by Company or any of its Subsidiaries;

(vii) neither Company nor any of its Subsidiaries nor, to the best knowledge of Company, any predecessor of Company or any of its Subsidiaries has filed any notice under any Environmental Law indicating past or present treatment or Release of Hazardous Materials at any Facility (other than hazardous waste manifested in the ordinary course of business), and none of Company's or any of its Subsidiaries' operations involves the generation, transportation, treatment, storage or disposal of hazardous waste, as defined under 40 C.F.R. Parts 260-270 or any state equivalent;

(viii) (a) no Hazardous Materials exist on, under or about any Facility in a manner that has a reasonable possibility of giving rise to an Environmental Claim, and

(b)neither Company nor any of its Subsidiaries has filed any notice or report of a Release of any Hazardous Materials that has a reasonable possibility of giving rise to an Environmental Claim;

(ix) neither Company nor any of its Subsidiaries nor, to the best knowledge of Company, any of their respective predecessors has disposed of any Hazardous Materials in a manner that has a reasonable possibility of giving rise to an Environmental Claim;

(x) no underground storage tanks or surface impoundments are on or at any Facility;

(xi) no Lien in favor of any Person relating to any Environmental Claim has been filed or has been attached to any Facility; and

(xii) no Lien in favor of any Person relating to any Environmental Claim has been filed or has been attached to any Facility which is owned by Company or any of its Subsidiaries.

5.20 YEAR 2000.

All Information Systems and Equipment are either Year 2000 Compliant, or any reprogramming, remediation, or any other corrective action, including the internal testing of all such Information Systems and Equipment will be completed by November 30, 1999. Further, to the extent that such reprogramming/remediation and testing action is required, the cost thereof, as well as the cost of the reasonably foreseeable consequences of failure to become Year 2000 Compliant, to the Company and its Subsidiaries (including, without limitation, reprogramming errors and the failure of other systems or equipment) will not result in a Material Adverse Effect.

SECTION 6. COMPANY'S AFFIRMATIVE COVENANTS

Company covenants and agrees that, so long as any of the Commitments hereunder shall remain in effect and until payment in full of all of the Loans and other Obligations and the cancellation or expiration of all Letters of Credit, unless Requisite Lenders shall otherwise give prior written consent, Company shall perform, and shall cause each of its Subsidiaries to perform, all covenants in this Section 6.

6.1 FINANCIAL STATEMENTS AND OTHER REPORTS.

Company will maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in conformity with GAAP. Company will deliver to Administrative Agent and Lenders:

(i) Monthly Financials: as soon as available and in any event within 30 days after the end of each month ending after the Closing Date except for months which constitute the end of a Fiscal Quarter or Fiscal Year, (a) the consolidated balance sheet of Company and its Subsidiaries as at the end of such month and the related consolidated

statements of income and cash flows of Company and its Subsidiaries for such month and for the period from the beginning of the then current Fiscal Year to the end of such month, setting forth in each case in comparative form the corresponding figures for the corresponding periods of the previous Fiscal Year and the corresponding figures from the Financial Plan for the current Fiscal Year, to the extent prepared on a monthly basis, all in reasonable detail and certified by the chief financial officer of Company that they fairly present, in all material respects, the financial condition of Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments, and (b) a narrative report describing the material changes, if any, in operations of Company and its Subsidiaries from the Financial Plan for the current Fiscal Year in the form prepared for presentation to senior management for such month and for the period from the beginning of the then current Fiscal Year to the end of such month;

(ii) Quarterly Financials: as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters in each Fiscal Year, (a) the consolidated balance sheet of Company and its Subsidiaries as at the end of such Fiscal Quarter and the related consolidated statements of income and cash flows of Company and its Subsidiaries for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, setting forth in each case in comparative form the corresponding figures for the corresponding periods of the previous Fiscal Year and the corresponding figures from the Financial Plan for the current Fiscal Year, all in reasonable detail and certified by the chief financial officer of Company that they fairly present, in all material respects, the financial condition of Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments, and (b) a narrative report describing the material changes, if any, in the operations of Company and its Subsidiaries from the Financial Plan for the current Fiscal Year in the form prepared for presentation to senior management for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter;

(iii) Year-End Financials: as soon as available and in any event within 90 days after the end of each Fiscal Year, (a) the consolidated balance sheet of Company and its Subsidiaries as at the end of such Fiscal Year and the related consolidated statements of income, stockholders' equity and cash flows of Company and its Subsidiaries for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the previous Fiscal Year and the corresponding figures from the Financial Plan for the Fiscal Year covered by such financial statements, all in reasonable detail and certified by the chief financial officer of Company that they fairly present, in all material respects, the financial condition of Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, (b) a narrative report describing the changes in the operations of Company and its Subsidiaries from the operations of Company and its Subsidiaries reflected in the financial statements delivered pursuant to subdivisions (i) and (ii) above for the current Fiscal Year in the form prepared for presentation to senior management for such Fiscal Year, and (c) in the case of such consolidated financial statements, a report thereon of Ernst & Young LLP or other

independent certified public accountants of recognized national standing selected by Company and reasonably satisfactory to Administrative Agent, which report shall be unqualified, shall express no doubts about the ability of Company and its Subsidiaries to continue as a going concern, and shall state that such consolidated financial statements fairly present, in all material respects, the consolidated financial position of Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise disclosed in such financial statements) and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

(iv) Officers' and Compliance Certificates: together with each delivery of financial statements of Company and its Subsidiaries pursuant to subdivision (i), an Officers' Certificate of Company as provided in clause (a) below, and together with each delivery of financial statements of Company and its Subsidiaries pursuant to subdivisions (ii) and (iii) above, (a) an Officers' Certificate of Company stating (x) that the signers have reviewed the terms of this Agreement and have made, or caused to be made under their supervision, a review in reasonable detail of the transactions and condition of Company and its Subsidiaries during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signers do not have knowledge of the existence as at the date of such Officers' Certificate, of any condition or event that constitutes an Event of Default or Potential Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action Company has taken, is taking and proposes to take with respect thereto and (y) that the Company does not as at the date of such Officer's Certificate, have any Contingent Obligation, contingent liability or unusual forward or long-term commitment arising from any amendments to the Management Contracts that is not reflected in the financial statements being delivered or the notes thereto and which in any such case is material in relation to the business operations, properties, assets, condition (financial or otherwise) or prospects of Company or any of its Subsidiaries; (b) a Compliance Certificate demonstrating in reasonable detail compliance during and at the end of the applicable accounting periods with the restrictions contained in Section 7, in each case to the extent compliance with such restrictions is required to be tested at the end of the applicable accounting period; and (c) a Margin Determination Certificate demonstrating in reasonable detail the Consolidated Leverage Ratio for the four consecutive fiscal quarters ending on the last day of the accounting period covered by such financial statements.

(v) Reconciliation Statements: if, as a result of any change in accounting principles and policies from those used in the preparation of the audited financial statements referred to in subsection 5.3 the consolidated financial statements of Company and its Subsidiaries delivered pursuant to subdivisions (ii), (iii) or (xiii) of this subsection 6.1 will differ in any material respect from the consolidated financial statements that would have been delivered pursuant to such subdivisions had no such change in accounting principles and policies been made, then (a) together with the first delivery of financial statements pursuant to subdivision (ii), (iii) or (xiii) of this subsection 6.1 following such change, unaudited consolidated financial statements of Company and its

Subsidiaries for (y) the current Fiscal Year to the effective date of such change and (z) the two full Fiscal Years immediately preceding the Fiscal Year in which such change is made, in each case prepared on a pro forma basis as if such change had been in effect during such periods, and (b) together with each delivery of financial statements pursuant to subdivision (ii), (iii) or (xiii) of this subsection 6.1 following such change, a written statement of the chief accounting officer or chief financial officer of Company setting forth the differences (including any differences that would affect any calculations relating to the financial covenants set forth in subsection 7.6) which would have resulted if such financial statements had been prepared without giving effect to such change;

(vi) Accountants' Certification: together with each delivery of consolidated financial statements of Company and its Subsidiaries pursuant to subdivision (iii) above, (x) the comment letter submitted by such accountants to management and (y) a written statement by the independent certified public accountants giving the report thereon (a) stating that their audit examination has included a review of the terms of this Agreement and the other Loan Documents as they relate to accounting matters, (b) stating whether, in connection with their audit examination, any condition or event that constitutes an Event of Default or Potential Event of Default has come to their attention and, if such a condition or event has come to their attention, specifying the nature and period of existence thereof; provided that such accountants shall not be liable by reason of any failure to obtain knowledge of any such Event of Default or Potential Event of Default that would not be disclosed in the course of their audit examination, and (c) stating that based on their audit examination nothing has come to their attention that causes them to believe either or both that the information contained in the certificates delivered therewith pursuant to subdivision (iv) above is not correct or that the matters set forth in the Compliance Certificate delivered therewith pursuant to clause (b) of subdivision (iv) above for the applicable Fiscal Year are not stated in accordance with the terms of this Agreement;

(vii) Accountants' Reports: promptly upon receipt thereof (unless restricted by applicable professional standards), copies of all reports submitted to Company by independent certified public accountants in connection with each annual, interim or special audit of the financial statements of Company and its Subsidiaries made by such accountants;

(viii) SEC Filings and Press Releases: promptly upon their becoming available, copies of (a) all financial statements, reports, notices and proxy statements sent or made available generally by Company to its security holders or by any Subsidiary of Company to its security holders other than Company or another Subsidiary of Company, (b) all regular and periodic reports and all registration statements (other than on Form S-8 or a similar form) and prospectuses, if any, filed by Company or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority, and (c) all press releases and other statements made available generally by Company or any of its Subsidiaries to the public concerning material developments in the business of Company or any of its Subsidiaries;

(ix) Events of Default, etc.: promptly upon any officer of Company obtaining knowledge (a) of any condition or event that constitutes an Event of Default or Potential Event of Default, or becoming aware that any Lender has given any notice (other than to Administrative Agent) or taken any other action with respect to a claimed Event of Default or Potential Event of Default, (b) that any Person has given any notice to Company or any of its Subsidiaries or taken any other action with respect to a claimed default or event or condition of the type referred to in subsection 8.2, (c) of any condition or event that would be required to be disclosed in a current report filed by Company with the Securities and Exchange Commission on Form 8-K (Items 1, 2, 4, 5 and 6 of such Form as in effect on the date hereof) if Company were required to file such reports under the Exchange Act, or (d) of the occurrence of any event or change that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect, an Officers' Certificate specifying the nature and period of existence of such condition, event or change, or specifying the notice given or action taken by any such Person and the nature of such claimed Event of Default, Potential Event of Default, default, event or condition, and what action Company has taken, is taking and proposes to take with respect thereto;

(x) Litigation or Other Proceedings: (a) promptly upon any officer of Company obtaining knowledge of (X) the institution of, or non-frivolous threat of, any action, suit, proceeding (whether administrative, judicial or otherwise), governmental investigation or arbitration against or affecting Company or any of its Subsidiaries or any property of Company or any of its Subsidiaries (collectively, "PROCEEDINGS") not previously disclosed in writing by Company to Lenders or (Y) any material development in any Proceeding that, in any case:

(a) could reasonably be expected to have a Material Adverse Effect; or

(b) seeks to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated hereby;

written notice thereof together with such other information as may be reasonably available to Company to enable Lenders and their counsel to evaluate such matters; and (b) within twenty days after the end of each Fiscal Quarter, a schedule of all Proceedings involving an alleged liability of, or claims against or affecting, Company or any of its Subsidiaries equal to or greater than $500,000, and promptly after request by Administrative Agent such other information as may be reasonably requested by Administrative Agent to enable Administrative Agent and its counsel to evaluate any of such Proceedings;

(xi) ERISA Events: promptly upon the Company becoming aware of the occurrence of or forthcoming occurrence of any ERISA Event that could reasonably be expected to result in a liability to the Company or any of its Subsidiaries in excess of $1,000,000, a written notice specifying the nature thereof, what action Company, any of its Subsidiaries or any of their respective ERISA Affiliates has taken, is taking or proposes to take with respect thereto and, when known, any action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto;

(xii) ERISA Notices: with reasonable promptness, copies of (a) each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) filed by Company or any of its Subsidiaries with respect to each Company Pension Plan; (b) all notices received by Company or (if obtained by the Company) any of its Subsidiaries or any of their respective ERISA Affiliates from a Multiemployer Plan sponsor, the Internal Revenue Service or the PBGC concerning an ERISA Event; and (c) copies of such other documents or governmental reports or filings relating to any Pension Plan, Multiemployer Plan or Company Employee Benefit Plan as Administrative Agent shall reasonably request;

(xiii) Financial Plans: as soon as practicable and in any event no later than 30 days after the beginning of each Fiscal Year, a consolidated plan and financial forecast for such Fiscal Year and the next succeeding Fiscal Year (the "FINANCIAL PLAN" for such Fiscal Year), including (a) forecasted consolidated balance sheet and forecasted consolidated statements of income and cash flows of Company and its Subsidiaries for such Fiscal Year, together with a pro forma Compliance Certificate for such Fiscal Year and an explanation of the assumptions on which such forecasts are based, (b) forecasted consolidated statements of income and cash flows of Company and its Subsidiaries for each month of such Fiscal Year, together with an explanation of the assumptions on which such forecasts are based, and (c) such other information and projections as any Lender may reasonably request;

(xiv) Insurance: as soon as practicable and in any event by the last day of each Fiscal Year, a report in form and substance satisfactory to Administrative Agent outlining all material insurance coverage maintained as of the date of such report by Company and its Subsidiaries and all material insurance coverage planned to be maintained by Company and its Subsidiaries in the immediately succeeding Fiscal Year;

(xv) Board of Directors: with reasonable promptness, written notice of any change in the Board of Directors of Company;

(xvi) New Subsidiaries: promptly upon any Person becoming a Subsidiary of Company, a written notice setting forth with respect to such Person (a) the date on which such Person became a Subsidiary of Company and (b) all of the data required to be set forth in Schedule 5.1 annexed hereto with respect to all Subsidiaries of Company (it being understood that such written notice shall be deemed to supplement Schedule 5.1 annexed hereto for all purposes of this Agreement);

(xvii) Material Contracts: promptly, and in any event within ten Business Days after any Material Contract of Company or any of its Subsidiaries is terminated or amended in a manner that is materially adverse to Company or such Subsidiary, as the case may be, or any new Material Contract is entered into, a written statement describing such event with copies of such material amendments or new contracts, and an explanation of any actions being taken with respect thereto;

(xviii) UCC Search Report: As promptly as practicable after the date of delivery to Administrative Agent of any UCC financing statement executed by any Loan Party

pursuant to subsection 4.1J(iv) or 6.8A, copies of completed UCC searches evidencing the proper filing, recording and indexing of all such UCC financing statement and listing all other effective financing statements that name such Loan Party as debtor, together with copies of all such other financing statements not previously delivered to Administrative Agent by or on behalf of Company or such Loan Party;

(xix) Cleanup Compliance: as promptly, and in any event, within ten Business Days of compliance with subsections 2.1A(ii)(b) and 2.1A(iii)(b), notice of such compliance; and

(xx) Other Information: with reasonable promptness, such other information and data with respect to Company or any of its Subsidiaries as from time to time may be reasonably requested by any Lender.

6.2 CORPORATE EXISTENCE, ETC.

Except as permitted under subsection 7.7, Company will, and will cause each of its Subsidiaries to, at all times preserve and keep in full force and effect its corporate existence and all rights and franchises material to its business; provided, however that neither Company nor any of its Subsidiaries shall be required to preserve any such right or franchise if the Board of Directors of Company or such Subsidiary, as applicable, shall determine that the preservation thereof is no longer desirable in the conduct of the business of Company or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to Company, such Subsidiary or Lenders.

6.3 PAYMENT OF TAXES AND CLAIMS; TAX CONSOLIDATION.

A. Company will, and will cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its income, businesses or franchises before any penalty accrues thereon, and all claims (including claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or may become a material Lien upon any of its properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided that no such charge or claim need be paid if it is being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as (1) such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor and (2) in the case of a charge or claim which has or may become a Lien against any of the Collateral, such contest proceedings conclusively operate to stay the sale of any portion of the Collateral to satisfy such charge or claim.

B. Company will not, nor will it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person (other than Company or any of its Subsidiaries).

6.4 MAINTENANCE OF PROPERTIES; INSURANCE.

A. MAINTENANCE OF PROPERTIES. Company will, and will cause each of its Subsidiaries to, maintain or cause to be maintained in good repair, working order and condition,

ordinary wear and tear excepted, all material properties used or useful in the business of Company and its Subsidiaries (including all Intellectual Property) and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof.

B. INSURANCE. Company will maintain or cause to be maintained, with financially sound and reputable insurers, such public liability insurance, third party property damage insurance, business interruption insurance and casualty insurance with respect to liabilities, losses or damage in respect of the assets, properties and businesses of Company and its Subsidiaries as may customarily be carried or maintained under similar circumstances by corporations of established reputation engaged in similar businesses, in each case in such amounts (giving effect to self-insurance), with such deductibles, covering such risks and otherwise on such terms and conditions as shall be customary for corporations similarly situated in the industry. Without limiting the generality of the foregoing, Company will maintain or cause to be maintained (i) flood insurance with respect to each Flood Hazard Property that is located in a community that participates in the National Flood Insurance Program, in each case in compliance with any applicable regulations of the Board of Governors of the Federal Reserve System, and (ii) replacement value casualty insurance on the Collateral under such policies of insurance, with such insurance companies, in such amounts, with such deductibles, and covering such risks as are at all times satisfactory to Administrative Agent in its commercially reasonable judgment. Each such policy of insurance shall (a) name Administrative Agent for the benefit of Lenders as an additional insured thereunder as its interests may appear and (b) in the case of each business interruption and casualty insurance policy, contain a loss payable clause or endorsement, satisfactory in form and substance to Administrative Agent, that names Administrative Agent for the benefit of Lenders as the loss payee thereunder for any covered loss in excess of $500,000 and provides for at least 30 days prior written notice to Administrative Agent of any modification or cancellation of such policy.

6.5 INSPECTION RIGHTS; LENDER MEETING.

A. INSPECTION RIGHTS. Company shall, and shall cause each of its Subsidiaries to, permit any authorized representatives designated by any Lender to visit and inspect any of the properties of Company or of any of its Subsidiaries, to inspect, copy and take extracts from its and their financial and accounting records, and to discuss its and their affairs, finances and accounts with its and their officers and independent public accountants (provided that Company may, if it so chooses, be present at or participate in any such discussion), all upon reasonable notice and at such reasonable times during normal business hours and as often as may reasonably be requested.

B. LENDER MEETING. Company will, upon the request of Administrative Agent or Requisite Lenders, participate in a meeting of Administrative Agent and Lenders once during each Fiscal Year to be held at Company's corporate offices (or at such other location as may be agreed to by Company and Administrative Agent) at such time as may be agreed to by Company and Administrative Agent.

6.6 COMPLIANCE WITH LAWS, ETC.

Company shall comply, and shall cause each of its Subsidiaries and all other Persons on or occupying any Facilities to comply, with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including all Environmental Laws), noncompliance with which could reasonably be expected to cause, individually or in the aggregate, a Material Adverse Effect.

6.7 ENVIRONMENTAL DISCLOSURE AND INSPECTION; REMEDIAL ACTION REGARDING HAZARDOUS MATERIALS.

A. Company shall, and shall cause each of its Subsidiaries to, exercise all due diligence reasonable under the circumstances in order to comply with all Environmental Laws and cause (i) their respective employees, agents, contractors and subcontractors and (ii) all other Persons on or occupying any real property owned by Company or any of its Subsidiaries or with respect to which Company or any of its Subsidiaries is lessor to comply with all Environmental Laws.

B. Company shall promptly advise Administrative Agent and Lenders in writing and in reasonable detail of any of the following which, individually or in the aggregate, is reasonably likely to give rise to a Material Adverse Effect (i) any Release of any Hazardous Materials made by Company or any of its Subsidiaries required to be reported to any federal, state or local governmental or regulatory agency under any applicable Environmental Laws, (ii) any Release of any Hazardous Materials made by a Person other than Company or any of Company's Subsidiaries required to be reported to any federal, state or local governmental or regulatory agency under any applicable Environmental Laws to the extent Company or any of its Subsidiaries has received written notice of such Release, (iii) any and all written communications of the Company or any of its Subsidiaries with respect to any Environmental Claims or with respect to any Release of Hazardous Materials required to be reported to any federal, state or local governmental or regulatory agency, (iv) any and all written communications of any Person other than the Company or any of its Subsidiaries with respect to any Environmental Claims or with respect to any Release of Hazardous Materials required to be reported to any federal, state or local governmental or regulatory agency to the extent Company or any of its Subsidiaries has received written notice of such communications, (v) any remedial action taken by Company or, to the extent Company or any of its Subsidiaries has received written notice, any other Person in response to (x) any Hazardous Materials on, under or about any Facility, the existence of which has a reasonable possibility of resulting in an Environmental Claim, or (y) any Environmental Claim, (vi) the discovery by Company or any of its Subsidiaries of any occurrence or condition on any real property adjoining or in the vicinity of any Facility which is owned by Company or any of its Subsidiaries that could cause such Facility or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Environmental Laws, (vii) to the extent Company or any of its Subsidiaries has received written notice of any occurrence or condition on any real property adjoining or in the vicinity of any Facility which is leased by Company or any of it Subsidiaries that could cause such Facility or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Environmental Laws, and (viii) any request for information from any governmental agency

that suggests such agency is investigating whether Company or any of its Subsidiaries may be potentially responsible for a Release of Hazardous Materials.

6.8 EXECUTION OF SUBSIDIARY GUARANTY AND PERSONAL PROPERTY COLLATERAL DOCUMENTS BY CERTAIN SUBSIDIARIES AND FUTURE SUBSIDIARIES; AUXILIARY PLEDGE AGREEMENTS; COLLATERAL.

A. EXECUTION OF SUBSIDIARY GUARANTY AND PERSONAL PROPERTY COLLATERAL DOCUMENTS. In the event that any Person becomes a Domestic Subsidiary of Company after the date hereof, Company will promptly notify Administrative Agent of that fact and cause such Domestic Subsidiary to execute and deliver to Administrative Agent a counterpart of the Subsidiary Guaranty and Subsidiary Security Agreement and to take all such further actions and execute all such further documents and instruments (including actions, documents and instruments comparable to those described in subsection 4.1J) as may be necessary or, in the opinion of Administrative Agent, desirable to create in favor of Administrative Agent, for the benefit of Lenders, a valid and perfected First Priority Lien on all of the personal and mixed property assets of such Domestic Subsidiary described in the applicable forms of Collateral Documents. With respect to any such Subsidiary which is a Domestic Subsidiary, Company shall also deliver to Administrative Agent a Subsidiary Pledge Agreement, granting to Administrative Agent on behalf of Lenders a First Priority Lien in 100% of the capital stock or other equity interests of such Domestic Subsidiary.

B. EXECUTION OF FUTURE FOREIGN SUBSIDIARY GUARANTY AND COLLATERAL DOCUMENTS. In the event that any Person becomes a direct Foreign Subsidiary of Company or any Domestic Subsidiary of Company after the Closing Date, Company will promptly notify Administrative Agent of that fact and Company or such Domestic Subsidiary will execute a Pledge Amendment (as defined in the Pledge Agreement) to the Pledge Agreement executed and delivered by Company or such Domestic Subsidiary pledging not less than 66% of the stock of such Foreign Subsidiary. In the event that U.S. tax laws and/or any other applicable laws in foreign jurisdictions, as the case may be, are amended to permit a Foreign Subsidiary to guarantee the Loans without the incurrence of an investment in U.S. property or other deemed dividends for U.S. tax purposes or without otherwise resulting in U.S. taxable income or without otherwise violating any other applicable laws in foreign jurisdictions, Company will promptly notify Administrative Agent of that fact and Company or such Domestic Subsidiary will execute Pledge Amendments to the Pledge Agreement executed and delivered by Company or such Domestic Subsidiary pledging not less than 100% of the stock of its Foreign Subsidiaries and Company will cause its Foreign Subsidiaries to execute and deliver to Administrative Agent a counterpart of a Subsidiary Guaranty, a Pledge Agreement, a Security Agreement and Additional Mortgages, as applicable, and to take all such further action and execute all such further documents and instruments as may be reasonably required to grant and perfect in favor of Administrative Agent, for the benefit of Lenders, a First Priority security interest in all of the personal and mixed property assets of such Subsidiary described in the applicable Collateral Documents.

C. SUBSIDIARY CHARTER DOCUMENTS, LEGAL OPINIONS, ETC. Company shall deliver to Administrative Agent, together with such Loan Documents, (i) certified copies of such Subsidiary's Certificate or Articles of Incorporation or other organizational documents, together

with a good standing certificate from the Secretary of State of the jurisdiction of its incorporation and each other state in which such Person is qualified as a foreign corporation to do business if such Subsidiary is a Domestic Subsidiary and, to the extent generally available, a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of each such jurisdictions if such Subsidiary is a Domestic Subsidiary, each to be dated a recent date prior to their delivery to Administrative Agent, (ii) a copy of such Subsidiary's Bylaws or other organizational documents, certified by its corporate secretary or an assistant secretary as of a recent date prior to their delivery to Administrative Agent, (iii) a certificate executed by the secretary or an assistant secretary of such Subsidiary as to (a) the fact that the attached resolutions of the Board of Directors of such Subsidiary approving and authorizing the execution, delivery and performance of such Loan Documents are in full force and effect and have not been modified or amended and (b) the incumbency and signatures of the officers of such Subsidiary Guarantor executing such Loan Documents, and (iv) a favorable opinion of counsel to such Subsidiary Guarantor, in form and substance reasonably satisfactory to Administrative Agent and its counsel, as to (a) the due organization and good standing of such Subsidiary, (b) the due authorization, execution and delivery by such Subsidiary of such Loan Documents, (c) the enforceability of such Loan Documents against such Subsidiary, (d) such other matters (including matters relating to the creation and perfection of Liens in any Collateral pursuant to such Loan Documents) as Administrative Agent may reasonably request, all of the foregoing to be satisfactory in form and substance to Administrative Agent and its counsel.

6.9 CONFORMING LEASEHOLD INTERESTS; MATTERS RELATING TO ADDITIONAL REAL PROPERTY COLLATERAL.

A. CONFORMING LEASEHOLD INTERESTS. If Company or any of its Subsidiaries acquires any Material Leasehold Property after the Closing Date, Company shall, or shall cause such Subsidiary to, use its reasonable good faith best efforts (without requiring Company or such Subsidiary to relinquish any material rights or incur any material obligations or to expend more than a nominal amount of money excluding reasonable attorneys' fees incurred by (i) the landlord under the applicable lease, (ii) Administrative Agent and (iii) Company or such Subsidiary) to cause such Material Leasehold Property to be a Conforming Leasehold Interest.

B. ADDITIONAL MORTGAGES, ETC. From and after the Closing Date, in the event that (i) Company or any Subsidiary Guarantor acquires any fee interest in real property or any Material Leasehold Property or (ii) at the time any Person becomes a Subsidiary Guarantor, such Person owns or holds any fee interest in real property or any Material Leasehold Property, in either case excluding any such Real Property Asset the encumbrancing of which requires the consent of any applicable lessor or (in the case of clause (ii) above) then-existing senior lienholder, where Company and its Subsidiaries are unable to obtain such lessor's or senior lienholder's consent (any such non-excluded Real Property Asset described in the foregoing clause (i) or (ii) being an "ADDITIONAL MORTGAGED PROPERTY"), Company or such Subsidiary Guarantor shall deliver to Administrative Agent, as soon as practicable after such Person acquires such Additional Mortgaged Property or becomes a Subsidiary Guarantor, as the case may be, the following:

(i) Additional Mortgage. A fully executed and notarized Mortgage (an "ADDITIONAL MORTGAGE"), duly recorded in all appropriate places in all applicable jurisdictions, encumbering the interest of such Loan Party in such Additional Mortgaged Property;

(ii) Opinions of Counsel. (a) A favorable opinion of counsel to such Loan Party, in form and substance satisfactory to Administrative Agent and its counsel, as to the due authorization, execution and delivery by such Loan Party of such Additional Mortgage and such other matters as Administrative Agent may reasonably request, and (b) if required by Administrative Agent, an opinion of counsel (which counsel shall be reasonably satisfactory to Administrative Agent) in the state in which such Additional Mortgaged Property is located with respect to the enforceability of such Additional Mortgage and such other matters (including any matters governed by the laws of such state regarding personal property security interests in respect of any Collateral) as Administrative Agent may reasonably request, in each case in form and substance reasonably satisfactory to Administrative Agent;

(iii) Landlord Consent and Estoppel; Recorded Leasehold Interest. In the case of an Additional Mortgaged Property consisting of a Material Leasehold Property, (a) a Landlord Consent and Estoppel and (b) evidence that such Leasehold Property is a Recorded Leasehold Interest;

(iv) Title Insurance. (a) If required by Administrative Agent, an ALTA mortgagee title insurance policy or an unconditional commitment therefor (an "ADDITIONAL MORTGAGE POLICY") issued by the Title Company with respect to such Additional Mortgaged Property, in an amount satisfactory to Administrative Agent, insuring fee simple title to, or a valid leasehold interest in, such Additional Mortgaged Property vested in such Loan Party and assuring Administrative Agent that such Additional Mortgage creates a valid and enforceable First Priority mortgage Lien on such Additional Mortgaged Property, subject only to a standard survey exception, which Additional Mortgage Policy (1) shall include an endorsement for mechanics' liens, for future advances under this Agreement and for any other matters reasonably requested by Administrative Agent and (2) shall provide for affirmative insurance and such reinsurance as Administrative Agent may reasonably request, all of the foregoing in form and substance reasonably satisfactory to Administrative Agent; and (b) evidence satisfactory to Administrative Agent that such Loan Party has (i) delivered to the Title Company all certificates and affidavits required by the Title Company in connection with the issuance of the Additional Mortgage Policy and (ii) paid to the Title Company or to the appropriate governmental authorities all expenses and premiums of the Title Company in connection with the issuance of the Additional Mortgage Policy and all recording and stamp taxes (including mortgage recording and intangible taxes) payable in connection with recording the Additional Mortgage in the appropriate real estate records;

(v) Title Report. If no Additional Mortgage Policy is required with respect to such Additional Mortgaged Property, a title report issued by the Title Company with respect thereto, dated not more than 30 days prior to the date such Additional Mortgage is to be recorded and satisfactory in form and substance to Administrative Agent;

(vi) Copies of Documents Relating to Title Exceptions. Copies of all recorded documents listed as exceptions to title or otherwise referred to in the Additional Mortgage Policy or title report delivered pursuant to clause (iv) or (v) above;

(vii) Matters Relating to Flood Hazard Properties. (a) Evidence, which may be in the form of a letter from an insurance broker or a municipal engineer, as to (1) whether such Additional Mortgaged Property is a Flood Hazard Property, and (2) if so, whether the community in which such Flood Hazard Property is located is participating in the National Flood Insurance Program, (b) if such Additional Mortgaged Property is a Flood Hazard Property, such Loan Party's written acknowledgment of receipt of written notification from Administrative Agent (1) that such Additional Mortgaged Property is a Flood Hazard Property and (2) as to whether the community in which such Flood Hazard Property is located is participating in the National Flood Insurance Program, (c) in the event such Additional Mortgaged Property is a Flood Hazard Property that is located in a community that participates in the National Flood Insurance Program, evidence that Company has obtained flood insurance in respect of such Flood Hazard Property to the extent required under the applicable regulations of the Board of Governors of the Federal Reserve System, and (d) with respect to any Closing Date Mortgaged Property in which Company did not have an insurable interest on the Closing Date which is a Flood Hazard Property that is located in a community that participates in the National Flood Insurance Program, evidence that at the time the Company acquires an insurable interest that it has obtained flood insurance in respect of such Flood Hazard Property to the extent required under the applicable regulations of the Board of Governors of the Federal Reserve System; and

(viii) Environmental Audit. If required by Administrative Agent, reports and other information, in form, scope and substance satisfactory to Administrative Agent and prepared by environmental consultants satisfactory to Administrative Agent, concerning any environmental hazards or liabilities to which Company or any of its Subsidiaries may be subject with respect to such Additional Mortgaged Property.

C. REAL ESTATE APPRAISALS. Company shall, and shall cause each of its Subsidiaries to, permit an independent real estate appraiser satisfactory to Administrative Agent, upon reasonable notice, to visit and inspect any Additional Mortgaged Property for the purpose of preparing an appraisal of such Additional Mortgaged Property satisfying the requirements of any applicable laws and regulations (in each case to the extent required under such laws and regulations as determined by Administrative Agent in its discretion).

6.10 INTEREST RATE PROTECTION.

By the date which is 90 days after the Closing Date until the two year anniversary after the Closing Date, Company shall maintain in effect one or more Interest Rate Agreements with respect to the Loans, in an aggregate notional principal amount of not less than 50% of the aggregate principal amount of the Term Loan outstanding on the Closing Date, which Interest Rate Agreements shall have the effect of establishing a maximum interest rate of not more than 10% per annum with respect to such notional principal amount, each such Interest Rate

Agreement to be in form and substance satisfactory to Administrative Agent and with a term of not less than two years after the Closing Date.

6.11 DEPOSIT ACCOUNTS AND CASH MANAGEMENT SYSTEMS.

On and after November 30, 1999, Company shall, and shall cause each of its Subsidiaries to, use and maintain its Deposit Accounts and cash management systems in a manner reasonably satisfactory to Administrative Agent. Company shall not permit any of such Deposit Accounts with any Person other than Administrative Agent or any other Lenders at any time to have a principal balance in excess of $500,000 unless Company or such Subsidiary, as the case may be, has (i) delivered to Administrative Agent an agreement, satisfactory in form and substance to Administrative Agent and executed by the financial institution, at which such Deposit Account is maintained, pursuant to which such financial institution confirms and acknowledges Administrative Agent's security interest in, and sole dominion and control over, such Deposit Account and waives its rights to set-off with respect to amounts in such Deposit Account and (ii) taken all other steps necessary or, in the reasonable opinion of Administrative Agent, desirable to ensure that Administrative Agent has sole dominion and control over such Deposit Account; provided that if Company or such Subsidiary is unable to obtain such agreement from such financial institution, Company shall, or shall cause such Subsidiary to, within 30 days after receiving a written request by Administrative Agent to do so, transfer all amounts in the applicable Deposit Account to a Deposit Account maintained with a financial institution from which Company or such Subsidiary has obtained such an agreement. Company shall not permit the aggregate amount on deposit in all Deposit Accounts of Company and of its Subsidiaries (other than Deposit Accounts maintained with Administrative Agent or any other Lenders) at any time to exceed $500,000.

6.12 YEAR 2000.

The Company will ensure that its Information Systems and Equipment are at all times after November 30, 1999 Year 2000 Compliant, except insofar as the failure to do so will not result in a Material Adverse Effect, and shall notify the Administrative Agent promptly upon detecting any failure of the Information Systems and Equipment to be Year 2000 Compliant. In addition, Company shall provide the Administrative Agent and any Lender with such information about its Year 2000 computer readiness (including, without limitation, information as to contingency plans, budgets and testing results) as the Administrative Agent or such Lender shall reasonably request.

SECTION 7. COMPANY'S NEGATIVE COVENANTS

Company covenants and agrees that, so long as any of the Commitments hereunder shall remain in effect and until payment in full of all of the Loans and other Obligations and the cancellation or expiration of all Letters of Credit, unless Requisite Lenders shall otherwise give prior written consent, Company shall perform, and shall cause each of its Subsidiaries to perform, all covenants in this Section 7.

7.1 INDEBTEDNESS.

Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or guaranty, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(i) Company may become and remain liable with respect to the Obligations;

(ii) Company and its Subsidiaries may become and remain liable with respect to Contingent Obligations permitted by subsection 7.4 and, upon any matured obligations actually arising pursuant thereto, the Indebtedness corresponding to the Contingent Obligations so extinguished;

(iii) Company and its Subsidiaries may become and remain liable with respect to Indebtedness in respect of Capital Leases; provided that such Capital Leases are permitted under the terms of subsection 7.8;

(iv) Company may become and remain liable with respect to Indebtedness to any of its wholly-owned Subsidiaries, and any wholly-owned Subsidiary of Company may become and remain liable with respect to Indebtedness to Company or any other wholly-owned Subsidiary of Company; provided that (a) all such intercompany Indebtedness shall be evidenced by promissory notes, (b) all such intercompany Indebtedness owed by Company to any of its Subsidiaries shall be subordinated in right of payment to the payment in full of the Obligations pursuant to the terms of the applicable promissory notes or an intercompany subordination agreement, and (c) any payment by any Subsidiary of Company under any guaranty of the Obligations shall result in a pro tanto reduction of the amount of any intercompany Indebtedness owed by such Subsidiary to Company or to any of its Subsidiaries for whose benefit such payment is made;

(v) Company and its Subsidiaries, as applicable, may become and remain liable with respect to Indebtedness described in Schedule 7.1 annexed hereto;

(vi) Acquired Indebtedness of the Company or any Subsidiary of Company not exceeding $1,000,000 at any one time outstanding; provided that (a) the transaction pursuant to which such Acquired Indebtedness becomes Acquired Indebtedness is a transaction permitted under subsection 7.3, (b) the principal amount of such Acquired Indebtedness is not increased, (c) the maturity of such Acquired Indebtedness is not shortened, and (d) such Acquired Indebtedness is not secured by any Lien on any property other than that which secured it before such event;

(vii) Company may become and remain liable with respect to (i) deferred compensation arrangements owed to members of Company's senior management and (ii) promissory notes evidencing Company's obligations to repurchase Company's common stock from members of management and Company may make payments on such promissory notes, in each case to the extent permitted under subsection 7.5;

(viii) Company may become and remain liable with respect to earn outs, deferred compensation and other similar arrangements in connection with Permitted Acquisitions to the extent permitted under subsection 7.3(vi);

(ix) Company and its Subsidiaries may become and remain liable with respect to obligations to suppliers and trade vendors which either constitute the deferred purchase price of property or services or which are evidenced by promissory notes in an aggregate amount not exceeding $5,000,000 outstanding at any time; and

(x) Company and its Subsidiaries may become and remain liable with respect to other Indebtedness in an aggregate principal amount not to exceed $2,500,000 at any time outstanding.

7.2 LIENS AND RELATED MATTERS.

A. PROHIBITION ON LIENS. Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of any kind (including any document or instrument in respect of goods or accounts receivable) of Company or any of its Subsidiaries, whether now owned or hereafter acquired, or any income or profits therefrom, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any Lien with respect to any such property, asset, income or profits under the Uniform Commercial Code of any State or under any similar recording or notice statute, except:

(i) Permitted Encumbrances;

(ii) Liens granted pursuant to the Collateral Documents;

(iii) Liens described in Schedule 7.2 annexed hereto;

(iv) Liens securing Indebtedness permitted under subsection 7.1(vi) so long as such Liens cover only property which was subject to Liens securing such Indebtedness before such Indebtedness became Acquired Indebtedness;

(v) Liens securing Indebtedness permitted under subsection 7.1(iii); and

(vi) Other Liens securing Indebtedness in an aggregate amount not to exceed $2,500,000 at any time outstanding.

B. EQUITABLE LIEN IN FAVOR OF LENDERS. If Company or any of its Subsidiaries shall create or assume any Lien upon any of its properties or assets, whether now owned or hereafter acquired, other than Liens excepted by the provisions of subsection 7.2A, it shall make or cause to be made effective provision whereby the Obligations will be secured by such Lien equally and ratably with any and all other Indebtedness secured thereby as long as any such Indebtedness shall be so secured; provided that, notwithstanding the foregoing, this covenant shall not be construed as a consent by Requisite Lenders to the creation or assumption of any such Lien not permitted by the provisions of subsection 7.2A.

C. NO FURTHER NEGATIVE PLEDGES. Except with respect to specific property encumbered to secure payment of particular Indebtedness or to be sold pursuant to an executed agreement with respect to an Asset Sale, neither Company nor any of its Subsidiaries shall enter into any agreement prohibiting the creation or assumption of any Lien upon any of its properties or assets, whether now owned or hereafter acquired.

D. NO RESTRICTIONS ON SUBSIDIARY DISTRIBUTIONS TO COMPANY OR OTHER SUBSIDIARIES. Except as provided herein, Company will not, and will not permit any of its Subsidiaries to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to (i) pay dividends or make any other distributions on any of such Subsidiary's capital stock or membership interests owned by Company or any other Subsidiary of Company, (ii) repay or prepay any Indebtedness owed by such Subsidiary to Company or any other Subsidiary of Company, (iii) make loans or advances to Company or any other Subsidiary of Company, or (iv) transfer any of its property or assets to Company or any other Subsidiary of Company.

7.3 INVESTMENTS; JOINT VENTURES.

Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, make or own any Investment in any Person, including any Joint Venture, except:

(i) Company and its Subsidiaries may make and own Investments in Cash Equivalents;

(ii) Company and its Subsidiaries may make intercompany loans to the extent permitted under subsection 7.1(iv);

(iii) Company and its Subsidiaries may make Consolidated Capital Expenditures permitted by subsection 7.8;

(iv) Company and its Subsidiaries may continue to own the Investments owned by them and described in Schedule 7.3 annexed hereto;

(v) Company and its Subsidiaries may make and own other Investments (including by means of a merger) in an aggregate amount not to exceed at any time $1,000,000;

(vi) Company and its Subsidiaries may make acquisitions (including by means of a merger) of a Person's capital stock or other equity interests or of all or a substantial portion of a Person's business, property or fixed assets provided that each of the following conditions is satisfied (a "Permitted Acquisition"):

(a) the acquired Person is in, or the business, property or fixed assets so acquired are used in, the same or a related line of business as the Company and its Subsidiaries;

(b) the consideration paid by Company and its Subsidiaries for any acquisition or series of related acquisitions consists of (w) common stock of

Company, (x) the Cash proceeds of common stock issued by Company in connection with such acquisition, (y) Acquired Indebtedness permitted under subsection 7.1(vi) and/or (z) such other consideration as may be paid by Company and its Subsidiaries, including without limitation Cash not constituting the proceeds of common stock issuances by the Company and provisions for earnouts, deferred compensation or other similar arrangements, provided that the amount of such other consideration so paid in any Fiscal Year (the "ANNUAL AMOUNT") shall not exceed $2,500,000 in the aggregate or, in the event that Company's Consolidated Leverage Ratio is less than or equal to 2.00:1.00, the amount of such other consideration so paid in any Fiscal Year shall not exceed $5,000,000 in the aggregate; provided however that the Annual Amount in any Fiscal Year may be increased with respect to earnout payments made in such Fiscal Year (the "Additional Earnout Payments") up to an amount which does not exceed the Annual Amount available for the next succeeding Fiscal Year and provided that the Annual Amount available in such next succeeding Fiscal Year shall be reduced by the amount of such Additional Earnout Payments;

(c) concurrently with the consummation of such Permitted Acquisition, Company shall, and shall cause its Subsidiaries to, comply with the requirements of subsections 6.8 and 6.9 with respect to such Permitted Acquisition; and

(d) prior to the consummation of any such Permitted Acquisition, Company shall deliver to Administrative Agent an Officers' Certificate (1) certifying that no Potential Event of Default or Event of Default under this Agreement shall then exist or shall occur as a result of such Permitted Acquisition, (2) demonstrating that after giving effect to such Permitted Acquisition and to all Indebtedness to be incurred or assumed or repaid in connection with or as consideration for such Permitted Acquisition, Company will be in compliance with the financial covenants, calculated on a Pro Forma Basis, as of the last day of the four Fiscal Quarter period most recently ended prior to the date of the proposed Permitted Acquisition for which the relevant financial information is available, (3) delivering a copy, prepared in conformity with GAAP (subject to year-end adjustments and the absence of footnotes), of (i) financial statements of the Person or business so acquired for the immediately preceding four consecutive Fiscal Quarter period corresponding to the calculation period for the financial covenants in the immediately preceding clause and (ii) audited or reviewed financial statements of the Person or business so acquired for the fiscal year ended within such period of such Person, and (4) revised financial projections (in a form substantially consistent with previously provided projections) for Company Pro Forma for any proposed Permitted Acquisition for the succeeding four Fiscal Quarters.

(vii) Company and its Subsidiaries (x) may continue to own their existing Investments in their respective Subsidiaries as of the Closing Date, (y) may make additional Investments in their respective wholly-owned Subsidiary Guarantors and (z)

may make additional Investments in their Foreign Subsidiaries in an aggregate amount not to exceed $2,000,000 outstanding at any time; and

(viii) Company and its Subsidiaries may make Investments in Joint Ventures (including a Joint Venture where the Company contributes assets to the Joint Venture rather than Cash); provided that the aggregate amount or value of all such Investments does not to exceed $1,000,000 outstanding at any time.

7.4 CONTINGENT OBLIGATIONS.

Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create or become or remain liable with respect to any Contingent Obligation, except:

(i) Subsidiaries of Company may become and remain liable with respect to Contingent Obligations in respect of the Subsidiary Guaranty;

(ii) Company may become and remain liable with respect to Contingent Obligations in respect of Letters of Credit; provided that no Loan Party shall have granted any Lien securing obligations other than pursuant to the Loan Documents;

(iii) Company may become and remain liable with respect to Contingent Obligations under Hedge Agreements entered into with a Lender; and

(iv) Company and its Subsidiaries may become and remain liable with respect to other Contingent Obligations; provided that the maximum aggregate liability, contingent or otherwise, of Company and its Subsidiaries in respect of all such Contingent Obligations shall at no time exceed $1,000,000.

7.5 RESTRICTED JUNIOR PAYMENTS.

Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Junior Payment; provided that so long as no Potential Event of Default or Event of Default has occurred or is continuing, (i) in addition to the deferred compensation payments made to members of Company's senior management on the Closing Date in accordance with the terms of the Recapitalization Agreement, Company may pay deferred compensation to members of Company's senior management in an amount not to exceed $2,500,000 (plus related payroll taxes) in each Fiscal Year and not to exceed $7,500,000 (plus related payroll taxes) in the aggregate for all such payments made after the Closing Date, (ii) Company may repurchase for Cash, or may make payments on promissory notes evidencing Company's obligations to repurchase, Company's common stock from members of Company's management in an aggregate amount for all such repurchases or payments not to exceed $10,000,000 provided that such Cash Restricted Junior Payments shall not exceed (A) $1,000,000 in the aggregate for any one Fiscal Year so long as the Consolidated Leverage Ratio for the four Fiscal Quarter period for which the most recent Margin Determination Certificate has been delivered pursuant to subsection 6.1(iv) exceeds 2.50:1.00 or (B) $2,000,000 in the aggregate for any one Fiscal Year so long as Consolidated Leverage Ratio is less than or equal to 2.50:100; provided, further that any portion of the amount permitted pursuant to the foregoing clause (B) together with any amount carried forward from a prior year

which is not utilized for such purpose in a given Fiscal Year may be carried over to the subsequent Fiscal Year up to a maximum amount so carried forward to such subsequent Fiscal Year of $2,000,000; and (iii) Company may pay post-closing adjustments and make indemnity and similar payments in accordance with the Recapitalization Agreement.

7.6 FINANCIAL COVENANTS.

A. MINIMUM INTEREST COVERAGE RATIO. Company shall not permit the ratio of (i) Consolidated Adjusted EBITDA to (ii) Consolidated Interest Expense, calculated on a Pro Forma Basis, for any four-Fiscal Quarter period ending during any of the periods set forth below to be less than the correlative ratio indicated:

PERIOD	MINIMUM INTEREST COVERAGE RATIO
Fourth Fiscal Quarter 1999	2.75:1.00
First Fiscal Quarter 2000	2.75:1.00
Second Fiscal Quarter 2000	2.75:1.00
Third Fiscal Quarter 2000	3.00:1.00
Fourth Fiscal Quarter 2000	3.00:1.00
First Fiscal Quarter 2001	3.00:1.00
Second Fiscal Quarter 2001	3.25:1.00
Third Fiscal Quarter 2001	3.50:1.00
Fourth Fiscal Quarter 2001	3.50:1.00
First Fiscal Quarter 2002	3.75:1.00
Second Fiscal Quarter 2002	3.75:1.00
Third Fiscal Quarter 2002	3.75:1.00
Fourth Fiscal Quarter 2002	3.75:1.00
First Fiscal Quarter 2003	4.00:1.00
Second Fiscal Quarter 2003	4.25:1.00
Third Fiscal Quarter 2003	4.50:1.00
Fourth Fiscal Quarter 2003	4.75:1.00
First Fiscal Quarter 2004	5.00:1.00
Second Fiscal Quarter 2004	5.00:1.00
Third Fiscal Quarter 2004	5.00:1.00
Fourth Fiscal Quarter 2004	5.00:1.00
First Fiscal Quarter 2005	5.00:1.00
Second Fiscal Quarter 2005	5.00:1.00
Third Fiscal Quarter 2005	5.00:1.00

B. MAXIMUM LEVERAGE RATIO. Company shall not permit the Consolidated Leverage Ratio, calculated on a Pro Forma Basis, as of the last day of any Fiscal Quarter ending during any of the periods set forth below to exceed the correlative ratio indicated:

PERIOD	MAXIMUM LEVERAGE RATIO
Fourth Fiscal Quarter 1999	3.75:1.00
First Fiscal Quarter 2000	3.75:1.00
Second Fiscal Quarter 2000	3.50:1.00
Third Fiscal Quarter 2000	3.25:1.00
Fourth Fiscal Quarter 2000	3.00:1.00
First Fiscal Quarter 2001	3.00:1.00
Second Fiscal Quarter 2001	2.75:1.00
Third Fiscal Quarter 2001	2.75:1.00
Fourth Fiscal Quarter 2001	2.50:1.00
First Fiscal Quarter 2002	2.25:1.00
Second Fiscal Quarter 2002	2.25:1.00
Third Fiscal Quarter 2002	2.00:1.00
Fourth Fiscal Quarter 2002	2.00:1.00
First Fiscal Quarter 2003	2.00:1.00
Second Fiscal Quarter 2003	2.00:1.00
Third Fiscal Quarter 2003	2.00:1.00
Fourth Fiscal Quarter 2003	2.00:1.00
First Fiscal Quarter 2004	2.00:1.00
Second Fiscal Quarter 2004	2.00:1.00
Third Fiscal Quarter 2004	2.00:1.00
Fourth Fiscal Quarter 2004	2.00:1.00
First Fiscal Quarter 2005	2.00:1.00
Second Fiscal Quarter 2005	2.00:1.00
Third Fiscal Quarter 2005	2.00:1.00

C. MINIMUM CONSOLIDATED ADJUSTED EBITDA. Company shall not permit Consolidated Adjusted EBITDA, calculated on a Pro Forma Basis, for any four-Fiscal Quarter period ending during any of the periods set forth below to be less than the correlative amount indicated:

PERIOD	MINIMUM CONSOLIDATED ADJUSTED EBITDA
Fourth Fiscal Quarter 1999	$31,500,000
First Fiscal Quarter 2000	$31,500,000
Second Fiscal Quarter 2000	$32,000,000
Third Fiscal Quarter 2000	$32,500,000
Fourth Fiscal Quarter 2000	$33,000,000
First Fiscal Quarter 2001	$33,000,000
Second Fiscal Quarter 2001	$34,000,000
Third Fiscal Quarter 2001	$35,000,000
Fourth Fiscal Quarter 2001	$36,000,000
First Fiscal Quarter 2002	$36,000,000
Second Fiscal Quarter 2002	$37,000,000

7.7 RESTRICTION ON FUNDAMENTAL CHANGES; ASSET SALES AND ACQUISITIONS.

Company shall not, and shall not permit any of its Subsidiaries to, alter the corporate, capital or legal structure of Company or any of its Subsidiaries, or enter into any transaction of merger or consolidation, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease or sub-lease (as lessor or sublessor), transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business, property or assets, whether now owned or hereafter acquired, or acquire by purchase or otherwise all or substantially all the business, property or fixed assets of, or stock or other evidence of beneficial ownership of, any Person or any division or line of business of any Person, except:

(i) any Subsidiary of Company and the Related Entities may be merged with or into Company or any wholly-owned Subsidiary Guarantor, or be liquidated, wound up or dissolved, or all or any part of its business, property or assets may be conveyed, sold, leased, transferred or otherwise disposed of, in one transaction or a series of transactions, to Company or any wholly-owned Subsidiary Guarantor; provided that, in the case of such a merger, Company or such wholly-owned Subsidiary Guarantor shall be the continuing or surviving corporation;

(ii) Company and its Subsidiaries may make Consolidated Capital Expenditures permitted under subsection 7.8;

(iii) Company and its Subsidiaries may dispose of obsolete, worn out or surplus property in the ordinary course of business;

(iv) Company and its Subsidiaries may sell or otherwise dispose of assets in transactions that do not constitute Asset Sales; provided that the consideration received for such assets shall be in an amount at least equal to the fair market value thereof; and

(v) subject to subsection 7.12, Company and its Subsidiaries may make Asset Sales of assets having a fair market value not in excess of $2,500,000; provided that

(x) the consideration received for such assets shall be in an amount at least equal to the fair market value thereof; (y) the sole consideration received shall be cash; and (z) the proceeds of such Asset Sales shall be applied as required by subsection 2.4B(iii)(a); and

(vi) Company and its Subsidiaries may make Investments in accordance with subsection 7.3.

7.8 CONSOLIDATED CAPITAL EXPENDITURES.

Company shall not, and shall not permit its Subsidiaries to, make or incur Consolidated Capital Expenditures, in any Fiscal Year indicated below, in an aggregate amount in excess of the corresponding amount (the "MAXIMUM CONSOLIDATED CAPITAL EXPENDITURES AMOUNT") set forth below opposite such Fiscal Year; provided that the Maximum Consolidated Capital Expenditures Amount for any Fiscal Year shall be increased by an amount equal to the excess, if any (but in no event more than $2,000,000), of the Maximum Consolidated Capital Expenditures Amount for the previous Fiscal Year over the actual amount of Consolidated Capital Expenditures for such previous Fiscal Year.

FISCAL YEAR	MAXIMUM CONSOLIDATED CAPITAL EXPENDITURES
1999	$4,000,000
2000	$5,000,000
2001	$6,000,000
2002	$6,500,000
2003	$7,000,000
2004	$7,500,000
2005	$6,000,000

7.9 SALES AND LEASE-BACKS.

Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, become or remain liable as lessee or as a guarantor or other surety with respect to any lease, whether an Operating Lease or a Capital Lease, of any property (whether real, personal or mixed), whether now owned or hereafter acquired, (i) which Company or any of its Subsidiaries has sold or transferred or is to sell or transfer to any other Person (other than Company or any of its Subsidiaries) or (ii) which Company or any of its Subsidiaries intends to use for substantially the same purpose as any other property which has been or is to be sold or transferred by Company or any of its Subsidiaries to any Person (other than Company or any of its Subsidiaries) in connection with such lease; provided that Company and its Subsidiaries may become and remain liable as lessee, guarantor or other surety with respect to any such lease if and to the extent that Company or any of its Subsidiaries would be permitted to enter into and remain liable under such lease under subsection 7.8.

7.10 SALE OR DISCOUNT OF RECEIVABLES.

Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, sell with recourse, or discount or otherwise sell for less than the face value thereof, any of its notes or accounts receivable.

7.11 TRANSACTIONS WITH SHAREHOLDERS AND AFFILIATES.

Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any holder of 5% or more of any class of equity Securities of Company or with any Affiliate of Company or of any such holder, on terms that are less favorable to Company or that Subsidiary, as the case may be, than those that might be obtained at the time from Persons who are not such a holder or Affiliate; provided that the foregoing restriction shall not apply to (i) any transaction between Company and any of its wholly-owned Subsidiaries or between any of its wholly-owned Subsidiaries, (ii) reasonable and customary fees paid to members of the Boards of Directors of Company and its Subsidiaries (iii) transactions contemplated by the Related Agreements and options granted to employees under the Blackbaud, Inc. 1999 Stock Option Plan and the related option agreement, (iv) arms-length transactions in the ordinary course of business with other companies in which H&F is an investor and (v) payment of Transaction Costs and other payments permitted by subsection 7.5.

7.12 DISPOSAL OF SUBSIDIARY STOCK.

Except pursuant to the Collateral Documents and except for any sale of 100% of the capital stock or other equity Securities of any of its Subsidiaries in compliance with the provisions of subsection 7.7(i) or (v), Company shall not:

(i) directly or indirectly sell, assign, pledge or otherwise encumber or dispose of any shares of capital stock or other equity Securities of any of its Subsidiaries, except to qualify directors if required by applicable law; or

(ii) permit any of its Subsidiaries directly or indirectly to sell, assign, pledge or otherwise encumber or dispose of any shares of capital stock or other equity Securities of any of its Subsidiaries (including such Subsidiary), except to Company, another Subsidiary of Company, or to qualify directors if required by applicable law.

7.13 CONDUCT OF BUSINESS.

From and after the Closing Date, Company shall not, and shall not permit any of its Subsidiaries to, engage in any business other than (i) the businesses engaged in by Company and its Subsidiaries on the Closing Date and similar or related businesses and (ii) such other lines of business as may be consented to by Requisite Lenders.

7.14 AMENDMENTS OR WAIVERS OF CERTAIN RELATED AGREEMENTS; AMENDMENTS OF DOCUMENTS RELATING TO SUBORDINATED INDEBTEDNESS.

A. AMENDMENTS OR WAIVERS OF CERTAIN RELATED AGREEMENTS. Neither Company nor any of its Subsidiaries will agree to any material amendment to, or waive any of its material rights under, any Related Agreement after the Closing Date without in each case obtaining the prior written consent of Requisite Lenders to such amendment or waiver.

B. AMENDMENTS OF DOCUMENTS RELATING TO SUBORDINATED INDEBTEDNESS. Company shall not, and shall not permit any of its Subsidiaries to, amend or otherwise change the terms of any Subordinated Indebtedness, or make any payment consistent with an amendment thereof or change thereto, if the effect of such amendment or change is to increase the interest rate on such Subordinated Indebtedness, change (to earlier dates) any dates upon which payments of principal or interest are due thereon, change any event of default or condition to an event of default with respect thereto (other than to eliminate any such event of default or increase any grace period related thereto), change the redemption, prepayment or defeasance provisions thereof, change the subordination provisions thereof (or of any guaranty thereof), or change any collateral therefor (other than to release such collateral), or if the effect of such amendment or change, together with all other amendments or changes made, is to increase materially the obligations of the obligor thereunder or to confer any additional rights on the holders of such Subordinated Indebtedness (or a trustee or other representative on their behalf) which would be adverse to Company or Lenders.

7.15 FISCAL YEAR.

Company shall not change its Fiscal Year-end from December 31.

7.16 RELATED ENTITIES.

The Company shall not fail to cause the Related Entities to be merged with and into the Company as soon as practicable after the Closing Date provided that Company shall cause the Related Entities to be merged with and into the Company within five Business Days after the Closing Date and shall deliver an Officers' Certificate to Administrative Agent to such effect.

SECTION 8. EVENTS OF DEFAULT

If any of the following conditions or events ("EVENTS OF DEFAULT") shall occur:

8.1 8.1 FAILURE TO MAKE PAYMENTS WHEN DUE.

Failure by Company to pay any installment of principal of any Loan when due, whether at stated maturity, by acceleration, by notice of voluntary prepayment, by mandatory prepayment or otherwise; failure by Company to pay when due any amount payable to an Issuing Lender in reimbursement of any drawing under a Letter of Credit; or failure by Company to pay any interest on any Loan or any fee or any other amount due under this Agreement within five days after the date due; or

8.2 DEFAULT IN OTHER AGREEMENTS.

(i) Failure of Company or any of its Subsidiaries to pay when due any principal of or interest on or any other amount payable in respect of one or more items of Indebtedness (other than Indebtedness referred to in subsection 8.1) or Contingent Obligations in an aggregate principal amount of $1,000,000 or more, in each case beyond the end of any grace period provided therefor; or (ii) breach or default by Company or any of its Subsidiaries with respect to any other material term of (a) one or more items of Indebtedness or Contingent Obligations in the aggregate principal amount referred to in clause (i) above or (b) any loan agreement, mortgage, indenture or other agreement relating to such item(s) of Indebtedness or Contingent Obligation(s), if the effect of such breach or default is to cause, or to permit the holder or holders of that Indebtedness or Contingent Obligation(s) (or a trustee on behalf of such holder or holders) to cause, that Indebtedness or Contingent Obligation(s) to become or be declared due and payable prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be (upon the giving or receiving of notice, lapse of time, both, or otherwise); or

8.3 BREACH OF CERTAIN COVENANTS.

Failure of Company to perform or comply with any term or condition contained in subsection 2.5 or 6.2 or Section 7 of this Agreement; or

8.4 BREACH OF WARRANTY.

Any representation, warranty, certification or other statement made by Company or any of its Subsidiaries in any Loan Document or in any statement or certificate at any time given by Company or any of its Subsidiaries in writing pursuant hereto or thereto or in connection herewith or therewith shall be false in any material respect on the date as of which made; or

8.5 OTHER DEFAULTS UNDER LOAN DOCUMENTS.

Any Loan Party shall default in the performance of or compliance with any term contained in this Agreement or any of the other Loan Documents, other than any such term referred to in any other subsection of this Section 8, and such default shall not have been remedied or waived within 20 days after the earlier of (i) an officer of Company or such Loan Party becoming aware of such default or (ii) receipt by Company and such Loan Party of notice from Administrative Agent or any Lender of such default; or

8.6 INVOLUNTARY BANKRUPTCY; APPOINTMENT OF RECEIVER, ETC.

A court having jurisdiction in the premises shall enter a decree or order for relief in respect of Company or any of its Material Subsidiaries in an involuntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief shall be granted under any applicable federal or state law; or (ii) an involuntary case shall be commenced against Company or any of its Material Subsidiaries under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator,

sequestrator, trustee, custodian or other officer having similar powers over Company or any of its Material Subsidiaries, or over all or a substantial part of its property, shall have been entered; or there shall have occurred the involuntary appointment of an interim receiver, trustee or other custodian of Company or any of its Material Subsidiaries for all or a substantial part of its property; or a warrant of attachment, execution or similar process shall have been issued against any substantial part of the property of Company or any of its Material Subsidiaries, and any such event described in this clause (ii) shall continue for 60 days unless dismissed, bonded or discharged; or

8.7 VOLUNTARY BANKRUPTCY; APPOINTMENT OF RECEIVER, ETC.

Company or any of its Material Subsidiaries shall have an order for relief entered with respect to it or commence a voluntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or, Company or any of its Material Subsidiaries shall make any assignment for the benefit of creditors; or (ii) Company or any of its Material Subsidiaries shall be unable, or shall fail generally, or shall admit in writing its inability, to pay its debts as such debts become due; or the Board of Directors of Company or any of its Material Subsidiaries (or any committee thereof) shall adopt any resolution or otherwise authorize any action to approve any of the actions referred to in clause (i) above or this clause (ii); or

8.8 JUDGMENTS AND ATTACHMENTS.

Any money judgment, writ or warrant of attachment or similar process involving (i) in any individual case an amount in excess of $1,000,000 or (ii) in the aggregate at any time an amount in excess of $1,000,000 (in either case not adequately covered by insurance as to which a solvent and unaffiliated insurance company has acknowledged coverage) shall be entered or filed against Company or any of its Material Subsidiaries or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of 60 days (or in any event later than five days prior to the date of any proposed sale thereunder); or

8.9 DISSOLUTION.

Any order, judgment or decree shall be entered against Company or any of its Subsidiaries decreeing the dissolution or split up of Company or that Subsidiary and such order shall remain undischarged or unstayed for a period in excess of 30 days; or

8.10 EMPLOYEE BENEFIT PLANS.

There shall occur one or more ERISA Events which individually or in the aggregate results in or could reasonably be expected to result in liability of Company or any of its Subsidiaries in excess of $1,000,000 during the term of this Agreement; or there shall exist an amount of liability calculated in accordance with the provisions of subsection 5.11C which exceeds $1,000,000; or

8.11 CHANGE IN CONTROL.

H&F shall cease to beneficially own and control, directly or indirectly, at least a majority of the issued and outstanding shares of capital stock of the Company (without regard to the occurrence of any contingency) entitled to vote for the election of members of the Board of Directors of the Company. Any Person or any two or more Persons acting in concert who is not a holder of stock or stock options as of the Closing Date shall have acquired beneficial ownership, directly or indirectly, of Securities of Company (or other Securities convertible into such Securities) representing 30% or more of the combined voting power of all Securities of Company entitled to vote in the election of directors, other than Securities having such power only by reason of the happening of a contingency; or

8.12 INVALIDITY OF GUARANTIES; FAILURE OF SECURITY; REPUDIATION OF OBLIGATIONS.

At any time after the execution and delivery thereof, (i) any Guaranty for any reason, other than the satisfaction in full of all Obligations, shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared to be null and void, (ii) any Collateral Document shall cease to be in full force and effect (other than by reason of a release of Collateral thereunder in accordance with the terms hereof or thereof, the satisfaction in full of the Obligations or any other termination of such Collateral Document in accordance with the terms hereof or thereof) or shall be declared null and void, or Administrative Agent shall not have or shall cease to have a valid and perfected First Priority Lien in any Collateral purported to be covered thereby, in each case for any reason other than the failure of Administrative Agent or any Lender to take any action within its control, or (iii) any Loan Party shall contest the validity or enforceability of any Loan Document in writing or deny in writing that it has any further liability, including with respect to future advances by Lenders, under any Loan Document to which it is a party.

THEN (i) upon the occurrence of any Event of Default described in subsection 8.6 or 8.7, each of (a) the unpaid principal amount of and accrued interest on the Loans, (b) an amount equal to the maximum amount that may at any time be drawn under all Letters of Credit then outstanding (whether or not any beneficiary under any such Letter of Credit shall have presented, or shall be entitled at such time to present, the drafts or other documents or certificates required to draw under such Letter of Credit), and (c) all other Obligations shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by Company, and the obligation of each Lender to make any Loan, the obligation of Administrative Agent to issue any Letter of Credit and the right of any Lender to issue any Letter of Credit hereunder shall thereupon terminate, and (ii) upon the occurrence and during the continuation of any other Event of Default, Administrative Agent shall, upon the written request or with the written consent of Requisite Lenders, by written notice to Company, declare all or any portion of the amounts described in clauses (a) through (c) above to be, and the same shall forthwith become, immediately due and payable, and the obligation of each Lender to make any Loan, the obligation of Administrative Agent to issue any Letter of Credit and the right of any Lender to issue any Letter of Credit hereunder shall thereupon terminate; provided that the foregoing shall not affect in any way the obligations of Lenders under subsection 3.3C(i) or the obligations of Lenders to purchase participations in any unpaid Swing Line Loans as provided in subsection 2.1A(iii).

Any amounts described in clause (b) above, when received by Administrative Agent, shall be held by Administrative Agent pursuant to the terms of the Collateral Account Agreement and shall be applied as therein provided.

Notwithstanding anything contained in the second preceding paragraph, if at any time within 60 days after an acceleration of the Loans pursuant to clause (ii) of such paragraph Company shall pay all arrears of interest and all payments on account of principal which shall have become due otherwise than as a result of such acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified in this Agreement) and all Events of Default and Potential Events of Default (other than non-payment of the principal of and accrued interest on the Loans, in each case which is due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to subsection 10.6, then Requisite Lenders, by written notice to Company, may at their option rescind and annul such acceleration and its consequences; but such action shall not affect any subsequent Event of Default or Potential Event of Default or impair any right consequent thereon. The provisions of this paragraph are intended merely to bind Lenders to a decision which may be made at the election of Requisite Lenders and are not intended, directly or indirectly, to benefit Company, and such provisions shall not at any time be construed so as to grant Company the right to require Lenders to rescind or annul any acceleration hereunder or to preclude Administrative Agent or Lenders from exercising any of the rights or remedies available to them under any of the Loan Documents, even if the conditions set forth in this paragraph are met.

SECTION 9. AGENTS

9.1 APPOINTMENT.

A. APPOINTMENT OF AGENTS. BTCo is hereby appointed Administrative Agent, Fleet National Bank is hereby appointed Documentation Agent and First Union Securities, Inc. is hereby appointed Syndication Agent hereunder and under the other Loan Documents and each Lender hereby authorizes such Agent to act as its agent in accordance with the terms of this Agreement and the other Loan Documents. Each Agent agrees to act upon the express conditions contained in this Agreement and the other Loan Documents, as applicable. The provisions of this Section 9 are solely for the benefit of Agents and Lenders and Company shall have no rights as a third party beneficiary of any of the provisions thereof. In performing its functions and duties under this Agreement, each Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Company or any of its Subsidiaries.

B. APPOINTMENT OF SUPPLEMENTAL COLLATERAL AGENTS. It is the purpose of this Agreement and the other Loan Documents that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as agent or trustee in such jurisdiction. It is recognized that in case of litigation under this Agreement or any of the other Loan Documents, and in particular in case of the enforcement of any of the Loan Documents, or in case Administrative Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the rights, powers or remedies granted herein or in any of the other Loan Documents or take any other action which may be

desirable or necessary in connection therewith, it may be necessary that Administrative Agent appoint an additional individual or institution as a separate trustee, co-trustee, collateral agent or collateral co-agent (any such additional individual or institution being referred to herein individually as a "SUPPLEMENTAL COLLATERAL AGENT" and collectively as "SUPPLEMENTAL COLLATERAL AGENTS").

In the event that Administrative Agent appoints a Supplemental Collateral Agent with respect to any Collateral, (i) each and every right, power, privilege or duty expressed or intended by this Agreement or any of the other Loan Documents to be exercised by or vested in or conveyed to Administrative Agent with respect to such Collateral shall be exercisable by and vest in such Supplemental Collateral Agent to the extent, and only to the extent, necessary to enable such Supplemental Collateral Agent to exercise such rights, powers and privileges with respect to such Collateral and to perform such duties with respect to such Collateral, and every covenant and obligation contained in the Loan Documents and necessary to the exercise or performance thereof by such Supplemental Collateral Agent shall run to and be enforceable by either Administrative Agent or such Supplemental Collateral Agent, and (ii) the provisions of this Section 9 and of subsections 10.2 and 10.3 that refer to Administrative Agent shall inure to the benefit of such Supplemental Collateral Agent and all references therein to Administrative Agent shall be deemed to be references to Administrative Agent and/or such Supplemental Collateral Agent, as the context may require.

Should any instrument in writing from Company or any other Loan Party be required by any Supplemental Collateral Agent so appointed by Administrative Agent for more fully and certainly vesting in and confirming to him or it such rights, powers, privileges and duties, Company shall, or shall cause such Loan Party to, execute, acknowledge and deliver any and all such instruments promptly upon request by Administrative Agent. In case any Supplemental Collateral Agent, or a successor thereto, shall die, become incapable of acting, resign or be removed, all the rights, powers, privileges and duties of such Supplemental Collateral Agent, to the extent permitted by law, shall vest in and be exercised by Administrative Agent until the appointment of a new Supplemental Collateral Agent.

9.2 POWERS AND DUTIES; GENERAL IMMUNITY.

A. POWERS; DUTIES SPECIFIED. Each Lender irrevocably authorizes each Agent to take such action on such Lender's behalf and to exercise such powers, rights and remedies hereunder and under the other Loan Documents as are specifically delegated or granted to such Agent by the terms hereof and thereof, together with such powers, rights and remedies as are reasonably incidental thereto. Each Agent shall have only those duties and responsibilities that are expressly specified in this Agreement and the other Loan Documents. Each Agent may exercise such powers, rights and remedies and perform such duties by or through its agents or employees. Each Agent shall not have, by reason of this Agreement or any of the other Loan Documents, a fiduciary relationship in respect of any Lender; and nothing in this Agreement or any of the other Loan Documents, expressed or implied, is intended to or shall be so construed as to impose upon such Agent any obligations in respect of this Agreement or any of the other Loan Documents except as expressly set forth herein or therein. Neither Documentation Agent nor Syndication Agent shall have any duties or obligations under this Agreement in their capacities as such.

B. NO RESPONSIBILITY FOR CERTAIN MATTERS. No Agent shall be responsible to any Lender for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statements or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made by such Agent to Lenders or by or on behalf of Company to such Agent or any Lender in connection with the Loan Documents and the transactions contemplated thereby or for the financial condition or business affairs of Company or any other Person liable for the payment of any Obligations, nor shall such Agent be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Loan Documents or as to the use of the proceeds of the Loans or the use of the Letters of Credit or as to the existence or possible existence of any Event of Default or Potential Event of Default. Anything contained in this Agreement to the contrary notwithstanding, Administrative Agent shall not have any liability arising from confirmations of the amount of outstanding Loans or the Letter of Credit Usage or the component amounts thereof.

C. EXCULPATORY PROVISIONS. Neither of the Agents nor any of their respective officers, directors, employees or agents shall be liable to Lenders for any action taken or omitted by any such Agent under or in connection with any of the Loan Documents except to the extent caused by such Agent's gross negligence or willful misconduct. Each Agent shall be entitled to refrain from any act or the taking of any action (including the failure to take an action) in connection with this Agreement or any of the other Loan Documents or from the exercise of any power, discretion or authority vested in it hereunder or thereunder unless and until such Agent shall have received instructions in respect thereof from Requisite Lenders (or such other Lenders as may be required to give such instructions under subsection 10.6) and, upon receipt of such instructions from Requisite Lenders (or such other Lenders, as the case may be), such Agent shall be entitled to act or (where so instructed) refrain from acting, or to exercise such power, discretion or authority, in accordance with such instructions. Without prejudice to the generality of the foregoing, (i) each Agent shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys (who may be attorneys for Company and its Subsidiaries), accountants, experts and other professional advisors selected by it; and (ii) no Lender shall have any right of action whatsoever against such Agent as a result of such Agent acting or (where so instructed) refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders (or such other Lenders as may be required to give such instructions under subsection 10.6).

D. AGENTS ENTITLED TO ACT AS LENDER. The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, any Agent in its individual capacity as a Lender hereunder. With respect to its participation in the Loans and the Letters of Credit, each Agent shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not performing the duties and functions delegated to it hereunder, and the term "Lender" or "Lenders" or any similar term shall, unless the context clearly otherwise indicates, include such Agent in its individual capacity. Any Agent and its Affiliates may accept deposits from, lend money to and generally

engage in any kind of banking, trust, financial advisory or other business with Company or any of its Affiliates as if it were not performing the duties specified herein, and may accept fees and other consideration from Company for services in connection with this Agreement and otherwise without having to account for the same to Lenders.

9.3 REPRESENTATIONS AND WARRANTIES; NO RESPONSIBILITY FOR APPRAISAL OF CREDITWORTHINESS.

Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of Company and its Subsidiaries in connection with the making of the Loans and the issuance of Letters of Credit hereunder and that it has made and shall continue to make its own appraisal of the creditworthiness of Company and its Subsidiaries. Administrative Agent shall not have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter, and no Agent shall have any responsibility with respect to the accuracy of or the completeness of any information provided to Lenders.

9.4 RIGHT TO INDEMNITY.

Each Lender, in proportion to its Pro Rata Share, severally agrees to indemnify each Agent, to the extent that such Agent shall not have been reimbursed by Company, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Agent in exercising its powers, rights and remedies or performing its duties hereunder or under the other Loan Documents or otherwise in its capacity as such Agent in any way relating to or arising out of this Agreement or the other Loan Documents; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. If any indemnity furnished to such Agent for any purpose shall, in the opinion of such Agent, be insufficient or become impaired, such Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

9.5 SUCCESSOR ADMINISTRATIVE AGENT AND SWING LINE LENDER.

A. SUCCESSOR ADMINISTRATIVE AGENTS. Administrative Agent may resign at any time by giving 30 days' prior written notice thereof to Lenders and Company, and Administrative Agent may be removed at any time with or without cause by an instrument or concurrent instruments in writing delivered to Company and Administrative Agent and signed by Requisite Lenders. Upon any such notice of resignation or any such removal, Requisite Lenders shall have the right, upon five Business Days' notice to Company, to appoint a successor Administrative Agent. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Administrative Agent and the retiring or removed Administrative Agent shall be discharged from

its duties and obligations under this Agreement. After any retiring or removed Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

B. SUCCESSOR SWING LINE LENDER. Any resignation or removal of Administrative Agent pursuant to subsection 9.5A shall also constitute the resignation or removal of Bankers Trust Company or its successor as Swing Line Lender, and any successor Administrative Agent appointed pursuant to subsection 9.5A shall, upon its acceptance of such appointment, become the successor Swing Line Lender for all purposes hereunder. In such event (i) Company shall prepay any outstanding Swing Line Loans made by the retiring or removed Administrative Agent in its capacity as Swing Line Lender, (ii) upon such prepayment, the retiring or removed Administrative Agent and Swing Line Lender shall surrender the Swing Line Note held by it to Company for cancellation, and (iii) Company shall issue a new Swing Line Note to the successor Administrative Agent and Swing Line Lender substantially in the form of Exhibit VI annexed hereto, in the principal amount of the Swing Line Loan Commitment then in effect and with other appropriate insertions.

9.6 COLLATERAL DOCUMENTS AND GUARANTIES.

Each Lender hereby further authorizes Administrative Agent, on behalf of and for the benefit of Lenders, to enter into each Collateral Document as secured party and to be the agent for and representative of Lenders under each Guaranty, and each Lender agrees to be bound by the terms of each Collateral Document and such Guaranty; provided that Administrative Agent shall not (i) enter into or consent to any material amendment, modification, termination or waiver of any provision contained in any Collateral Document or such Guaranty or (ii) release any Collateral (except as otherwise expressly permitted or required pursuant to the terms of this Agreement or the applicable Collateral Document), in each case without the prior consent of Requisite Lenders (or, if required pursuant to subsection 10.6, all Lenders); provided further, however, that, without further written consent or authorization from Lenders, Administrative Agent may execute any documents or instruments necessary to (a) release any Lien encumbering any item of Collateral that is the subject of a sale or other disposition of assets permitted by this Agreement or to which Requisite Lenders have otherwise consented or (b) release any Subsidiary Guarantor from the Subsidiary Guaranty if all of the capital stock of such Subsidiary Guarantor is sold to any Person (other than an Affiliate of Company) pursuant to a sale or other disposition permitted hereunder or to which Requisite Lenders have otherwise consented. Anything contained in any of the Loan Documents to the contrary notwithstanding, Company, Administrative Agent and each Lender hereby agree that (X) no Lender shall have any right individually to realize upon any of the Collateral under any Collateral Document or to enforce any Guaranty, it being understood and agreed that all powers, rights and remedies under the Collateral Documents and the Guaranties may be exercised solely by Administrative Agent for the benefit of Lenders in accordance with the terms thereof, and (Y) in the event of a foreclosure by Administrative Agent on any of the Collateral pursuant to a public or private sale, Administrative Agent or any Lender may be the purchaser of any or all of such Collateral at any such sale and Administrative Agent, as agent for and representative of Lenders (but not any Lender or Lenders in its or their respective individual capacities unless Requisite Lenders shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or

payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by Administrative Agent at such sale.

SECTION 10. MISCELLANEOUS

10.1 ASSIGNMENTS AND PARTICIPATIONS IN LOANS AND LETTERS OF CREDIT.

A. GENERAL. Subject to subsection 10.1B, each Lender shall have the right at any time to (i) sell, assign or transfer to any Eligible Assignee, or (ii) sell participations to any Person in, all or any part of its Commitments or any Loan or Loans made by it or its Letters of Credit or participations therein or any other interest herein or in any other Obligations owed to it; provided that no such sale, assignment, transfer or participation shall, without the consent of Company, require Company to file a registration statement with the Securities and Exchange Commission or apply to qualify such sale, assignment, transfer or participation under the securities laws of any state; provided, further that no such sale, assignment or transfer described in clause (i) above shall be effective unless and until an Assignment Agreement effecting such sale, assignment or transfer shall have been accepted by Administrative Agent and recorded in the Register as provided in subsection 10.1B(ii); provided, further that no such sale, assignment, transfer or participation of any Letter of Credit or any participation therein may be made separately from a sale, assignment, transfer or participation of a corresponding interest in the Revolving Loan Commitment and the Revolving Loans of the Revolving Lender effecting such sale, assignment, transfer or participation; and provided, further that, anything contained herein to the contrary notwithstanding, the Swing Line Loan Commitment and the Swing Line Loans of Swing Line Lender may not be sold, assigned or transferred as described in clause (i) above to any Person other than a successor Administrative Agent and Swing Line Lender to the extent contemplated by subsection 9.5. Except as otherwise provided in this subsection 10.1, no Lender shall, as between Company and such Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment or transfer of, or any granting of participations in, all or any part of its Commitments or the Loans, the Letters of Credit or participations therein, or the other Obligations owed to such Lender.

B. ASSIGNMENTS.

(i) Amounts and Terms of Assignments. Each Commitment, Loan, Letter of Credit or participation therein, or other Obligation may (a) be assigned in any amount to another Lender, or to an Affiliate of the assigning Lender or another Lender, with the giving of notice to Company and Administrative Agent or (b) be assigned in an aggregate amount of not less than $5,000,000 (or such lesser amount as shall constitute the aggregate amount of the Commitments, Loans, Letters of Credit and participations therein, and other Obligations of the assigning Lender) to any other Eligible Assignee with the consent of Company and Administrative Agent (which consent of Company and Administrative Agent shall not be unreasonably withheld or delayed). To the extent of any such assignment in accordance with either clause (a) or (b) above, the assigning Lender shall be relieved of its obligations with respect to its Commitments, Loans, Letters of Credit or participations therein, or other Obligations or the portion thereof so

assigned. The parties to each such assignment shall execute and deliver to Administrative Agent, for its acceptance and recording in the Register, an Assignment Agreement, together with a processing fee of $3,500 and such forms, certificates or other evidence, if any, with respect to United States federal income tax withholding matters as the assignee under such Assignment Agreement may be required to deliver to Administrative Agent pursuant to subsection 2.7B(iii)(a). Upon such execution, delivery, acceptance and recordation, from and after the effective date specified in such Assignment Agreement, (y) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder and (z) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, relinquish its rights (other than any rights which survive the termination of this Agreement under subsection 10.9B) and be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto; provided that, anything contained n any of the Loan Documents to the contrary notwithstanding, if such Lender is the Issuing Lender with respect to any outstanding Letters of Credit such Lender shall continue to have all rights and obligations of an Issuing Lender with respect to such Letters of Credit until the cancellation or expiration of such Letters of Credit and the reimbursement of any amounts drawn thereunder). The Commitments hereunder shall be modified to reflect the Commitment of such assignee and any remaining Commitment of such assigning Lender and, if any such assignment occurs after the issuance of the Notes hereunder, the assigning Lender shall, upon the effectiveness of such assignment or as promptly thereafter as practicable, surrender its applicable Notes to Administrative Agent for cancellation, and thereupon new Notes shall be issued to the assignee and to the assigning Lender, substantially in the form of Exhibit IV or Exhibit V annexed hereto, as the case may be, with appropriate insertions, to reflect the new Commitments and/or outstanding Term Loans, as the case may be, of the assignee and the assigning Lender.

(ii) Acceptance by Administrative Agent; Recordation in Register. Upon its receipt of an Assignment Agreement executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with the processing and recordation fee referred to in subsection 10.1B(i) and any forms, certificates or other evidence with respect to United States federal income tax withholding matters that such assignee may be required to deliver to Administrative Agent pursuant to subsection 2.7B(iii)(a), Administrative Agent shall, if Administrative Agent and Company have consented to the assignment evidenced thereby (in each case to the extent such consent is required pursuant to subsection 10.1B(i)), (a) accept such Assignment Agreement by executing a counterpart thereof as provided therein (which acceptance shall evidence any required consent of Administrative Agent to such assignment), (b) record the information contained therein in the Register, and (c) give prompt notice thereof to Company. Administrative Agent shall maintain a copy of each Assignment Agreement delivered to and accepted by it as provided in this subsection 10.1B(ii).

C. PARTICIPATIONS. The holder of any participation, other than an Affiliate of the Lender granting such participation, shall not be entitled to require such Lender to take or omit to take any action hereunder except action directly affecting (i) the extension of the scheduled final maturity date of any Loan allocated to such participation or (ii) a reduction of the principal amount of or the rate of interest payable on any Loan allocated to such participation, and all amounts payable by Company hereunder (including amounts payable to such Lender pursuant to subsections 2.6D, 2.7 and 3.6) shall be determined as if such Lender had not sold such participation. Company and each Lender hereby acknowledge and agree that, solely for purposes of subsections 10.4 and 10.5, (a) any participation will give rise to a direct obligation of Company to the participant and (b) the participant shall be considered to be a "Lender".

D. ASSIGNMENTS TO FEDERAL RESERVE BANKS. In addition to the assignments and participations permitted under the foregoing provisions of this subsection 10.1, any Lender may assign and pledge all or any portion of its Loans, the other Obligations owed to such Lender, and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any operating circular issued by such Federal Reserve Bank; provided that (i) no Lender shall, as between Company and such Lender, be relieved of any of its obligations hereunder as a result of any such assignment and pledge and (ii) in no event shall such Federal Reserve Bank be considered to be a "Lender" or be entitled to require the assigning Lender to take or omit to take any action hereunder.

E. INFORMATION. Each Lender may furnish any information concerning Company and its Subsidiaries in the possession of that Lender from time to time to assignees and participants (including prospective assignees and participants), subject to subsection 10.19.

F. REPRESENTATIONS OF LENDERS. Each Lender listed on the signature pages hereof hereby represents and warrants (i) that it is an Eligible Assignee described in clause (A) of the definition thereof; (ii) that it has experience and expertise in the making of loans such as the Loans; and (iii) that it will make its Loans for its own account in the ordinary course of its business and without a view to distribution of such Loans within the meaning of the Securities Act or the Exchange Act or other federal securities laws (it being understood that, subject to the provisions of this subsection 10.1, the disposition of such Loans or any interests therein shall at all times remain within its exclusive control). Each Lender that becomes a party hereto pursuant to an Assignment Agreement shall be deemed to agree that the representations and warranties of such Lender contained in Section 2(c) of such Assignment Agreement are incorporated herein by this reference.

10.2 EXPENSES.

Whether or not the transactions contemplated hereby shall be consummated, Company agrees to pay promptly (i) all the actual and reasonable costs and expenses of preparation of the Loan Documents and any consents, amendments, waivers or other modifications thereto; (ii) all the costs of furnishing all opinions by counsel for Company (including any opinions requested by Lenders as to any legal matters arising hereunder) and of Company's performance of and compliance with all agreements and conditions on its part to be performed or complied with under this Agreement and the other Loan Documents including with respect to confirming compliance with environmental, insurance and solvency requirements; (iii) the reasonable fees,

expenses and disbursements of counsel to Administrative Agent (including allocated costs of internal counsel) in connection with the negotiation, preparation, execution and administration of the Loan Documents and any consents, amendments, waivers or other modifications thereto and any other documents or matters requested by Company; (iv) all the actual costs and reasonable expenses of creating and perfecting Liens in favor of Administrative Agent on behalf of Lenders pursuant to any Collateral Document, including filing and recording fees, expenses and taxes, stamp or documentary taxes, search fees, title insurance premiums, and reasonable fees, expenses and disbursements of counsel to Administrative Agent and of counsel providing any opinions that Administrative Agent or Requisite Lenders may request in respect of the Collateral Documents or the Liens created pursuant thereto; (v) all the actual costs and reasonable expenses (including the reasonable fees, expenses and disbursements of any auditors, accountants or appraisers and any environmental or other consultants, advisors and agents employed or retained by Administrative Agent or its counsel) of obtaining and reviewing any appraisals provided for under subsection 4.1K or 6.9C, any environmental audits or reports provided for under subsection 4.1K or 6.9B(viii) and any audits or reports provided for under subsection 6.5B with respect to Inventory and accounts receivable of Company and its Subsidiaries; (vi) the custody or preservation of any of the Collateral; (vii) all other actual and reasonable costs and expenses incurred by Administrative Agent in connection with the syndication of the Commitments and the negotiation, preparation and execution of the Loan Documents and any consents, amendments, waivers or other modifications thereto and the transactions contemplated thereby; and (viii) after the occurrence of an Event of Default, all costs and expenses, including reasonable attorneys' fees (including allocated costs of internal counsel) and costs of settlement, incurred by Administrative Agent and Lenders in enforcing any Obligations of or in collecting any payments due from any Loan Party hereunder or under the other Loan Documents by reason of such Event of Default (including in connection with the sale of, collection from, or other realization upon any of the Collateral or the enforcement of the Guaranties) or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or pursuant to any insolvency or bankruptcy proceedings.

10.3 INDEMNITY.

In addition to the payment of expenses pursuant to subsection 10.2, whether or not the transactions contemplated hereby shall be consummated, Company agrees to defend (subject to Indemnitees' selection of counsel), indemnify, pay and hold harmless Administrative Agent and Lenders, and the officers, directors, employees, agents and affiliates of Administrative Agent and Lenders (collectively called the "INDEMNITEES"), from and against any and all Indemnified Liabilities (as hereinafter defined); provided that Company shall not have any obligation to any Indemnitee hereunder with respect to any Indemnified Liabilities to the extent such Indemnified Liabilities arise solely from the gross negligence or willful misconduct of that Indemnitee as determined by a final judgment of a court of competent jurisdiction.

As used herein, "INDEMNIFIED LIABILITIES" means, collectively, any and all liabilities, obligations, losses, damages (including natural resource damages), penalties, actions, judgments, suits, claims (including Environmental Claims), costs (including the costs of any investigation, study, sampling, testing, abatement, cleanup, removal, remediation or other response action necessary to remove, remediate, clean up or abate any Hazardous Materials Activity), expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and

disbursements of counsel for Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened by any Person, whether or not any such Indemnitee shall be designated as a party or a potential party thereto, and any fees or expenses incurred by Indemnitees in enforcing this indemnity), whether direct, indirect or consequential and whether based on any federal, state or foreign laws, statutes, rules or regulations (including securities and commercial laws, statutes, rules or regulations and Environmental Laws), on common law or equitable cause or on contract or otherwise, that may be imposed on, incurred by, or asserted against any such Indemnitee, in any manner relating to or arising out of (i) this Agreement or the other Loan Documents or the Related Agreements or the transactions contemplated hereby or thereby (including Lenders' agreement to make the Loans hereunder or the use or intended use of the proceeds thereof or the issuance of Letters of Credit hereunder or the use or intended use of any thereof, or any enforcement of any of the Loan Documents (including any sale of, collection from, or other realization upon any of the Collateral or the enforcement of the Guaranties), (ii) the statements contained in the commitment letter delivered by any Lender to Company with respect thereto, or (iii) any Environmental Claim or any Hazardous Materials Activity relating to or arising from, directly or indirectly, any past or present activity, operation, land ownership, or practice of Company or any of its Subsidiaries.

To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in this subsection 10.3 may be unenforceable in whole or in part because they are violative of any law or public policy, Company shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Indemnitees or any of them.

10.4 SET-OFF; SECURITY INTEREST IN DEPOSIT ACCOUNTS.

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default each Lender is hereby authorized by Company at any time or from time to time, without notice to Company or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including Indebtedness evidenced by certificates of deposit, whether matured or unmatured and whether or not otherwise fully secured, but not including trust accounts) and any other Indebtedness at any time held or owing by that Lender to or for the credit or the account of Company against and on account of the obligations and liabilities of Company to that Lender under this Agreement, the Letters of Credit and participations therein and the other Loan Documents, including all claims of any nature or description arising out of or connected with this Agreement, the Letters of Credit and participations therein or any other Loan Document, irrespective of whether or not (i) that Lender shall have made any demand hereunder or (ii) the principal of or the interest on the Loans or any amounts in respect of the Letters of Credit or any other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured. Company hereby further grants to Administrative Agent and each Lender a security interest in all deposits and accounts maintained with Administrative Agent or such Lender as security for the Obligations.

10.5 RATABLE SHARING.

Lenders hereby agree among themselves that if any of them shall, whether by voluntary payment (other than a voluntary prepayment of Loans made and applied in accordance with the terms of this Agreement), by realization upon security, through the exercise of any right of set-off or banker's lien, by counterclaim or cross action or by the enforcement of any right under the Loan Documents or otherwise, or as adequate protection of a deposit treated as cash collateral under the Bankruptcy Code, receive payment or reduction of a proportion of the aggregate amount of principal, interest, amounts payable in respect of Letters of Credit, fees and other amounts then due and owing to that Lender hereunder or under the other Loan Documents (collectively, the "AGGREGATE AMOUNTS DUE" to such Lender) which is greater than the proportion received by any other Lender in respect of the Aggregate Amounts Due to such other Lender, then the Lender receiving such proportionately greater payment shall (i) notify Administrative Agent and each other Lender of the receipt of such payment and (ii) apply a portion of such payment to purchase participations (which it shall be deemed to have purchased from each seller of a participation simultaneously upon the receipt by such seller of its portion of such payment) in the Aggregate Amounts Due to the other Lenders so that all such recoveries of Aggregate Amounts Due shall be shared by all Lenders in proportion to the Aggregate Amounts Due to them; provided that if all or part of such proportionately greater payment received by such purchasing Lender is thereafter recovered from such Lender upon the bankruptcy or reorganization of Company or otherwise, those purchases shall be rescinded and the purchase prices paid for such participations shall be returned to such purchasing Lender ratably to the extent of such recovery, but without interest. Company expressly consents to the foregoing arrangement and agrees that any holder of a participation so purchased may exercise any and all rights of banker's lien, set-off or counterclaim with respect to any and all monies owing by Company to that holder with respect thereto as fully as if that holder were owed the amount of the participation held by that holder.

10.6 AMENDMENTS AND WAIVERS.

A. No amendment, modification, termination or waiver of any provision of this Agreement or of the Notes, and no consent to any departure by Company therefrom, shall in any event be effective without the written concurrence of Requisite Lenders; provided that any amendment, modification, termination, waiver or consent which:

(a) extends the final scheduled maturity of any Loan or Note or extends the stated maturity of any Letter of Credit beyond the Revolving Loan Commitment Termination Date, or reduces the rate or extends the time of payment of interest or fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates), or reduces the principal amount thereof (except to the extent repaid in cash); or

(b) releases all or substantially all of (x) the Collateral (except as expressly provided in the Loan Documents) under all the Collateral Documents, or (y) the Guarantors (except as expressly provided in the Loan Documents) from their obligations under any of the Guaranties; or

(c) amends, modifies or waives any provision of this subsection 10.6; or

(d) reduces the percentage specified in the definition "Requisite Lenders"(it being understood that, with the consent of Requisite Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of Requisite Lenders on substantially the same basis as the extensions of Term Loans and Revolving Loan Commitments are included on the Closing Date); or

(e) consents to the assignment or transfer by Company of any of its rights and obligations under this Agreement or any other Loan Document; or

shall be effective only if evidenced in a writing signed by or on behalf of all Lenders (with Obligations being directly affected in the case of clause (a) above).

In addition, (i) no amendment, modification, termination or waiver of any provision of any Note held by a Lender or which increases the Commitments of any Lender over the amount thereof then in effect shall be effective without the written concurrence of such Lender, (ii) no amendment, modification, termination or waiver of any provision of subsection 2.1A(iii) or any other provision of this Agreement relating to the Swing Line Lender shall be effective without the written concurrence of Swing Line Lender and (iii) no amendment, modification, termination or waiver of any provision of Section 9 or of any other provision of this Agreement which, by its terms, expressly requires the approval or concurrence of Administrative Agent shall be effective without the written concurrence of Administrative Agent.

B. If, in connection with any proposed amendment,modification, termination or waiver of any of the provisions of this Agreement or the Notes which requires the consent of all Lenders, the consent of Requisite Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained, then Company shall have the right, so long as all non-consenting Lenders whose individual consent is required are treated as described in either clause (i) or (ii) below, to either (i) replace each such non-consenting Lender or Lenders with one or more Replacement Lenders pursuant to subsection 2.8 so long as at the time of such replacement, each such Replacement Lender consents to the proposed amendment, modification, termination or waiver, or (ii) terminate such non-consenting Lender's Commitments and repay in full its outstanding Loans in accordance with subsections 2.4B(i)(b) and 2.4B(ii)(b); provided that unless the Commitments that are terminated and the Loans that are repaid pursuant to the preceding clause (ii) are immediately replaced in full at such time through the addition of new Lenders or the increase of the Commitments and/or outstanding Loans of existing Lenders (who in each case must specifically consent thereto), then in the case of any action pursuant to the preceding clause (ii), the Requisite Lenders (determined before giving effect to the proposed action) shall specifically consent thereto; provided further that Company shall not have the right to terminate such non-consenting Lender's Commitment and repay in full its outstanding Loans pursuant to clause (ii) of this subsection 10.6B if, immediately after the termination of such Lender's Revolving Loan Commitment in accordance with subsection 2.4B(ii)(b), the Revolving Loan Exposure of all Lenders would exceed the Revolving Loan Commitments of all Lenders;

provided still further that Company shall not have the right to replace a Lender solely as a result of the exercise of such Lender's rights (and the withholding of any required consent by such Lender) pursuant to the second paragraph of subsection 10.6A.

C. Administrative Agent may, but shall have no obligation to, with the concurrence of any Lender, execute amendments, modifications, waivers or consents on behalf of that Lender. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on Company in any case shall entitle Company to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this subsection 10.6 shall be binding upon each Lender at the time outstanding, each future Lender and, if signed by Company, on Company.

10.7 INDEPENDENCE OF COVENANTS.

All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or Potential Event of Default if such action is taken or condition exists.

10.8 NOTICES.

Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed; provided that notices to Administrative Agent shall not be effective until received. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or (i) as to Company and Administrative Agent, such other address as shall be designated by such Person in a written notice delivered to the other parties hereto and (ii) as to each other party, such other address as shall be designated by such party in a written notice delivered to Administrative Agent.

10.9 SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS.

A. All representations, warranties and agreements made herein shall survive the execution and delivery of this Agreement and the making of the Loans and the issuance of the Letters of Credit hereunder.

B. Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of Company set forth in subsections 2.6D, 2.7, 3.5A, 3.6, 10.2, 10.3 and 10.4 and the agreements of Lenders set forth in subsections 9.2C, 9.4 and 10.5 shall survive the payment of the Loans, the cancellation or expiration of the Letters of Credit and the reimbursement of any amounts drawn thereunder, and the termination of this Agreement.

10.10 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE.

No failure or delay on the part of Administrative Agent or any Lender in the exercise of any power, right or privilege hereunder or under any other Loan Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement and the other Loan Documents are cumulative to, and not exclusive of, any rights or remedies otherwise available.

10.11 MARSHALLING; PAYMENTS SET ASIDE.

Neither Administrative Agent nor any Lender shall be under any obligation to marshal any assets in favor of Company or any other party or against or in payment of any or all of the Obligations. To the extent that Company makes a payment or payments to Administrative Agent or Lenders (or to Administrative Agent for the benefit of Lenders), or Administrative Agent or Lenders enforce any security interests or exercise their rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, any other state or federal law, common law or any equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor or related thereto, shall be revived and continued in full force and effect as if such payment or payments had not been made or such enforcement or setoff had not occurred.

10.12 SEVERABILITY.

In case any provision in or obligation under this Agreement or the Notes shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

10.13 OBLIGATIONS SEVERAL; INDEPENDENT NATURE OF LENDERS' RIGHTS.

The obligations of Lenders hereunder are several and no Lender shall be responsible for the obligations or Commitments of any other Lender hereunder. Nothing contained herein or in any other Loan Document, and no action taken by Lenders pursuant hereto or thereto, shall be deemed to constitute Lenders as a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

10.14 HEADINGS.

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

10.15 APPLICABLE LAW.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

10.16 SUCCESSORS AND ASSIGNS.

This Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and the successors and assigns of Lenders (it being understood that Lenders' rights of assignment are subject to subsection 10.1). Neither Company's rights or obligations hereunder nor any interest therein may be assigned or delegated by Company without the prior written consent of all Lenders.

10.17 CONSENT TO JURISDICTION AND SERVICE OF PROCESS.

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST COMPANY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY OBLIGATIONS THEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, COMPANY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY

(I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO COMPANY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SUBSECTION 10.8;

(IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER COMPANY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(V) AGREES THAT LENDERS RETAIN THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST COMPANY IN THE COURTS OF ANY OTHER JURISDICTION; AND

(VI) AGREES THAT THE PROVISIONS OF THIS SUBSECTION 10.17 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

10.18 WAIVER OF JURY TRIAL.

EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Agreement, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SUBSECTION 10.18 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS MADE HEREUNDER. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

10.19 CONFIDENTIALITY.

Each Lender shall hold all non-public information obtained pursuant to the requirements of this Agreement which has been identified as confidential by Company in accordance with such Lender's customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices, it being understood and agreed by Company that in any event a Lender may make disclosures to Affiliates of such Lender or disclosures reasonably required by any bona fide assignee, transferee or participant in connection with the contemplated assignment or transfer by such Lender of any Loans or any participations therein or disclosures required or requested by any governmental agency or representative thereof or pursuant to legal process; provided that, unless specifically prohibited by applicable law or court order, each Lender shall notify Company of any request by any governmental agency or representative thereof (other than any such request in connection with any examination of the financial condition of such Lender by such governmental agency) for disclosure of any such non-public information prior to disclosure of such information; and provided, further that in no event

shall any Lender be obligated or required to return any materials furnished by Company or any of its Subsidiaries.

10.20 COUNTERPARTS; EFFECTIVENESS.

This Agreement and any amendments, waivers, consents or supplements hereto or in connection herewith may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto and receipt by Company and Administrative Agent of written or telephonic notification of such execution and authorization of delivery thereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

COMPANY: BLACKBAUD, INC.

By: /s/ Gary Thornhill

Title: Executive Vice President

Notice Address: 4401 Belle Oaks Dr.
Charleston, S.C. 29405

LENDERS: BANKERS TRUST COMPANY,
individually and as Administrative Agent

By: /s/ Mary Jo Jolly

Title: Assistant Vice President

Notice Address: 130 Liberty St.
New York, NY 10006

ISSUING LENDER: DEUTSCHE BANK AG,
NEW YORK BRANCH,
as Issuing Lender

By: /s/ Belinda Wheeler

Title: Vice President

/s/ William McGinty

Director

Notice Address: Bob Kolb
300 S. Grand Avenue,
41st Floor
Los Angeles, CA 90071

FIRST UNION NATIONAL BANK

By: /s/ signature illegible

Title: Vice President

Notice Address: David Hauglid
301 S. College St.
1 First Union Center DC-5
Charlotte, NC 28222

SYNDICATION AGENT: FIRST UNION SECURITIES, INC.,
as Syndication Agent

By: /s/ signature illegible

Title: Vice President

Notice Address: David Hauglid
301 S. College St.
1 First Union Center DC-5
Charlotte, NC 28222

FLEET NATIONAL BANK,
Individually and as Documentation Agent

By: /s/ signature illegible

Title: Executive Vice President

Notice Address: One Federal Street
Boston, MA 02110

EXHIBIT I

[FORM OF NOTICE OF BORROWING]

NOTICE OF BORROWING

Pursuant to that certain Credit Agreement dated as of October 13, 1999, as amended, supplemented or otherwise modified to the date hereof (said Credit Agreement, as so amended, supplemented or otherwise modified, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined), by and among Blackbaud, Inc., a South Carolina corporation ("BLACKBAUD"), the financial institutions listed therein as Lenders ("LENDERS"), Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, this represents Blackbaud's request to borrow as follows:

1.	Date of borrowing:	_____, _____	
2.	Amount of borrowing:	$_____	
3.	Lender(s):	[_] a.	Lenders, in accordance with their applicable Pro Rata Shares
		[_] b.	Swing Line Lender
4.	Type of Loans:	[_] a.	Term Loans
		[_] b.	Revolving Loans
		[_] c.	Swing Line Loan
5.	Interest rate option:	[_] a.	Base Rate Loan(s)
		[_] b.	Eurodollar Rate Loans with an initial Interest Period of _____ month(s)

The proceeds of such Loans are to be deposited in Blackbaud's account at [_____].

The undersigned officer, to the best of his or her knowledge, and Blackbaud certify that:

(i) The representations and warranties contained in the Credit Agreement and the other Loan Documents are true, correct and complete in all material respects on and as of the date hereof to the same extent as though made on and as of the date hereof, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true, correct and complete in all material respects on and as of such earlier date;

(ii) No event has occurred and is continuing or would result from the consummation of the borrowing contemplated hereby that would constitute an Event of Default or a Potential Event of Default; and

(iii) Blackbaud has performed in all material respects all agreements and satisfied all conditions which the Credit Agreement provides shall be performed or satisfied by it on or before the date hereof.

DATED: ----------

BLACKBAUD, INC.

By: ----------

Title: ----------

EXHIBIT II

[FORM OF NOTICE OF CONVERSION/CONTINUATION]

NOTICE OF CONVERSION/CONTINUATION

Pursuant to that certain Credit Agreement dated as of October 13, 1999, as amended, supplemented or otherwise modified to the date hereof (said Credit Agreement, as so amended, supplemented or otherwise modified, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined), by and among Blackbaud, Inc., a South Carolina corporation ("BLACKBAUD"), the financial institutions listed therein as Lenders ("LENDERS"), Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, this represents Blackbaud's request to convert or continue Loans as follows:

1. Date of conversion/continuation: _____, _____

2. Amount of Loans being converted/continued: $_____

3. Type of Loans being converted/continued:
   [_] a. Term Loans
   [_] b. Revolving Loans

4. Nature of conversion/continuation:
   [_] a. Conversion of Base Rate Loans to Eurodollar Rate Loans
   [_] b. Conversion of Eurodollar Rate Loans to Base Rate Loans
   [_] c. Continuation of Eurodollar Rate Loans as such

5. If Loans are being continued as or converted to Eurodollar Rate Loans, the duration of the new Interest Period that commences on the conversion/continuation date: _____ month(s)

In the case of a conversion to or continuation of Eurodollar Rate Loans, the undersigned officer, to the best of his or her knowledge, and Blackbaud certify that no Event of Default or Potential Event of Default has occurred and is continuing under the Credit Agreement.

DATED: ----------

BLACKBAUD, INC.

By: ----------

Title: ----------

EXHIBIT III

[FORM OF REQUEST FOR ISSUANCE OF LETTER OF CREDIT]

REQUEST FOR ISSUANCE OF LETTER OF CREDIT

Pursuant to that certain Credit Agreement dated as of October 13, 1999, as amended, supplemented or otherwise modified to the date hereof (said Credit Agreement, as so amended, supplemented or otherwise modified, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined), by and among Blackbaud, Inc., a South Carolina corporation ("BLACKBAUD"), the financial institutions listed therein as Lenders ("LENDERS"), Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, this represents Blackbaud's request for the issuance of a Letter of Credit as follows:

1. Issuing Lender: [_] a. Administrative Agent
[_] b. _____

2. Date of issuance of Letter of Credit: _____, _____

3. Face amount of Letter of Credit: $_____

4. Expiration date of Letter of Credit: _____, _____

5. Name and address of beneficiary:

_____

_____

_____

_____

6. Attached hereto is:
[_] a. the verbatim text of such proposed Letter of Credit
[_] b. a description of the proposed terms and conditions of such Letter of Credit, including a precise description of any documents to be presented by the beneficiary which, if presented by the beneficiary prior to the expiration date of such Letter of Credit, would require the Issuing Lender to make payment under such Letter of Credit.

The undersigned officer, to the best of his or her knowledge, and Blackbaud certify that:

(i) The representations and warranties contained in the Credit Agreement and the other Loan Documents are true, correct and complete in all material respects on and as of the date hereof to the same extent as though made on and as of the date hereof, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and

warranties were true, correct and complete in all material respects on and as of such earlier date;

(ii) No event has occurred and is continuing or would result from the issuance of the Letter of Credit contemplated hereby that would constitute an Event of Default or a Potential Event of Default; and

(iii) Blackbaud has performed in all material respects all agreements and satisfied all conditions which the Credit Agreement provides shall be performed or satisfied by it on or before the date hereof.

DATED: _____

BLACKBAUD, INC.

By: _____

Title: _____

EXHIBIT IX

[FORM OF OPINION OF O'MELVENY & MYERS LLP]

October 13, 1999

Bankers Trust Company,
as Administrative Agent

First Union Securities, Inc.,
as Syndication Agent

Fleet National Bank,
as Documentation Agent

and

The Lenders Listed on Schedule
A Hereto

Re: Credit Agreement dated as of October 13, 1999 among Blackbaud, Inc., the financial institutions listed therein as Lenders, Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent

Ladies and Gentlemen:

We have acted as counsel to Bankers Trust Company, as Administrative Agent (in such capacity, "Administrative Agent"), in connection with the preparation and delivery of a Credit Agreement dated as of October 13, 1999 (the "Credit Agreement") among Blackbaud, Inc., a South Carolina corporation ("Blackbaud"), the financial institutions listed therein as lenders, Administrative Agent, Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent in connection with the preparation and delivery of certain related documents.

We have participated in various conferences with representatives of Blackbaud and Administrative Agent and conferences and telephone calls with Wachtell, Lipton, Rosen & Katz, counsel to Blackbaud, during which the Credit Agreement and related matters have been discussed, and we have also participated in the meeting held on the date hereof (the "Closing") incident to the funding of the initial loans made under the Credit Agreement. We have reviewed the forms of the Credit Agreement and the exhibits thereto, including the forms of the promissory notes annexed thereto (the "Notes"), and the opinions of Wachtell, Lipton, Rosen & Katz and [insert name of South Carolina counsel] (collectively, the "Opinions") and the officers' certificates and other documents delivered at the Closing. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals or copies and the due authority of all persons executing the same, and we have relied as to factual matters on the documents that we have reviewed.

Although we have not independently considered all of the matters covered by the Opinions to the extent necessary to enable us to express the conclusions therein stated, we believe that the Credit Agreement and the exhibits thereto are in substantially acceptable legal form and that the Opinions and the officers' certificates and other documents delivered in connection with the execution and delivery of, and as conditions to the making of the initial loans under, the Credit Agreement and the Notes are substantially responsive to the requirements of the Credit Agreement.

Respectfully submitted,

EXHIBIT X

[FORM OF ASSIGNMENT AGREEMENT]

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this "AGREEMENT") is entered into by and between the parties designated as Assignor ("ASSIGNOR") and Assignee ("ASSIGNEE") above the signatures of such parties on the Schedule of Terms attached hereto and hereby made an integral part hereof (the "SCHEDULE OF TERMS") and relates to that certain Credit Agreement described in the Schedule of Terms (said Credit Agreement, as amended, supplemented or otherwise modified to the date hereof and as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined).

IN CONSIDERATION of the agreements, provisions and covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. ASSIGNMENT AND ASSUMPTION.

(a) Effective upon the Settlement Date specified in Item 4 of the Schedule of Terms (the "SETTLEMENT DATE"), Assignor hereby sells and assigns to Assignee, without recourse, representation or warranty (except as expressly set forth herein), and Assignee hereby purchases and assumes from Assignor, that percentage interest in all of Assignor's rights and obligations as a Lender arising under the Credit Agreement and the other Loan

Documents with respect to Assignor's Commitments and outstanding Loans, if any, which represents, as of the Settlement Date, the percentage interest specified in Item 3 of the Schedule of Terms of all rights and obligations of Lenders arising under the Credit Agreement and the other Loan Documents with respect to the Commitments and any outstanding Loans (the "ASSIGNED SHARE"). Without limiting the generality of the foregoing, the parties hereto hereby expressly acknowledge and agree that any assignment of all or any portion of Assignor's rights and obligations relating to Assignor's Revolving Loan Commitment shall include (i) in the event Assignor is an Issuing Lender with respect to any outstanding Letters of Credit (any such Letters of Credit being "ASSIGNOR LETTERS OF CREDIT"), the sale to Assignee of a participation in the Assignor Letters of Credit and any drawings thereunder as contemplated by subsection 3.1C of the Credit Agreement and (ii) the sale to Assignee of a ratable portion of any participations previously purchased by Assignor pursuant to said subsection 3.1C with respect to any Letters of Credit other than the Assignor Letters of Credit.

(b) In consideration of the assignment described above, Assignee hereby agrees to pay to Assignor, on the Settlement Date, the principal amount of any outstanding Loans included within the Assigned Share, such payment to be made by wire transfer of immediately available funds in accordance with the applicable payment instructions set forth in Item 5 of the Schedule of Terms.

(c) Assignor hereby represents and warrants that Item 3 of the Schedule of Terms correctly sets forth the amount of the Commitments, the outstanding Term Loan and the Pro Rata Share corresponding to the Assigned Share.

(d) Assignor and Assignee hereby agree that, upon giving effect to the assignment and assumption described above, (i) Assignee shall be a party to the Credit Agreement and shall have all of the rights and obligations under the Loan Documents, and shall be deemed to have made all of the covenants and agreements contained in the Loan Documents, arising out of or otherwise related to the Assigned Share, and (ii) Assignor shall be absolutely released from any of such obligations, covenants and agreements assumed or made by Assignee in respect of the Assigned Share. Assignee hereby acknowledges and agrees that the agreement set forth in this Section 1(d) is expressly made for the benefit of Company, Administrative Agent, Assignor and the other Lenders and their respective successors and permitted assigns.

(e) Assignor and Assignee hereby acknowledge and confirm their understanding and intent that (i) this Agreement shall effect the assignment by Assignor and the assumption by Assignee of Assignor's rights and obligations with respect to the Assigned Share, (ii) any other assignments by Assignor of a portion of its rights and obligations with respect to the Commitments and any outstanding Loans shall have no effect on the Commitments, the outstanding Term Loan and the Pro Rata Share corresponding to the Assigned Share as set forth in Item 3 of the Schedule of Terms or on the interest of Assignee in any outstanding Revolving Loans corresponding thereto, and (iii) from and after the Settlement Date, Administrative Agent shall make all payments under the Credit Agreement in respect of the Assigned Share (including all payments of principal and accrued but unpaid

interest, commitment fees and letter of credit fees with respect thereto) (A) in the case of any such interest and fees that shall have accrued prior to the Settlement Date, to Assignor, and (B) in all other cases, to Assignee; provided that Assignor and Assignee shall make payments directly to each other to the extent necessary to effect any appropriate adjustments in any amounts distributed to Assignor and/or Assignee by Administrative Agent under the Loan Documents in respect of the Assigned Share in the event that, for any reason whatsoever, the payment of consideration contemplated by Section 1(b) occurs on a date other than the Settlement Date.

SECTION 2. CERTAIN REPRESENTATIONS, WARRANTIES AND AGREEMENTS.

(a) Assignor represents and warrants that it is the legal and beneficial owner of the Assigned Share, free and clear of any adverse claim.

(b) Assignor shall not be responsible to Assignee for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of any of the Loan Documents or for any representations, warranties, recitals or statements made therein or made in any written or oral statements or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made by Assignor to Assignee or by or on behalf of Company or any of its Subsidiaries to Assignor or Assignee in connection with the Loan Documents and the transactions contemplated thereby or for the financial condition or business affairs of Company or any other Person liable for the payment of any Obligations, nor shall Assignor be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Loan Documents or as to the use of the proceeds of the Loans or the use of the Letters of Credit or as to the existence or possible existence of any Event of Default or Potential Event of Default.

(c) Assignee represents and warrants that it is an Eligible Assignee; that it has experience and expertise in the making of loans such as the Loans; that it has acquired the Assigned Share for its own account in the ordinary course of its business and without a view to distribution of the Loans within the meaning of the Securities Act or the Exchange Act or other federal securities laws (it being understood that, subject to the provisions of subsection 10.1 of the Credit Agreement, the disposition of the Assigned Share or any interests therein shall at all times remain within its exclusive control); and that it has received, reviewed and approved a copy of the Credit Agreement (including all Exhibits and Schedules thereto).

(d) Assignee represents and warrants that it has received from Assignor such financial information regarding Company and its Subsidiaries as is available to Assignor and as Assignee has requested, that it has made its own independent investigation of the financial condition and affairs of Company and its Subsidiaries in connection with the assignment evidenced by this Agreement, and that it has made and shall continue to make its own appraisal of the creditworthiness of Company and its Subsidiaries. Assignor shall have no duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Assignee or to provide Assignee with any other credit or other information with respect thereto, whether coming into its possession before the making

of the initial Loans or at any time or times thereafter, and Assignor shall not have any responsibility with respect to the accuracy of or the completeness of any information provided to Assignee.

(e) Each party to this Agreement represents and warrants to the other party hereto that it has full power and authority to enter into this Agreement and to perform its obligations hereunder in accordance with the provisions hereof, that this Agreement has been duly authorized, executed and delivered by such party and that this Agreement constitutes a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity.

SECTION 3. MISCELLANEOUS.

(a) Each of Assignor and Assignee hereby agrees from time to time, upon request of the other such party hereto, to take such additional actions and to execute and deliver such additional documents and instruments as such other party may reasonably request to effect the transactions contemplated by, and to carry out the intent of, this Agreement.

(b) Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except by an instrument in writing signed by the party (including, if applicable, any party required to evidence its consent to or acceptance of this Agreement) against whom enforcement of such change, waiver, discharge or termination is sought.

(c) Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the notice address of each of Assignor and Assignee shall be as set forth on the Schedule of Terms or, as to either such party, such other address as shall be designated by such party in a written notice delivered to the other such party. In addition, the notice address of Assignee set forth on the Schedule of Terms shall serve as the initial notice address of Assignee for purposes of subsection 10.8 of the Credit Agreement.

(d) In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(e) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE

GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(f) This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

(g) This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

(h) This Agreement shall become effective upon the date (the "EFFECTIVE DATE") upon which all of the following conditions are satisfied: (i) the execution of a counterpart hereof by each of Assignor and Assignee, (ii) the execution of a counterpart hereof by Company as evidence of its consent hereto to the extent required under subsection 10.1B(i) of the Credit Agreement, (iii) the receipt by Administrative Agent of the processing and recordation fee referred to in subsection 10.1B(i) of the Credit Agreement, (iv) in the event Assignee is a Non-US Lender (as defined in subsection 2.7B(iii)(a) of the Credit Agreement), the delivery by Assignee to Administrative Agent of such forms, certificates or other evidence with respect to United States federal income tax withholding matters as Assignee may be required to deliver to Administrative Agent pursuant to said subsection 2.7B(iii)(a), (v) the execution of a counterpart hereof by Administrative Agent as evidence of its acceptance hereof in accordance with subsection 10.1B(ii) of the Credit Agreement, (vi) the receipt by Administrative Agent of originals or telefacsimiles of the counterparts described above and authorization of delivery thereof, and (vii) the recordation by Administrative Agent in the Register of the pertinent information regarding the assignment effected hereby in accordance with subsection 10.1B(ii) of the Credit Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized, such execution being made as of the Effective Date in the applicable spaces provided on the Schedule of Terms.

SCHEDULE OF TERMS

1. Borrower: Blackbaud, Inc.

2. Name and Date of Credit Agreement: Credit Agreement dated as of October 13, 1999 by and among Blackbaud, Inc., the financial institutions listed therein as Lenders, Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent.

3. Amounts:

		Re: Term Loans	Re: Revolving Loans
(a)	Aggregate Commitments of all Lenders:	$	$
(b)	Assigned Share/Pro Rata Share:	%	%
(c)	Amount of Assigned Share of Commitments:	$	$
(d)	Amount of Assigned Share of Term Loans:	$	

4. Settlement Date: _____, ____

5. Payment Instructions:

ASSIGNOR:

_____
_____
_____
Attention: _____
Reference: _____

ASSIGNEE:

_____
_____
_____
Attention: _____
Reference: _____

6. Notice Addresses:

ASSIGNOR:

_____
_____
_____

ASSIGNEE:

_____
_____
_____

7. Signatures:

[NAME OF ASSIGNOR],
as Assignor

By: _____
Title: _____

[NAME OF ASSIGNEE],
as Assignee

By: _____
Title: _____

Consented to in accordance with subsection 10.1B(i) of the Credit Agreement

BLACKBAUD, INC.

By: _____
Title: _____

Accepted in accordance with subsection 10.1B(ii) of the Credit Agreement

BANKERS TRUST COMPANY, as Administrative Agent

By: _____
Title: _____

EXHIBIT XI

[FORM OF CERTIFICATE RE NON-BANK STATUS]

CERTIFICATE RE NON-BANK STATUS

Reference is hereby made to that certain Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as amended, supplemented or otherwise modified to the date hereof, being the "CREDIT AGREEMENT") by and among Blackbaud, Inc, a South Carolina corporation, the financial institutions listed therein as Lenders, Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent. Pursuant to subsection 2.7B(iii) of the Credit Agreement, the undersigned hereby certifies that it is not a "bank" or other Person described in Section 881(c)(3) of the Internal Revenue Code of 1986, as amended.

[NAME OF LENDER]

By: ----------

Title: ----------

EXHIBIT XII

[FORM OF FINANCIAL CONDITION CERTIFICATE]

FINANCIAL CONDITION CERTIFICATE

This FINANCIAL CONDITION CERTIFICATE (this "CERTIFICATE") is delivered in connection with that certain Credit Agreement dated as of October 13, 1999 (the "CREDIT AGREEMENT") by and among Blackbaud, Inc., a South Carolina corporation ("BLACKBAUD"), the financial institutions referred to therein as Lenders ("LENDERS"), Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent. Capitalized terms used herein without definition have the same meanings as in the Credit Agreement.

A. I am, and since _____, 19__ have been, the duly qualified and acting Chief Financial Officer of Blackbaud. In such capacity, I am a senior financial officer of Blackbaud and I have participated actively in the management of its financial affairs and am familiar with its financial statements and those of the Related Entities. I have, together with other officers of Blackbaud, acted on behalf of Blackbaud in connection with the negotiation of the Credit Agreement and I am familiar with the terms and conditions thereof.

B. I have carefully reviewed the contents of this Certificate, and I have conferred with counsel for the purpose of discussing the meaning of its contents.

C. In connection with preparing for the consummation of the transactions and financings contemplated by the Credit Agreement (the "PROPOSED TRANSACTIONS"), I have participated with officers of Blackbaud in the preparation of and have reviewed pro forma projections of net income and cash flows for Company for the fiscal years of Company ending December 31, 1999 through December 31, 2005, inclusive (the "PROJECTED FINANCIAL STATEMENTS"). The Projected Financial Statements, attached hereto as Exhibit A, give effect to the consummation of the Proposed Transactions and assume that the debt obligations of Company will be paid from the cash flow generated by the operations of Company and its Subsidiaries and other cash resources. The Projected Financial Statements were prepared on the basis of information available at August 31, 1999. I know of no facts that have occurred since such date that would lead me to believe that the Projected Financial Statements are inaccurate in any material respect. The Projected Financial Statements do not reflect (i) any potential changes in interest rates from those assumed in the Projected Financial Statements, (ii) any potential material, adverse changes in general business conditions, or (iii) any potential changes in income tax laws.

D. I have also participated with officers of Blackbaud in the preparation of and have reviewed a pro forma summary balance sheet of Company and the Related Entities (the "FAIR VALUE SUMMARY BALANCE SHEET") as of October 13, 1999, the expected Closing Date, giving effect to the Proposed Transactions. The Fair Value Summary Balance Sheet is attached hereto

as Exhibit B and has been prepared as described in paragraphs F and G below and not in accordance with GAAP.

E. In connection with the preparation of the Projected Financial Statements, I have made such investigations and inquiries as I have deemed necessary and prudent therefor and, specifically, have relied on historical information with respect to revenues, expenses and other relevant items supplied by the supervisory personnel of Blackbaud and its Subsidiaries directly responsible for the various operations involved. The assumptions upon which the Projected Financial Statements are based are stated therein. Although any assumptions and any projections by necessity involve uncertainties and approximations, I believe, based on my discussions with other members of management, that the assumptions on which the Projected Financial Statements are based are reasonable. Based thereon, I believe that the projections for Blackbaud, taken as a whole, reflected in the Projected Financial Statements provide reasonable estimations of future performance, subject, as stated above, to the uncertainties and approximations inherent in any projections.

F. The Fair Value Summary Balance Sheet has been prepared in a manner which I believe reflects a conservative estimate of the fair value of the assets of Blackbaud and its Affiliates on a consolidated basis and the probable liability on all of their debts, contingent or otherwise. For purposes of this Certificate, I understand "fair value" of any assets to mean the amount that may be realized within a reasonable time, either through collection of such assets or through sale of such assets at the regular market value thereof, conceiving of the latter as the amount that could be obtained for the property in question within such period by a capable and diligent businessman from an interested buyer who is willing to purchase under ordinary selling conditions.

G. For purposes of constructing the Fair Value Summary Balance Sheet, I have, with respect to the asset values reflected in the Fair Value Summary Balance Sheet, considered various methods of valuing the assets of Blackbaud as I have considered appropriate, to arrive at the estimated fair value of the long-term assets of Blackbaud and each of the Related Entities.

With respect to liabilities reflected in the Fair Value Summary Balance Sheet, I have included long-term liabilities reported by Blackbaud and each of the Related Entities in their August 31, 1999 financial statements and debts to be incurred or assumed by Blackbaud under the Credit Agreement and the Proposed Transactions. In addition, with respect to contingent liabilities (such as litigation, guaranties and pension plan liabilities), I have consulted with legal, financial and other personnel of Blackbaud and the Related Entities and have reflected as liabilities our best judgment as to the maximum exposure that can reasonably be expected to result therefrom in light of all the facts and circumstances existing at this time, recognizing that any such estimation is inherently subject to uncertainties.

Based on the foregoing, I have reached the following conclusions:

1. Blackbaud is not now, nor will the incurrence of the Obligations under the Credit Agreement and the incurrence of the other obligations contemplated by the Proposed Transactions render Blackbaud, "insolvent" as defined in this paragraph

1. The recipients of this Certificate and I have agreed that, in this context, "insolvent" means that the present fair value of assets is less than the amount that will be required to pay the probable liability on existing debts as they become absolute and matured. We have also agreed that the term "debts" includes any legal liability, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent. My conclusion expressed above is supported by the Fair Value Summary Balance Sheet.

2. By the incurrence of the Obligations under the Credit Agreement and the incurrence of the other obligations contemplated by the Proposed Transactions, Blackbaud will not incur debts beyond its ability to pay as such debts mature. I have based my conclusion in part on the Projected Financial Statements, which demonstrate that Blackbaud will have positive cash flow after paying all of its scheduled anticipated indebtedness (including scheduled payments under the Credit Agreement, the other obligations contemplated by the Proposed Transactions and other permitted indebtedness). I have concluded that the realization of current assets in the ordinary course of business will be sufficient to pay recurring current debt and short-term and long-term debt service as such debts mature, and that the cash flow (including earnings plus non-cash charges to earnings) will be sufficient to provide cash necessary to repay the Loans and other Obligations under the Credit Agreement, the other obligations contemplated by the Proposed Transactions and other long-term indebtedness as such debt matures.

3. The incurrence of the Obligations under the Credit Agreement and the incurrence of the other obligations contemplated by the Proposed Transactions will not leave Blackbaud with property remaining in its hands constituting "unreasonably small capital." In reaching this conclusion, I understand that "unreasonably small capital" depends upon the nature of the particular business or businesses conducted or to be conducted, and I have reached my conclusion based on the needs and anticipated needs for capital of the businesses conducted or anticipated to be conducted by Blackbaud in light of the Projected Financial Statements and available credit capacity.

4. To the best of my knowledge, Blackbaud has not executed the Credit Agreement or any documents mentioned therein, or made any transfer or incurred any obligations thereunder, with actual intent to hinder, delay or defraud either present or future creditors.

I understand that Administrative Agent and Lenders are relying on the truth and accuracy of the foregoing in connection with the extension of credit to Blackbaud pursuant to the Credit Agreement.

I represent the foregoing information to be, to the best of my knowledge and belief, true and correct and execute this Certificate, solely in my capacity as an officer of the entity listed below, this _____ day of October, 1999.

BLACKBAUD, INC.

By: ----------

Name: ----------

Title: Chief Financial Officer

EXHIBIT XVI

[FORM OF SUBSIDIARY GUARANTY]

SUBSIDIARY GUARANTY

This SUBSIDIARY GUARANTY is entered into as of _____ __, ____ by THE UNDERSIGNED (each a "GUARANTOR" and collectively, "GUARANTORS") in favor of and for the benefit of BANKERS TRUST COMPANY, as administrative agent for and representative of (in such capacity herein called "GUARANTIED PARTY") the financial institutions ("LENDERS") party to the Credit Agreement referred to below and any Interest Rate Exchangers (as hereinafter defined), and, subject to subsection 3.14, for the benefit of the other Beneficiaries (as hereinafter defined).

RECITALS

A. Blackbaud, Inc., a South Carolina corporation ("COMPANY") has entered into that certain Credit Agreement dated as of October 13, 1999 with Guarantied Party, Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Lenders (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT"; capitalized terms defined therein and not otherwise defined herein being used herein as therein defined).

B. Company may from time to time enter, or may from time to time have entered, into one or more Interest Rate Agreements (collectively, the "LENDER INTEREST RATE AGREEMENTS") with or one or more Lenders (in such capacity, collectively, "INTEREST RATE EXCHANGERS") in accordance with the terms of the Credit Agreement, and it is desired that the obligations of Company under the Lender Interest Rate Agreements, including the obligation of Company to make payments thereunder in the event of early termination thereof (all such obligations being the "Interest Rate Obligations"), together with all obligations of Company under the Credit Agreement and the other Loan Documents, be guarantied hereunder.

C. A portion of the proceeds of the Loans may be advanced to Guarantors and thus the Guarantied Obligations (as hereinafter defined) are being incurred for and will inure to the benefit of Guarantors (which benefits are hereby acknowledged).

D. It is a condition precedent to the making of the initial Loans under the Credit Agreement that Company's obligations thereunder be guarantied by Guarantors.

E. Guarantors are willing irrevocably and unconditionally to guaranty such obligations of Company.

NOW, THEREFORE, based upon the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce Lenders and Guarantied Party to enter into the Credit Agreement and to make Loans and

other extensions of credit thereunder and to induce Interest Rate Exchangers to enter into the Lender Interest Rate Agreements, Guarantors hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 CERTAIN DEFINED TERMS. As used in this Guaranty, the following terms shall have the following meanings unless the context otherwise requires:

"BENEFICIARIES" means Guarantied Party, Lenders and any Interest Rate Exchangers.

"GUARANTIED OBLIGATIONS" has the meaning assigned to that term in subsection 2.1.

"GUARANTY" means this Guaranty dated as of _____ __, 1999, as it may be amended, supplemented or otherwise modified from time to time.

"PAYMENT IN FULL", "PAID IN FULL" or any similar term means payment in full of the Guarantied Obligations, including all principal, interest, costs, fees and expenses (including reasonable legal fees and expenses) of Beneficiaries as required under the Loan Documents and the Lender Interest Rate Agreements.

1.2 INTERPRETATION.

(a) References to "Sections" and "subsections" shall be to Sections and subsections, respectively, of this Guaranty unless otherwise specifically provided.

(b) In the event of any conflict or inconsistency between the terms, conditions and provisions of this Guaranty and the terms, conditions and provisions of the Credit Agreement, the terms, conditions and provisions of this Guaranty shall prevail.

SECTION 2. THE GUARANTY

2.1 GUARANTY OF THE GUARANTIED OBLIGATIONS. Subject to the provisions of subsection 2.2(a), Guarantors jointly and severally hereby irrevocably and unconditionally guaranty the due and punctual payment in full of all Guarantied Obligations when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. ss. 362(a)). The term "GUARANTIED OBLIGATIONS" is used herein in its most comprehensive sense and includes:

(a) any and all Obligations of Company and any and all Interest Rate Obligations, in each case now or hereafter made, incurred or created, whether absolute or contingent, liquidated or unliquidated, whether due or not due, and however arising under or in connection with the Credit Agreement and the other Loan Documents and the Lender Interest Rate Agreements, including those arising under successive borrowing transactions under the Credit Agreement which shall

either continue the Obligations of Company or from time to time renew them after they have been satisfied and including interest which, but for the filing of a petition in bankruptcy with respect to Company, would have accrued on any Guarantied Obligations, whether or not a claim is allowed against Company for such interest in the related bankruptcy proceeding; and

(b) those expenses set forth in subsection 2.8 hereof.

2.2 LIMITATION ON AMOUNT GUARANTIED; CONTRIBUTION BY GUARANTORS. (a) Anything contained in this Guaranty to the contrary notwithstanding, if any Fraudulent Transfer Law (as hereinafter defined) is determined by a court of competent jurisdiction to be applicable to the obligations of any Guarantor under this Guaranty, such obligations of such Guarantor hereunder shall be limited to a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state law (collectively, the "FRAUDULENT TRANSFER LAWS"), in each case after giving effect to all other liabilities of such Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Guarantor (x) in respect of intercompany indebtedness to Company or other affiliates of Company to the extent that such indebtedness would be discharged in an amount equal to the amount paid by such Guarantor hereunder and (y) under any guaranty of Subordinated Indebtedness which guaranty contains a limitation as to maximum amount similar to that set forth in this subsection 2.2(a), pursuant to which the liability of such Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, reimbursement, indemnification or contribution of such Guarantor pursuant to applicable law or pursuant to the terms of any agreement (including any such right of contribution under subsection 2.2(b).

(b) Guarantors under this Guaranty together desire to allocate among themselves (collectively, the "CONTRIBUTING GUARANTORS"), in a fair and equitable manner, their obligations arising under this Guaranty. Accordingly, in the event any payment or distribution is made on any date by any Guarantor under this Guaranty (a "FUNDING GUARANTOR") that exceeds its Fair Share (as defined below) as of such date, that Funding Guarantor shall be entitled to a contribution from each of the other Contributing Guarantors in the amount of such other Contributing Guarantor's Fair Share Shortfall (as defined below) as of such date, with the result that all such contributions will cause each Contributing Guarantor's Aggregate Payments (as defined below) to equal its Fair Share as of such date. "FAIR SHARE" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (i) the ratio of (x) the Adjusted Maximum Amount (as defined below) with respect to such Contributing Guarantor to (y) the aggregate of the Adjusted Maximum Amounts with respect to all Contributing Guarantors multiplied by (ii) the aggregate amount paid or distributed on or before such date by all Funding Guarantors under this Guaranty in respect of the obligations guarantied. "FAIR SHARE SHORTFALL" means, with respect to a Contributing Guarantor as of any date of determination, the excess, if any, of the Fair Share of such Contributing Guarantor over the Aggregate Payments of such Contributing Guarantor. "ADJUSTED MAXIMUM AMOUNT" means, with respect to a Contributing

Guarantor as of any date of determination, the maximum aggregate amount of the obligations of such Contributing Guarantor under this Guaranty, determined as of such date, in the case of any Guarantor, in accordance with subsection 2.2(a); provided that, solely for purposes of calculating the "Adjusted Maximum Amount" with respect to any Contributing Guarantor for purposes of this subsection 2.2(b), any assets or liabilities of such Contributing Guarantor arising by virtue of any rights to subrogation, reimbursement or indemnification or any rights to or obligations of contribution hereunder shall not be considered as assets or liabilities of such Contributing Guarantor. "AGGREGATE PAYMENTS" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (i) the aggregate amount of all payments and distributions made on or before such date by such Contributing Guarantor in respect of this Guaranty, as applicable (including in respect of this subsection 2.2(b) minus (ii) the aggregate amount of all payments received on or before such date by such Contributing Guarantor from the other Contributing Guarantors as contributions under this subsection 2.2(b). The amounts payable as contributions hereunder shall be determined as of the date on which the related payment or distribution is made by the applicable Funding Guarantor. The allocation among Contributing Guarantors of their obligations as set forth in this subsection 2.2(b) shall not be construed in any way to limit the liability of any Contributing Guarantor hereunder

2.3 PAYMENT BY GUARANTORS; APPLICATION OF PAYMENTS. Subject to the provisions of subsection 2.2(a), Guarantors hereby jointly and severally agree, in furtherance of the foregoing and not in limitation of any other right which any Beneficiary may have at law or in equity against any Guarantor by virtue hereof, that upon the failure of Company to pay any of the Guarantied Obligations when and as the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. ss. 362(a)), Guarantors will upon demand pay, or cause to be paid, in cash, to Guarantied Party for the ratable benefit of Beneficiaries, an amount equal to the sum of the unpaid principal amount of all Guarantied Obligations then due as aforesaid, accrued and unpaid interest on such Guarantied Obligations (including interest which, but for the filing of a petition in bankruptcy with respect to Company, would have accrued on such Guarantied Obligations, whether or not a claim is allowed against Company for such interest in the related bankruptcy proceeding) and all other Guarantied Obligations then owed to Beneficiaries as aforesaid. All such payments shall be applied promptly from time to time by Guarantied Party as provided in subsection 2.4D of the Credit Agreement.

2.4 LIABILITY OF GUARANTORS ABSOLUTE. Each Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guarantied Obligations. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees as follows:

(a) This Guaranty is a guaranty of payment when due and not of collectibility.

(b) Guarantied Party may enforce this Guaranty upon the occurrence of an Event of Default under the Credit Agreement or the occurrence of an Early Termination Date (as defined in a Master Agreement or an Interest Rate Swap Agreement or

Interest Rate and Currency Exchange Agreement in the form prepared by the International Swap and Derivatives Association Inc. or a similar event under any similar swap agreement) under any Lender Interest Rate Agreement (either such occurrence being an "Event of Default" for purposes of this Guaranty) notwithstanding the existence of any dispute between Company and any Beneficiary with respect to the existence of such Event of Default.

(c) The obligations of each Guarantor hereunder are independent of the obligations of Company under the Loan Documents or the Lender Interest Rate Agreements and the obligations of any other guarantor (including any other Guarantor) of the obligations of Company under the Loan Documents or the Lender Interest Rate Agreements, and a separate action or actions may be brought and prosecuted against such Guarantor whether or not any action is brought against Company or any of such other guarantors and whether or not Company is joined in any such action or actions.

(d) Payment by any Guarantor of a portion, but not all, of the Guarantied Obligations shall in no way limit, affect, modify or abridge any Guarantor's liability for any portion of the Guarantied Obligations which has not been paid. Without limiting the generality of the foregoing, if Guarantied Party is awarded a judgment in any suit brought to enforce any Guarantor's covenant to pay a portion of the Guarantied Obligations, such judgment shall not be deemed to release such Guarantor from its covenant to pay the portion of the Guarantied Obligations that is not the subject of such suit, and such judgment shall not, except to the extent satisfied by such Guarantor, limit, affect, modify or abridge any other Guarantor's liability hereunder in respect of the Guarantied Obligations.

(e) Any Beneficiary, upon such terms as it deems appropriate, without notice or demand and without affecting the validity or enforceability of this Guaranty or giving rise to any reduction, limitation, impairment, discharge or termination of any Guarantor's liability hereunder, from time to time may (i) renew, extend, accelerate, increase the rate of interest on, or otherwise change the time, place, manner or terms of payment of the Guarantied Obligations, (ii) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guarantied Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations; (iii) request and accept other guaranties of the Guarantied Obligations and take and hold security for the payment of this Guaranty or the Guarantied Obligations; (iv) release, surrender, exchange, substitute, compromise, settle, rescind, waive, alter, subordinate or modify, with or without consideration, any security for payment of the Guarantied Obligations, any other guaranties of the Guarantied Obligations, or any other obligation of any Person (including any other Guarantor) with respect to the Guarantied Obligations; (v) enforce and apply any security now or hereafter held by or for the benefit of such Beneficiary in respect of this Guaranty or the Guarantied Obligations and direct the order or manner of sale thereof, or exercise any other right or remedy that such Beneficiary

may have against any such security, in each case as such Beneficiary in its discretion may determine consistent with the Credit Agreement or the applicable Lender Interest Rate Agreement and any applicable security agreement, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and even though such action operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against Company or any security for the Guarantied Obligations; and (vi) exercise any other rights available to it under the Loan Documents or the Lender Interest Rate Agreements.

(f) This Guaranty and the obligations of Guarantors hereunder shall be valid and enforceable and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason (other than payment in full of the Guarantied Obligations), including the occurrence of any of the following, whether or not any Guarantor shall have had notice or knowledge of any of them: (i) any failure or omission to assert or enforce or agreement or election not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy (whether arising under the Loan Documents or the Lender Interest Rate Agreements, at law, in equity or otherwise) with respect to the Guarantied Obligations or any agreement relating thereto, or with respect to any other guaranty of or security for the payment of the Guarantied Obligations; (ii) any rescission, waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including provisions relating to events of default) of the Credit Agreement, any of the other Loan Documents, any of the Lender Interest Rate Agreements or any agreement or instrument executed pursuant thereto, or of any other guaranty or security for the Guarantied Obligations, in each case whether or not in accordance with the terms of the Credit Agreement or such Loan Document, such Lender Interest Rate Agreement, or any agreement relating to such other guaranty or security; (iii) the Guarantied Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect; (iv) the application of payments received from any source (other than payments received pursuant to the other Loan Documents or any of the Lender Interest Rate Agreements or from the proceeds of any security for the Guarantied Obligations, except to the extent such security also serves as collateral for indebtedness other than the Guarantied Obligations) to the payment of indebtedness other than the Guarantied Obligations, even though any Beneficiary might have elected to apply such payment to any part or all of the Guarantied Obligations; (v) any Beneficiary's consent to the change, reorganization or termination of the corporate structure or existence of Company or any of its Subsidiaries and to any corresponding restructuring of the Guarantied Obligations; (vi) any failure to perfect or continue perfection of a security interest in any collateral which secures any of the Guarantied Obligations; (vii) any defenses, set-offs or counterclaims which

Company may allege or assert against any Beneficiary in respect of the Guarantied Obligations, including failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury; and (viii) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of any Guarantor as an obligor in respect of the Guarantied Obligations.

2.5 WAIVERS BY GUARANTORS. Each Guarantor hereby waives, for the benefit of Beneficiaries:

(a) any right to require any Beneficiary, as a condition of payment or performance by such Guarantor, to (i) proceed against Company, any other guarantor (including any other Guarantor) of the Guarantied Obligations or any other Person, (ii) proceed against or exhaust any security held from Company, any such other guarantor or any other Person, (iii) proceed against or have resort to any balance of any deposit account or credit on the books of any Beneficiary in favor of Company or any other Person, or (iv) pursue any other remedy in the power of any Beneficiary whatsoever;

(b) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of Company including any defense based on or arising out of the lack of validity or the unenforceability of the Guarantied Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of Company from any cause other than payment in full of the Guarantied Obligations;

(c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal;

(d) any defense based upon any Beneficiary's errors or omissions in the administration of the Guarantied Obligations, except behavior which amounts to bad faith;

(e) (i) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty and any legal or equitable discharge of such Guarantor's obligations hereunder, (ii) the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement hereof, (iii) any rights to set-offs, recoupments and counterclaims, and (iv) promptness, diligence and any requirement that any Beneficiary protect, secure, perfect or insure any security interest or lien or any property subject thereto;

(f) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance of this Guaranty, notices of default under the Credit Agreement, the Lender Interest Rate

Agreements or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Guarantied Obligations or any agreement related thereto, notices of any extension of credit to Company and notices of any of the matters referred to in subsection 2.4 and any right to consent to any thereof; and

(g) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of this Guaranty.

2.6 GUARANTORS' RIGHTS OF SUBROGATION, CONTRIBUTION, ETC. Until the Guarantied Obligations have been paid in full and the Commitments shall have terminated and all Letters of Credit shall have expired or been cancelled, each Guarantor shall withhold exercise of (a) any right of subrogation, reimbursement or indemnification that such Guarantor now has or may hereafter have against Company, (b) any right to enforce, or to participate in, any claim, right or remedy that any Beneficiary now has or may hereafter have against Company, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by any Beneficiary. In addition, until the Guarantied Obligations shall have been indefeasibly paid in full and the Commitments shall have terminated and all Letters of Credit shall have expired or been cancelled, each Guarantor shall withhold exercise of any right of contribution such Guarantor may have against any other guarantor (including any other Guarantor) of the Guarantied Obligations (including any such right of contribution under subsection 2.2(b). Each Guarantor further agrees that, to the extent the waiver or agreement to withhold the exercise of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification such Guarantor may have against Company or against any collateral or security, and any rights of contribution such Guarantor may have against any such other guarantor, shall be junior and subordinate to any rights any Beneficiary may have against Company, to all right, title and interest any Beneficiary may have in any such collateral or security, and to any right any Beneficiary may have against such other guarantor. If any amount shall be paid to any Guarantor on account of any such subrogation, reimbursement, indemnification or contribution rights at any time when all Guarantied Obligations shall not have been paid in full, such amount shall be held in trust for Guarantied Party on behalf of Beneficiaries and shall forthwith be paid over to Guarantied Party for the benefit of Beneficiaries to be credited and applied against the Guarantied Obligations, whether matured or unmatured, in accordance with the terms hereof.

2.7 SUBORDINATION OF OTHER OBLIGATIONS. Any indebtedness of Company or any Guarantor now or hereafter held by any Guarantor (the "OBLIGEE GUARANTOR") is hereby subordinated in right of payment to the Guarantied Obligations, and any such indebtedness collected or received by the Obligee Guarantor after an Event of Default has occurred and is continuing shall be held in trust for Guarantied Party on behalf of Beneficiaries and shall forthwith be paid over to Guarantied Party for the benefit of Beneficiaries to be credited and applied against the Guarantied Obligations but without affecting, impairing or limiting in any manner the liability of the Obligee Guarantor under any other provision of this Guaranty.

2.8 EXPENSES. Guarantors jointly and severally agree to pay, or cause to be paid, on demand, and to save Beneficiaries harmless against liability for, any and all costs and expenses (including fees and disbursements of counsel and allocated costs of internal counsel) incurred or expended by any Beneficiary in connection with the enforcement of or preservation of any rights under this Guaranty.

2.9 CONTINUING GUARANTY. This Guaranty is a continuing guaranty and shall remain in effect until all of the Guarantied Obligations shall have been paid in full and the Commitments shall have terminated and all Letters of Credit shall have expired or been cancelled. Each Guarantor hereby irrevocably waives any right to revoke this Guaranty as to future transactions giving rise to any Guarantied Obligations.

2.10 AUTHORITY OF GUARANTORS OR COMPANY. It is not necessary for any Beneficiary to inquire into the capacity or powers of any Guarantor or Company or the officers, directors or any agents acting or purporting to act on behalf of any of them.

2.11 FINANCIAL CONDITION OF COMPANY. Any Loans may be granted to Company or continued from time to time, and any Lender Interest Rate Agreements may be entered into from time to time, in each case without notice to or authorization from any Guarantor regardless of the financial or other condition of Company at the time of any such grant or continuation or at the time such Lender Interest Rate Agreement is entered into, as the case may be. No Beneficiary shall have any obligation to disclose or discuss with any Guarantor its assessment, or any Guarantor's assessment, of the financial condition of Company. Each Guarantor has adequate means to obtain information from Company on a continuing basis concerning the financial condition of Company and its ability to perform its obligations under the Loan Documents and the Lender Interest Rate Agreements, and each Guarantor assumes the responsibility for being and keeping informed of the financial condition of Company and of all circumstances bearing upon the risk of nonpayment of the Guarantied Obligations. Each Guarantor hereby waives and relinquishes any duty on the part of any Beneficiary to disclose any matter, fact or thing relating to the business, operations or conditions of Company now known or hereafter known by any Beneficiary.

2.12 RIGHTS CUMULATIVE. The rights, powers and remedies given to Beneficiaries by this Guaranty are cumulative and shall be in addition to and independent of all rights, powers and remedies given to Beneficiaries by virtue of any statute or rule of law or in any of the other Loan Documents, any of the Lender Interest Rate Agreements or any agreement between any Guarantor and any Beneficiary or Beneficiaries or between Company and any Beneficiary or Beneficiaries. Any forbearance or failure to exercise, and any delay by any Beneficiary in exercising, any right, power or remedy hereunder shall not impair any such right, power or remedy or be construed to be a waiver thereof, nor shall it preclude the further exercise of any such right, power or remedy.

2.13 BANKRUPTCY; POST-PETITION INTEREST; REINSTATEMENT OF GUARANTY. (a) So long as any Guarantied Obligations remain outstanding, no Guarantor shall, without the prior written consent of Guarantied Party acting pursuant to the instructions of Requisite Obligees (as defined in subsection 3.14), commence or join with any other Person in commencing any bankruptcy,

reorganization or insolvency proceedings of or against Company. The obligations of Guarantors under this Guaranty shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Company or by any defense which Company may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding.

(b) Each Guarantor acknowledges and agrees that any interest on any portion of the Guarantied Obligations which accrues after the commencement of any proceeding referred to in clause (a) above (or, if interest on any portion of the Guarantied Obligations ceases to accrue by operation of law by reason of the commencement of said proceeding, such interest as would have accrued on such portion of the Guarantied Obligations if said proceedings had not been commenced) shall be included in the Guarantied Obligations because it is the intention of Guarantors and Beneficiaries that the Guarantied Obligations which are guarantied by Guarantors pursuant to this Guaranty should be determined without regard to any rule of law or order which may relieve Company of any portion of such Guarantied Obligations. Guarantors will permit any trustee in bankruptcy, receiver, debtor in possession, assignee for the benefit of creditors or similar person to pay Guarantied Party, or allow the claim of Guarantied Party in respect of, any such interest accruing after the date on which such proceeding is commenced.

(c) In the event that all or any portion of the Guarantied Obligations are paid by Company, the obligations of Guarantors hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from any Beneficiary as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Guarantied Obligations for all purposes under this Guaranty.

2.14 NOTICE OF EVENTS. As soon as any Guarantor obtains knowledge thereof, such Guarantor shall give Guarantied Party written notice of any condition or event which has resulted in (a) a material adverse change in the financial condition of any Guarantor or Company or (b) a breach of or noncompliance with any term, condition or covenant contained herein or in the Credit Agreement, any other Loan Document, any Lender Interest Rate Agreement or any other document delivered pursuant hereto or thereto.

2.15 SET OFF. In addition to any other rights any Beneficiary may have under law or in equity, if any amount shall at any time be due and owing by any Guarantor to any Beneficiary under this Guaranty, such Beneficiary is authorized at any time or from time to time, without notice (any such notice being hereby expressly waived), to set off and to appropriate and to apply any and all deposits (general or special, including indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness of such Beneficiary owing to such Guarantor and any other property of such Guarantor held by any Beneficiary to or for the credit or the account of such Guarantor against and on account of the Guarantied Obligations and liabilities of such Guarantor to any Beneficiary under this Guaranty.

2.16 DISCHARGE OF GUARANTY UPON SALE OF GUARANTOR. If all of the stock of any Guarantor or any of its successors in interest under this Guaranty shall be sold or otherwise

disposed of (including by merger or consolidation) in an Asset Sale not prohibited by subsection 7.7 of the Credit Agreement or otherwise consented to by Requisite Lenders, the Guaranty of such Guarantor or such successor in interest, as the case may be, hereunder shall automatically be discharged and released without any further action by any Beneficiary or any other Person effective as of the time of such Asset Sale; provided that, as a condition precedent to such discharge and release, Guarantied Party shall have received evidence satisfactory to it that arrangements satisfactory to it have been made for delivery to Guarantied Party of the applicable Net Asset Sale Proceeds of such Asset Sale to the extent required under the Credit Agreement.

SECTION 3. MISCELLANEOUS

3.1 SURVIVAL OF WARRANTIES. All agreements, representations and warranties made herein shall survive the execution and delivery of this Guaranty and the other Loan Documents and the Lender Interest Rate Agreements and any increase in the Commitments under the Credit Agreement.

3.2 NOTICES. Any communications between Guarantied Party and any Guarantor and any notices or requests provided herein to be given may be given by mailing the same, postage prepaid, or by telex, facsimile transmission or cable to each such party at its address set forth in the Credit Agreement, on the signature pages hereof or to such other addresses as each such party may in writing hereafter indicate. Any notice, request or demand to or upon Guarantied Party or any Guarantor shall not be effective until received.

3.3 SEVERABILITY. In case any provision in or obligation under this Guaranty shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

3.4 AMENDMENTS AND WAIVERS. No amendment, modification, termination or waiver of any provision of this Guaranty, and no consent to any departure by any Guarantor therefrom, shall in any event be effective without the written concurrence of Guarantied Party and, in the case of any such amendment or modification, each Guarantor against whom enforcement of such amendment or modification is sought. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

3.5 HEADINGS. Section and subsection headings in this Guaranty are included herein for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose or be given any substantive effect.

3.6 APPLICABLE LAW; RULES OF CONSTRUCTION. THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF GUARANTORS AND BENEFICIARIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. The rules

of construction set forth in subsection 1.3 of the Credit Agreement shall be applicable to this Guaranty mutatis mutandis.

3.7 SUCCESSORS AND ASSIGNS. This Guaranty is a continuing guaranty and shall be binding upon each Guarantor and its respective successors and assigns. This Guaranty shall inure to the benefit of Beneficiaries and their respective successors and assigns. No Guarantor shall assign this Guaranty or any of the rights or obligations of such Guarantor hereunder without the prior written consent of all Lenders. Any Beneficiary may, without notice or consent, assign its interest in this Guaranty in whole or in part. The terms and provisions of this Guaranty shall inure to the benefit of any transferee or assignee of any Loan, and in the event of such transfer or assignment the rights and privileges herein conferred upon such Beneficiary shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof.

3.8 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY GUARANTOR ARISING OUT OF OR RELATING TO THIS GUARANTY, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH GUARANTOR, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY

(I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO SUCH GUARANTOR AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SUBSECTION 3.2;

(IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER SUCH GUARANTOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(V) AGREES THAT BENEFICIARIES RETAIN THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST SUCH GUARANTOR IN THE COURTS OF ANY OTHER JURISDICTION; AND

(VI) AGREES THAT THE PROVISIONS OF THIS SUBSECTION 3.8 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND

ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

3.9 WAIVER OF TRIAL BY JURY. EACH GUARANTOR AND, BY ITS ACCEPTANCE OF THE BENEFITS HEREOF, EACH BENEFICIARY EACH HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY. The scope of this waiver is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each Guarantor and, by its acceptance of the benefits hereof, each Beneficiary, each (i) acknowledges that this waiver is a material inducement for such Guarantor and Beneficiaries to enter into a business relationship, that such Guarantor and Beneficiaries have already relied on this waiver in entering into this Guaranty or accepting the benefits thereof, as the case may be, and that each will continue to rely on this waiver in their related future dealings and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SUBSECTION 3.9 AND EXECUTED BY GUARANTIED PARTY AND EACH GUARANTOR), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS GUARANTY. In the event of litigation, this Guaranty may be filed as a written consent to a trial by the court.

3.10 NO OTHER WRITING. This writing is intended by Guarantors and Beneficiaries as the final expression of this Guaranty and is also intended as a complete and exclusive statement of the terms of their agreement with respect to the matters covered hereby. No course of dealing, course of performance or trade usage, and no parol evidence of any nature, shall be used to supplement or modify any terms of this Guaranty. There are no conditions to the full effectiveness of this Guaranty.

3.11 FURTHER ASSURANCES. At any time or from time to time, upon the request of Guarantied Party, Guarantors shall execute and deliver such further documents and do such other acts and things as Guarantied Party may reasonably request in order to effect fully the purposes of this Guaranty.

3.12 ADDITIONAL GUARANTORS. The initial Guarantor hereunder shall be the Subsidiary of Company that is a signatory hereto on the date hereof. From time to time subsequent to the date hereof, additional Subsidiaries of Company may become parties hereto, as additional Guarantors (each an "ADDITIONAL GUARANTOR"), by executing a counterpart of this Guaranty. Upon delivery of any such counterpart to Administrative Agent, notice of which is hereby waived by Guarantors, each such Additional Guarantor shall be a Guarantor and shall be as fully a party hereto as if such Additional Guarantor were an original signatory hereof. Each Guarantor

expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Guarantor hereunder, nor by any election of Administrative Agent not to cause any Subsidiary of Company to become an Additional Guarantor hereunder. This Guaranty shall be fully effective as to any Guarantor that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Guarantor hereunder.

3.13 COUNTERPARTS; EFFECTIVENESS. This Guaranty may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original for all purposes; but all such counterparts together shall constitute but one and the same instrument. This Guaranty shall become effective as to each Guarantor upon the execution of a counterpart hereof by such Guarantor (whether or not a counterpart hereof shall have been executed by any other Guarantor) and receipt by Guarantied Party of written or telephonic notification of such execution and authorization of delivery thereof.

3.14 GUARANTIED PARTY AS AGENT.

(a) Guarantied Party has been appointed to act as Guarantied Party hereunder by Lenders and, by their acceptance of the benefits hereof, Interest Rate Exchangers. Guarantied Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action, solely in accordance with this Guaranty and the Credit Agreement; provided that Guarantied Party shall exercise, or refrain from exercising, any remedies hereunder in accordance with the instructions of (i)Requisite Lenders or (ii)after payment in full of all Obligations under the Credit Agreement and the other Loan Documents, the holders of a majority of the aggregate notional amount (or, with respect to any Lender Interest Rate Agreement that has been terminated in accordance with its terms, the amount then due and payable (exclusive of expenses and similar payments but including any early termination payments then due) under such Lender Interest Rate Agreement) under all Lender Interest Rate Agreements (Requisite Lenders or, if applicable, such holders being referred to herein as "Requisite Obligees"). In furtherance of the foregoing provisions of this subsection 3.14, each Interest Rate Exchanger, by its acceptance of the benefits hereof, agrees that it shall have no right individually to enforce this Guaranty, it being understood and agreed by such Interest Rate Exchanger that all rights and remedies hereunder may be exercised solely by Guarantied Party for the benefit of Beneficiaries in accordance with the terms of this subsection 3.14.

(b) Guarantied Party shall at all times be the same Person that is Administrative Agent under the Credit Agreement. Written notice of resignation by Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute notice of resignation as Guarantied Party under this Guaranty; removal of Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute removal as Guarantied Party under this Guaranty; and appointment of a successor Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute appointment of a successor Guarantied Party under this Guaranty. Upon the acceptance of any appointment as Administrative Agent under subsection 9.5 of the Credit Agreement by a successor Administrative Agent, that successor Administrative

Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Guarantied Party under this Guaranty, and the retiring or removed Guarantied Party under this Guaranty shall promptly (i) transfer to such successor Guarantied Party all sums held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Guarantied Party under this Guaranty, and (ii) take such other actions as may be necessary or appropriate in connection with the assignment to such successor Guarantied Party of the rights created hereunder, whereupon such retiring or removed Guarantied Party shall be discharged from its duties and obligations under this Guaranty. After any retiring or removed Guarantied Party's resignation or removal hereunder as Guarantied Party, the provisions of this Guaranty shall inure to its benefit as to any actions taken or omitted to be taken by it under this Guaranty while it was Guarantied Party hereunder.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned Guarantors has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first written above.

[NAME OF GUARANTOR]

By

Title

Address:

[NAME OF GUARANTOR]

By

Title

Address:

ACKNOWLEDGED AND AGREED TO:
BANKERS TRUST COMPANY,
AS GUARANTIED PARTY

By

Title

IN WITNESS WHEREOF, the undersigned Additional Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of _____, ____.

(Name of Additional Guarantor)

By ---

Title ---

Address: ---

EXHIBIT XVII

[FORM OF SUBSIDIARY PLEDGE AGREEMENT]

SUBSIDIARY PLEDGE AGREEMENT

This SUBSIDIARY PLEDGE AGREEMENT (this "AGREEMENT") is dated as of _____ __, 1999 and entered into by and between [INSERT NAME OF PLEDGOR IN CAPS], a corporation ("PLEDGOR"), and BANKERS TRUST COMPANY, as administrative agent for and representative of (in such capacity herein called "SECURED PARTY"), the financial institutions ("LENDERS") party to the Credit Agreement referred to below and any Interest Rate Exchangers (as hereinafter defined).

PRELIMINARY STATEMENTS

A. Pledgor is the legal and beneficial owner of (i) the membership interests and shares of stock or other ownership interests (the "PLEDGED INTERESTS") described in Part A of Schedule I annexed hereto and issued by the limited liability companies, corporations and partnerships named therein and (ii) the indebtedness (the "PLEDGED DEBT") described in Part B of said Schedule I and issued by the obligors named therein.

B. Secured Party, Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Lenders have entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined) with Blackbaud, Inc., a South Carolina corporation ("COMPANY"), pursuant to which Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Company.

C. Company may from time to time enter, or may from time to time have entered, into one or more Interest Rate Agreements (collectively, the "LENDER INTEREST RATE AGREEMENTS") with one or more Lenders (in such capacity, collectively, "INTEREST RATE EXCHANGERS").

D. Pledgor has executed and delivered that certain Subsidiary Guaranty dated as of October 13, 1999 (said Subsidiary Guaranty, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "GUARANTY") in favor of Secured Party for the benefit of Lenders and any Interest Rate Exchangers, pursuant to which Pledgor has guarantied the prompt payment and performance when due of all obligations of Company under the Credit Agreement and all obligations of Company under the Lender Interest Rate Agreements, including the obligation of Company to make payments thereunder in the event of early termination thereof.

E. It is a condition precedent to the initial extensions of credit by Lenders under the Credit Agreement that Pledgor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Lenders to make Loans and other extensions of credit under the Credit Agreement and to induce Interest Rate Exchangers to enter into Lender Interest Rate Agreements, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Pledgor hereby agrees with Secured Party as follows:

SECTION 1. PLEDGE OF SECURITY. Pledgor hereby pledges and assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of Pledgor's right, title and interest in and to the following (the "PLEDGED COLLATERAL"):

(a) the Pledged Interests and the certificates representing the Pledged Interests and any interest of Pledgor in the entries on the books of any financial intermediary pertaining to the Pledged Interests, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Interests;

(b) the Pledged Debt and the instruments evidencing the Pledged Debt, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Debt;

(c) all additional membership interests, shares of stock or other ownership interests, and all securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests, shares of stock or other ownership interests of any issuer of the Pledged Interests from time to time acquired by Pledgor in any manner (which membership interests, shares of stock or other ownership interests shall be deemed to be part of the Pledged Interests), the certificates or other instruments representing such additional membership interests, shares, securities, warrants, options or other rights and any interest of Pledgor in the entries on the books of any financial intermediary pertaining to such additional shares, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional membership interests, shares, securities, warrants, options or other rights; provided, however, that Pledgor shall not be required to pledge any additional membership interests or shares of, or any securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests or stock of any Foreign Subsidiary issuer of the Pledged Interests pursuant to this Section 1(c) to the extent that such pledges would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the Internal Revenue Code (the "IRC") that would trigger an increase in the gross income of a United States owner of Pledgor pursuant to Section 951 (or a successor provision) of the IRC;

(d) all additional indebtedness from time to time owed to Pledgor by any obligor on the Pledged Debt and the instruments evidencing such indebtedness, and all interest, cash,

instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness;

(e) all membership interests and equity or other ownership interests, and all securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests, shares of stock or other ownership interests of any Person that, after the date of this Agreement, becomes, as a result of any occurrence, a direct Subsidiary of Pledgor (which membership interests and shares or other ownership interests shall be deemed to be part of the Pledged Interests), the certificates or other instruments representing such shares, securities, warrants, options or other rights and any interest of Pledgor in the entries on the books of any financial intermediary pertaining to such membership interests, shares or other interests, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such membership interests, shares, securities, warrants, options or other rights; provided, however, that Pledgor shall not be required to pledge the membership interests, shares or other equity interests of, or any securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests or stock of any Foreign Subsidiary otherwise required to be pledged pursuant to this Section 1(e) to the extent that such pledge would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the IRC that would trigger an increase in the gross income of a United States owner of Pledgor pursuant to Section 951 (or a successor provision) of the IRC;

(f) all indebtedness from time to time owed to Pledgor by any Person that, after the date of this Agreement, becomes, as a result of any occurrence, a direct or indirect Subsidiary of Pledgor, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness; and

(g) to the extent not covered by clauses (a) through (f) above, all proceeds of any or all of the foregoing Pledged Collateral. For purposes of this Agreement, the term "PROCEEDS" includes whatever is receivable or received when Pledged Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes proceeds of any indemnity or guaranty payable to Pledgor or Secured Party from time to time with respect to any of the Pledged Collateral.

SECTION 2. SECURITY FOR OBLIGATIONS. This Agreement secures, and the Pledged Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. ss.362(a)), of all obligations and liabilities of every nature of Pledgor now or hereafter existing under or arising out of or in connection with the Guaranty and all extensions or renewals thereof, whether for principal, interest (including interest that, but for the filing of a petition in bankruptcy with respect to Company, would accrue on such obligations, whether or not a claim is allowed against Company for such interest in the related bankruptcy proceeding), reimbursement of amounts drawn under Letters of Credit, payments for early termination of Lender Interest Rate Agreements, fees,

expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party or any Lender or Interest Rate Exchanger as a preference, fraudulent transfer or otherwise, and all obligations of every nature of Pledgor now or hereafter existing under this Agreement (all such obligations of Pledgor being the "SECURED OBLIGATIONS").

SECTION 3. DELIVERY OF PLEDGED COLLATERAL. All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of Secured Party pursuant hereto and shall be in suitable form for transfer by delivery or, as applicable, shall be accompanied by Pledgor's endorsement, where necessary, or duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Secured Party. Upon the occurrence and during the continuation of an Event of Default (as defined in the Credit Agreement) or the occurrence of an Early Termination Date (as defined in a Master Agreement or an Interest Rate Swap Agreement or Interest Rate and Currency Exchange Agreement each in the standard form prepared by the International Swap and Derivatives Association Inc. or a similar event under any similar swap agreement) under any Lender Interest Rate Agreement (either such occurrence being an "Event of Default" for purposes of this Agreement), Secured Party shall have the right, without notice to Pledgor, to transfer to or to register in the name of Secured Party or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 7(a). In addition, Secured Party shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. REPRESENTATIONS AND WARRANTIES. Pledgor represents and warrants as follows:

(a) Due Authorization, etc. of Pledged Collateral. All of the Pledged Interests have been duly authorized and validly issued and are fully paid and non-assessable. All of the Pledged Debt has been duly authorized, authenticated or issued, and delivered and is the legal, valid and binding obligation of the issuers thereof and is not in default.

(b) Description of Pledged Collateral. The Pledged Interests constitute the percent of the issued and outstanding membership interests, shares of stock, or other ownership interest of each issuer thereof as set forth on Schedule 1, and there are no outstanding warrants, options or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Pledged Interests. The Pledged Debt constitutes all of the issued and outstanding intercompany indebtedness evidenced by a promissory note of the respective issuers thereof owing to Pledgor.

(c) Ownership of Pledged Collateral. Pledgor is the legal, record and beneficial owner of the Pledged Collateral free and clear of any Lien except for the security interest created by this Agreement.

SECTION 5. TRANSFERS AND OTHER LIENS; ADDITIONAL PLEDGED COLLATERAL; ETC. Pledgor shall:

(a) not, except as expressly permitted by the Credit Agreement, (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, (ii) create or suffer to exist any Lien upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement, or (iii) permit any issuer of Pledged Interests to merge or consolidate unless all the outstanding membership interests, capital stock, or other ownership interest of the surviving or resulting Person is, upon such merger or consolidation, pledged hereunder and no cash, securities or other property is distributed in respect of the outstanding membership interests or shares of any other constituent Person; provided that in the event Pledgor makes an Asset Sale permitted by the Credit Agreement and the assets subject to such Asset Sale are Pledged Interests, Secured Party shall release the Pledged Interests that are the subject of such Asset Sale to Pledgor free and clear of the lien and security interest under this Agreement concurrently with the consummation of such Asset Sale; provided, further that, as a condition precedent to such release, Secured Party shall have received evidence satisfactory to it that arrangements satisfactory to it have been made for delivery to Secured Party of the Net Asset Sale Proceeds of such Asset Sale to the extent required under the Credit Agreement;

(b) (i) cause each issuer of Pledged Interests not to issue any membership interests, stock or other securities in addition to or in substitution for the Pledged Interests issued by such issuer, except to Pledgor, (ii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional membership interests, shares of stock or other securities of each issuer of Pledged Interests, and (iii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all membership interests, shares of stock, or other ownership interests of any Person that, after the date of this Agreement, becomes, as a result of any occurrence, a direct Subsidiary of Pledgor;

(c) (i) pledge hereunder, immediately upon their issuance, any and all instruments or other evidences of additional indebtedness from time to time owed to Pledgor by any obligor on the Pledged Debt, and (ii) pledge hereunder, immediately upon their issuance, any and all instruments or other evidences of indebtedness from time to time owed to Pledgor by any Person that after the date of this Agreement becomes, as a result of any occurrence, a direct or indirect Subsidiary of Pledgor;

(d) promptly notify Secured Party of any event of which Pledgor becomes aware causing loss or depreciation in the value of the Pledged Collateral;

(e) promptly deliver to Secured Party all written notices received by it with respect to the Pledged Collateral; and

(f) pay promptly when due all taxes, assessments and governmental charges or levies imposed upon, and all claims against, the Pledged Collateral, except to the extent the validity thereof is being contested in good faith and adequate reserves have been set aside therefor; provided that Pledgor shall in any event pay such taxes, assessments, charges, levies or claims

not later than five days prior to the date of any proposed sale under any judgement, writ or warrant of attachment entered or filed against Pledgor or any of the Pledged Collateral as a result of the failure to make such payment.

SECTION 6. FURTHER ASSURANCES; PLEDGE AMENDMENTS.

(a) Pledgor agrees that from time to time, at the expense of Pledgor, Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral. Without limiting the generality of the foregoing, Pledgor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interests granted or purported to be granted hereby and (ii) at Secured Party's request, appear in and defend any action or proceeding that may affect Pledgor's title to or Secured Party's security interest in all or any part of the Pledged Collateral.

(b) Pledgor further agrees that it will, upon obtaining any additional shares of stock or other securities required to be pledged hereunder as provided in Section 5(b) or (c), promptly (and in any event within five Business Days) deliver to Secured Party a Pledge Amendment, duly executed by Pledgor, in substantially the form of Schedule II annexed hereto (a "PLEDGE AMENDMENT"), in respect of the additional Pledged Interests or Pledged Debt to be pledged pursuant to this Agreement. Pledgor hereby authorizes Secured Party to attach each Pledge Amendment to this Agreement and agrees that all Pledged Interests or Pledged Debt listed on any Pledge Amendment delivered to Secured Party shall for all purposes hereunder be considered Pledged Collateral; provided that the failure of Pledgor to execute a Pledge Amendment with respect to any additional Pledged Interests or Pledged Debt pledged pursuant to this Agreement shall not impair the security interest of Secured Party therein or otherwise adversely affect the rights and remedies of Secured Party hereunder with respect thereto; provided, however, that Pledgor shall not be required to pledge any additional membership interests or shares of, or any securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests or stock of any Foreign Subsidiary issuer of the Pledged Interests pursuant to this Section 6(b) to the extent that such pledges would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the Internal Revenue Code (the "IRC") that would trigger an increase in the gross income of a United States owner of Pledgor pursuant to Section 951 (or a successor provision) of the IRC.

SECTION 7. VOTING RIGHTS; DIVIDENDS; ETC.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Credit Agreement; provided, however, that Pledgor shall not exercise or refrain from

exercising any such right if Secured Party shall have notified Pledgor that, in Secured Party's judgment, such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof; and provided, further, that Pledgor shall give Secured Party at least five Business Days' prior written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right. It is understood, however, that neither (A) the voting by Pledgor of any Pledged Interests for or Pledgor's consent to the election of directors at a regularly scheduled annual or other meeting of stockholders or with respect to incidental matters at any such meeting nor (B) Pledgor's consent to or approval of any action otherwise permitted under this Agreement and the Credit Agreement shall be deemed inconsistent with the terms of this Agreement or the Credit Agreement within the meaning of this Section 7(a)(i), and no notice of any such voting or consent need be given to Secured Party;

(ii) Pledgor shall be entitled to receive and retain, and to utilize free and clear of the lien of this Agreement, any and all dividends and interest paid in respect of the Pledged Collateral; provided, however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in respect of principal or in redemption of or in exchange for any Pledged Collateral,

shall be, and shall forthwith be delivered to Secured Party to hold as, Pledged Collateral and shall, if received by Pledgor, be received in trust for the benefit of Secured Party, be segregated from the other property or funds of Pledgor and be forthwith delivered to Secured Party as Pledged Collateral in the same form as so received (with all necessary indorsements); and

(iii) Secured Party shall promptly execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies, dividend payment orders and other instruments as Pledgor may from time to time reasonably request for the purpose of enabling Pledgor to exercise the voting and other consensual rights which it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends, principal or interest payments which it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuation of an Event of Default:

(i) upon written notice from Secured Party to Pledgor, all rights of Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 7(a)(i) shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to exercise such voting and other consensual rights;

(ii) all rights of Pledgor to receive the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 7(a)(ii) shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to receive and hold as Pledged Collateral such dividends and interest payments; and

(iii) all dividends, principal and interest payments which are received by Pledgor contrary to the provisions of paragraph (ii) of this Section 7(b) shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Pledgor and shall forthwith be paid over to Secured Party as Pledged Collateral in the same form as so received (with any necessary indorsements).

(c) In order to permit Secured Party to exercise the voting and other consensual rights which it may be entitled to exercise pursuant to Section 7(b)(i) and to receive all dividends and other distributions which it may be entitled to receive under Section 7(a)(ii) or Section 7(b)(ii), (i) Pledgor shall promptly execute and deliver (or cause to be executed and delivered) to Secured Party all such proxies, dividend payment orders and other instruments as Secured Party may from time to time reasonably request and (ii) without limiting the effect of the immediately preceding clause (i), Pledgor hereby grants to Secured Party an irrevocable proxy to vote the Pledged Interests and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Interests would be entitled (including giving or withholding written consents of shareholders, calling special meetings of shareholders and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Interests on the record books of the issuer thereof) by any other Person (including the issuer of the Pledged Interests or any officer or agent thereof), upon the occurrence of an Event of Default and which proxy shall only terminate upon the payment in full of the Secured Obligations.

SECTION 8. SECURED PARTY APPOINTED ATTORNEY-IN-FACT. Pledgor hereby irrevocably appoints Secured Party as Pledgor's attorney-in-fact, with full authority in the place and stead of Pledgor and in the name of Pledgor, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) to file one or more financing or continuation statements, or amendments thereto, relative to all or any part of the Pledged Collateral without the signature of Pledgor;

(b) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Pledged Collateral;

(c) to receive, endorse and collect any instruments made payable to Pledgor representing any dividend, principal or interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same; and

(d) to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Pledged Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Pledged Collateral.

SECTION 9. SECURED PARTY MAY PERFORM. If Pledgor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Pledgor under Section 13(b).

SECTION 10. STANDARD OF CARE. The powers conferred on Secured Party hereunder are solely to protect its interest in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Pledged Collateral, it being understood that Secured Party shall have no responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Pledged Collateral, whether or not Secured Party has or is deemed to have knowledge of such matters, (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Pledged Collateral) to preserve rights against any parties with respect to any Pledged Collateral, (c) taking any necessary steps to collect or realize upon the Secured Obligations or any guarantee therefor, or any part thereof, or any of the Pledged Collateral, or (d) initiating any action to protect the Pledged Collateral against the possibility of a decline in market value. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equal to that which Secured Party accords its own property consisting of negotiable securities.

SECTION 11. REMEDIES.

(a) If any Event of Default shall have occurred and be continuing, Secured Party may exercise in respect of the Pledged Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "CODE") (whether or not the Code applies to the affected Pledged Collateral), and Secured Party may also in its sole discretion, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at any of Secured Party's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Secured Party may deem commercially reasonable, irrespective of the impact of any such sales on the market price of the Pledged Collateral. Secured Party or any Lender or Interest Rate Exchanger may be the purchaser of any or all of the Pledged Collateral at any such sale and Secured Party, as agent for and representative of Lenders and Interest Rate Exchangers (but not any Lender or Lenders or

Interest Rate Exchanger or Interest Rate Exchangers in its or their respective individual capacities unless Requisite Obligees (as defined in Section 15(a)) shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Pledged Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Pledged Collateral payable by Secured Party at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Pledgor, and Pledgor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Secured Party shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Pledgor hereby waives any claims against Secured Party arising by reason of the fact that the price at which any Pledged Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Secured Party accepts the first offer received and does not offer such Pledged Collateral to more than one offeree. If the proceeds of any sale or other disposition of the Pledged Collateral are insufficient to pay all the Secured Obligations, Pledgor shall be liable for the deficiency and the fees of any attorneys employed by Secured Party to collect such deficiency.

(b) Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws, Secured Party may be compelled, with respect to any sale of all or any part of the Pledged Collateral conducted without prior registration or qualification of such Pledged Collateral under the Securities Act and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Pledgor acknowledges that any such private sales may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to engage in public sales and no obligation to delay the sale of any Pledged Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would, or should, agree to so register it.

(c) If Secured Party determines to exercise its right to sell any or all of the Pledged Collateral, upon written request, Pledgor shall and shall cause each issuer of any Pledged Interests to be sold hereunder from time to time to furnish to Secured Party all such information as Secured Party may request in order to determine the number of shares and other instruments included in the Pledged Collateral which may be sold by Secured Party in exempt transactions

under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

SECTION 12. APPLICATION OF PROCEEDS. All proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied as provided in subsection 2.4D of the Credit Agreement.

SECTION 13. INDEMNITY AND EXPENSES.

(a) Pledgor agrees to indemnify Secured Party, each Lender and each Interest Rate Exchanger from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's or such Lender's or Interest Rate Exchanger's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Pledgor shall pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by Pledgor to perform or observe any of the provisions hereof.

SECTION 14. CONTINUING SECURITY INTEREST; TRANSFER OF LOANS. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until the payment in full of all Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, (b) be binding upon Pledgor, its successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), but subject to the provisions of subsection 10.1 of the Credit Agreement, any Lender may assign or otherwise transfer any Loans held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lenders herein or otherwise. Upon the payment in full of all Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Pledged Collateral shall revert to Pledgor. Upon any such termination Secured Party will, at Pledgor's expense, execute and deliver to Pledgor such documents as Pledgor shall reasonably request to evidence such termination and Pledgor shall be entitled to the return, upon its request and at its expense, against receipt and without recourse to Secured Party, of such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

SECTION 15. SECURED PARTY AS AGENT.

(a) Secured Party has been appointed to act as Secured Party hereunder by Lenders and, by their acceptance of the benefits hereof, Interest Rate Exchangers. Secured Party shall be

obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including the release or substitution of Pledged Collateral), solely in accordance with this Agreement and the Credit Agreement; provided that Secured Party shall exercise, or refrain from exercising, any remedies provided for in Section 11 in accordance with the instructions of (i) Requisite Lenders or (ii) after payment in full of all Obligations under the Credit Agreement and the other Loan Documents, the holders of a majority of the aggregate notional amount (or, with respect to any Lender Interest Rate Agreement that has been terminated in accordance with its terms, the amount then due and payable (exclusive of expenses and similar payments but including any early termination payments then due) under such Lender Interest Rate Agreement) under all Lender Interest Rate Agreements (Requisite Lenders or, if applicable, such holders being referred to herein as "Requisite Obligees"). In furtherance of the foregoing provisions of this Section 15(a), each Interest Rate Exchanger, by its acceptance of the benefits hereof, agrees that it shall have no right individually to realize upon any of the Pledged Collateral hereunder, it being understood and agreed by such Interest Rate Exchanger that all rights and remedies hereunder may be exercised solely by Secured Party for the benefit of Lenders and Interest Rate Exchangers in accordance with the terms of this Section 15(a).

(b) Secured Party shall at all times be the same Person that is Administrative Agent under the Credit Agreement. Written notice of resignation by Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute notice of resignation as Secured Party under this Agreement; removal of Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute removal as Secured Party under this Agreement; and appointment of a successor Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as Administrative Agent under subsection 9.5 of the Credit Agreement by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Secured Party under this Agreement, and the retiring or removed Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums, securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor Secured Party such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring or removed Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Administrative Agent's resignation or removal hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Secured Party hereunder.

SECTION 16. AMENDMENTS; ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by Pledgor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and, in the case of any such amendment or modification, by Pledgor. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 17. NOTICES. Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

SECTION 18. FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 19. SEVERABILITY. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 20. HEADINGS. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 21. GOVERNING LAW; TERMS; RULES OF CONSTRUCTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE PROVIDES THAT THE PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR PLEDGED COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Credit Agreement, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined. The rules of construction set forth in subsection 1.3 of the Credit Agreement shall be applicable to this Agreement mutatis mutandis.

SECTION 22. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST PLEDGOR ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND

DELIVERING THIS AGREEMENT, PLEDGOR, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY

(I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO PLEDGOR AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 17;

(IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER PLEDGOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(V) AGREES THAT SECURED PARTY RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST PLEDGOR IN THE COURTS OF ANY OTHER JURISDICTION; AND

(VI) AGREES THAT THE PROVISIONS OF THIS SECTION 23 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

SECTION 23. WAIVER OF JURY TRIAL. PLEDGOR AND SECURED PARTY HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Pledgor and Secured Party each acknowledge that this waiver is a material inducement for Pledgor and Secured Party to enter into a business relationship, that Pledgor and Secured Party have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Pledgor and Secured Party further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 23 AND EXECUTED BY EACH OF THE PARTIES

HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 24. COUNTERPARTS. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

IN WITNESS WHEREOF, Pledgor and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

[NAME OF PLEDGOR]

By:

Title:

Notice Address:

BANKERS TRUST COMPANY,
as Secured Party

By:

Title:

Notice Address:

SCHEDULE I

Attached to and forming a part of the Pledge Agreement dated as of _____ __, ____ between [INSERT NAME OF PLEDGOR], as Pledgor, and Bankers Trust Company, as Secured Party.

Part A

Issuer	Class	Certificate Nos.	Number of Interests/Shares	Percentage of Interests/Shares

Part B

Debt Issuer	Amount of Indebtedness

SCHEDULE II

PLEDGE AMENDMENT

This Pledge Amendment, dated _____, _____, is delivered pursuant to Section 6(b) of the Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Amendment may be attached to the Pledge Agreement dated _____, ____, between the undersigned and Bankers Trust Company, as Secured Party (the "PLEDGE AGREEMENT," capitalized terms defined therein being used herein as therein defined), and that the [Pledged Interests] [Pledged Debt] listed on this Pledge Amendment shall be deemed to be part of the [Pledged Interests] [Pledged Debt] and shall become part of the Pledged Collateral and shall secure all Secured Obligations.

[NAME OF PLEDGOR]

By:

Title:

Part A

Issuer	Class	Certificate Nos.	Number of Interests/Shares	Percentage of Interests/Shares

Part B

Debt Issuer	Amount of Indebtedness

EXHIBIT XVIII

[FORM OF SUBSIDIARY SECURITY AGREEMENT]

SUBSIDIARY SECURITY AGREEMENT

This SUBSIDIARY SECURITY AGREEMENT (this "AGREEMENT") is dated as of _____ __, 1999 and entered into by [INSERT SUBSIDIARY NAME], a _____ corporation ("GRANTOR"); provided that after the Closing Date, "Grantor" shall include any Additional Grantors (as hereinafter defined), and BANKERS TRUST COMPANY, as Administrative Agent for and representative of (in such capacity herein called "SECURED PARTY") the financial institutions ("LENDERS") party to the Credit Agreement referred to below and any Interest Rate Exchangers (as hereinafter defined).

PRELIMINARY STATEMENTS

A. Secured Party, Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Lenders have entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined) with Blackbaud, Inc., a South Carolina corporation ("COMPANY") pursuant to which Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Company.

B. Company may from time to time enter, or may from time to time have entered, into one or more Interest Rate Agreements (collectively, the "LENDER INTEREST RATE AGREEMENTS") with one or more Lenders (in such capacity, collectively, "INTEREST RATE EXCHANGERS").

C. Grantor has executed and delivered that certain Subsidiary Guaranty dated as of _____, ____ (said Subsidiary Guaranty, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "GUARANTY") in favor of Secured Party for the benefit of Lenders and any Interest Rate Exchangers, pursuant to which each Grantor has guarantied the prompt payment and performance when due of all obligations of Company under the Credit Agreement and the other Loan Documents and all obligations of Company under the Lender Interest Rate Agreements, including the obligation of Company to make payments thereunder in the event of early termination thereof;

D. It is a condition precedent to the initial extensions of credit by Lenders under the Credit Agreement that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Lenders to make Loans and other extensions of credit under the Credit Agreement and to induce Interest Rate Exchangers to enter into the Lender Interest Rate Agreements, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Secured Party as follows:

SECTION 1. GRANT OF SECURITY.

Grantor hereby assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (the "COLLATERAL"):

(a) all equipment in all of its forms (including, but not limited to, all computers, office furniture, and other office equipment), all parts thereof and all accessions thereto (any and all such equipment, parts and accessions being the "EQUIPMENT");

(b) all inventory in all of its forms (including, but not limited to, (i) all goods held by Grantor for sale or lease or to be furnished under contracts of service or so leased or furnished, (ii) all raw materials, work in process, finished goods, and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in Grantor's business, (iii) all goods in which Grantor has an interest in mass or a joint or other interest or right of any kind, and (iv) all goods which are returned to or repossessed by Grantor) and all accessions thereto and products thereof (all such inventory, accessions and products being the "INVENTORY"); provided that inventory considered to be work product held for or acquired on behalf of customers of Grantor or required to be delivered to customers of Grantor shall not be deemed Inventory, and all negotiable and non-negotiable documents of title (including without limitation warehouse receipts, dock receipts and bills of lading) issued by any Person covering any Inventory (any such negotiable document of title being a "NEGOTIABLE DOCUMENT OF TITLE");

(c) all accounts, contract rights, chattel paper, documents, instruments, general intangibles and other rights and obligations of any kind owned by or owing to Grantor and all rights in, to and under all security agreements, leases and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, documents, instruments, general intangibles or other obligations, it being understood that contracts with clients of Grantor are not considered to be Collateral (any and all such accounts, contract rights, chattel paper, documents, instruments, general intangibles and other obligations being the "ACCOUNTS", and any and all such security agreements, leases and other contracts being the "RELATED CONTRACTS");

(d) all deposit accounts, including without limitation demand, time, savings, passbooks or similar accounts maintained with Lenders or other banks, savings and loan associations or other financial institutions;

(e) the "INTELLECTUAL PROPERTY COLLATERAL", which term means:

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all trademarks, service marks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto, owned by Grantor, or hereafter adopted and used, in its business (including, without limitation, the trademarks specifically identified in Schedule 1(b), as the same may be amended pursuant hereto from time to time) (collectively, the "TRADEMARKS"); provided that trademarks, servicemarks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other sources and/or business identifiers and applications pertaining thereto considered to be work product performed for or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Trademarks or Intellectual Property Collateral; all registrations that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries (including, without limitation, the registrations and applications specifically identified in Schedule 1(b), as the same may be amended pursuant hereto from time to time) (the "TRADEMARK REGISTRATIONS"); provided that registrations that have been made or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries on behalf of or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Trademark Registrations or Intellectual Property Collateral; all common law and other rights (but in no event any of the obligations) in and to the Trademarks in the United States and any state thereof and in foreign countries (the "TRADEMARK RIGHTS"), and all goodwill of Grantor's business symbolized by the Trademarks and associated therewith (the "ASSOCIATED GOODWILL"):

(ii) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all patents and patent applications and rights and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned or held by Grantor and all patents and patent

applications and rights, title and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned by Grantor in whole or in part (including, without limitation, the patents and patent applications listed in Schedule 1(c), as the same may be amended pursuant hereto from time to time), all rights (but not obligations) corresponding thereto (including, without limitation, the right (but not the obligation), exercisable only upon the occurrence and during the continuation of an Event of Default, to sue for past, present and future infringements in the name of Grantor or in the name of Secured Party or Lenders), and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof (all of the foregoing being collectively referred to as the "PATENTS"); it being understood that the rights and interests included in the Intellectual Property Collateral hereby shall include, without limitation, all rights and interests pursuant to licensing or other contracts in favor of Grantor pertaining to patent applications and patents presently or in the future owned or used by third parties but, in the case of third parties which are not Affiliates of Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted, only with the consent of such third parties; provided that patents and patent applications and rights and interests in patents and patent applications considered to be work product performed for or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Patents or Intellectual Property Collateral; and

(iii) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) under copyright in various published and unpublished works of authorship including, without limitation, computer programs, computer data bases, other computer software, layouts, trade dress, drawings, designs, writings, and formulas owned by Grantor (including, without limitation, the works listed on Schedule 1(d), as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHTS"); provided that rights, title and interest under copyright in various published and unpublished works of authorship including, without limitation, computer programs, computer data bases, other computer software, layouts, trade dress, drawings, designs, writings, formulas, copyright registrations and applications for copyright registrations considered to be work product performed for or acquired on behalf of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Copyright Registrations or Intellectual Property Collateral; all copyright registrations issued to Grantor and applications for copyright registration that have been or may hereafter be issued or applied for thereon by Grantor in the United States and

any state thereof and in foreign countries (including, without limitation, the registrations listed on Schedule 1(d), as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHT REGISTRATIONS") provided that copyright registrations issued to Grantor and applications for copyright registration that have been or may hereafter be issued or applied for thereon by Grantor in the United States and any state thereof in foreign countries on behalf of or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Copyright Registrations or Intellectual Property Collateral, all common law and other rights in and to the Copyrights in the United States and any state thereof and in foreign countries including all copyright licenses (but with respect to such copyright licenses, only to the extent permitted by such licensing arrangements) (the "COPYRIGHT RIGHTS"), including, without limitation, each of the Copyrights, rights, titles and interests in and to the Copyrights and works protectable by copyright, which are presently, or in the future may be, owned, created (as a work for hire for the benefit of Grantor), authored (as a work for hire for the benefit of Grantor), or acquired by Grantor, in whole or in part, and all Copyright Rights with respect thereto and all Copyright Registrations therefor, heretofore or hereafter granted or applied for, and all renewals and extensions thereof, throughout the world, including all proceeds thereof (such as, by way of example and not by limitation, license royalties and proceeds of infringement suits), the right (but not the obligation) to renew and extend such Copyright Registrations and Copyright Rights and to register works protectable by copyright and the right (but not the obligation) to sue for past, present and future infringements of the Copyrights and Copyright Rights;

(f) all information used or useful or arising from the business including all goodwill, trade secrets, trade secret rights, know-how, customer lists, processes of production, ideas, confidential business information, techniques, processes, formulas, and all other proprietary information; provided that information used or useful or arising from the business including all goodwill, trade secrets, trade secret rights, know-how, customer lists, processes of production, ideas, confidential business information, techniques, processes, formulas, and all other proprietary information considered to be work product performed for or acquired on behalf of customers of Grantor which have been assigned or are required to be assigned to such customer shall not be deemed Collateral;

(g) to the extent not covered in any other paragraph of this Section 1, all other general intangibles (including without limitation tax refunds, rights to payment or performance, choses in action and judgments taken on any rights or claims included in the Collateral); provided that general intangibles

considered to be work product performed for or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer, shall not be deemed Collateral;

(h) all plant fixtures, business fixtures and other fixtures and storage and office facilities, and all accessions thereto and products thereof;

(i) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon; and

(j) all proceeds, products, rents and profits of or from any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral. For purposes of this Agreement, the term "PROCEEDS" includes whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

SECTION 2. SECURITY FOR OBLIGATIONS.

This Agreement secures, and the Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including without limitation the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section 362(a)), of all obligations and liabilities of every nature of Grantor now or hereafter existing under or arising out of or in connection with the Guaranty, and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations, whether or not a claim is allowed against Company for such interest in the related bankruptcy proceeding), reimbursement of amounts drawn under Letters of Credit, payments for early termination of Lender Interest Rate Agreements, fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party or any Lender or Interest Rate Exchanger as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "UNDERLYING DEBT"), and all obligations of every nature of Grantor now or hereafter existing under this Agreement (all such obligations of Grantor, together with the Underlying Debt, being the "SECURED OBLIGATIONS").

SECTION 3. GRANTOR REMAINS LIABLE.

Anything contained herein to the contrary notwithstanding, (a) Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Secured Party of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Secured Party shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. REPRESENTATIONS AND WARRANTIES. Grantor represents and warrants as follows:

(a) OWNERSHIP OF COLLATERAL. Except for the interests disclosed in Schedule 4(a) annexed hereto and for the security interest created by this Agreement, Grantor owns the Collateral owned by Grantor free and clear of any Lien.

(b) Except with respect to the interests disclosed in Schedule 4(a) annexed

hereto and such as may have been filed in favor of Secured Party relating to this Agreement, no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any filing or recording office.

(c) LOCATIONS OF EQUIPMENT AND INVENTORY. All of the Equipment and Inventory is, as of the date hereof, located at the places specified in Schedule 4(b) annexed hereto.

(d) NEGOTIABLE DOCUMENTS OF TITLE. No Negotiable Documents of Title are outstanding with respect to any of the Inventory.

(e) OFFICE LOCATIONS. The chief place of business, the chief executive office and the office where Grantor keeps its records regarding the Accounts and all originals of all chattel paper that evidence Accounts is and has been for the four month period preceding the date hereof, located at the locations set forth on Schedule 4(d) annexed hereto.

(f) NAMES. Grantor has not in the past done, and Grantor now does not, conduct business under any other name (including any trade-name or fictitious business name) except the names listed in Schedule 4(e) annexed hereto.

(g) DELIVERY OF CERTAIN COLLATERAL. All chattel paper and all notes and other instruments (excluding checks) comprising any and all items of Collateral have been delivered to Secured Party duly endorsed and accompanied by duly executed instruments of transfer or assignment in blank.

(h) INTELLECTUAL PROPERTY COLLATERAL.

(i) a true and complete list of all Trademark Registrations and Trademark applications owned, held (whether pursuant to a license or otherwise) or used by Grantor, in whole or in part, is set forth in Schedule 1(b);

(ii) a true and complete list of all Patents owned, held (whether pursuant to a license or otherwise) or used by Grantor, in whole or in part, is set forth in Schedule 1(c);

(iii) a true and complete list of all Copyright Registrations and applications for Copyright Registrations held (whether pursuant to a license or otherwise) by Grantor, in whole or in part, is set forth in Schedule 1(d);

(iv) after reasonable inquiry, Grantor is not aware of any pending or threatened claim by any third party that any of the Intellectual Property Collateral owned, held or used by Grantor is invalid or unenforceable; and

(v) no effective security interest or other Lien covering all or any part of the Intellectual Property Collateral is on file in the United States Patent and Trademark Office or the United States Copyright Office.

(i) PERFECTION. The security interests in the Collateral granted to Secured Party hereunder constitute valid security interests in the Collateral. Upon the filing of UCC financing statements naming Grantor as "debtor", naming Secured Party as "secured party" and describing the Collateral in the filing offices set forth on Schedule 4(h) annexed hereto, and in the case of the Intellectual Property Collateral, in addition the filing of a Grant of Trademark Security Interest, substantially in the form of Exhibit I and a Grant of Patent Security Interest, substantially in the form of Exhibit II, with the United States Patent and Trademark Office and the filing of a Grant of Copyright Security Interest, substantially in the form of Exhibit III, with the United States Copyright Office, the security interests in the Collateral granted to Secured Party will, to the extent a security interest in the Collateral may be perfected by filing UCC financing statements and, in the case of the Intellectual Property Collateral, in addition to the filing of such UCC Financing Statements, by the filing of a Grant of Trademark Security Interest and Grant of Patent Security Interest with the United States Patent and Trademark Office and a Grant of Copyright Security Interest with the United States Copyright Office, constitute perfected security interests therein prior to all other Liens except the interests disclosed in Schedule 4(a) annexed hereto.

SECTION 5. FURTHER ASSURANCES.

(a) Grantor agrees that from time to time, at the expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will: (i) mark conspicuously each item of chattel paper included in the Accounts, each Related Contract and, at the request of Secured Party, each of its records pertaining to the Collateral, with a legend, in form and substance satisfactory to Secured Party, indicating that such Collateral is subject to the security interest granted hereby, (ii) at the request of Secured Party, deliver and pledge to Secured Party hereunder all promissory notes and other instruments (including checks) and all original counterparts of chattel paper constituting Collateral, duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Secured Party, (iii) use commercially reasonable efforts to obtain any necessary consents of third parties to the assignment and perfection of a security interest to Secured Party with respect to any Collateral, (iv) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or

notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (v) at the request of Secured Party after the acquisition by Grantor of any item of Equipment which is covered by a certificate of title under a statute of any jurisdiction under the law of which indication of a security interest on such certificate is required as a condition of perfection thereof, execute and file with the registrar of motor vehicles or other appropriate authority in such jurisdiction an application or other document requesting the notation or other indication of the security interest created hereunder on such certificate of title, (vi) at the request of Secured Party, deliver to Secured Party copies of all such applications or other documents filed during such calendar quarter and copies of all such certificates of title issued during such calendar quarter indicating the security interest created hereunder in the items of Equipment covered thereby, (vii) at any reasonable time, upon request by Secured Party, exhibit the Collateral to and allow inspection of the Collateral by Secured Party, or persons designated by Secured Party, and (viii) at Secured Party's request, appear in and defend any action or proceeding that may affect Grantor's title to or Secured Party's security interest in all or any part of the Collateral.

(b) Without limiting the generality of the foregoing clause (a), if Grantor shall hereafter obtain rights to any new Intellectual Property Collateral or become entitled to the benefit of (i) any patent application or patent or any reissue, division, continuation, renewal, extension or continuation-in-part of any Patent or any improvement of any Patent; or (ii) any Copyright Registration, application for Registration or renewals or extension of any Copyright, then in any such case, the provisions of this Agreement shall automatically apply thereto. Grantor shall promptly notify Secured Party in writing of any of the foregoing rights acquired by Grantor after the date hereof and of (i) any Trademark Registrations issued or application for a Trademark Registration or application for a Patent made, and (ii) any Copyright Registrations issued or applications for Copyright Registration made, in any such case, after the date hereof. Promptly after the filing of an application for any (1) Trademark Registration; (2) Patent; and (3) Copyright Registration, Grantor shall execute and deliver to Secured Party and record in all places where this Agreement is recorded a Security Agreement Supplement, substantially in the form of Exhibit IV, pursuant to which Grantor shall grant to Secured Party a security interest to the extent of its interest in such Intellectual Property Collateral; provided, if, in the reasonable judgment of Grantor, after due inquiry, granting such interest would result in the grant of a Trademark Registration or Copyright Registration in the name of Secured Party, Grantor shall give written notice to Secured Party as soon as reasonably practicable and the filing shall instead be undertaken as soon as practicable but in no case later than immediately following the grant of the applicable Trademark Registration or Copyright Registration, as the case may be.

(c) Grantor hereby authorizes Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(d) Grantor hereby authorizes Secured Party to modify this Agreement without obtaining Grantor's approval of or signature to such modification by amending Schedules 1(b), 1(c), and 1(d), as applicable, to include reference to any right, title or interest in any existing Intellectual Property Collateral or any Intellectual Property Collateral acquired or developed by Grantor after the execution hereof or to delete any reference to any right, title or interest in any Intellectual Property Collateral in which Grantor no longer has or claims any right, title or interest.

(e) Grantor will furnish to Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail.

SECTION 6. CERTAIN COVENANTS OF GRANTOR.

(a) Grantor shall:

(i) not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(ii) notify Secured Party of any change in Grantor's name, identity or corporate structure within 15 days of such change;

(iii) give Secured Party 30 days' prior written notice of any change in Grantor's chief place of business, chief executive office or residence or the office where Grantor keeps its records regarding the Accounts and all originals of all chattel paper that evidence Accounts;

(iv) if Secured Party gives value to enable Grantor to acquire rights in or the use of any Collateral, use such value for such purposes; and

(v) pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Collateral, except to the extent the validity thereof is being contested in good faith and adequate reserves have been set aside therefor; provided that Grantor shall in any event pay such taxes, assessments, charges,

levies or claims not later than five days prior to the date of any proposed sale under any judgement, writ or warrant of attachment entered or filed against Grantor or any of the Collateral as a result of the failure to make such payment.

SECTION 7. SPECIAL COVENANTS WITH RESPECT TO EQUIPMENT AND INVENTORY.

(a) Grantor shall:

(i) keep the Equipment and Inventory at the places therefor specified on Schedule 4(b) annexed hereto or, upon 30 days' prior written notice to Secured Party, at such other places in jurisdictions where all action that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Secured Party to exercise and enforce its rights and remedies hereunder, with respect to such Equipment and Inventory shall have been taken;

(ii) cause the Equipment to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with Grantor's past practices, and shall forthwith make or cause to be made all repairs, replacements and other improvements in connection therewith that are necessary or desirable to such end. Grantor shall promptly furnish to Secured Party a statement respecting any material loss or damage to any of the Equipment;

(iii) keep correct and accurate records of Inventory owned by Grantor, itemizing and describing the kind, type and quantity of such Inventory, Grantor's cost therefor and (where applicable) the current list prices for such Inventory;

(iv) if any Inventory is in possession or control of any of Grantor's agents or processors, if the aggregate book value of all such Inventory exceeds $100,000, and in any event upon the occurrence of an Event of Default (as defined in the Credit Agreement) or the occurrence of an Early Termination Date (as defined in a Master Agreement or an Interest Rate Swap Agreement or Interest Rate and Currency Exchange Agreement in the form prepared by the International Swap and Derivatives Association Inc. or a similar event under any similar swap agreement) under any Lender Interest Rate Agreement (either such occurrence being an "Event of Default" for purposes of this Agreement), instruct such agent or processor to hold all such Inventory for the account of Secured Party and subject to the instructions of Secured Party; and

(v) promptly upon the issuance and delivery to Grantor of any Negotiable Document of Title, deliver such Negotiable Document of Title to Secured Party.

SECTION 8. INSURANCE. Grantor shall, at its own expense, maintain insurance with respect to the Equipment and Inventory in accordance with the terms of the Credit Agreement.

SECTION 9. SPECIAL COVENANTS WITH RESPECT TO ACCOUNTS AND RELATED CONTRACTS.

(a) Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts and Related Contracts, and all originals of all chattel paper that evidence Accounts, at the location therefor specified in Section 4 or, upon 30 days' prior written notice to Secured Party, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Secured Party to exercise and enforce its rights and remedies hereunder, with respect to such Accounts and Related Contracts shall have been taken. Grantor will hold and preserve such records and chattel paper and will permit representatives of Secured Party at any time during normal business hours to inspect and make abstracts from such records and chattel paper, and Grantor agrees to render to Secured Party, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. Promptly upon the request of Secured Party, Grantor shall deliver to Secured Party complete and correct copies of each Related Contract.

(b) Grantor shall, for not less than five (5) years from the date on which such Account arose, maintain (i) complete records of each Account of Grantor, including records of all payments received, credits granted and merchandise returned, and (ii) all documentation relating thereto.

(c) Except as otherwise provided in this subsection (c), Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts and Related Contracts. In connection with such collections, Grantor may take (and, at Secured Party's direction, shall take) such action as Grantor or Secured Party may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Secured Party shall have the right at any time, upon the occurrence and during the continuation of an Event of Default or an event which with the passage of time or the giving of notice or both will become an Event of Default and upon written notice to Grantor of its intention to do so, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder

directly to Secured Party, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to Secured Party and, upon such notification and at the expense of Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. After receipt by Grantor of the notice from Secured Party referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of the Accounts and the Related Contracts shall be received in trust for the benefit of Secured Party hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Secured Party in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 19, and (ii) Grantor shall not adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

SECTION 10. DEPOSIT ACCOUNTS. Upon the occurrence and during the continuation of an Event of Default, Secured Party may exercise dominion and control over, and refuse to permit further withdrawals (whether of money, securities, instruments or other property) from any deposit accounts maintained with Secured Party constituting part of the Collateral.

SECTION 11. SPECIAL PROVISIONS WITH RESPECT TO THE INTELLECTUAL PROPERTY COLLATERAL.

(a) Grantor shall:

(i) diligently keep reasonable records respecting the Intellectual Property Collateral and at all times keep at least one complete set of its records concerning such Collateral at its chief executive office or principal place of business;

(ii) hereafter use best efforts so as not to permit the inclusion in any contract to which it hereafter becomes a party of any provision that could or might in any way impair or prevent the creation of a security interest in, or the assignment of, Grantor's rights and interests in any property included within the definitions of any Intellectual Property Collateral acquired under such contracts;

(iii) take any and all steps to protect the secrecy of all trade secrets relating to the products and services sold or delivered under or in connection with the Intellectual Property Collateral, including, without limitation, where appropriate entering into confidentiality agreements

with employees and labeling and restricting access to secret information and documents;

(iv) use proper statutory notice in connection with its use of any of the Intellectual Property Collateral;

(v) use a commercially appropriate standard of quality (which may be consistent with Grantor's past practices) in the manufacture, sale and delivery of products and services sold or delivered under or in connection with the Trademarks; and

(vi) furnish to Secured Party from time to time at Secured Party's reasonable request statements and schedules further identifying and describing any Intellectual Property Collateral and such other reports in connection with such Collateral, all in reasonable detail.

(b) Except as otherwise provided in this Section 11, Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor in respect of the Intellectual Property Collateral or any portion thereof. In connection with such collections, Grantor may take (and, at Secured Party's reasonable direction, shall take) such action as Grantor or Secured Party may deem reasonably necessary or advisable to enforce collection of such amounts; provided, Secured Party shall have the right at any time, upon the occurrence and during the continuation of an Event of Default and upon written notice to Grantor of its intention to do so, to notify the obligors with respect to any such amounts of the existence of the security interest created hereby and to direct such obligors to make payment of all such amounts directly to Secured Party, and, upon such notification and at the expense of Grantor, to enforce collection of any such amounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. After receipt by Grantor of the notice from Secured Party referred to in the proviso to the preceding sentence and during the continuation of any Event of Default, (i) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of amounts due to Grantor in respect of the Intellectual Property Collateral or any portion thereof shall be received in trust for the benefit of Secured Party hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Secured Party in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 18, and (ii) Grantor shall not adjust, settle or compromise the amount or payment of any such amount or release wholly or partly any obligor with respect thereto or allow any credit or discount thereon.

(c) Grantor shall have the duty diligently, through counsel reasonably acceptable to Secured Party, to prosecute, file and/or make (i) any application relating to any of the Intellectual Property Collateral owned, held or used by Grantor and identified on Schedules 1(b), 1(c) or 1(d), as applicable, that is

pending as of the date of this Agreement, (ii) any Copyright Registration on any existing or future unregistered but copyrightable works (except for works of nominal commercial value), (iii) application on any future patentable but unpatented innovation or invention comprising Intellectual Property Collateral, and (iv) any Trademark opposition and cancellation proceedings, renew Trademark Registrations and Copyright Registrations and do any and all acts which are necessary or desirable to preserve and maintain all rights in all Intellectual Property Collateral. Any expenses incurred in connection therewith shall be borne solely by Grantor. Subject to the foregoing, Grantor shall give Secured Party prior written notice of any abandonment of any Intellectual Property Collateral or any pending patent application or any Patent.

(d) Except as provided herein, Grantor shall have the right to commence and prosecute in its own name, as real party in interest, for its own benefit and at its own expense, such suits, proceedings or other actions for infringement, unfair competition, dilution, misappropriation or other damage, or reexamination or reissue proceedings as are necessary to protect the Intellectual Property Collateral. Secured Party shall provide, at Grantor's expense, all reasonable and necessary cooperation in connection with any such suit, proceeding or action including, without limitation, joining as a necessary party. Grantor shall promptly, following its becoming aware thereof, notify Secured Party of the institution of, or of any adverse determination in, any proceeding (whether in the United States Patent and Trademark Office, the United States Copyright Office or any federal, state, local or foreign court) or regarding Grantor's ownership, right to use, or interest in any Intellectual Property Collateral. Grantor shall provide to Secured Party any information with respect thereto requested by Secured Party.

(e) In addition to, and not by way of limitation of, the granting of a security interest in the Collateral pursuant hereto, Grantor, effective upon the occurrence and during the continuation of an Event of Default and upon written notice from Secured Party, shall grant, sell, convey, transfer, assign and set over to Secured Party, all of Grantor's right, title and interest in and to the Intellectual Property Collateral to the extent necessary to enable Secured Party to use, possess and realize on the Intellectual Property Collateral and to enable any successor or assign to enjoy the benefits of the Intellectual Property Collateral. This right shall inure to the benefit of all successors, assigns and transferees of Secured Party and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license shall be granted free of charge, without requirement that any monetary payment whatsoever be made to Grantor. In addition, Grantor hereby grants to Secured Party and its employees, representatives and agents the right to visit Grantor's and any of its Affiliate's or subcontractor's plants, facilities and other places of business that are utilized in connection with the manufacture,

production, inspection, storage or sale of products and services sold or delivered under any of the Intellectual Property Collateral (or which were so utilized during the prior six month period), and to inspect the quality control and all other records relating thereto upon reasonable advance written notice to Grantor and at reasonable dates and times and as often as may be reasonably requested. If and to the extent that Grantor is permitted to license the Intellectual Property Collateral, Secured Party shall promptly enter into a non-disturbance agreement or other similar arrangement, at Grantor's request and expense, with Grantor and any licensee of any Intellectual Property Collateral permitted hereunder in form and substance reasonably satisfactory to Secured Party pursuant to which (i) Secured Party shall agree not to disturb or interfere with such licensee's rights under its license agreement with Grantor so long as such licensee is not in default thereunder, and (ii) such licensee shall acknowledge and agree that the Intellectual Property Collateral licensed to it is subject to the security interest created in favor of Secured Party and the other terms of this Agreement.

SECTION 12. TRANSFERS AND OTHER LIENS.

(a) Grantor shall not: (i) sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except as permitted by the Credit Agreement; or (ii)except for the interests disclosed on Schedule 4(a) annexed hereto and the security interest created by this Agreement, create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person; provided that in the event Grantor makes an asset sale permitted by the Credit Agreement and the assets subject to such asset sale are Collateral, Secured Party shall release the Collateral that is the subject of such asset sale to Grantor free and clear of the lien and security interest under this Agreement concurrently with the consummation of such asset sale; provided, further that, as a condition precedent to such release, Secured Party shall have received evidence satisfactory to it that arrangements satisfactory to it have been made for delivery to Secured Party of the Net Asset Sale Proceeds of such asset sale to the extent required under the Credit Agreement.

SECTION 13. SECURED PARTY APPOINTED ATTORNEY-IN-FACT. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) to obtain and adjust insurance required to be maintained by Grantor or paid to Secured Party pursuant to Section 8;

(b) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clauses (a) and (b) above;

(d) to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Collateral;

(e) to pay or discharge taxes or Liens (other than Liens permitted under this Agreement or the Credit Agreement) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Secured Party in its sole discretion, any such payments made by Secured Party to become obligations of Grantor to Secured Party, due and payable immediately without demand;

(f) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with Accounts and other documents relating to the Collateral; and

(g) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Grantor's expense, at any time or from time to time, all acts and things that Secured Party deems necessary to protect, preserve or realize upon the Collateral and Secured Party's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.

SECTION 14. SECURED PARTY MAY PERFORM. If Grantor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Grantor under Section 19(b).

SECTION 15. STANDARD OF CARE. The powers conferred on Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Secured Party shall be deemed to have exercised reasonable care in the custody and

preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Secured Party accords its own property.

SECTION 16. REMEDIES. If any Event of Default shall have occurred and be continuing, Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "CODE") (whether or not the Code applies to the affected Collateral), and also may (a) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Secured Party forthwith, assemble all or part of the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties, (b) enter onto the property where any Collateral is located and take possession thereof with or without judicial process, (c) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Secured Party deems appropriate, (d) take possession of Grantor's premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of Grantor's equipment for the purpose of completing any work in process, taking any actions described in the preceding clause (c) and collecting any Secured Obligation, and (e) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Secured Party's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Secured Party may deem commercially reasonable. Secured Party or any Lender or Interest Rate Exchanger may be the purchaser of any or all of the Collateral at any such sale and Secured Party, as agent for and representative of Lenders and Interest Rate Exchangers (but not any Lender or Lenders or Interest Rate Exchanger or Interest Rate Exchangers in its or their respective individual capacities unless Requisite Obligees (as defined in Section 21(a)) shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by Secured Party at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Grantor, and Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Grantor hereby waives any claims against Secured Party arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Secured Party accepts the first offer received and does not offer such Collateral to more than one offeree. If the

proceeds of any sale or other disposition of the Collateral are insufficient to pay all the Secured Obligations, Grantor shall be liable for the deficiency and the fees of any attorneys employed by Secured Party to collect such deficiency.

SECTION 17. ADDITIONAL REMEDIES FOR INTELLECTUAL PROPERTY COLLATERAL.

(a) Anything contained herein to the contrary notwithstanding, upon the occurrence and during the continuation of an Event of Default, (i) Secured Party shall have the right (but not the obligation) to bring suit, in the name of Grantor, Secured Party or otherwise, to enforce any Intellectual Property Collateral, in which event Grantor shall, at the request of Secured Party, do any and all lawful acts and execute any and all documents required by Secured Party in aid of such enforcement and Grantor shall promptly, upon demand, reimburse and indemnify Secured Party as provided in subsections 10.2 and 10.3 of the Credit Agreement and Section 19 hereof, in connection with the exercise of its rights under this Section, and, to the extent that Secured Party shall elect not to bring suit to enforce any Intellectual Property Collateral as provided in this Section, Grantor agrees to use all reasonable measures, whether by action, suit, proceeding or otherwise, to prevent the infringement of any of the Intellectual Property Collateral by others and for that purpose agrees to use its commercially reasonable judgement in maintaining any action, suit or proceeding against any Person so infringing reasonably necessary to prevent such infringement; (ii) upon written demand from Secured Party, Grantor shall execute and deliver to Secured Party an assignment or assignments of the Intellectual Property Collateral and such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement; (iii) Grantor agrees that such an assignment and/or recording shall be applied to reduce the Secured Obligations outstanding only to the extent that Secured Party (or any Lender) receives cash proceeds in respect of the sale of, or other realization upon, the Intellectual Property Collateral; and (iv) within five Business Days after written notice from Secured Party, Grantor shall make available to Secured Party, to the extent within Grantor's power and authority, such personnel in Grantor's employ on the date of such Event of Default as Secured Party may reasonably designate, by name, title or job responsibility, to permit Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold or delivered by Grantor under or in connection with the Trademarks, Trademark Registrations and Trademark Rights, such persons to be available to perform their prior functions on Secured Party's behalf and to be compensated by Secured Party at Grantor's expense on a per diem, pro-rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default.

(b) If (i) an Event of Default shall have occurred and, by reason of cure, waiver, modification, amendment or otherwise, no longer be continuing, (ii) no other Event of Default shall have occurred and be continuing, (iii) an assignment to Secured Party of any rights, title and interests in and to the Intellectual Property Collateral shall have been previously made, and (iv) the Secured Obligations shall not have become immediately due and payable, upon the written request of Grantor, Secured Party shall promptly execute and deliver to Grantor such assignments as may be necessary to reassign to Grantor any such rights, title and interests as may have been assigned to Secured Party as aforesaid, subject to any disposition thereof that may have been made by Secured Party; provided, after giving effect to such reassignment, Secured Party's security interest granted pursuant hereto, as well as all other rights and remedies of Secured Party granted hereunder, shall continue to be in full force and effect; and provided further, the rights, title and interests so reassigned shall be free and clear of all Liens other than Liens (if any) encumbering such rights, title and interest at the time of their assignment to Secured Party and Permitted Encumbrances.

SECTION 18. APPLICATION OF PROCEEDS. Except as expressly provided elsewhere in this Agreement, all proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of Secured Party, be held by Secured Party as Collateral for, and/or then, or at any other time thereafter, applied in full or in part by Secured Party against, the Secured Obligations as provided in subsection 2.4D of the Credit Agreement

SECTION 19. INDEMNITY AND EXPENSES.

(a) Grantor agrees to indemnify Secured Party, each Lender and each Interest Rate Exchanger from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's or such Lender's or Interest Rate Exchanger's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Grantor agrees to pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

(c) The obligations of Grantor in this Section 19 shall survive the termination of this Agreement and the discharge of Grantor's other obligations under this Agreement.

SECTION 20. CONTINUING SECURITY INTEREST; TRANSFER OF LOANS. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Secured Obligations, the cancellation or termination of the Commitments, and the cancellation or expiration of all outstanding Letters of Credit, (b) be binding upon Grantor and its successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), but subject to the provisions of subsection 10.1 of the Credit Agreement, any Lender may assign or otherwise transfer any Loans held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lenders herein or otherwise. Upon the payment in full of all Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Grantor. Upon any such termination Secured Party will, at Grantor's expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

SECTION 21. SECURED PARTY AS AGENT.

(a) Secured Party has been appointed to act as Secured Party hereunder by Lenders and, by their acceptance of the benefits hereof, Interest Rate Exchangers. Secured Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including without limitation the release or substitution of Collateral), solely in accordance with this Agreement and the Credit Agreement; provided that Secured Party shall exercise, or refrain from exercising, any remedies provided for in Section 16 in accordance with the instructions of (i) Requisite Lenders or (ii) after payment in full of all Obligations under the Credit Agreement and the other Loan Documents, the holders of a majority of the aggregate notional amount (or, with respect to any Lender Interest Rate Agreement that has been terminated in accordance with its terms, the amount then due and payable (exclusive of expenses and similar payments but including any early termination payments then due) under such Lender Interest Rate Agreement) under all Lender Interest Rate Agreements (Requisite Lenders or, if applicable, such holders being referred to herein as "REQUISITE OBLIGEES"). In furtherance of the foregoing provisions of this Section 21(a), each Interest Rate Exchanger, by its acceptance of the benefits hereof, agrees that it shall have no right individually to realize upon any of the Collateral hereunder, it being understood and agreed by such Interest Rate Exchanger that all rights and remedies hereunder may be exercised solely by Secured Party for the benefit of

Lenders and Interest Rate Exchangers in accordance with the terms of this Section 21(a).

(b) Secured Party shall at all times be the same Person that is Administrative Agent under the Credit Agreement. Written notice of resignation by Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute notice of resignation as Secured Party under this Agreement; removal of Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute removal as Secured Party under this Agreement; and appointment of a successor Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as Administrative Agent under subsection 9.5 of the Credit Agreement by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Secured Party under this Agreement, and the retiring or removed Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums, securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor Secured Party such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring or removed Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Administrative Agent's resignation or removal hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Secured Party hereunder.

SECTION 22. AMENDMENTS; ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by Grantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and, in the case of any such amendment or modification, by Grantor. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 23. NOTICES. Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed; provided that notices to Secured Party shall not be effective until received. For the purposes

hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or such other address as shall be designated by such party in a written notice delivered to the other parties hereto.

SECTION 24. FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 25. SEVERABILITY. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 26. HEADINGS. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 27. GOVERNING LAW; TERMS; RULES OF CONSTRUCTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE PROVIDES THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Credit Agreement, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined. The rules of construction set forth in subsection 1.3 of the Credit Agreement shall be applicable to this Agreement mutatis mutandis.

SECTION 28. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTOR ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND

DELIVERING THIS AGREEMENT, GRANTOR, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY (I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; (II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS; (III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO GRANTOR AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 23; (IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER GRANTOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; (V) AGREES THAT SECURED PARTY RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST GRANTOR IN THE COURTS OF ANY OTHER JURISDICTION; AND (VI) AGREES THAT THE PROVISIONS OF THIS SECTION 28 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

SECTION 29. WAIVER OF JURY TRIAL. GRANTOR AND SECURED PARTY HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Grantor and Secured Party acknowledge that this waiver is a material inducement for Grantor and Secured Party to enter into a business relationship, that Grantor and Secured Party have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Grantor and Secured Party further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 29 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 30. COUNTERPARTS. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple

separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Grantor and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

[NAME OF GRANTOR]

By:

Name:
Title:

Address:

BANKERS TRUST COMPANY,
as Secured Party

By:

Name:
Title:

Address:]

SCHEDULE 1(B) TO
SUBSIDIARY SECURITY AGREEMENT

TRADEMARKS:
- ----------

Registered Owner	Trademark Description	Registration Number	Registration Date

SCHEDULE 1(C) TO
SUBSIDIARY SECURITY AGREEMENT

PATENTS ISSUED:
- ---------------

Patent No.	Issue Date	Invention	Inventor
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PATENTS PENDING:
- ----------------

Applicant's Name	Date Filed	Application Number	Invention	Inventor
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SCHEDULE 1(D) TO
SUBSIDIARY SECURITY AGREEMENT

U.S. COPYRIGHTS:

Title	Registration No.	Date of Issue	Registered Owner

FOREIGN COPYRIGHT REGISTRATIONS:

Country	Title	Registration No.	Date of Issue

PENDING U.S. COPYRIGHT REGISTRATIONS & APPLICATIONS:

Title	Reference No.	Date of Application	Copyright Claimant

PENDING FOREIGN COPYRIGHT REGISTRATIONS & APPLICATIONS:

Country	Title	Registration No.	Date of Issue

SCHEDULE 4(A)
TO
SUBSIDIARY SECURITY AGREEMENT

INTERESTS IN COLLATERAL

SCHEDULE 4(B)
TO
SUBSIDIARY SECURITY AGREEMENT

LOCATIONS OF EQUIPMENT AND INVENTORY

Name of Company/Limited Partnership	Locations of Equipment and Inventory

SCHEDULE 4(D)
TO
SUBSIDIARY SECURITY AGREEMENT

Office Locations

Name of Company	Office Locations

SCHEDULE 4(E)
TO
SUBSIDIARY SECURITY AGREEMENT

Other Names

NAME OF COMPANY/LIMITED PARTNERSHIP	OTHER NAMES

SCHEDULE 4(H)
TO
SUBSIDIARY SECURITY AGREEMENT

FILING OFFICES

EXHIBIT I TO
SUBSIDIARY SECURITY AGREEMENT

[FORM OF GRANT OF TRADEMARK SECURITY INTEREST]

GRANT OF TRADEMARK SECURITY INTEREST

WHEREAS, [INSERT SUBSIDIARY NAME], a _____ corporation ("GRANTOR"), owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Trademark Collateral (as defined below); and

WHEREAS, Blackbaud, Inc. has entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as so amended, restated, supplemented or otherwise modified, being the "CREDIT AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with the financial institutions named therein (collectively, together with their respective successors and assigns party to the Credit Agreement from time to time, the "Lenders"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Bankers Trust Company, as Administrative Agent (in such capacity, "SECURED PARTY");

WHEREAS, Under the Credit Agreement the Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Blackbaud, Inc.; and

WHEREAS, pursuant to the terms of a Subsidiary Security Agreement dated as of _____ __, ____ (as amended, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT"), among Grantor and Secured Party, Grantor has agreed to create in favor of Secured Party a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Trademark Collateral;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Credit Agreement and the Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (the "TRADEMARK COLLATERAL"):

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all trademarks, service marks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto, owned by Grantor, or hereafter adopted and used, in its business (including, without limitation, the trademarks specifically identified in Schedule A) (collectively, the "TRADEMARKS"); provided that trademarks, servicemarks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business

names, fictitious business names, trade styles and/or other sources and/or business identifiers and applications pertaining thereto considered to be work product performed for or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Trademarks or Trademark Collateral; all registrations that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries (including, without limitation, the registrations and applications specifically identified in Schedule A) (the "TRADEMARK REGISTRATIONS"); provided that registrations that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries on behalf of or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Trademark Registrations or Trademark Collateral; all common law and other rights (but in no event any of the obligations) in and to the Trademarks in the United States and any state thereof and in foreign countries (the "TRADEMARK RIGHTS"), and all goodwill of Grantor's business symbolized by the Trademarks and associated therewith (the "ASSOCIATED GOODWILL"); and

(ii) all proceeds, products, rents and profits of or from any and all of the foregoing Trademark Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Trademark Collateral. For purposes of this Grant of Trademark Security Interest, the term "PROCEEDS" includes whatever is receivable or received when Trademark Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

Notwithstanding anything herein to the contrary, in no event shall the Trademark Collateral include, and Grantor shall be not deemed to have granted a security interest in, any of Grantor's rights or interests in any license, contract or agreement to which Grantor is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of such license, contract or agreement or otherwise, result in a breach of the terms of, or constitute a default under any license, contract or agreement to which Grantor is a party; provided, that immediately upon the ineffectiveness, lapse or termination of any such provision, the Trademark Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, Grantor has caused this Grant of Trademark Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the __this day of _____, ____.

[NAME OF GRANTOR]

By:

Name:
Title:

SCHEDULE A

TO

GRANT OF TRADEMARK SECURITY INTEREST

Registered Owner	United States Trademark Description	Registration Number	Registration Date

EXHIBIT II TO

SUBSIDIARY SECURITY AGREEMENT

[FORM OF GRANT OF PATENT SECURITY INTEREST]

GRANT OF PATENT SECURITY INTEREST

WHEREAS, [INSERT SUBSIDIARY NAME], a _____ corporation ("GRANTOR"), owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Patent Collateral (as defined below); and

WHEREAS, Blackbaud, Inc. has entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as so amended, restated, supplemented or otherwise modified, being the "CREDIT AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with the financial institutions named therein (collectively, together with their respective successors and assigns party to the Credit Agreement from time to time, the "Lenders"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Bankers Trust Company, as Administrative Agent (in such capacity, "SECURED PARTY");

WHEREAS, under the Credit Agreement, the Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Blackbaud, Inc.; and

WHEREAS, pursuant to the terms of a Subsidiary Security Agreement dated as of _____ __, ____ (as amended, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT"), among Grantor and Secured Party, Grantor has agreed to create in favor of Secured Party a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Patent Collateral;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Credit Agreement and the Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (the "PATENT COLLATERAL"):

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all patents and patent applications and rights and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned or held by Grantor and all patents and patent applications and rights, title and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned by Grantor

in whole or in part (including, without limitation, the patents and patent applications listed in Schedule A), all rights (but not obligations) corresponding thereto to sue for past, present and future infringements and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof (all of the foregoing being collectively referred to as the "PATENTS"); provided that patents and patent applications and rights and interests in patents and patent applications considered to be work product performed for or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Patents or Patent Collateral; and

(ii) all proceeds, products, rents and profits of or from any and all of the foregoing Patent Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Patent Collateral. For purposes of this Grant of Patent Security Interest, the term "PROCEEDS" includes whatever is receivable or received when Patent Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

Notwithstanding anything herein to the contrary, in no event shall the Patent Collateral include, and Grantor shall be not deemed to have granted a security interest in, any of Grantor's rights or interests in any license, contract or agreement to which Grantor is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of such license, contract or agreement or otherwise, result in a breach of the terms of, or constitute a default under any license, contract or agreement to which Grantor is a party; provided, that immediately upon the ineffectiveness, lapse or termination of any such provision, the Patent Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Grantor has caused this Grant of Patent Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the ___this day of _____, ____.

[NAME OF GRANTOR]

By:

Name:
Title:

SCHEDULE A
TO
GRANT OF PATENT SECURITY INTEREST

PATENTS ISSUED:

Patent No.	Issue Date	Invention	Inventor

PATENTS PENDING:

Applicant's Name	Date Filed	Application Number	Invention	Inventor

EXHIBIT III TO
SUBSIDIARY SECURITY AGREEMENT

[FORM OF GRANT OF COPYRIGHT SECURITY INTEREST]

GRANT OF COPYRIGHT SECURITY INTEREST

WHEREAS, [INSERT SUBSIDIARY NAME], a _____ corporation ("GRANTOR"), owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Copyright Collateral (as defined below); and

WHEREAS, Blackbaud, Inc. has entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as so amended, restated, supplemented or otherwise modified, being the "CREDIT AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with the financial institutions named therein (collectively, together with their respective successors and assigns party to the Credit Agreement from time to time, the "Lenders") and, Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, as Administrative Agent (in such capacity, "SECURED PARTY");

WHEREAS, under the Credit Agreement, the Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Blackbaud, Inc.; and

WHEREAS, pursuant to the terms of a Subsidiary Security Agreement dated as of _____ __, ____ (as amended, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT"), among Grantor and Secured Party, Grantor has agreed to create in favor of Secured Party a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Copyright Collateral;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Credit Agreement and the Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (the "COPYRIGHT COLLATERAL"):

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) under copyright in various published and unpublished works of authorship including, without limitation, computer programs, computer data bases, other computer software layouts, trade dress, drawings, designs, writings, and formulas (including, without limitation, the works listed on Schedule A, as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHTS"); provided that rights, title and interest under copyright in various published and unpublished works of authorship including, without limitation, computer programs,

computer data bases, other computer software, layouts, trade dress, drawings, designs, writings, formulas, copyright registrations and applications for copyright registrations considered to be work product performed for or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Copyrights or Copyright Collateral, all copyright registrations issued to Grantor and applications for copyright registration that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries (including, without limitation, the registrations listed on Schedule A, as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHT REGISTRATIONS"); provided that copyright registrations issued to Grantor and applications for copyright registration that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries on behalf of or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Copyright Registrations or Copyright Collateral, all common law and other rights in and to the Copyrights in the United States and any state thereof and in foreign countries including all copyright licenses (but with respect to such copyright licenses, only to the extent permitted by such licensing arrangements) (the "COPYRIGHT RIGHTS"), including, without limitation, each of the Copyrights, rights, titles and interests in and to the Copyrights and works protectable by copyright, which are presently, or in the future may be, owned, created (as a work for hire for the benefit of Grantor), authored (as a work for hire for the benefit of Grantor), or acquired by Grantor, in whole or in part, and all Copyright Rights with respect thereto and all Copyright Registrations therefor, heretofore or hereafter granted or applied for, and all renewals and extensions thereof, throughout the world, including all proceeds thereof (such as, by way of example and not by limitation, license royalties and proceeds of infringement suits), the right (but not the obligation) to renew and extend such Copyright Registrations and Copyright Rights and to register works protectable by copyright and the right (but not the obligation) to sue in the name of Grantor or in the name of Secured Party or Lenders for past, present and future infringements of the Copyrights and Copyright Rights; and

(ii) all proceeds, products, rents and profits of or from any and all of the foregoing Copyright Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Copyright Collateral. For purposes of this Grant of Copyright Security Interest, the term "PROCEEDS" includes whatever is receivable or received when Copyright Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

Notwithstanding anything herein to the contrary, in no event shall the Copyright Collateral include, and Grantor shall be not deemed to have granted a security interest in, any of Grantor's rights or interests in any license, contract or agreement to which Grantor is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of such license, contract or agreement or otherwise, result in a

breach of the terms of, or constitute a default under any license, contract or agreement to which Grantor is a party; provided, that immediately upon the ineffectiveness, lapse or termination of any such provision, the Copyright Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Copyright Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Grantor has caused this Grant of Copyright Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the ___this day of _____, ____.

[NAME OF GRANTOR]

By:

Name:
Title:

SCHEDULE A
TO
GRANT OF COPYRIGHT SECURITY INTEREST

U.S. COPYRIGHTS:

Title	Registration No.	Date of Issue	Registered Owner

FOREIGN COPYRIGHT REGISTRATIONS:

Country	Title	Registration No.	Date of Issue

PENDING U.S. COPYRIGHT REGISTRATIONS & APPLICATIONS:

Title	Reference No.	Date of Application	Copyright Claimant

PENDING FOREIGN COPYRIGHT REGISTRATIONS & APPLICATIONS:

Country	Title	Registration No.	Date of Issue

SUBSIDIARY SECURITY AGREEMENT SUPPLEMENT

This SUBSIDIARY SECURITY AGREEMENT SUPPLEMENT, dated _____, is delivered pursuant to the Subsidiary Security Agreement, dated as of _____ __, ____ (as it may be from time to time amended, modified or supplemented, the "SUBSIDIARY SECURITY AGREEMENT"), among [INSERT NAME OF GRANTOR], as Grantor, and Bankers Trust Company, as Administrative Agent and as Secured Party. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Subsidiary Security Agreement.

Subject to the terms and conditions of the Subsidiary Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the Intellectual Property Collateral listed on Supplemental Schedule [1(b)] [1(c)] [1.(d)] attached hereto the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located. All such Intellectual Property Collateral shall be deemed to be part of the Collateral and hereafter subject to each of the terms and conditions of the Subsidiary Security Agreement.

IN WITNESS WHEREOF, Grantor has caused this Supplement to be duly executed and delivered by its duly authorized officer as of _____.

EXHIBIT 10.14

BLACKBAUD, INC.

FIRST AMENDMENT
TO CREDIT AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT (this "AMENDMENT") is dated as of December 6, 1999 and entered into by and among Blackbaud, Inc., a South Carolina corporation ("COMPANY"), the financial institutions listed on the signature pages hereof ("LENDERS"), Bankers Trust Company, as administrative agent for Lenders ("ADMINISTRATIVE AGENT"), Fleet Boston Corporation (formerly known as Fleet National Bank), as documentation agent for Lenders (in such capacity, "DOCUMENTATION AGENT"), and First Union Securities, Inc., as syndication agent for Lenders (in such capacity, "SYNDICATION AGENT"), and is made in reference to that certain Credit Agreement dated as of October 13, 1999 by and among Company, Lenders, Administrative Agent, Documentation Agent and Syndication Agent. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, Company and Lenders desire to amend the Credit Agreement (i) to increase the interest rate as set forth herein, (ii) to amend the interest rate coverage ratios as set forth herein and (iii) to make certain other changes to the Credit Agreement, all as more specifically provided for herein;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO THE CREDIT AGREEMENT

1.1 AMENDMENT TO SECTION 2.2: INTEREST ON THE LOANS

A. Subsection 2.2A(i) is hereby amended by deleting the table contained therein in its entirety and by substituting therefor the following:

Consolidated Leverage Ratio	Applicable Eurodollar Rate Margin	Applicable Base Rate Margin
Greater than or equal to 3.75:1:00	3.75%	2.75%
Greater than or equal to 3.00:1.00 but less than 3.75:1.00	3.50%	2.50%

Greater than or equal to 2.50:1.00 but less than 3.00:1.00	3.25%	2.25%
Greater than or equal to 2.00:1.00 but less than 2.50:1.00	3.00%	2.00%
Less than 2.00:1.00	2.75%	1.75%

B. Subsection 2.2A(i) is hereby further amended by deleting the numbers "3.00%", "2.00%", "3.25%" and "2.25%" from the last paragraph thereof and by substituting therefor the numbers "3.50%", "2.50%", "3.75" and "2.75%", respectively.

1.2 AMENDMENT TO SECTION 7.6: FINANCIAL COVENANTS

Subsection 7.6A is hereby amended by deleting it in its entirety and by substituting therefor the following:

A. MINIMUM INTEREST COVERAGE RATIO. Company shall not permit the ratio of (i) Consolidated Adjusted EBITDA to (ii) Consolidated Interest Expense, calculated on a Pro Forma Basis, for any four-Fiscal Quarter period ending during any of the periods set forth below to be less than the correlative ratio indicated:

PERIOD	MINIMUM INTEREST COVERAGE RATIO
Fourth Fiscal Quarter 1999	2.60:1.00
First Fiscal Quarter 2000	2.60:1.00
Second Fiscal Quarter 2000	2.60:1.00
Third Fiscal Quarter 2000	2.80:1.00
Fourth Fiscal Quarter 2000	2.80:1.00
First Fiscal Quarter 2001	2.80:1.00
Second Fiscal Quarter 2001	3.00:1.00
Third Fiscal Quarter 2001	3.30:1.00
Fourth Fiscal Quarter 2001	3.30:1.00
First Fiscal Quarter 2002	3.50:1.00
Second Fiscal Quarter 2002	3.50:1.00
Third Fiscal Quarter 2002	3.50:1.00
Fourth Fiscal Quarter 2002	3.50:1.00
First Fiscal Quarter 2003	3.75:1.00

Second Fiscal Quarter 2003	4.00:1.00
Third Fiscal Quarter 2003	4.25:1.00
Fourth Fiscal Quarter 2003	4.50:1.00
First Fiscal Quarter 2004	4.75:1.00
Second Fiscal Quarter 2004	4.75:1.00
Third Fiscal Quarter 2004	4.75:1.00
Fourth Fiscal Quarter 2004	4.75:1.00
First Fiscal Quarter 2005	4.75:1.00
Second Fiscal Quarter 2005	4.75:1.00
Third Fiscal Quarter 2005	4.75:1.00

SECTION 2. CONDITIONS TO EFFECTIVENESS

This First Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the "FIRST AMENDMENT EFFECTIVE DATE"):

A. On or before the First Amendment Effective Date, Company shall deliver to Lenders (or to Administrative Agent for Lenders) the following, each, unless otherwise noted, dated the First Amendment Effective Date:

1. Signature and incumbency certificates of its officers executing this First Amendment; and

2. Copies of this First Amendment executed by each Loan Party.

B. Requisite Lenders shall have executed this First Amendment.

C. On or before the First Amendment Effective Date, all corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incidental thereto not previously found acceptable by Administrative Agent, acting on behalf of Lenders, and its counsel shall be satisfactory in form and substance to Administrative Agent and such counsel, and Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as Administrative Agent may reasonably request.

SECTION 3. COMPANY'S REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this First Amendment and to amend the Credit Agreement in the manner provided herein, Company represents and warrants to each Lender that the following statements are true, correct and complete:

A. CORPORATE POWER AND AUTHORITY. Company has all requisite corporate power and authority to enter into this First Amendment and to carry out the

transactions contemplated by, and perform its obligations under, the Credit Agreement as amended by this First Amendment (the "AMENDED AGREEMENT").

B. AUTHORIZATION OF AGREEMENTS. The execution and delivery of this First Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate action on the part of Company.

C. NO CONFLICT. The execution and delivery by Company of this First Amendment and the performance by Company of the Amended Agreement do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Company or any of its Subsidiaries, the Certificate or Articles of Incorporation or Bylaws of Company or any of its Subsidiaries or any order, judgment or decree of any court or other agency of government binding on Company or any of its Subsidiaries, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Company or any of its Subsidiaries, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of Company or any of its Subsidiaries (other than Liens created under any of the Loan Documents in favor of Agent on behalf of Lenders), or (iv) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of Company or any of its Subsidiaries.

D. GOVERNMENTAL CONSENTS. The execution and delivery by Company of this First Amendment and the performance by Company of the Amended Agreement do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

E. BINDING OBLIGATION. This First Amendment and the Amended Agreement have been duly executed and delivered by Company and are the legally valid and binding obligations of Company, enforceable against Company in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

F. INCORPORATION OF REPRESENTATIONS AND WARRANTIES FROM CREDIT AGREEMENT. The representations and warranties contained in Section 5 of the Credit Agreement are and will be true, correct and complete in all material respects on and as of the First Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

G. ABSENCE OF DEFAULT. No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this First Amendment that would constitute an Event of Default or a Potential Event of Default.

SECTION 4. MISCELLANEOUS

A. REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS.

(i) On and after the First Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this First Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this First Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of Agent or any Lender under, the Credit Agreement or any of the other Loan Documents.

B. FEES AND EXPENSES. Company acknowledges that all costs, fees and expenses as described in subsection 10.2 of the Credit Agreement incurred by Agent and its counsel with respect to this First Amendment and the documents and transactions contemplated hereby shall be for the account of Company.

C. HEADINGS. Section and subsection headings in this First Amendment are included herein for convenience of reference only and shall not constitute a part of this First Amendment for any other purpose or be given any substantive effect.

D. APPLICABLE LAW. THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

E. COUNTERPARTS. This First Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BLACKBAUD, INC.

By: /s/ Timothy B. Smith

Title: VP

BANKERS TRUST COMPANY,
as Administrative Agent and as a Lender

By: /s/ Mary Jo Jolly

Title: Assistant Vice President

FIRST UNION SECURITIES, INC.,
as Syndication Agent

By: /s/ signature illegible

Title: Vice President

FIRST UNION NATIONAL BANK,
as a Lender

By: /s/ signature illegible

Title: V.P.

FLEET BOSTON CORPORATION,
as Documentation Agent and as a Lender

By: /s/ signature illegible

Title: Vice President

EXHIBIT 10.15

BLACKBAUD, INC.

SECOND AMENDMENT
TO CREDIT AGREEMENT

This SECOND AMENDMENT TO CREDIT AGREEMENT (this "AMENDMENT") is dated as of December 19, 2000 and entered into by and among Blackbaud, Inc., a South Carolina corporation ("COMPANY"), the financial institutions listed on the signature pages hereof ("LENDERS"), Bankers Trust Company, as administrative agent for Lenders ("ADMINISTRATIVE AGENT"), Fleet Boston Corporation (formerly known as Fleet National Bank), as documentation agent for Lenders (in such capacity, "DOCUMENTATION AGENT"), and First Union Securities, Inc., as syndication agent for Lenders (in such capacity, "SYNDICATION AGENT"), and is made in reference to that certain Credit Agreement dated as of October 13, 1999, as amended by that certain First Amendment dated as of December 6, 1999 (said Credit Agreement as so amended being the "CREDIT AGREEMENT"), by and among Company, Lenders, Administrative Agent, Documentation Agent and Syndication Agent. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, Company and Lenders desire to amend the Credit Agreement (i) to amend the financial covenants as set forth herein and (ii) to make certain other changes to the Credit Agreement, all as more specifically provided for herein;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO THE CREDIT AGREEMENT

1.1 AMENDMENTS TO SECTION 2.4: REPAYMENTS, PREPAYMENTS AND REDUCTIONS IN COMMITMENTS; GENERAL PROVISIONS REGARDING PAYMENTS

A. Subsection 2.4B(iv)(a) is hereby amended by deleting the last sentence contained therein in its entirety and by substituting therefor the following:

> "Any voluntary prepayments of the Term Loans pursuant to subsection 2.4B(i) shall be applied first to reduce the scheduled installments of principal of the Term Loans set forth in subsection 2.4A due in the next succeeding twelve months in forward order of maturity and thereafter to reduce the remaining scheduled installments on a pro rata basis (in accordance with the respective outstanding principal amounts thereof)."

B. Subsection 2.4B(iv)(c) is hereby amended by deleting it in its entirety and by substituting therefor the following:

> "(c). Application of Mandatory Prepayments of Term Loans by Order of Maturity. Any mandatory prepayment of the Term Loans pursuant to subsection

2.4B(iii) shall be applied first to reduce the scheduled installments of principal of the Term Loans set forth in subsection 2.4A due in the next succeeding twelve months in forward order of maturity and thereafter to reduce the remaining scheduled installments on a pro rata basis (in accordance with the respective outstanding principal amounts thereof)."

1.2 AMENDMENTS TO SECTION 7.6: FINANCIAL COVENANTS

A. Subsection 7.6A is hereby amended by deleting the table set forth therein from the Third Fiscal Quarter 2000 through and including the Fourth Fiscal Quarter 2002 and by substituting therefor the following:

"PERIOD	MINIMUM INTEREST COVERAGE RATIO
Third Fiscal Quarter 2000	2.70:1.00
Fourth Fiscal Quarter 2000	2.25:1.00
First Fiscal Quarter 2001	2.25:1.00
Second Fiscal Quarter 2001	2.25:1.00
Third Fiscal Quarter 2001	2.25:1.00
Fourth Fiscal Quarter 2001	2.75:1.00
First Fiscal Quarter 2002	3.00:1.00
Second Fiscal Quarter 2002	3.25:1.00
Third Fiscal Quarter 2002	3.50:1.00
Fourth Fiscal Quarter 2002	3.50:1.00"

B. Subsection 7.6B is hereby amended by deleting the table set forth therein from the Third Fiscal Quarter 2000 through and including the Fourth Fiscal Quarter 2002 and by substituting therefor the following:

"PERIOD	MAXIMUM LEVERAGE RATIO
Third Fiscal Quarter 2000	3.95:1.00
Fourth Fiscal Quarter 2000	3.85:1.00
First Fiscal Quarter 2001	3.95:1.00
Second Fiscal Quarter 2001	4.00:1.00
Third Fiscal Quarter 2001	3.65:1.00
Fourth Fiscal Quarter 2001	3.00:1.00
First Fiscal Quarter 2002	2.65:1.00
Second Fiscal Quarter 2002	2.45:1.00
Third Fiscal Quarter 2002	2.20:1.00
Fourth Fiscal Quarter 2002	2.10:1.00"

C. Subsection 7.6C is hereby amended by deleting the table set forth therein from the Third Fiscal Quarter 2000 through and including the Second Fiscal Quarter 2002 and by substituting therefor the following:

"PERIOD	MINIMUM CONSOLIDATED EBITDA
Third Fiscal Quarter 2000	$26,700,000
Fourth Fiscal Quarter 2000	$25,000,000
First Fiscal Quarter 2001	$23,000,000
Second Fiscal Quarter 2001	$22,500,000
Third Fiscal Quarter 2001	$23,000,000
Fourth Fiscal Quarter 2001	$26,000,000
First Fiscal Quarter 2002	$27,000,000
Second Fiscal Quarter 2002	$28,000,000"

SECTION 2. CONDITIONS TO EFFECTIVENESS

This Second Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the "SECOND AMENDMENT EFFECTIVE DATE"):

A. On or before the Second Amendment Effective Date, Company shall deliver to Lenders (or to Administrative Agent for Lenders) the following, each, unless otherwise noted, dated the Second Amendment Effective Date:

1. Signature and incumbency certificates of its officers executing this Second Amendment; and

2. Copies of this Second Amendment executed by each Loan Party.

B. Requisite Lenders shall have executed this Second Amendment.

C. On or before the Second Amendment Effective Date, Company shall pay to Administrative Agent for distribution to each Lender consenting to this Amendment on or prior to the Second Amendment Effective Date, an amendment fee in an amount equal to 0.25% of the sum of such consenting Lender's outstanding Term Loans and Revolving Loan Commitments.

D. On or before the Second Amendment Effective Date, all corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all

documents incidental thereto not previously found acceptable by Administrative Agent, acting on behalf of Lenders, and its counsel shall be satisfactory in form and substance to Administrative Agent and such counsel, and Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as Administrative Agent may reasonably request.

SECTION 3. COMPANY'S REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this Second Amendment and to amend the Credit Agreement in the manner provided herein, Company represents and warrants to each Lender that the following statements are true, correct and complete:

A. CORPORATE POWER AND AUTHORITY. Company has all requisite corporate power and authority to enter into this Second Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Credit Agreement as amended by this Second Amendment (the "AMENDED AGREEMENT").

B. AUTHORIZATION OF AGREEMENTS. The execution and delivery of this Second Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate action on the part of Company.

C. NO CONFLICT. The execution and delivery by Company of this Second Amendment and the performance by Company of the Amended Agreement do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Company or any of its Subsidiaries, the Certificate or Articles of Incorporation or Bylaws of Company or any of its Subsidiaries or any order, judgment or decree of any court or other agency of government binding on Company or any of its Subsidiaries, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Company or any of its Subsidiaries, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of Company or any of its Subsidiaries (other than Liens created under any of the Loan Documents in favor of Agent on behalf of Lenders), or (iv) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of Company or any of its Subsidiaries.

D. GOVERNMENTAL CONSENTS. The execution and delivery by Company of this Second Amendment and the performance by Company of the Amended Agreement do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

E. BINDING OBLIGATION. This Second Amendment and the Amended Agreement have been duly executed and delivered by Company and are the legally valid and binding obligations of Company, enforceable against Company in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

F. INCORPORATION OF REPRESENTATIONS AND WARRANTIES FROM CREDIT AGREEMENT. The representations and warranties contained in Section 5 of the Credit Agreement

are and will be true, correct and complete in all material respects on and as of the Second Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

G. ABSENCE OF DEFAULT. No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Second Amendment that would constitute an Event of Default or a Potential Event of Default.

SECTION 4. MISCELLANEOUS

A. REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS.

(i) On and after the Second Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this Second Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Second Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of Agent or any Lender under, the Credit Agreement or any of the other Loan Documents.

B. FEES AND EXPENSES. Company acknowledges that all costs, fees and expenses as described in subsection 10.2 of the Credit Agreement incurred by Agent and its counsel with respect to this Second Amendment and the documents and transactions contemplated hereby shall be for the account of Company.

C. HEADINGS. Section and subsection headings in this Second Amendment are included herein for convenience of reference only and shall not constitute a part of this Second Amendment for any other purpose or be given any substantive effect.

D. APPLICABLE LAW. THIS SECOND AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

E. COUNTERPARTS. This Second Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so

executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BLACKBAUD, INC.

By: /s/ Robert Sywolski

Title: CEO, President

LENDERS:

BANKERS TRUST COMPANY,
as Administrative Agent and as a Lender

By: /s/ Mary Jo Jolly

Title: Assistant Vice President

FLEET BOSTON CORPORATION,
as Documentation Agent and as a Lender

By: /s/ signature illegible

Title: _____

FIRST UNION SECURITIES, INC.,
as Syndication Agent

By: /s/ signature illegible

Title: V.P.

FIRST UNION NATIONAL BANK,
as a Lender

By: /s/ signature illegible

Title: V.P.

BANK AUSTRIA CREDITANSTALT
CORPORATE FINANCE, as a LENDER

By: /s/ Stanley M. Guralnik

Title: Vice President

By: /s/ signature illegible

Title: VP

FIRST SOURCE FINANCIAL, LLP,
as a Lender

By: First Source Financial, Inc.,
its Agent/Manager

By: /s/ signature illegible

Title: Senior Vice President

HELLER FINANCIAL, INC.,
as a Lender

By: /s/ signature illegible

Title: Vice President

FIRST DOMINION CAPITAL,
as a Lender

By: /s/ signature illegible

Title: _____

EXHIBIT 10.16

BLACKBAUD, INC.
BLACKBAUD, LLC

THIRD AMENDMENT
TO CREDIT AGREEMENT

This THIRD AMENDMENT TO CREDIT AGREEMENT (this "AMENDMENT") is dated as of May 16, 2001 and entered into by and among Blackbaud, Inc., a South Carolina corporation ("BLACKBAUD"), Blackbaud, LLC, a South Carolina limited liability company ("BLACKBAUD LLC"), the financial institutions listed on the signature pages hereof ("LENDERS"), Bankers Trust Company, as administrative agent for Lenders ("ADMINISTRATIVE AGENT"), Fleet Boston Corporation (formerly known as Fleet National Bank), as documentation agent for Lenders (in such capacity, "DOCUMENTATION AGENT"), and First Union Securities, Inc., as syndication agent for Lenders (in such capacity, "SYNDICATION AGENT"), and is made in reference to that certain Credit Agreement dated as of October 13, 1999, as amended by that certain First Amendment dated as of December 6, 1999 and that certain Second Amendment dated as of December 19, 2000 (said Credit Agreement as so amended being the "CREDIT AGREEMENT"), by and among Blackbaud, Lenders, Administrative Agent, Documentation Agent and Syndication Agent. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, Blackbaud desires to give Lenders the benefit of a pledge of all of the outstanding shares of a company which owns substantially all of the operating assets and businesses currently owned and operated by Blackbaud and to effect such pledge proposes to form a wholly-owned subsidiary, Blackbaud, LLC, a South Carolina limited liability company ("Blackbaud LLC"), and to transfer (the "Asset Transfer") to Blackbaud LLC substantially all of the assets and businesses currently owned and operated by Blackbaud other than Blackbaud's employees and related employee benefit plans and liabilities;

WHEREAS, concurrently with the effectiveness of the Asset Transfer, Blackbaud will pledge all of the outstanding shares of Blackbaud LLC to Administrative Agent for the benefit of Lenders, and Blackbaud LLC will become a co-borrower under the Credit Agreement, jointly and severally liable with Blackbaud for all of the Obligations under the Credit Agreement and the other Loan Documents and will grant to Lenders a security interest in all or substantially all of its real and personal property;

WHEREAS, Blackbaud owns all of the outstanding shares of Blackbaud Pacific (Australia) Pty. Ltd. (the "Australian Subsidiary") and Blackbaud Europe Ltd. (the "UK Subsidiary") and in compliance with subsection 6.8B of the Credit Agreement desires to pledge 66% of the outstanding shares of the Australian Subsidiary and the UK Subsidiary to Administrative Agent for the benefit of Lenders;

WHEREAS, certain shareholders of Blackbaud desire to contribute an additional $10,000,000 in cash common equity to Blackbaud, the proceeds of which will be used to make mandatory prepayments on the Loans pursuant to subsection 2.4B(iii)(c) of the Credit Agreement;

WHEREAS, Blackbaud desires to make an aggregate of approximately $2,500,000 in Expansion Expenditures (as hereinafter defined);

WHEREAS, Blackbaud, Administrative Agent and Lenders desire to amend the Credit Agreement to (i) provide for Blackbaud LLC to become a borrower under the Credit Agreement, jointly and severally liable with Blackbaud thereunder, (ii) provide for the contribution of up to $10,000,000 in cash common equity by certain shareholders of Blackbaud and to make certain changes to the acquisition covenant related thereto; and (iii) to make certain other changes to the Credit Agreement, all as more specifically provided for herein;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO THE CREDIT AGREEMENT

1.1 AMENDMENTS TO INTRODUCTION AND RECITALS

A. The introduction to the Credit Agreement is hereby amended by deleting the phrase "Blackbaud, Inc., a South Carolina corporation (the `Company')" therefrom in its entirety and by substituting therefor the phrase "Blackbaud, Inc., a South Carolina corporation (`Blackbaud')".

B. The recitals to the Credit Agreement are hereby amended by deleting the word "Company" each place it appears in such recitals and by substituting therefor the word "Blackbaud".

1.2 AMENDMENTS TO SECTION 1: DEFINITIONS.

A. Subsection 1.1 of the Credit Agreement is hereby amended by deleting the definition of "Company" therefrom and by substituting the following therefor:

> "`Company' means Blackbaud and Blackbaud LLC, on a joint and several basis, as borrowers under this Agreement."

B. Subsection 1.1 of the Credit Agreement is hereby further amended by adding to the definition of "Consolidated Adjusted EBITDA" contained in the Credit Agreement a new clause (viii) to be added immediately after the existing clause (vii) as follows:

> "and (viii) an amount not to exceed $2,500,000 in the aggregate for Expansion Expenditures made prior to June 30, 2002."

C. Subsection 1.1 of the Credit Agreement is hereby further amended by adding at the end of the definition of "Loan Documents" the following:

"and the Joinder Agreement."

D. Subsection 1.1 of the Credit Agreement is hereby further amended by adding the following definitions thereto in appropriate alphabetical order:

"`Blackbaud' has the meaning assigned to that term in the introduction to this Agreement.

`Blackbaud LLC' means Blackbaud, LLC, a South Carolina limited liability company, and a wholly-owned subsidiary of Blackbaud.

`Expansion Expenditures' means those sales and marketing expenditures, product development expenditures and certain shortfalls in Consolidated Adjusted EBITDA attributable to Permitted Acquisitions, in each case as more specifically described in Schedule 1.1 annexed hereto.

`Joinder Agreement' means the Joinder Agreement executed and delivered by Blackbaud LLC in connection with the Third Amendment, substantially in the form of Annex K attached to the Third Amendment, as such Joinder Agreement may thereafter be amended, supplemented or otherwise modified from time to time.

`Third Amendment' means that Third Amendment dated as of May 16, 2001, by and among Blackbaud, Blackbaud LLC, Lenders and Administrative Agent."

1.3 AMENDMENTS TO SECTION 2: AMOUNT AND TERMS OF COMMITMENTS AND LOANS.

A. Subsection 2.4B(iii)(c) of the Credit Agreement is hereby amended by adding at the end of the proviso contained therein a new clause (iii) as follows:

"and (iii) Net Equity Securities Proceeds contributed to Company in connection with the Third Amendment shall be used to prepay the Loans pursuant to this subsection 2.4B(iii)(c) but shall not reduce the $15,000,000 referred to in the immediately preceding clause."

B. Section 2 of the Credit Agreement is hereby further amended by adding at the end thereof the following new subsections:

"2.9 BORROWERS.

The Administrative Agent and the Lenders may rely, and shall be fully protected in relying, on any Notice of Borrowing, Notice of Conversion/Continuation, Request for Issuance of Letter of Credit, disbursement instruction, report, information or any other notice or communication made or given by either of Blackbaud or Blackbaud LLC, whether in its own name, on behalf of the other borrower or on behalf of

"the Company," and neither the Administrative Agent nor any Lender shall have any obligation to make any inquiry or request any confirmation from or on behalf of any other Person as to the binding effect on it of any such notice, request, instruction, report, information, other notice or communications, nor shall the joint and several character of Blackbaud's and Blackbaud LLC's liability for the Obligations be affected, provided that the provisions of this subsection 2.9 shall not be construed so as to preclude any of Blackbaud or Blackbaud LLC from taking other actions permitted to be taken by Company hereunder. The Administrative Agent and each Lender intend to maintain a single loan account in the name of "Blackbaud, Inc." hereunder and each of Blackbaud and Blackbaud LLC expressly agrees to such arrangement and confirms that such arrangement shall have no effect on the joint and several character of its liability for the Obligations.

2.10 JOINT AND SEVERAL LIABILITY

A. JOINT AND SEVERAL LIABILITY. The Obligations shall constitute one joint and several direct and general obligation of Blackbaud and Blackbaud LLC. Notwithstanding anything to the contrary contained herein, each of Blackbaud and Blackbaud LLC shall be jointly and severally, with each other, directly and unconditionally liable to the Administrative Agent and the Lenders for all Obligations and shall have the obligations of co-maker with respect to the Loans, the Notes and the Obligations, it being agreed that the advances to either of Blackbaud or Blackbaud LLC inure to the benefit of both, and that the Administrative Agent and the Lenders are relying on the joint and several liability of Blackbaud and Blackbaud LLC as co-makers in extending the Loans hereunder and arranging for the issuance of Letters of Credit. Blackbaud and Blackbaud LLC hereby unconditionally and irrevocably agree that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest on, any Loan or other Obligation payable to the Administrative Agent or any Lender, it will forthwith pay the same, without notice or demand.

B. NO REDUCTION IN OBLIGATIONS. No payment or payments made by any of Blackbaud or Blackbaud LLC or any other Person or received or collected by the Administrative Agent or any Lender from any of Blackbaud or Blackbaud LLC or any other Person by virtue of any action or proceeding or any setoff or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of Blackbaud or Blackbaud LLC under this Agreement, and each of Blackbaud and Blackbaud LLC shall remain liable for the Obligations until the Obligations are paid in full and this Agreement is terminated.

2.11 OBLIGATIONS ABSOLUTE.

Each of Blackbaud and Blackbaud LLC agrees that the Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent or any Lender with respect thereto. All Obligations shall be conclusively presumed to have been created in reliance hereon. The liabilities under this Agreement shall be absolute and unconditional irrespective of: (a) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto; (b) any change in the time, manner or place of payments of, or in any other term of, all or any part of the Obligations, or any other amendment or waiver thereof or any consent to departure therefrom, including any increase in the Obligations resulting from the extension of additional credit to either Blackbaud or Blackbaud LLC or otherwise; (c) any taking, exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guaranty for all or any of the Obligations; (d) any change, restructuring or termination of the corporate structure or existence of either Blackbaud or Blackbaud LLC; or (e) any other circumstance which might otherwise constitute a defense available to, or a discharge of, either Blackbaud or Blackbaud LLC. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy or reorganization of either Blackbaud or Blackbaud LLC or otherwise, all as though such payment had not been made.

2.12 WAIVER OF SURETY DEFENSES.

Each of Blackbaud and Blackbaud LLC agrees that the joint and several liability of each of Blackbaud and Blackbaud LLC provided for in subsection 2.10 shall not be impaired or affected by any modification, supplement, extension or amendment of any contract or agreement to which such other Person may hereafter agree (other than an agreement signed by the Administrative Agent and the Lenders specifically releasing such liability), nor by any delay, extension of time, renewal, compromise or other indulgence granted by the Administrative Agent or any Lender with respect to any of the Obligations, nor by any other agreements or arrangements whatever with such other Person or with anyone else, each of Blackbaud and Blackbaud LLC hereby waiving all notice of such delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consenting to be bound thereby as fully and effectually as if it had expressly agreed thereto in advance. The liability of each of Blackbaud and Blackbaud LLC is direct and unconditional as to all of the Obligations, and may be enforced without requiring the Administrative Agent or any Lender first to resort to any other right, remedy or security. Each of Blackbaud and

Blackbaud LLC hereby expressly waives promptness, diligence, notice of acceptance and any other notice (except to the extent expressly provided for herein or in another Loan Document) with respect to any of the Obligations, the Notes, this Agreement or any other Loan Document and any requirement that the Administrative Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against either of Blackbaud or Blackbaud LLC or any other Person or any collateral.

2.13 CONTRIBUTION AND INDEMNIFICATION

Each of Blackbaud and Blackbaud LLC is obligated to repay the Obligations as joint and several obligors under this Agreement. To the extent that either of Blackbaud or Blackbaud LLC shall, under this Agreement as a joint and several obligor, repay any of the Obligations constituting Loans made to the other hereunder or other Obligations incurred directly and primarily by the other (an "Accommodation Payment"), then the Person making such Accommodation Payment shall be entitled to contribution and indemnification from, and be reimbursed by, the other in an amount equal to such Accommodation Payment. All rights and claims of contribution, indemnification and reimbursement under this subsection 2.13 shall be subordinate in right of payment to the prior payment in full of the Obligations."

1.4 AMENDMENTS TO SECTION 7: COMPANY'S NEGATIVE COVENANTS.

A. Subsection 7.3(vi)(b) of the Credit Agreement is hereby amended by deleting the first proviso contained therein in its entirety and by substituting therefor the following:

"provided that (A) the amount of such other consideration (the "Acquisition Expenditures") so paid shall not exceed in the aggregate from January 1, 2000 (i) through March 31, 2001, $2,500,000, (ii) through June 30, 2001, $5,000,000, (iii) through September 30, 2001, $7,500,000, (iv) through December 31, 2001, $10,000,000, and (v) in any Fiscal Year, including the Fiscal Year ending December 31, 2001, $12,500,000, plus for any Fiscal Year thereafter an amount equal to the difference between the Acquisition Expenditures permitted to be made in such preceding Fiscal Year over the actual amount of Acquisition Expenditures made in such preceding Fiscal Year (the "Carryforward Amount"); (B) to the extent Company has included any Expansion Expenditures in Consolidated Adjusted EBITDA pursuant to clause (viii) of the definition of Consolidated Adjusted EBITDA, the Acquisition Expenditures permitted pursuant to clauses (A)(i) through (A)(v) of the immediately preceding proviso shall be reduced by an amount equal to the amount of such Expansion Expenditures multiplied by two, such reductions to be made first to the extent of any unexpended Acquisition Expenditures in the Fiscal Quarter in which such Expansion Expenditures are made (with equal reductions to be made in the amount of Acquisition Expenditures

permitted in each subsequent fiscal period as set forth in the immediately preceding clause (A)) and second to reduce any such Acquisition Expenditures in the immediately succeeding fiscal quarters (with equal reductions to be made in the amount of Acquisition Expenditures permitted in each subsequent fiscal period as set forth in the immediately preceding clause (A)); and (C) in the event that Company's Consolidated Leverage Ratio is less than or equal to 2.00:1.00, the amount of the Acquisition Expenditures in any fiscal period shall not exceed in the aggregate an amount equal to twice the amounts set forth in the foregoing clauses (A)(i) to (A)(v) (other than any Carryforward Amount)as reduced by any reductions required pursuant to the foregoing clause (B); provided, further, that the Acquisition Expenditures provided for herein may be increased with respect to earnout payments made in any Fiscal Year (the "Additional Earnout Payments") up to an amount which does not exceed the Acquisition Expenditures available for the next succeeding Fiscal Year and that the Acquisition Expenditures available in such next succeeding Fiscal Year shall be reduced by the amount of such Additional Earnout Payments;"

B. Section 7 of the Credit Agreement is hereby further amended by adding at the end thereof a new subsection 7.17 as follows:

"7.17. TRANSFER OF EMPLOYEES.

Upon the occurrence and during the continuance of an Event of Default, upon the request of Administrative Agent, Blackbaud will transfer to Blackbaud LLC all or any portion of Blackbaud's employees and any related employee benefit plans or liabilities as may be requested by Administrative Agent."

C. Section 7 of the Credit Agreement is hereby further amended by adding at the end thereof a new subsection 7.18 as follows:

"7.18. TRANSFER OF AUSTRALIAN AND UK SUBSIDIARIES.

Upon the occurrence and during the continuance of an Event of Default, upon the request of Administrative Agent, Blackbaud will transfer to Blackbaud LLC all of Blackbaud's ownership interest in Blackbaud Pacific (Australia) Pty. Ltd. and Blackbaud Europe Ltd."

1.5 AMENDMENTS TO EXHIBITS AND SCHEDULES.

A. Exhibits I, II, III, X and XI to the Credit Agreement are hereby amended (i) by adding a reference to "Blackbaud, LLC, a South Carolina limited liability company (`Blackbaud LLC')" as a party to the Credit Agreement each place that the parties to the Credit Agreement are so described, (ii) by adding "Blackbaud, LLC" immediately after "Blackbaud, Inc." on each signature block for the Company and (iii) by deleting the reference to "Blackbaud" each place it appears in the text of such exhibits and by substituting therefor a reference to "Company."

B. Exhibits IV, V, VI, VII, XIII, XIV and XV to the Credit Agreement are hereby deleted in their entirety and new Exhibits IV, V, VI, VII, XIII, XIV and XV substantially in the forms of Annexes A, B, C, D, E, F and G, respectively, attached hereto are hereby substituted therefor.

C. Schedules 4.1C and 5.1 to the Credit Agreement are hereby deleted in their entirety and new Schedules 4.1C and 5.1 substantially in the forms of Annexes H and I, respectively, attached hereto are hereby substituted therefor.

D. A new Schedule 1.1 substantially in the form of Annex J attached hereto is hereby added to the Credit Agreement.

SECTION 2. CONDITIONS TO EFFECTIVENESS

A. This Third Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the "THIRD AMENDMENT EFFECTIVE DATE"):

On or before the Third Amendment Effective Date, Company shall deliver to Lenders (or to Administrative Agent for Lenders) the following, each, unless otherwise noted, dated the Third Amendment Effective Date:

1. Signature and incumbency certificates of its officers executing this Third Amendment and the other Loan Documents provided for herein;

2. Copies of this Third Amendment and the other Loan Documents provided for herein executed by each Loan Party party thereto;

3. Certified copies of the organizational documents of Blackbaud LLC, together with a good standing certificate from the Secretary of State of its jurisdiction of organization and each other state in which Blackbaud LLC is qualified to do business and, to the extent generally available, a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of each of such jurisdictions, each dated a recent date prior to the Closing Date;

4. Copies of the Bylaws or other organizational documents of Blackbaud LLC, certified as of the Closing Date by Blackbaud LLC's corporate secretary or an assistant secretary or other appropriate officer or member;

5. Resolutions of the Board of Directors or other governing body of Blackbaud LLC approving and authorizing the execution, delivery and performance of the Loan Documents to which Blackbaud LLC is a party, certified as of the Third Amendment Effective Date by the corporate secretary or an assistant secretary or other appropriate officer or member of Blackbaud LLC as being in full force and effect without modification or amendment;

6. A Joinder Agreement executed by Blackbaud LLC adding Blackbaud LLC as a borrower to the Credit Agreement on a joint and several basis, amended and restated Notes executed by Blackbaud and Blackbaud LLC making Blackbaud LLC a co-maker on a joint and several basis, an amended and restated Collateral Account Agreement, Company Pledge Agreement and Company Security Agreement executed by Blackbaud and Blackbaud LLC;

7. Company shall have delivered to Administrative Agent certificates (which certificates shall be accompanied by irrevocable undated stock powers, duly endorsed in blank and otherwise satisfactory in form and substance to Administrative Agent) representing all capital stock or other equity interests of Blackbaud LLC and representing two-thirds of the equity interests of the UK Subsidiary and the Australian Subsidiary.

8. Administrative Agent shall have received evidence satisfactory to it that Blackbaud LLC shall have taken or caused to be taken all such actions, executed and delivered or caused to be executed and delivered all such agreements, documents and instruments, and made or caused to be made all such filings and recordings that may be necessary or, in the opinion of Administrative Agent, desirable in order to create in favor of Administrative Agent, for the benefit of Lenders, a valid and (upon such filing and recording) perfected First Priority security interest in the entire personal and mixed property Collateral, including without limitation the delivery of UCC financing statements and PTO cover sheets.

9. The Administrative Agent shall have received evidence satisfactory to it that the Asset Transfer and $10,000,000 equity contribution have occurred and shall have received copies of the Asset Transfer documents, which documents shall be satisfactory in form and substance to the Administrative Agent.

10. Lenders shall have received originally executed copies of one or more favorable written opinions of Nelson Mullins Riley & Scarborough, L.L.P. and Wachtell Lipton Rosen & Katz, counsel for Loan Parties, in form and substance reasonably satisfactory to Administrative Agent and its counsel, dated as of the Third Amendment Effective Date and setting forth substantially the matters in the opinions designated in Annex K annexed hereto and as to such other matters as Administrative Agent acting on behalf of Lenders may reasonably request.

B. Requisite Lenders shall have executed this Third Amendment.

C. On or before the Third Amendment Effective Date, all corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby, including without limitation the Asset Transfer and $10,000,000 equity contribution, and all documents incidental thereto not previously found acceptable by Administrative Agent, acting on behalf of Lenders, and its counsel shall be satisfactory in form and substance to Administrative Agent and such counsel, and Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as Administrative Agent may reasonably request.

SECTION 3. COMPANY'S REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this Third Amendment and to amend the Credit Agreement in the manner provided herein, Company represents and warrants to each Lender that the following statements are true, correct and complete:

A. CORPORATE POWER AND AUTHORITY. Company has all requisite corporate power and authority to enter into this Third Amendment and the other Loan Documents to be executed in connection with this Third Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Credit Agreement as amended by this Third Amendment (the "AMENDED AGREEMENT") and such other Loan Documents.

B. AUTHORIZATION OF AGREEMENTS. The execution and delivery of this Third Amendment and such other Loan Documents and the performance of the Amended Agreement and such other Loan Documents have been duly authorized by all necessary corporate action on the part of Company.

C. NO CONFLICT. The execution and delivery by Company of this Third Amendment and such other Loan Documents and the performance by Company of the Amended Agreement and such other Loan Documents do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Company or any of its Subsidiaries, the Certificate or Articles of Incorporation or Bylaws of Company or any of its Subsidiaries or any order, judgment or decree of any court or other agency of government binding on Company or any of its Subsidiaries, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Company or any of its Subsidiaries, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of Company or any of its Subsidiaries (other than Liens created under any of the Loan Documents in favor of Administrative Agent on behalf of Lenders), or (iv) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of Company or any of its Subsidiaries other than any approvals or consents which will be obtained prior to the Third Amendment Effective Date.

D. GOVERNMENTAL CONSENTS. The execution and delivery by Company of this Third Amendment and such other Loan Documents and the performance by Company of the Amended Agreement and such other Loan Documents do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

E. BINDING OBLIGATION. This Third Amendment and such other Loan Documents and the Amended Agreement have been duly executed and delivered by Company and are the legally valid and binding obligations of Company, enforceable against Company in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

F. INCORPORATION OF REPRESENTATIONS AND WARRANTIES FROM CREDIT AGREEMENT. The representations and warranties contained in Section 5 of the Credit Agreement

are and will be true, correct and complete in all material respects on and as of the Third Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

G. ABSENCE OF DEFAULT. No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Third Amendment that would constitute an Event of Default or a Potential Event of Default.

SECTION 4. MISCELLANEOUS

A. REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS.

(i) On and after the Third Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this Third Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Third Amendment and such other Loan Documents shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of Administrative Agent or any Lender under, the Credit Agreement or any of the other Loan Documents.

B. FEES AND EXPENSES. Company acknowledges that all costs, fees and expenses as described in subsection 10.2 of the Credit Agreement incurred by Administrative Agent and its counsel with respect to this Third Amendment and such other Loan Documents and the documents and transactions contemplated hereby shall be for the account of Company.

C. HEADINGS. Section and subsection headings in this Third Amendment are included herein for convenience of reference only and shall not constitute a part of this Third Amendment for any other purpose or be given any substantive effect.

D. APPLICABLE LAW. THIS THIRD AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

E. COUNTERPARTS. This Third Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BLACKBAUD, INC.

By: /s/ Tim Williams

Title: Vice President & Chief Financial Officer

BLACKBAUD, LLC

By: /s/ Tim Williams

Title: Vice President & Chief Financial Officer

BANKERS TRUST COMPANY,

individually and as Administrative Agent

By: /s/ Mary Jo Jolly

Title: Assistant Vice President

HELLER FINANCIAL, INC.,

as a Lender

By: /s/ Scott Zlemke

Title: Vice President

FIRST UNION NATIONAL BANK,

as a Lender

By: /s/ signature illegible

Title: Vice President

FIRST UNION SECURITIES, INC.,

as Syndication Agent

By: /s/ signature illegible

Title: Vice President

FIRST SOURCE LOAN OBLIGATIONS TRUST,

By: First Source Financial, Inc., its
Servicer and Administrator

as a Lender

By: /s/ Kathi J. Inorio

Name: Kathis J. Inorio
Title: Senior Vice President

BANK AUSTRIA CREDITANSTALT CORPORATE FINANCE,

as a Lender

By: /s/ Stanley M. Guralnick

Title: Vice President

By: /s/ A. W. Seidel

Senior Vice President

ANNEX A

EXHIBIT IV

[FORM OF AMENDED AND RESTATED TERM NOTE]

BLACKBAUD, INC.

BLACKBAUD, LLC

PROMISSORY NOTE DUE SEPTEMBER 30, 2005

$ New York, New York
May _____, 2001

FOR VALUE RECEIVED, BLACKBAUD, INC., a South Carolina corporation ("BLACKBAUD") and BLACKBAUD, LLC, a South Carolina limited liability company ("BLACKBAUD LLC") (Blackbaud and Blackbaud LLC being hereinafter referred to individually as "BORROWER" and collectively as the "BORROWERS"), promise, joint and severally, to pay to the order of _____ ("PAYEE") or its registered assigns the principal amount of _____ ($_____) in the installments referred to below.

Borrowers also promise, joint and severally, to pay interest on the unpaid principal amount hereof, from the last Interest Payment Date on which interest was paid under the Credit Agreement until paid in full, at the rates and at the times which shall be determined in accordance with the provisions of that certain Credit Agreement dated as of October 13, 1999 by and among Borrowers, the financial institutions listed therein as Lenders, Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent (said Credit Agreement, as it may be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined).

Borrowers shall make principal payments on this Note in installments as provided in the Credit Agreement. Each such installment shall be due on the date specified in the Credit Agreement and in an amount determined in accordance with the provisions thereof; provided that the last such installment shall be in an amount sufficient to repay the entire unpaid principal balance of this Note, together with all accrued and unpaid interest thereon.

This Note is one of Borrowers' "Term Notes" in the aggregate original principal amount of up to $115,000,000 and is issued pursuant to and entitled to the benefits of the Credit Agreement, to which reference is hereby made for a more complete statement of the terms and conditions under which the Term Loan evidenced hereby was made and is to be repaid.

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at the Funding and Payment Office

or at such other place as shall be designated in writing for such purpose in accordance with the terms of the Credit Agreement. Unless and until an Assignment Agreement effecting the assignment or transfer of this Note shall have been accepted by Administrative Agent and recorded in the Register as provided in subsection 10.1B(ii) of the Credit Agreement, Borrowers and Administrative Agent shall be entitled to deem and treat Payee as the owner and holder of this Note and the Loan evidenced hereby. Payee hereby agrees, by its acceptance hereof, that before disposing of this Note or any part hereof it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid; provided, however, that the failure to make a notation of any payment made on this Note shall not limit or otherwise affect the obligations of Borrowers hereunder with respect to payments of principal of or interest on this Note.

Whenever any payment on this Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest on this Note.

This Note is subject to mandatory prepayment as provided in subsection 2.4B(iii) of the Credit Agreement and to prepayment at the option of Borrowers as provided in subsection 2.4B(i) of the Credit Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF BORROWERS AND PAYEE HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued and unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

This Note is subject to restrictions on transfer or assignment as provided in subsections 10.1 and 10.16 of the Credit Agreement.

No reference herein to the Credit Agreement and no provision of this Note or the Credit Agreement shall alter or impair the obligations of Borrowers, which are absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

Borrowers promise, joint and severally, to pay all costs and expenses, including reasonable attorneys' fees, all as provided in subsection 10.2 of the Credit Agreement, incurred in the collection and enforcement of this Note. Borrowers, and any endorsers of this

Note hereby consent to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waive diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

THIS AMENDED AND RESTATED TERM NOTE SUPERCEDES, REPLACES AND RE-EVIDENCES, AS OF THE DATE SET FORTH ABOVE, THAT CERTAIN TERM NOTE, DATED OCTOBER 13, 1999, DELIVERED BY BLACKBAUD, INC. IN FAVOR OF THE PAYEE HEREOF. THE EXECUTION AND DELIVERY HEREOF DOES NOT CONSTITUTE A SATISFACTION OR A NOVATION OF ANY OBLIGATION OF THE UNDERSIGNED HEREUNDER TO THE HOLDER HEREOF.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Blackbaud and Blackbaud LLC have caused this Note to be duly executed and delivered by an officer thereunto duly authorized as of the date and at the place first written above.

BLACKBAUD, INC.

BLACKBAUD, LLC

By: ----------

Title: ----------

ANNEX B

EXHIBIT V

[FORM OF AMENDED AND RESTATED REVOLVING NOTE]

BLACKBAUD, INC.

BLACKBAUD, LLC

PROMISSORY NOTE DUE SEPTEMBER 30, 2005

$ New York, New York
May _____, 2001

FOR VALUE RECEIVED, BLACKBAUD, INC., a South Carolina corporation ("BLACKBAUD") and BLACKBAUD, LLC, a South Carolina limited liability company ("BLACKBAUD LLC") (Blackbaud and Blackbaud LLC being hereinafter referred to individually as the "BORROWER" and collectively as "BORROWERS"), promise, joint and severally, to pay to the order of _____ ("PAYEE") or its registered assigns, on or before September 30, 2005, the lesser of (x) _____ Dollars ($_____) and (y) the unpaid principal amount of all advances made by Payee to Borrowers as Revolving Loans under the Credit Agreement referred to below.

Borrowers also promise, joint and severally, to pay interest on the unpaid principal amount hereof, from the last Interest Payment Date on which interest was paid under the Credit Agreement until paid in full, at the rates and at the times which shall be determined in accordance with the provisions of that certain Credit Agreement dated as of October 13, 1999 by and among Borrowers, the financial institutions listed therein as Lenders, Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent (said Credit Agreement, as it may be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined).

This Note is one of Borrowers' "Revolving Notes" in the aggregate original principal amount of $15,000,000 and is issued pursuant to and entitled to the benefits of the Credit Agreement, to which reference is hereby made for a more complete statement of the terms and conditions under which the Revolving Loans evidenced hereby were made and are to be repaid.

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at the Funding and Payment Office or at such other place as shall be designated in writing for such purpose in accordance with the terms of the Credit Agreement. Unless and until an Assignment Agreement effecting the assignment or transfer of this Note shall have been accepted by Administrative Agent and recorded in the Register as provided in subsection 10.1B(ii) of the Credit Agreement,

Borrowers and Administrative Agent shall be entitled to deem and treat Payee as the owner and holder of this Note and the Loans evidenced hereby. Payee hereby agrees, by its acceptance hereof, that before disposing of this Note or any part hereof it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid; provided, however, that the failure to make a notation of any payment made on this Note shall not limit or otherwise affect the obligations of Borrowers hereunder with respect to payments of principal of or interest on this Note.

Whenever any payment on this Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest on this Note.

This Note is subject to mandatory prepayment as provided in subsection 2.4B(iii) of the Credit Agreement and to prepayment at the option of Borrowers as provided in subsection 2.4B(i) of the Credit Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF BORROWERS AND PAYEE HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued and unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

This Note is subject to restrictions on transfer or assignment as provided in subsections 10.1 and 10.16 of the Credit Agreement.

No reference herein to the Credit Agreement and no provision of this Note or the Credit Agreement shall alter or impair the obligations of Borrowers, which are absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

Borrowers promise, joint and severally, to pay all costs and expenses, including reasonable attorneys' fees, all as provided in subsection 10.2 of the Credit Agreement, incurred in the collection and enforcement of this Note. Borrowers and any endorsers of this Note hereby consent to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waive diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

THIS AMENDED AND RESTATED REVOLVING NOTE SUPERCEDES, REPLACES AND RE-EVIDENCES, AS OF THE DATE SET FORTH ABOVE, THAT CERTAIN REVOLVING NOTE, DATED OCTOBER 13, 1999, DELIVERED BY BLACKBAUD, INC. IN FAVOR OF THE PAYEE HEREOF. THE EXECUTION AND DELIVERY HEREOF DOES NOT CONSTITUTE A SATISFACTION OR A NOVATION OF ANY OBLIGATION OF THE UNDERSIGNED HEREUNDER TO THE HOLDER HEREOF.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Blackbaud and Blackbaud LLC have caused this Note to be duly executed and delivered by an officer thereunto duly authorized as of the date and at the place first written above.

BLACKBAUD, INC.

BLACKBAUD, LLC

By:

Title:

TRANSACTIONS
ON
REVOLVING NOTE

Date	Type of Loan Made This Date	Amount of Loan Made This Date	Amount of Principal Paid This Date	Outstanding Principal Balance This Date	Notation Made By

ANNEX C

EXHIBIT VI

[FORM OF AMENDED AND RESTATED SWING LINE NOTE]

BLACKBAUD, INC.

BLACKBAUD, LLC

PROMISSORY NOTE DUE SEPTEMBER 30, 2005

$3,500,000 New York, New York
May _____, 2001

FOR VALUE RECEIVED, BLACKBAUD, INC., a South Carolina corporation ("BLACKBAUD") and BLACKBAUD, LLC, a South Carolina limited liability company ("BLACKBAUD LLC") (Blackbaud and Blackbaud LLC being hereinafter referred to individually as the "BORROWER" and collectively as "BORROWERS"), promise, joint and severally, to pay to BANKERS TRUST COMPANY ("PAYEE"), on or before September 30, 2005, the lesser of (x) Three Million Five Hundred Thousand Dollars ($3,500,000) and (y) the unpaid principal amount of all advances made by Payee to Borrowers as Swing Line Loans under the Credit Agreement referred to below.

Borrowers also promise, joint and severally, to pay interest on the unpaid principal amount hereof, from the last Interest Payment Date on which interest was paid under the Credit Agreement until paid in full, at the rates and at the times which shall be determined in accordance with the provisions of that certain Credit Agreement dated as of October 13, 1999 by and among Borrowers, the financial institutions listed therein as Lenders, Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent (said Credit Agreement, as it may be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined).

This Note is Borrowers' "Swing Line Note" and is issued pursuant to and entitled to the benefits of the Credit Agreement, to which reference is hereby made for a more complete statement of the terms and conditions under which the Swing Line Loans evidenced hereby were made and are to be repaid.

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at the Funding and Payment Office or at such other place as shall be designated in writing for such purpose in accordance with the terms of the Credit Agreement.

Whenever any payment on this Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest on this Note.

This Note is subject to mandatory prepayment as provided in subsection 2.4B(iii) of the Credit Agreement and to prepayment at the option of Borrowers as provided in subsection 2.4B(i) of the Credit Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF BORROWERS AND PAYEE HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued and unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

This Note is subject to restrictions on transfer or assignment as provided in subsections 10.1 and 10.16 of the Credit Agreement.

No reference herein to the Credit Agreement and no provision of this Note or the Credit Agreement shall alter or impair the obligations of Borrowers, which are absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

Borrowers promise, joint and severally, to pay all costs and expenses, including reasonable attorneys' fees, all as provided in subsection 10.2 of the Credit Agreement, incurred in the collection and enforcement of this Note. Borrowers and any endorsers of this Note hereby consent to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waive diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

THIS AMENDED AND RESTATED SWING LINE NOTE SUPERCEDES, REPLACES AND RE-EVIDENCES, AS OF THE DATE SET FORTH ABOVE, THAT CERTAIN SWING LINE NOTE, DATED OCTOBER 13, 1999, DELIVERED BY BLACKBAUD, INC. IN FAVOR OF THE PAYEE HEREOF. THE EXECUTION AND DELIVERY HEREOF DOES NOT CONSTITUTE A SATISFACTION OR A NOVATION OF ANY OBLIGATION OF THE UNDERSIGNED HEREUNDER TO THE HOLDER HEREOF.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Blackbaud and Blackbaud LLC have caused this Note to be duly executed and delivered by an officer thereunto duly authorized as of the date and at the place first written above.

BLACKBAUD, INC.

BLACKBAUD, LLC.

By:

Title:

TRANSACTIONS
ON
SWING LINE NOTE

Date	Amount of Loan Made This Date	Amount of Principal Paid This Date	Outstanding Principal Balance This Date	Notation Made By
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ANNEX D

EXHIBIT VII

[FORM OF COMPLIANCE CERTIFICATE]

COMPLIANCE CERTIFICATE

THE UNDERSIGNED HEREBY CERTIFY THAT:

(1) We are the duly elected [Title] and [Title] of Blackbaud, Inc, a Delaware corporation and Blackbaud LLC, a South Carolina limited liability company (collectively "COMPANY");

(2) We have reviewed the terms of that certain Credit Agreement dated as of October 13, 1999 as amended, supplemented or otherwise modified to the date hereof (said Credit Agreement, as so amended, supplemented or otherwise modified, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined in this Certificate (including Attachment No. 1 annexed hereto and made a part hereof) being used in this Certificate as therein defined), by and among Company, the financial institutions listed therein as Lenders, Bankers Trust Company, as administrative agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and the terms of the other Loan Documents, and we have made, or have caused to be made under our supervision, a review in reasonable detail of the transactions and condition of Company and its Subsidiaries during the accounting period covered by the attached financial statements; and

(3) The examination described in paragraph (2) above did not disclose, and we have no knowledge of, the existence of any condition or event which constitutes an Event of Default or Potential Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate[, except as set forth below].

[Set forth [below] [in a separate attachment to this Certificate] are all exceptions to paragraph (3) above listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Company has taken, is taking, or proposes to take with respect to each such condition or event:]

The foregoing certifications, together with the computations set forth in Attachment No. 1 annexed hereto and made a part hereof and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, ____ pursuant to subsection 6.1(iv)(b) of the Credit Agreement.

BLACKBAUD, INC.

BLACKBAUD, LLC

By:

Title:

ATTACHMENT NO. 1
TO COMPLIANCE CERTIFICATE

This Attachment No. 1 is attached to and made a part of a Compliance Certificate dated as of _____ __, ____ and pertains to the period from _____ __, ____ to _____ __, ____. Subsection references herein relate to subsections of the Credit Agreement.

A. INDEBTEDNESS

1.	Acquired Indebtedness permitted under subsection 7.1(vi):	$
2.	Maximum Acquired Indebtedness permitted under subsection 7.1(vi):	$ 1,000,000
3.	Indebtedness permitted under subsection 7.1(ix):	$
4.	Maximum permitted under subsection 7.1(ix):	$ 5,000,000
5.	Other Indebtedness permitted under subsection 7.1(x):	$
6.	Maximum permitted under subsection 7.1(x):	$ 2,500,000

B. LIENS

1.	Indebtedness secured by Liens permitted under subsection 7.2A(iv):	$
2.	Maximum permitted under subsection 7.2A(iv):	$ 1,000,000
3.	Liens permitted under subsection 7.2A(vi):	$
4.	Maximum Liens permitted under subsection 7.2A(vi):	$ 2,500,000

C. INVESTMENTS

1.	Investments permitted under subsection 7.3(v):	$
2.	Maximum permitted under subsection 7.3(v):	$ 1,000,000
3.	Aggregate Permitted amount of Cash (not proceeds of common stock issuance, earnouts or deferred compensation) used for Permitted Acquisitions for Fiscal Year-to-date under subsection 7.3(vi):	$
4.	Acquisition Expenditures included as Expansion Expenditures during period multiplied by two:	$

5.	Cumulative amount of Acquisition Expenditures included as Expansion Expenditures in prior period multiplied by two:	$
6.	Maximum Permitted Cash (not proceeds of common stock issuance, earnouts or deferred compensation) used for Permitted Acquisitions for Fiscal Year-to-date under subsection 7.3(vi) (without regard to reduction for Expansion Expenditures):	
	a. Consolidated Leverage Ratio is greater than 2.00:1.00	$
	b. Consolidated Leverage Ratio is less than or equal to 2.00:1.00	$
	(plus in the case of a and b, Earnout payments made in such Fiscal Year (not to exceed Annual Amount available for next succeeding Fiscal Year)	
7.	Maximum Permitted Cash acquisition expenditures under 7.3(vi):	
	a. Consolidated Leverage Ratio is greater than 2.00:1.00 (6a - 4 + 5):	$
	b. Consolidated Leverage Ratio is less than or equal to 2.00:1.00 (6b - 4 + 5):	$
8.	Investments in Foreign Subsidiaries permitted under subsection 7.3(vii):	$
9.	Maximum Investments in Foreign Subsidiaries permitted under subsection 7.3(vii):	$ 2,000,000
10.	Investments in Joint Ventures permitted under subsection 7.3(viii):	$
11.	Maximum Investments in Joint Ventures permitted under subsection 7.3(viii):	$ 1,000,000

D.	CONTINGENT OBLIGATIONS	
1.	Contingent Obligations permitted under subsection 7.4(iv):	$
2.	Maximum permitted under subsection 7.4(iv):	$ 1,000,000
E.	RESTRICTED JUNIOR PAYMENTS	
1.	Deferred compensation permitted under subsection 7.5(i) for previous Fiscal Years-to-date:	$
2.	Maximum aggregate deferred compensation permitted under subsection 7.5(i):	$ 7,500,000
3.	Repurchases for Cash of common stock from Company's management for Fiscal Year-to-date permitted under subsection 7.5(ii):	$
4.	Maximum Repurchases for Cash of common stock from Company's management for Fiscal Year-to-date permitted under subsection 7.5(ii)(A) (Consolidated Leverage Ratio exceeds 2.50:1.00):	$ 1,000,000
5.	Maximum Repurchases for Cash of common stock from Company's management for Fiscal Year-to-date permitted under subsection 7.5(ii)(B) (Consolidated Leverage Ratio is less than or equal to 2.50:1.00):	$ 2,000,000
6.	Maximum amount of Repurchases for Cash of common stock from Company's management permitted under subsection 7.5(ii)(B) for the previous Fiscal Year minus actual Repurchases for Cash of common stock from Company's management for previous Fiscal Year (up to $2,000,000):	$
7.	Repurchases for Cash of common stock from Company's management for Fiscal Year-to-date and previous Fiscal Years, and payments on related promissory notes, permitted under subsection 7.5(ii):	$
8.	Maximum aggregate Repurchases for Cash of common stock from Company's management permitted under subsection 7.5(ii):	$ 10,000,000
F.	MINIMUM INTEREST COVERAGE RATIO (for the four-Fiscal Quarter period ending _____, ____)	

1.	Consolidated Net Income:	$
2.	Consolidated Interest Expense:	$
3.	Provisions for taxes based on income:	$
4.	Total depreciation expense:	$
5.	Total amortization expense:	$
6.	Other non-cash items reducing Consolidated Net Income:	$
7.	For Fiscal Years ending December 31, 1999, 2000, 2001 and 2002, bonuses paid to members of Company's management (not to exceed $10,000,000 (plus related payroll taxes) in the aggregate for all such Fiscal Years)	$
8.	Expansion Expenditures (not to exceed $2,500,000) for period 7/1/01 - 6/30/02:	
	a. Sales and Marketing:	$
	b. Product Development:	$
	c. Acquisition Shortfalls (describe briefly):	$
	d. Total Expansion Expenditures (8a + 8b + 8c):	$
9.	Other non-cash items increasing Consolidated Net Income:	$
10.	Consolidated Adjusted EBITDA (1+2+3+4+5+6+7+8-9):	$
11.	Interest Coverage Ratio (9):(2):	:1.00
12.	Minimum ratio required under subsection 7.6A:	:1.00

G. MAXIMUM LEVERAGE RATIO (as of _____, ____)

1.	Consolidated Total Debt:	$
2.	Consolidated Adjusted EBITDA (F.10 above):	$
3.	Leverage Ratio (1):(2):	:1.00

4. Maximum ratio permitted under subsection 7.6B: :1.00

H. MINIMUM CONSOLIDATED ADJUSTED EBITDA (for the four-Fiscal Quarter period ending _____, ____)

1. Consolidated Adjusted EBITDA (F.10 above): $

2. Minimum required under subsection 7.6C: $

I. FUNDAMENTAL CHANGES

1.	Aggregate fair market value of assets sold in any one or more Asset Sales after Closing Date in one or more transactions permitted under subsection 7.7(v):		$
2.	Maximum permitted under subsection 7.7(v):		$ 2,500,000

J. CONSOLIDATED CAPITAL EXPENDITURES

1.	Consolidated Capital Expenditures for Fiscal Year-to-date:		$
2.	Maximum amount of Consolidated Capital Expenditures permitted under subsection 7.8 for the previous Fiscal Year minus actual Consolidated Capital Expenditures for previous Fiscal Year-to-date (up to $2,000,000):		$
3.	Maximum amount of Consolidated Capital Expenditures permitted under subsection 7.8 for Fiscal Year:	2000	$ 5,000,000
		2001	$ 6,000,000
		2002	$ 6,500,000
		2003	$ 7,000,000
		2004	$ 7,500,000
		2005	$ 6,000,000

ANNEX E

EXHIBIT XIII

[FORM OF AMENDED AND RESTATED COLLATERAL ACCOUNT AGREEMENT]

COLLATERAL ACCOUNT AGREEMENT

This AMENDED AND RESTATED COLLATERAL ACCOUNT AGREEMENT (this "AGREEMENT") is dated as of May _____, 2001 and entered into by and between BLACKBAUD, INC., a South Carolina corporation ("BLACKBAUD") and BLACKBAUD, LLC, a South Carolina limited liability company ("BLACKBAUD LLC") (each of Blackbaud and Blackbaud LLC being a "PLEDGOR" and collectively "PLEDGORS") and BANKERS TRUST COMPANY, as administrative agent for and representative of (in such capacity herein called "SECURED PARTY") the financial institutions ("LENDERS") party to the Credit Agreement referred to below.

PRELIMINARY STATEMENTS

A. Secured Party, Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Lenders have entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as it may be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined) with Pledgors, pursuant to which Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Pledgors.

B. It is a condition precedent to the extensions of credit by Lenders under the Credit Agreement that each Pledgor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Lenders to make Loans and issue Letters of Credit under the Credit Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each Pledgor hereby agrees with Secured Party as follows:

SECTION 1. CERTAIN DEFINITIONS. The following terms used in this Agreement shall have the following meanings:

"COLLATERAL" means (i) the Collateral Account, (ii) all amounts on deposit from time to time in the Collateral Account, (iii) all interest, cash, instruments, securities and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Collateral, and (iv) to the extent not covered by clauses (i) through (iii) above, all proceeds of any or all of the foregoing Collateral.

"COLLATERAL ACCOUNT" means the restricted deposit account established and maintained by Secured Party pursuant to Section 2(a).

"SECURED OBLIGATIONS" means all obligations and liabilities of every nature of each Pledgor now or hereafter existing under or arising out of or in connection with the Credit Agreement and the other Loan Documents and all extensions or renewals thereof, whether for principal, interest (including interest that, but for the filing of a petition in bankruptcy with respect to such Pledgor, would accrue on such obligations), reimbursement of amounts drawn under Letters of Credit, fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party or any Lender as a preference, fraudulent transfer or otherwise, and all obligations of every nature of each Pledgor now or hereafter existing under this Agreement.

SECTION 2. ESTABLISHMENT AND OPERATION OF COLLATERAL ACCOUNT.

(a) Secured Party is hereby authorized to establish and maintain at the Funding and Payment Office, as a blocked account in the name of Secured Party and under the sole dominion and control of Secured Party, a restricted deposit account designated as "Blackbaud Inc. Collateral Account".

(b) The Collateral Account shall be operated in accordance with the terms of this Agreement.

(c) All amounts at any time held in the Collateral Account shall be beneficially owned by Pledgors but shall be held in the name of Secured Party hereunder, for the benefit of Lenders, as collateral security for the Secured Obligations upon the terms and conditions set forth herein. Pledgors shall have no right to withdraw, transfer or, except as expressly set forth herein, otherwise receive any funds deposited into the Collateral Account.

(d) Anything contained herein to the contrary notwithstanding, the Collateral Account shall be subject to such applicable laws, and such applicable regulations of the Board of Governors of the Federal Reserve System and of any other appropriate banking or governmental authority, as may now or hereafter be in effect.

SECTION 3. DEPOSITS OF CASH COLLATERAL.

(a) All deposits of funds in the Collateral Account shall be made by wire transfer (or, if applicable, by intra-bank transfer from another account of any Pledgor) of immediately available funds. Pledgors shall, promptly after initiating a transfer of funds to the Collateral Account, give notice to Secured Party by telefacsimile of the date, amount and method of delivery of such deposit.

(b) If an Event of Default has occurred and is continuing and, in accordance with Section 8 of the Credit Agreement, Pledgors are required to pay to Secured Party an amount (the

"AGGREGATE AVAILABLE AMOUNT") equal to the maximum amount that may at any time be drawn under all Letters of Credit then outstanding under the Credit Agreement, Pledgors shall deliver funds in such an amount for deposit in the Collateral Account in accordance with Section 3(a). If for any reason the aggregate amount delivered by Pledgors for deposit in the Collateral Account as aforesaid is less than the Aggregate Available Amount, the aggregate amount so delivered by Pledgors shall be apportioned among all outstanding Letters of Credit for purposes of this Section 3(b) in accordance with the ratio of the maximum amount available for drawing under each such Letter of Credit (as to such Letter of Credit, the "MAXIMUM AVAILABLE AMOUNT") to the Aggregate Available Amount. Upon any drawing under any outstanding Letter of Credit in respect of which Pledgors have deposited in the Collateral Account any amounts described above, Secured Party shall apply such amounts to reimburse the Issuing Lender for the amount of such drawing. In the event of cancellation or expiration of any Letter of Credit in respect of which Pledgors have deposited in the Collateral Account any amounts described above, or in the event of any reduction in the Maximum Available Amount under such Letter of Credit, Secured Party shall apply the amount then on deposit in the Collateral Account in respect of such Letter of Credit (less, in the case of such a reduction, the Maximum Available Amount under such Letter of Credit immediately after such reduction) first, to the payment of any amounts payable to Secured Party pursuant to Section 13, second, to the extent of any excess, to the cash collateralization pursuant to the terms of this Agreement of any outstanding Letters of Credit in respect of which Pledgors have failed to pay all or a portion of the amounts described above (such cash collateralization to be apportioned among all such Letters of Credit in the manner described above), third, to the extent of any further excess, to the payment of any other outstanding Secured Obligations in such order as Secured Party shall elect, and fourth, to the extent of any further excess, to the payment to whomsoever shall be lawfully entitled to receive such funds.

SECTION 4. PLEDGE OF SECURITY FOR SECURED OBLIGATIONS. Each Pledgor hereby pledges and assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of such Pledgor's right, title and interest in and to the Collateral as collateral security for the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. ss.362(a)), of all Secured Obligations.

SECTION 5. NO INVESTMENT OF AMOUNTS IN THE COLLATERAL ACCOUNT; INTEREST ON AMOUNTS IN THE COLLATERAL ACCOUNT.

(a) Cash held by Secured Party in the Collateral Account shall not be invested by Secured Party but instead shall be maintained as a cash deposit in the Collateral Account pending application thereof as elsewhere provided in this Agreement.

(b) To the extent permitted under Regulation Q of the Board of Governors of the Federal Reserve System, any cash held in the Collateral Account shall bear interest at the standard rate paid by Secured Party to its customers for deposits of like amounts and terms.

(c) Subject to Secured Party's rights under Section 12, any interest earned on deposits of cash in the Collateral Account in accordance with Section 5(b) shall be deposited directly in, and held in the Collateral Account.

SECTION 6. REPRESENTATIONS AND WARRANTIES. Each Pledgor represents and warrants as follows:

(a) Ownership of Collateral. Each Pledgor is (or at the time of transfer thereof to Secured Party will be) the legal and beneficial owner of the Collateral from time to time transferred by such Pledgor to Secured Party, free and clear of any Lien except for the security interest created by this Agreement.

(b) Governmental Authorizations. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for either (i) the grant by any Pledgor of the security interest granted hereby, (ii) the execution, delivery or performance of this Agreement by any Pledgor, or (iii) the perfection of or the exercise by Secured Party of its rights and remedies hereunder (except as may have been taken by or at the direction of any Pledgor).

(c) Perfection. The pledge and assignment of the Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Secured Obligations.

(d) Other Information. All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of any Pledgor with respect to the Collateral is accurate and complete in all respects.

SECTION 7. FURTHER ASSURANCES. Each Pledgor agrees that from time to time, at the expense of Pledgors, such Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Pledgor will: (a) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interests granted or purported to be granted hereby and (b) at Secured Party's request, appear in and defend any action or proceeding that may affect each Pledgor's beneficial title to or Secured Party's security interest in all or any part of the Collateral.

SECTION 8. TRANSFERS AND OTHER LIENS. Each Pledgor agrees that it will not (a) sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral or (b) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest under this Agreement.

SECTION 9. SECURED PARTY APPOINTED ATTORNEY-IN-FACT. Each Pledgor hereby irrevocably appoints Secured Party as such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including to file one or more financing or continuation statements, or amendments thereto, relative to all or any part of the Collateral without the signature of any Pledgor.

SECTION 10. SECURED PARTY MAY PERFORM. If any Pledgor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Pledgors under Section 13.

SECTION 11. STANDARD OF CARE. The powers conferred on Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Collateral, it being understood that Secured Party shall have no responsibility for (a) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Collateral) to preserve rights against any parties with respect to any Collateral or (b) taking any necessary steps to collect or realize upon the Secured Obligations or any guarantee therefor, or any part thereof, or any of the Collateral. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Secured Party accords its own property of like kind.

SECTION 12. REMEDIES. Subject to the provisions of Section 3(b), Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "CODE") (whether or not the Code applies to the affected Collateral).

SECTION 13. INDEMNITY AND EXPENSES.

(a) Pledgors agree, joint and severally, to indemnify Secured Party and each Lender from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's or such Lender's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Pledgors agree, joint and severally, to pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or

enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by any Pledgor to perform or observe any of the provisions hereof.

SECTION 14. CONTINUING SECURITY INTEREST; TRANSFER OF LOANS. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, (b) be binding upon each Pledgor and its successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), but subject to the provisions of subsection 10.1 of the Credit Agreement, any Lender may assign or otherwise transfer any Loans held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lenders herein or otherwise. Upon the payment in full of all Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Pledgors. Upon any such termination Secured Party shall, at Pledgors' expense, execute and deliver to Pledgors such documents as Pledgors shall reasonably request to evidence such termination and Pledgors shall be entitled to the return, upon their request and at their expense, against receipt and without recourse to Secured Party, of such of the Collateral as shall not have been otherwise applied pursuant to the terms hereof.

SECTION 15. SECURED PARTY AS AGENT.

(a) Secured Party has been appointed to act as Secured Party hereunder by Lenders. Secured Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including the release or substitution of Collateral), solely in accordance with this Agreement and the Credit Agreement.

(b) Secured Party shall at all times be the same Person that is Administrative Agent under the Credit Agreement. Written notice of resignation by Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute notice of resignation as Secured Party under this Agreement; removal of Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute removal as Secured Party under this Agreement; and appointment of a successor Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as Administrative Agent under subsection 9.5 of the Credit Agreement by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Secured Party under this Agreement, and the retiring or removed Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums held by Secured Party hereunder (which shall be deposited in a new Collateral Account established and maintained by such successor Secured Party), together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor

Secured Party such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring or removed Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Administrative Agent's resignation or removal hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Secured Party hereunder.

SECTION 16. AMENDMENTS; ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by any Pledgor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and, in the case of any such amendment or modification, by each Pledgor. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 17. NOTICES. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as provided in subsection 10.8 of the Credit Agreement.

SECTION 18. FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 19. SEVERABILITY. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 20. HEADINGS. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 21. GOVERNING LAW; TERMS. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE

PROVIDES THAT THE PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Credit Agreement, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

SECTION 22. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PLEDGOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PLEDGOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Each Pledgor hereby agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to each Pledgor at its address provided in Section 17, such service being hereby acknowledged by each Pledgor to be sufficient for personal jurisdiction in any action against such Pledgor in any such court and to be otherwise effective and binding service in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Secured Party to bring proceedings against any Pledgor in the courts of any other jurisdiction.

SECTION 23. WAIVER OF JURY TRIAL. EACH PLEDGOR AND SECURED PARTY HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Each Pledgor and Secured Party each acknowledge that this waiver is a material inducement for each Pledgor and Secured Party to enter into a business relationship, that each Pledgor and Secured Party have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Each Pledgor and Secured Party further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 23 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 24. COUNTERPARTS. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so

executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Pledgors and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BLACKBAUD, INC.

BLACKBAUD, LLC

By: ----------

Title: ----------

BANKERS TRUST COMPANY,
as Secured Party

By: ----------

Title: ----------

ANNEX F

EXHIBIT XIV

[FORM OF AMENDED AND RESTATED COMPANY PLEDGE AGREEMENT]

COMPANY PLEDGE AGREEMENT

This AMENDED AND RESTATED COMPANY PLEDGE AGREEMENT (this "AGREEMENT") is dated as of May __, 2001 and entered into by and between BLACKBAUD, INC., a South Carolina corporation ("BLACKBAUD") and BLACKBAUD, LLC, a South Carolina limited liability company ("BLACKBAUD LLC") (each of Blackbaud and Blackbaud LLC being a "PLEDGOR" and collectively "PLEDGORS") and BANKERS TRUST COMPANY, as administrative agent for and representative of (in such capacity herein called "SECURED PARTY"), the financial institutions ("LENDERS") party to the Credit Agreement referred to below and any Interest Rate Exchangers (as hereinafter defined).

PRELIMINARY STATEMENTS

A. Pledgors are the legal and beneficial owner of (i) the membership interests and shares of stock or other ownership interests (the "PLEDGED INTERESTS") described in Part A of Schedule I annexed hereto and issued by the limited liability companies and corporations named therein and (ii) the indebtedness (the "PLEDGED DEBT") described in Part B of said Schedule I and issued by the obligors named therein.

B. Secured Party, Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Lenders have entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as it may be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined) with Pledgors, pursuant to which Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Pledgors.

C. Each Pledgor may from time to time enter into one or more Interest Rate Agreements (collectively, the "LENDER INTEREST RATE AGREEMENTS") with one or more Lenders (in such capacity, collectively, "INTEREST RATE EXCHANGERS") in accordance with the terms of the Credit Agreement, and it is desired that the obligations of each Pledgor under the Lender Interest Rate Agreements, including the obligation of each Pledgor to make payments thereunder in the event of early termination thereof, together with all obligations of Pledgors under the Credit Agreement and the other Loan Documents, be secured hereunder.

D. It is a condition precedent to the extensions of credit by Lenders under the Credit Agreement that each Pledgor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Lenders to make Loans and other extensions of credit under the Credit Agreement and to induce Interest Rate Exchangers to enter into the Lender Interest Rate Agreements, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each Pledgor hereby agrees with Secured Party as follows:

SECTION 1. PLEDGE OF SECURITY. Each Pledgor hereby pledges and assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of such Pledgor's right, title and interest in and to the following (the "PLEDGED COLLATERAL"):

(a) the Pledged Interests and the certificates representing the Pledged Interests and any interest of Pledgors in the entries on the books of any financial intermediary pertaining to the Pledged Interests, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Interests;

(b) the Pledged Debt and the instruments evidencing the Pledged Debt, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Debt;

(c) all additional membership interests and shares of stock or other ownership interests, and all securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests and shares of stock or other ownership interests of any issuer of the Pledged Interests from time to time acquired by Pledgors in any manner (which membership interests and shares of stock or other ownership interests shall be deemed to be part of the Pledged Interests), the certificates or other instruments representing such additional membership interests, shares, securities, warrants, options or other rights and any interest of each Pledgor in the entries on the books of any financial intermediary pertaining to such additional shares, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional membership interests, shares, securities, warrants, options or other rights; provided, however, that Pledgors shall not be required to pledge any additional membership interests or shares of, or any securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests or stock of any Foreign Subsidiary issuer of the Pledged Interests pursuant to this Section 1(d) to the extent that such pledges would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the Internal Revenue Code (the "IRC") that would trigger an increase in the gross income of a United States owner of any Pledgor pursuant to Section 951 (or a successor provision) of the IRC;

(d) all additional indebtedness from time to time owed to Pledgors by any obligor on the Pledged Debt and the instruments evidencing such indebtedness, and all interest, cash,

instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness;

(e) all membership interests and shares of stock or other ownership interests, and all securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests and shares of stock or other ownership interests of any Person that, after the date of this Agreement, becomes, as a result of any occurrence, a direct Subsidiary of Pledgors (which membership interests and shares or other ownership interests shall be deemed to be part of the Pledged Interests), the certificates or other instruments representing such shares, securities, warrants, options or other rights and any interest of Pledgors in the entries on the books of any financial intermediary pertaining to such membership interests, shares or other interests, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such membership interests, shares, securities, warrants, options or other rights; provided, however, that Pledgors shall not be required to pledge the membership interests, shares or other equity interests of, or any securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests or stock of any Foreign Subsidiary otherwise required to be pledged pursuant to this Section 1(e) to the extent that such pledge would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the IRC that would trigger an increase in the gross income of a United States owner of any Pledgor pursuant to Section 951 (or a successor provision) of the IRC;

(f) all indebtedness from time to time owed to Pledgors by any Person that, after the date of this Agreement, becomes, as a result of any occurrence, a direct or indirect Subsidiary of Pledgors, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness; and

(g) to the extent not covered by clauses (a) through (f) above, all proceeds of any or all of the foregoing Pledged Collateral. For purposes of this Agreement, the term "PROCEEDS" includes whatever is receivable or received when Pledged Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes proceeds of any indemnity or guaranty payable to Pledgors or Secured Party from time to time with respect to any of the Pledged Collateral.

SECTION 2. SECURITY FOR OBLIGATIONS. This Agreement secures, and the Pledged Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. ss.362(a)), of all obligations and liabilities of every nature of each Pledgor now or hereafter existing under or arising out of or in connection with the Credit Agreement and the other Loan Documents and the Lender Interest Rate Agreements and all extensions or renewals thereof, whether for principal, interest (including interest that, but for the filing of a petition in bankruptcy with respect to Pledgors, would accrue on such obligations), reimbursement of amounts drawn under Letters of Credit, payments for early termination of Lender Interest Rate Agreements, fees, expenses, indemnities or otherwise,

whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party or any Lender or Interest Rate Exchanger as a preference, fraudulent transfer or otherwise, and all obligations of every nature of Pledgors now or hereafter existing under this Agreement (all such obligations of Pledgors being the "SECURED OBLIGATIONS").

SECTION 3. DELIVERY OF PLEDGED COLLATERAL. All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of Secured Party pursuant hereto and shall be in suitable form for transfer by delivery or, as applicable, shall be accompanied by Pledgors' endorsement, where necessary, or duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Secured Party. Upon the occurrence and during the continuance of an Event of Default (as defined in the Credit Agreement) or the occurrence of an Early Termination Date (as defined in a Master Agreement or an Interest Rate Swap Agreement or Interest Rate and Currency Exchange Agreement each in the standard form prepared by the International Swap and Derivatives Association Inc. or a similar event under any similar swap agreement) under any Lender Interest Rate Agreement (either such occurrence being an "Event of Default" for purposes of this Agreement), Secured Party shall have the right, without notice to Pledgors, to transfer to or to register in the name of Secured Party or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 7(a). In addition, Secured Party shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. REPRESENTATIONS AND WARRANTIES. Pledgors, joint and severally, represent and warrant as follows:

(a) Due Authorization, etc. of Pledged Collateral. All of the Pledged Interests have been duly authorized and validly issued and are fully paid and non-assessable. All of the Pledged Debt has been duly authorized, authenticated or issued, and delivered and is the legal, valid and binding obligation of the issuers thereof and is not in default.

(b) Description of Pledged Collateral. The Pledged Interests constitute the percent of the issued and outstanding membership interests, shares of stock, or other ownership interest of each issuer thereof as set forth on Schedule 1, and there are no outstanding warrants, options or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Pledged Interests. The Pledged Debt constitutes all of the issued and outstanding intercompany indebtedness evidenced by a promissory note of the respective issuers thereof owing to Pledgors.

(c) Ownership of Pledged Collateral. Each Pledgor is the legal, record and beneficial owner of the Pledged Collateral free and clear of any Lien except for the security interest created by this Agreement.

SECTION 5. TRANSFERS AND OTHER LIENS; ADDITIONAL PLEDGED COLLATERAL; ETC. Each Pledgor shall:

(a) not, except as expressly permitted by the Credit Agreement, (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, (ii) create or suffer to exist any Lien upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement, or (iii) permit any issuer of Pledged Interests to merge or consolidate unless all the outstanding membership interests, capital stock, or other ownership interest of the surviving or resulting Person is, upon such merger or consolidation, pledged hereunder and no cash, securities or other property is distributed in respect of the outstanding membership interests or shares of any other constituent Person; provided that in the event any Pledgor makes an Asset Sale permitted by the Credit Agreement and the assets subject to such Asset Sale are Pledged Interests, Secured Party shall release the Pledged Interests that are the subject of such Asset Sale to such Pledgor free and clear of the lien and security interest under this Agreement concurrently with the consummation of such Asset Sale; provided, further that, as a condition precedent to such release, Secured Party shall have received evidence satisfactory to it that arrangements satisfactory to it have been made for delivery to Secured Party of the Net Asset Sale Proceeds of such Asset Sale to the extent required under the Credit Agreement;

(b) (i) cause each issuer of Pledged Interests not to issue any membership interests, stock or other securities in addition to or in substitution for the Pledged Interests issued by such issuer, except to Pledgors, (ii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional membership interests, shares of stock or other securities of each issuer of Pledged Interests, and (iii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all membership interests, shares of stock, or other ownership interests of any Person that, after the date of this Agreement, becomes, as a result of any occurrence, a direct Subsidiary of Pledgor;

(c) (i) pledge hereunder, immediately upon their issuance, any and all instruments or other evidences of additional indebtedness from time to time owed to Pledgors by any obligor on the Pledged Debt, and (ii) pledge hereunder, immediately upon their issuance, any and all instruments or other evidences of indebtedness from time to time owed to any Pledgor by any Person that after the date of this Agreement becomes, as a result of any occurrence, a direct or indirect Subsidiary of any Pledgor;

(d) promptly notify Secured Party of any event of which any Pledgor becomes aware causing material loss or depreciation in the value of the Pledged Collateral;

(e) promptly deliver to Secured Party all written notices received by it with respect to the Pledged Collateral; and

(f) pay promptly when due all taxes, assessments and governmental charges or levies imposed upon, and all claims against, the Pledged Collateral, except to the extent the validity thereof is being contested in good faith and adequate reserves have been set aside therefor; provided that Pledgors shall in any event pay such taxes, assessments, charges, levies or claims

not later than five days prior to the date of any proposed sale under any judgment, writ or warrant of attachment entered or filed against Pledgors or any of the Pledged Collateral as a result of the failure to make such payment.

SECTION 6. FURTHER ASSURANCES; PLEDGE AMENDMENTS.

(a) Each Pledgor agrees that from time to time, at the expense of such Pledgor, each Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral. Without limiting the generality of the foregoing, Pledgors will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interests granted or purported to be granted hereby and (ii) at Secured Party's request, appear in and defend any action or proceeding that may affect Pledgors' title to or Secured Party's security interest in all or any part of the Pledged Collateral.

(b) Each Pledgor further agrees that it will, upon obtaining any additional membership interests, shares of stock or other securities required to be pledged hereunder as provided in Section 5(b) or (c), promptly (and in any event within five Business Days) deliver to Secured Party a Pledge Amendment, duly executed by such Pledgor, in substantially the form of Schedule II annexed hereto (a "PLEDGE AMENDMENT"), in respect of the additional Pledged Interests or Pledged Debt to be pledged pursuant to this Agreement. Each Pledgor hereby authorizes Secured Party to attach each Pledge Amendment to this Agreement and agrees that all Pledged Interests or Pledged Debt listed on any Pledge Amendment delivered to Secured Party shall for all purposes hereunder be considered Pledged Collateral; provided that the failure of Pledgors to execute a Pledge Amendment with respect to any additional Pledged Interests or Pledged Debt pledged pursuant to this Agreement shall not impair the security interest of Secured Party therein or otherwise adversely affect the rights and remedies of Secured Party hereunder with respect thereto; provided further, that Pledgors shall not be required to pledge any additional membership interests or shares of, or any securities convertible into and warrants, options and other rights to purchase or otherwise acquire, membership interests or stock of any Foreign Subsidiary issuer of the Pledged Interests pursuant to this Section 6(b) to the extent that such pledges would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the Internal Revenue Code (the "IRC") that would trigger an increase in the gross income of a United States owner of any Pledgor pursuant to Section 951 (or a successor provision) of the IRC.

SECTION 7. VOTING RIGHTS; DIVIDENDS; ETC.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) Each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Credit

Agreement; provided, however, that each Pledgor shall not exercise or refrain from exercising any such right if Secured Party shall have notified such Pledgor that, in Secured Party's judgment, such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof; and provided, further, that such Pledgor shall give Secured Party at least five Business Days' prior written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right. It is understood, however, that neither (A) the voting by Pledgors of any Pledged Interests for or Pledgors' consent to the election of managers or directors at a regularly scheduled annual or other meeting of members or stockholders or with respect to incidental matters at any such meeting nor (B) Pledgors' consent to or approval of any action otherwise permitted under this Agreement and the Credit Agreement shall be deemed inconsistent with the terms of this Agreement or the Credit Agreement within the meaning of this Section 7(a)(i), and no notice of any such voting or consent need be given to Secured Party;

(ii) Each Pledgor shall be entitled to receive and retain, and to utilize free and clear of the lien of this Agreement, any and all dividends and interest paid in respect of the Pledged Collateral; provided, however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in respect of principal or in redemption of or in exchange for any Pledged Collateral,

shall be, and shall forthwith be delivered to Secured Party to hold as, Pledged Collateral and shall, if received by any Pledgor, be received in trust for the benefit of Secured Party, be segregated from the other property or funds of any Pledgor and be forthwith delivered to Secured Party as Pledged Collateral in the same form as so received (with all necessary indorsements); and

(iii) Secured Party shall promptly execute and deliver (or cause to be executed and delivered) to any Pledgor all such proxies, dividend payment orders and other instruments as such Pledgor may from time to time reasonably request for the purpose of enabling such Pledgor to exercise the voting and other consensual rights which it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends, principal or interest payments which it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuation of an Event of Default:

(i) upon written notice from Secured Party to any Pledgor, all rights of such Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 7(a)(i) shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to exercise such voting and other consensual rights;

(ii) all rights of such Pledgor to receive the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 7(a)(ii) shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to receive and hold as Pledged Collateral such dividends and interest payments; and

(iii) all dividends, principal and interest payments which are received by such Pledgor contrary to the provisions of paragraph (ii) of this Section 7(b) shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Pledgors and shall forthwith be paid over to Secured Party as Pledged Collateral in the same form as so received (with any necessary indorsements).

(c) In order to permit Secured Party to exercise the voting and other consensual rights which it may be entitled to exercise pursuant to Section 7(b)(i) and to receive all dividends and other distributions which it may be entitled to receive under Section 7(a)(ii) or Section 7(b)(ii), (i) each Pledgor shall promptly execute and deliver (or cause to be executed and delivered) to Secured Party all such proxies, dividend payment orders and other instruments as Secured Party may from time to time reasonably request and (ii) without limiting the effect of the immediately preceding clause (i), each Pledgor hereby grants to Secured Party an irrevocable proxy to vote the Pledged Interests and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Interests would be entitled (including giving or withholding written consents of shareholders, calling special meetings of shareholders and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Interests on the record books of the issuer thereof) by any other Person (including the issuer of the Pledged Interests or any officer or agent thereof), upon the occurrence of an Event of Default and which proxy shall only terminate upon the payment in full of the Secured Obligations.

SECTION 8. SECURED PARTY APPOINTED ATTORNEY-IN-FACT. Pledgors hereby irrevocably appoint Secured Party as Pledgors' attorney-in-fact, with full authority in the place and stead of Pledgors and in the name of Pledgors, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) to file one or more financing or continuation statements, or amendments thereto, relative to all or any part of the Pledged Collateral without the signature of Pledgors;

(b) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Pledged Collateral;

(c) to receive, endorse and collect any instruments made payable to Pledgors representing any dividend, principal or interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same; and

(d) to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Pledged Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Pledged Collateral.

SECTION 9. SECURED PARTY MAY PERFORM. If Pledgors fail to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Pledgors under Section 13(b).

SECTION 10. STANDARD OF CARE. The powers conferred on Secured Party hereunder are solely to protect its interest in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Pledged Collateral, it being understood that Secured Party shall have no responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Pledged Collateral, whether or not Secured Party has or is deemed to have knowledge of such matters, (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Pledged Collateral) to preserve rights against any parties with respect to any Pledged Collateral, (c) taking any necessary steps to collect or realize upon the Secured Obligations or any guarantee therefor, or any part thereof, or any of the Pledged Collateral, or (d) initiating any action to protect the Pledged Collateral against the possibility of a decline in market value. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equal to that which Secured Party accords its own property consisting of negotiable securities.

SECTION 11. REMEDIES.

(a) If any Event of Default shall have occurred and be continuing, Secured Party may exercise in respect of the Pledged Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "CODE") (whether or not the Code applies to the affected Pledged Collateral), and Secured Party may also in its sole discretion, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at any of Secured Party's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Secured Party may deem

commercially reasonable, irrespective of the impact of any such sales on the market price of the Pledged Collateral. Secured Party or any Lender or Interest Rate Exchanger may be the purchaser of any or all of the Pledged Collateral at any such sale and Secured Party, as agent for and representative of Lenders and Interest Rate Exchangers (but not any Lender or Lenders or Interest Rate Exchanger or Interest Rate Exchangers in its or their respective individual capacities unless Requisite Obligees (as defined in Section 15(a)) shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Pledged Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Pledged Collateral payable by Secured Party at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Pledgor, and each Pledgor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Each Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to such Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Secured Party shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor hereby waives any claims against Secured Party arising by reason of the fact that the price at which any Pledged Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Secured Party accepts the first offer received and does not offer such Pledged Collateral to more than one offeree. If the proceeds of any sale or other disposition of the Pledged Collateral are insufficient to pay all the Secured Obligations, each Pledgor shall be liable for the deficiency and the fees of any attorneys employed by Secured Party to collect such deficiency.

(b) Each Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws, Secured Party may be compelled, with respect to any sale of all or any part of the Pledged Collateral conducted without prior registration or qualification of such Pledged Collateral under the Securities Act and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges that any such private sales may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, each Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to engage in public sales and no obligation to delay the sale of any Pledged Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would, or should, agree to so register it.

(c) If Secured Party determines to exercise its right to sell any or all of the Pledged Collateral, upon written request, Pledgors shall and shall cause each issuer of any Pledged

Interests to be sold hereunder from time to time to furnish to Secured Party all such information as Secured Party may request in order to determine the number of shares and other instruments included in the Pledged Collateral which may be sold by Secured Party in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

SECTION 12. APPLICATION OF PROCEEDS. All proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied as provided in subsection 2.4D of the Credit Agreement.

SECTION 13. INDEMNITY AND EXPENSES.

(a) Each Pledgor agrees to indemnify and hold harmless Secured Party, each Lender and each Interest Rate Exchanger and each of their respective directors, officers, employees and agents from and against any and all claims, losses and liabilities, joint or several, in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities are directly attributable to Secured Party's or such Lender's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Each Pledgor shall pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by any Pledgor to perform or observe any of the provisions hereof.

SECTION 14. CONTINUING SECURITY INTEREST; TRANSFER OF LOANS. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until the payment in full of all Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, (b) be binding upon Pledgors, their successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), but subject to the provisions of subsection 10.1 of the Credit Agreement, any Lender may assign or otherwise transfer any Loans held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lenders herein or otherwise. Upon the payment in full of all Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Pledged Collateral shall revert to Pledgors. Upon any such termination Secured Party will, at Pledgors' expense, execute and deliver to Pledgors such documents as Pledgors shall reasonably request to evidence such termination and Pledgor shall be entitled to the return, upon its request and at its expense, against receipt and without recourse to Secured Party, of such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

SECTION 15. SECURED PARTY AS AGENT.

(a) Secured Party has been appointed to act as Secured Party hereunder by Lenders and, by their acceptance of the benefits hereof, Interest Rate Exchangers. Secured Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including the release or substitution of Pledged Collateral), solely in accordance with this Agreement and the Credit Agreement; provided that Secured Party shall exercise, or refrain from exercising, any remedies provided for in Section 11 in accordance with the instructions of (i) Requisite Lenders or (ii) after payment in full of all Obligations under the Credit Agreement and the other Loan Documents, the holders of a majority of the aggregate notional amount (or, with respect to any Lender Interest Rate Agreement that has been terminated in accordance with its terms, the amount then due and payable (exclusive of expenses and similar payments but including any early termination payments then due) under such Lender Interest Rate Agreement) under all Lender Interest Rate Agreements (Requisite Lenders or, if applicable, such holders being referred to herein as "Requisite Obligees"). In furtherance of the foregoing provisions of this Section 15(a), each Interest Rate Exchanger, by its acceptance of the benefits hereof, agrees that it shall have no right individually to realize upon any of the Pledged Collateral hereunder, it being understood and agreed by such Interest Rate Exchanger that all rights and remedies hereunder may be exercised solely by Secured Party for the benefit of Lenders and Interest Rate Exchangers in accordance with the terms of this Section 15(a).

(b) Secured Party shall at all times be the same Person that is Administrative Agent under the Credit Agreement. Written notice of resignation by Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute notice of resignation as Secured Party under this Agreement; removal of Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute removal as Secured Party under this Agreement; and appointment of a successor Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as Administrative Agent under subsection 9.5 of the Credit Agreement by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Secured Party under this Agreement, and the retiring or removed Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums, securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor Secured Party such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring or removed Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Administrative Agent's resignation or removal hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Secured Party hereunder.

SECTION 16. AMENDMENTS; ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by any Pledgor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and, in the case of any such amendment or modification, by such Pledgor. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 17. NOTICES. Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as provided in subsection 10.8 of the Credit Agreement.

SECTION 18. SEVERABILITY. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 19. HEADINGS. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 20. GOVERNING LAW; TERMS. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE PROVIDES THAT THE PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR PLEDGED COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Credit Agreement, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

SECTION 21. COUNTERPARTS. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Pledgors and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BLACKBAUD, INC.

BLACKBAUD, LLC

By:

Title:

BANKERS TRUST COMPANY,
as Secured Party

By:

Title:

SCHEDULE I

Attached to and forming a part of the Amended and Restated Pledge Agreement dated as of May __, 2001 between Blackbaud, Inc. and Blackbaud LLC, as Pledgors, and Bankers Trust Company, as Secured Party.

Part A
Pledged Interests

Pledgor: Blackbaud, Inc.

Issuer	Class	Certificate Nos.	Number of Interests/Shares	Percentage of Interests/Shares

Pledgor: Blackbaud, LLC

Issuer	Class	Certificate Nos.	Number of Interests/Shares	Percentage of Interests/Shares

Part B
Pledged Debt

Pledgor: Blackbaud, Inc. and Blackbaud, LLC

Debt Issuer	Amount of Indebtedness

SCHEDULE II

PLEDGE AMENDMENT

This Pledge Amendment, dated _____ __, ____, is delivered pursuant to Section 6(b) of the Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Amendment may be attached to the Amended and Restated Pledge Agreement dated May __, 2001, between the undersigned and Bankers Trust Company, as Secured Party (the "PLEDGE AGREEMENT," capitalized terms defined therein being used herein as therein defined), and that the [Pledged Interests] [Pledged Debt] listed on this Pledge Amendment shall be deemed to be part of the [Pledged Interests] [Pledged Debt] and shall become part of the Pledged Collateral and shall secure all Secured Obligations.

BLACKBAUD, INC.

BLACKBAUD, LLC

By:

Title:

Part A
Pledged Interests

Pledgor: Blackbaud, Inc.

Issuer	Class	Certificate Nos.	Number of Interests/Shares	Percentage of Interests/Shares

Pledgor: Blackbaud, LLC

Issuer	Class	Certificate Nos.	Number of Interests/Shares	Percentage of Interests/Shares

Part B
Pledged Debt

Pledgor: Blackbaud, Inc. and Blackbaud, LLC

Debt Issuer	Amount of Indebtedness

ANNEX G

EXHIBIT XV

[FORM OF AMENDED AND RESTATED COMPANY SECURITY AGREEMENT]

COMPANY SECURITY AGREEMENT

This AMENDED AND RESTATED COMPANY SECURITY AGREEMENT (this "AGREEMENT") is dated as of May _____, 2001 and entered into by and among BLACKBAUD, INC., a South Carolina corporation ("BLACKBAUD") and BLACKBAUD, LLC, a South Carolina limited liability company ("BLACKBAUD LLC") (Blackbaud and Blackbaud LLC being hereinafter referred to individually as "GRANTOR" and collectively as the "GRANTORS") and BANKERS TRUST COMPANY, as Administrative Agent for and representative of (in such capacity herein called "SECURED PARTY") the financial institutions ("LENDERS") party to the Credit Agreement referred to below and any Interest Rate Exchangers (as hereinafter defined).

PRELIMINARY STATEMENTS

A. Secured Party, Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, as Syndication Agent, and Lenders have entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined) with Grantors, pursuant to which Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Grantors.

B. Each Grantor may from time to time enter into one or more Interest Rate Agreements (collectively, the "LENDER INTEREST RATE AGREEMENTS") with one or more Lenders (in such capacity, collectively, "INTEREST RATE EXCHANGERS") in accordance with the terms of the Credit Agreement and it is desired that the obligations of any Grantor under the Lender Interest Rate Agreements, including the obligation of such Grantor to make payments thereunder in the event of early termination thereof, together with all obligations of each Grantor under the Credit Agreement and the other Loan Documents, be secured hereunder.

C. It is a condition precedent to the extensions of credit by Lenders under the Credit Agreement that each Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Lenders to make Loans and other extensions of credit under the Credit Agreement and to induce Interest Rate Exchangers to enter into the Lender Interest Rate Agreements, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each Grantor hereby agrees with Secured Party as follows:

SECTION 1. GRANT OF SECURITY.

Each Grantor hereby assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of such Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which such Grantor now has or hereafter acquires an interest and wherever the same may be located (the "COLLATERAL"):

(a) all equipment in all of its forms (including, but not limited to, all computers, office furniture, and other office equipment), all parts thereof and all accessions thereto (any and all such equipment, parts and accessions being the "EQUIPMENT");

(b) all inventory in all of its forms (including, but not limited to, (i) all goods held by Grantors for sale or lease or to be furnished under contracts of service or so leased or furnished, (ii) all raw materials, work in process, finished goods, and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in Grantors' business, (iii) all goods in which Grantors have an interest in mass or a joint or other interest or right of any kind, and (iv) all goods which are returned to or repossessed by Grantors and all accessions thereto and products thereof (all such inventory, accessions and products being the "INVENTORY"); provided that inventory considered to be work product held for or acquired on behalf of customers of Grantors or required to be delivered to customers of Grantors shall not be deemed Inventory, and all negotiable and non-negotiable documents of title (including without limitation warehouse receipts, dock receipts and bills of lading) issued by any Person covering any Inventory (any such negotiable document of title being a "NEGOTIABLE DOCUMENT OF TITLE");

(c) all accounts, contract rights, chattel paper, documents, instruments, general intangibles and other rights and obligations of any kind owned by or owing to any Grantor and all rights in, to and under all security agreements, leases and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, documents, instruments, general intangibles or other obligations, it being understood that contracts with clients of such Grantor are not considered to be Collateral (any and all such accounts, contract rights, chattel paper, documents, instruments, general intangibles and other obligations being the "ACCOUNTS", and any and all such security agreements, leases and other contracts being the "RELATED CONTRACTS");

(d) all deposit accounts, including without limitation demand, time, savings, passbooks or similar accounts maintained with Lenders or other banks, savings and loan associations or other financial institutions;

(e) the "INTELLECTUAL PROPERTY COLLATERAL", which term means:

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all trademarks, service marks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto, owned by any Grantor, or hereafter adopted and used, in its business (including, without limitation, the trademarks specifically identified in Schedule 1(b), as the same may be amended pursuant hereto from time to time) (collectively, the "TRADEMARKS"); provided that trademarks, servicemarks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other sources and/or business identifiers and applications pertaining thereto considered to be work product performed for or acquired on behalf of customers of any Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Trademarks or Intellectual Property Collateral; all registrations that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries (including, without limitation, the registrations and applications specifically identified in Schedule 1(b), as the same may be amended pursuant hereto from time to time) (the "TRADEMARK REGISTRATIONS"); provided that registrations that have been made or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries on behalf of or acquired on behalf of customers of any Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Trademark Registrations or Intellectual Property Collateral; all common law and other rights (but in no event any of the obligations) in and to the Trademarks in the United States and any state thereof and in foreign countries (the "TRADEMARK RIGHTS"); and all goodwill of either Grantor's business symbolized by the Trademarks and associated therewith (the "ASSOCIATED GOODWILL");

(ii) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all patents and patent applications and rights and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned or held by any Grantor and all patents and patent applications and rights, title and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned by any Grantor in whole or in part (including, without limitation, the patents and patent applications listed in Schedule 1(c), as the same may be amended pursuant hereto from time

to time), all rights (but not obligations) corresponding thereto (including, without limitation, the right (but not the obligation), exercisable only upon the occurrence and during the continuation of an Event of Default, to sue for past, present and future infringements in the name of any Grantor or in the name of Secured Party or Lenders), and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof (all of the foregoing being collectively referred to as the "PATENTS"); it being understood that the rights and interests included in the Intellectual Property Collateral hereby shall include, without limitation, all rights and interests pursuant to licensing or other contracts in favor of Grantors pertaining to patent applications and patents presently or in the future owned or used by third parties but, in the case of third parties which are not Affiliates of any Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted, only with the consent of such third parties; provided that patents and patent applications and rights and interests in patents and patent applications considered to be work product performed for or acquired on behalf of customers of Grantors or which have been assigned or are required to be assigned to such customer shall not be deemed Patents or Intellectual Property Collateral; and

(iii) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) under copyright in various published and unpublished works of authorship including, without limitation, computer programs, computer data bases, other computer software, layouts, trade dress, drawings, designs, writings, and formulas owned by Grantors (including, without limitation, the works listed on Schedule 1(d), as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHTS"); provided that rights, title and interest under copyright in various published and unpublished works of authorship including, without limitation, computer programs, computer data bases, other computer software, layouts, trade dress, drawings, designs, writings, formulas, copyright registrations and applications for copyright registrations considered to be work product performed for or acquired on behalf of customers of Grantors or which have been assigned or are required to be assigned to such customer shall not be deemed Copyrights or Intellectual Property Collateral; all copyright registrations issued to Grantors and applications for copyright registration that have been or may hereafter be issued or applied for thereon by Grantors in the United States and any state thereof and in foreign countries (including, without limitation, the registrations listed on Schedule 1(d), as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHT REGISTRATIONS"); provided that copyright registrations issued to Grantors and applications for copyright registration that have been or

may hereafter be issued or applied for thereon by Grantors in the United States and any state thereof and in foreign countries on behalf of or acquired on behalf of customers of Grantors or which have been assigned or are required to be assigned to such customer shall not be deemed Copyright Registrations or Intellectual Property Collateral; all common law and other rights in and to the Copyrights in the United States and any state thereof and in foreign countries including all copyright licenses (but with respect to such copyright licenses, only to the extent permitted by such licensing arrangements) (the "COPYRIGHT RIGHTS"), including, without limitation, each of the Copyrights, rights, titles and interests in and to the Copyrights and works protectable by copyright, which are presently, or in the future may be, owned, created (as a work for hire for the benefit of Grantors), authored (as a work for hire for the benefit of any Grantors), or acquired by Grantors, in whole or in part, and all Copyright Rights with respect thereto and all Copyright Registrations therefor, heretofore or hereafter granted or applied for, and all renewals and extensions thereof, throughout the world, including all proceeds thereof (such as, by way of example and not by limitation, license royalties and proceeds of infringement suits), the right (but not the obligation) to renew and extend such Copyright Registrations and Copyright Rights and to register works protectable by copyright and the right (but not the obligation) to sue for past, present and future infringements of the Copyrights and Copyright Rights;

(f) all information used or useful or arising from the business including all goodwill, trade secrets, trade secret rights, know-how, customer lists, processes of production, ideas, confidential business information, techniques, processes, formulas, and all other proprietary information; provided that information used or useful or arising from the business including all goodwill, trade secrets, trade secret rights, know-how, customer lists, processes of production, ideas, confidential business information, techniques, processes, formulas, and all other proprietary information considered to be work product performed for or acquired on behalf of customers of any Grantor which have been assigned or are required to be assigned to such customer shall not be deemed Collateral;

(g) to the extent not covered in any other paragraph of this Section 1, all other general intangibles (including without limitation tax refunds, rights to payment or performance, choses in action and judgments taken on any rights or claims included in the Collateral) provided that general intangibles considered to be work product performed for or acquired on behalf of customers of any Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Collateral;

(h) all plant fixtures, business fixtures and other fixtures and storage and office facilities, and all accessions thereto and products thereof;

(i) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon; and

(j) all proceeds, products, rents and profits of or from any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral. For purposes of this Agreement, the term "PROCEEDS" includes whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

SECTION 2. SECURITY FOR OBLIGATIONS.

This Agreement secures, and the Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including without limitation the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. ss.362(a)), of all obligations and liabilities of every nature of Grantors now or hereafter existing under or arising out of or in connection with the Credit Agreement and the other Loan Documents and the Lender Interest Rate Agreements, and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to any Grantor, would accrue on such obligations), reimbursement of amounts drawn under Letters of Credit, payments for early termination of Lender Interest Rate Agreements, fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party or any Lender or Interest Rate Exchanger as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "Underlying Debt"), and all obligations of every nature of Grantors now or hereafter existing under this Agreement (all such obligations of Grantors, together with the Underlying Debt, being the "Secured Obligations").

SECTION 3. GRANTORS REMAINS LIABLE.

Anything contained herein to the contrary notwithstanding, (a) Each Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Secured Party of any of its rights

hereunder shall not release Grantors from any of their duties or obligations under the contracts and agreements included in the Collateral, and (c) Secured Party shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of Grantors thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. REPRESENTATIONS AND WARRANTIES. Each Grantor represents and warrants as follows:

(a) OWNERSHIP OF COLLATERAL. Except for the interests disclosed in Schedule 4(a) annexed hereto and for the security interest created by this Agreement, each Grantor owns the Collateral owned by such Grantor free and clear of any Lien.

Except with respect to the interests disclosed in Schedule 4(a) annexed hereto and such as may have been filed in favor of Secured Party relating to this Agreement, no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any filing or recording office.

(b) LOCATIONS OF EQUIPMENT AND INVENTORY. All of the Equipment and Inventory is, as of the date hereof, located at the places specified in Schedule 4(b) annexed hereto.

(c) NEGOTIABLE DOCUMENTS OF TITLE. No Negotiable Documents of Title are outstanding with respect to any of the Inventory.

(d) OFFICE LOCATIONS. The chief place of business, the chief executive office and the office where each Grantor keeps its records regarding the Accounts and all originals of all chattel paper that evidence Accounts is and has been for the four month period preceding the date hereof, located at the locations set forth on Schedule 4(d) annexed hereto.

(e) NAMES. Each Grantor has not in the past done, and each Grantor now does not, conduct business under any other name (including any trade-name or fictitious business name) except the names listed in Schedule 4(e) annexed hereto.

(f) DELIVERY OF CERTAIN COLLATERAL. All chattel paper and all notes and other instruments (excluding checks) comprising any and all items of Collateral have been delivered to Secured Party duly endorsed and accompanied by duly executed instruments of transfer or assignment in blank.

(g) INTELLECTUAL PROPERTY COLLATERAL.

(i) a true and complete list of all Trademark Registrations and Trademark applications owned, held (whether pursuant to a license or otherwise) or used by Grantors, in whole or in part, is set forth in Schedule 1(b);

(ii) a true and complete list of all Patents owned, held (whether pursuant to a license or otherwise) or used by Grantors, in whole or in part, is set forth in Schedule 1(c);

(iii) a true and complete list of all Copyright Registrations and applications for Copyright Registrations held (whether pursuant to a license or otherwise) by Grantors, in whole or in part, is set forth in Schedule 1(d);

(iv) after reasonable inquiry, Grantors are not aware of any pending or threatened claim by any third party that any of the Intellectual Property Collateral owned, held or used by Grantors is invalid or unenforceable; and

(v) no effective security interest or other Lien covering all or any part of the Intellectual Property Collateral is on file in the United States Patent and Trademark Office or the United States Copyright Office.

(h) PERFECTION. The security interests in the Collateral granted to Secured Party hereunder constitute valid security interests in the Collateral. Upon the filing of UCC financing statements naming Grantors as "debtor", naming Secured Party as "secured party" and describing the Collateral in the filing offices set forth on Schedule 4(h) annexed hereto, and in the case of the Intellectual Property Collateral, in addition the filing of a Grant of Trademark Security Interest, substantially in the form of Exhibit I and a Grant of Patent Security Interest, substantially in the form of Exhibit II, with the United States Patent and Trademark Office and the filing of a Grant of Copyright Security Interest, substantially in the form of Exhibit III, with the United States Copyright Office, the security interests in the Collateral granted to Secured Party will, to the extent a security interest in the Collateral may be perfected by filing UCC financing statements and, in the case of the Intellectual Property Collateral, in addition to the filing of such UCC Financing Statements, by the filing of a Grant of Trademark Security Interest and Grant of Patent Security Interest with the United States Patent and Trademark Office and a Grant of Copyright Security Interest with the United States Copyright Office, constitute perfected security interests therein prior to all other Liens except for the interests disclosed in Schedule 4(a) annexed hereto.

SECTION 5. FURTHER ASSURANCES.

(a) Each Grantor agrees that from time to time, at the expense of such Grantor, such Grantor will promptly execute and deliver all further instruments

and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantors will: (i) mark conspicuously each item of chattel paper included in the Accounts, each Related Contract and, at the request of Secured Party, each of its records pertaining to the Collateral, with a legend, in form and substance satisfactory to Secured Party, indicating that such Collateral is subject to the security interest granted hereby, (ii) at the request of Secured Party, deliver and pledge to Secured Party hereunder all promissory notes and other instruments (including checks) and all original counterparts of chattel paper constituting Collateral, duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Secured Party, (iii) use commercially reasonable efforts to obtain any necessary consents of third parties to the assignment and perfection of a security interest to Secured Party with respect to any Collateral, (iv) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (v) at the request of Secured Party after the acquisition by any Grantor of any item of Equipment which is covered by a certificate of title under a statute of any jurisdiction under the law of which indication of a security interest on such certificate is required as a condition of perfection thereof, execute and file with the registrar of motor vehicles or other appropriate authority in such jurisdiction an application or other document requesting the notation or other indication of the security interest created hereunder on such certificate of title, (vi) at the request of Secured Party deliver to Secured Party copies of all such applications or other documents filed during such calendar quarter and copies of all such certificates of title issued during such calendar quarter indicating the security interest created hereunder in the items of Equipment covered thereby, (vii) at any reasonable time, upon request by Secured Party, exhibit the Collateral to and allow inspection of the Collateral by Secured Party, or persons designated by Secured Party, and (viii) at Secured Party's request, appear in and defend any action or proceeding that may affect any Grantor's title to or Secured Party's security interest in all or any part of the Collateral.

(b) Without limiting the generality of the foregoing clause (a), if any Grantor shall hereafter obtain rights to any new Intellectual Property Collateral or become entitled to the benefit of (i) any patent application or patent or any reissue, division, continuation, renewal, extension or continuation-in-part of any Patent or any improvement of any Patent; or (ii) any Copyright Registration, application for Registration or renewals or extension of any Copyright, then in any such case, the provisions of this Agreement shall automatically apply thereto. Each Grantor shall promptly notify Secured Party

in writing of any of the foregoing rights acquired by such Grantor after the date hereof and of (i) any Trademark Registrations issued or application for a Trademark Registration or application for a Patent made, and (ii) any Copyright Registrations issued or applications for Copyright Registration made, in any such case, after the date hereof. Promptly after the filing of an application for any (1) Trademark Registration; (2) Patent; and (3) Copyright Registration, Grantors shall execute and deliver to Secured Party and record in all places where this Agreement is recorded a Security Agreement Supplement, substantially in the form of Exhibit IV, pursuant to which Grantors shall grant to Secured Party a security interest to the extent of its interest in such Intellectual Property Collateral; provided, if, in the reasonable judgment of such Grantor, after due inquiry, granting such interest would result in the grant of a Trademark Registration or Copyright Registration in the name of Secured Party, such Grantor shall give written notice to Secured Party as soon as reasonably practicable and the filing shall instead be undertaken as soon as practicable but in no case later than immediately following the grant of the applicable Trademark Registration or Copyright Registration, as the case may be.

(c) Each Grantor hereby authorizes Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of such Grantor. Each Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by such Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(d) Each Grantor hereby authorizes Secured Party to modify this Agreement without obtaining such Grantor's approval of or signature to such modification by amending Schedules 1(b), 1(c), and 1(d), as applicable, to include reference to any right, title or interest in any existing Intellectual Property Collateral or any Intellectual Property Collateral acquired or developed by Grantors after the execution hereof or to delete any reference to any right, title or interest in any Intellectual Property Collateral in which Grantors no longer have or claim any right, title or interest.

(e) Each Grantor will furnish to Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail.

SECTION 6. CERTAIN COVENANTS OF GRANTORS. Each Grantor shall:

(a) not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(b) notify Secured Party of any change in any Grantor's name, identity or corporate structure within 15 days of such change;

(c) give Secured Party 30 days' prior written notice of any change in any Grantor's chief place of business, chief executive office or residence or the office where such Grantor keeps its records regarding the Accounts and all originals of all chattel paper that evidence Accounts;

(d) if Secured Party gives value to enable any Grantor to acquire rights in or the use of any Collateral, use such value for such purposes; and

(e) pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Collateral, except to the extent the validity thereof is being contested in good faith and adequate reserves have been set aside therefor; provided that such Grantor shall in any event pay such taxes, assessments, charges, levies or claims not later than five days prior to the date of any proposed sale under any judgment, writ or warrant of attachment entered or filed against such Grantor or any of the Collateral as a result of the failure to make such payment.

SECTION 7. SPECIAL COVENANTS WITH RESPECT TO EQUIPMENT AND INVENTORY. Each Grantor shall:

(a) keep the Equipment and Inventory at the places therefor specified on Schedule 4(b) annexed hereto or, upon 30 days' prior written notice to Secured Party, at such other places in jurisdictions where all action that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Secured Party to exercise and enforce its rights and remedies hereunder, with respect to such Equipment and Inventory shall have been taken;

(b) cause the Equipment to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with each Grantor's past practices, and shall forthwith make or cause to be made all repairs, replacements and other improvements in connection therewith that are necessary or desirable to such end. Each Grantor shall promptly furnish to Secured Party a statement respecting any material loss or damage to any of the Equipment;

(c) keep correct and accurate records of Inventory owned by each Grantor, itemizing and describing the kind, type and quantity of such Inventory, such Grantor's cost therefor and (where applicable) the current list prices for such Inventory;

(d) if any Inventory is in possession or control of any of Grantors' agents or processors, if the aggregate book value of all such Inventory exceeds $100,000, and in any event upon the occurrence of an Event of Default or the occurrence of an Early Termination Date (as defined in a Master Agreement or an Interest Rate Swap Agreement or Interest Rate and Currency Exchange Agreement in the form prepared by the International Swap and Derivatives Association Inc. or a similar event under any similar swap agreement) under any Lender Interest Rate Agreement (either such occurrence being an "Event of Default" for purposes of this Agreement), instruct such agent or processor to hold all such Inventory for the account of Secured Party and subject to the instructions of Secured Party; and

(e) promptly upon the issuance and delivery to any Grantor of any Negotiable Document of Title, deliver such Negotiable Document of Title to Secured Party.

SECTION 8. INSURANCE. Each Grantor shall, at its own expense, maintain insurance with respect to the Equipment and Inventory in accordance with the terms of the Credit Agreement.

SECTION 9. SPECIAL COVENANTS WITH RESPECT TO ACCOUNTS AND RELATED CONTRACTS.

(a) Each Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts and Related Contracts, and all originals of all chattel paper that evidence Accounts, at the location therefor specified in Section 4 or, upon 30 days' prior written notice to Secured Party, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Secured Party to exercise and enforce its rights and remedies hereunder, with respect to such Accounts and Related Contracts shall have been taken. Each Grantor will hold and preserve such records and chattel paper and will permit representatives of Secured Party at any time during normal business hours to inspect and make abstracts from such records and chattel paper, and each Grantor agrees to render to Secured Party, at such Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. Promptly upon the request of Secured Party, each Grantor shall deliver to Secured Party complete and correct copies of each Related Contract.

(b) Each Grantor shall, for not less than five (5) years from the date on which such Account arose, maintain (i) complete records of each Account of such Grantor, including records of all payments received, credits granted and merchandise returned, and (ii) all documentation relating thereto.

(c) Except as otherwise provided in this subsection (c), each Grantor shall continue to collect, at its own expense, all amounts due or to become due to such Grantor under the Accounts and Related Contracts. In connection with such collections, each Grantor may take (and, at Secured Party's direction, shall take) such action as such Grantor or Secured Party may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Secured Party shall have the right at any time, upon the occurrence and during the continuation of an Event of Default and upon written notice to such Grantor of its intention to do so, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to Secured Party, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to Secured Party and, upon such notification and at the expense of such Grantor, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. After receipt by such Grantor of the notice from Secured Party referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including checks and other instruments) received by such Grantor in respect of the Accounts and the Related Contracts shall be received in trust for the benefit of Secured Party hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over or delivered to Secured Party in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 19, and (ii) such Grantor shall not adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

SECTION 10. DEPOSIT ACCOUNTS. Upon the occurrence and during the continuation of an Event of Default, Secured Party may exercise dominion and control over, and refuse to permit further withdrawals (whether of money, securities, instruments or other property) from any deposit accounts maintained with Secured Party constituting part of the Collateral.

SECTION 11. SPECIAL PROVISIONS WITH RESPECT TO THE INTELLECTUAL PROPERTY COLLATERAL.

(a) Each Grantor shall:

(i) diligently keep reasonable records respecting the Intellectual Property Collateral and at all times keep at least one complete set of its

records concerning such Collateral at its chief executive office or principal place of business;

(ii) hereafter use best efforts so as not to permit the inclusion in any contract to which it hereafter becomes a party of any provision that could or might in any way impair or prevent the creation of a security interest in, or the assignment of, any Grantor's rights and interests in any property included within the definitions of any Intellectual Property Collateral acquired under such contracts;

(iii) take any and all steps to protect the secrecy of all trade secrets relating to the products and services sold or delivered under or in connection with the Intellectual Property Collateral, including, without limitation, where appropriate entering into confidentiality agreements with employees and labeling and restricting access to secret information and documents;

(iv) use proper statutory notice in connection with its use of any of the Intellectual Property Collateral;

(v) use a commercially appropriate standard of quality (which may be consistent with each Grantor's past practices) in the manufacture, sale and delivery of products and services sold or delivered under or in connection with the Trademarks; and

(vi) furnish to Secured Party from time to time at Secured Party's reasonable request statements and schedules further identifying and describing any Intellectual Property Collateral and such other reports in connection with such Collateral, all in reasonable detail.

(b) Except as otherwise provided in this Section 11, each Grantor shall continue to collect, at its own expense, all amounts due or to become due to such Grantor in respect of the Intellectual Property Collateral or any portion thereof. In connection with such collections, such Grantor may take (and, at Secured Party's reasonable direction, shall take) such action as such Grantor or Secured Party may deem reasonably necessary or advisable to enforce collection of such amounts; provided, Secured Party shall have the right at any time, upon the occurrence and during the continuation of an Event of Default and upon written notice to such Grantor of its intention to do so, to notify the obligors with respect to any such amounts of the existence of the security interest created hereby and to direct such obligors to make payment of all such amounts directly to Secured Party, and, upon such notification and at the expense of such Grantor, to enforce collection of any such amounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. After receipt by such Grantor of the notice from Secured Party referred to in the proviso to the preceding sentence and during the continuation of any Event of Default,

(i) all amounts and proceeds (including checks and other instruments) received by such Grantor in respect of amounts due to such Grantor in respect of the Intellectual Property Collateral or any portion thereof shall be received in trust for the benefit of Secured Party hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over or delivered to Secured Party in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 18, and (ii) such Grantor shall not adjust, settle or compromise the amount or payment of any such amount or release wholly or partly any obligor with respect thereto or allow any credit or discount thereon.

(c) Each Grantor shall have the duty diligently, through counsel reasonably acceptable to Secured Party, to prosecute, file and/or make (i) any application relating to any of the Intellectual Property Collateral owned, held or used by each Grantor and identified on Schedules 1(b), 1(c) or 1(d), as applicable, that is pending as of the date of this Agreement, (ii) any Copyright Registration on any existing or future unregistered but copyrightable works (except for works of nominal commercial value), (iii) application on any future patentable but unpatented innovation or invention comprising Intellectual Property Collateral, and (iv) any Trademark opposition and cancellation proceedings, renew Trademark Registrations and Copyright Registrations and do any and all acts which are necessary or desirable to preserve and maintain all rights in all Intellectual Property Collateral. Any expenses incurred in connection therewith shall be borne solely by Grantors. Subject to the foregoing, Grantors shall give Secured Party prior written notice of any abandonment of any Intellectual Property Collateral or any pending patent application or any Patent.

(d) Except as provided herein, each Grantor shall have the right to commence and prosecute in its own name, as real party in interest, for its own benefit and at its own expense, such suits, proceedings or other actions for infringement, unfair competition, dilution, misappropriation or other damage, or reexamination or reissue proceedings as are necessary to protect the Intellectual Property Collateral. Secured Party shall provide, at Grantors' expense, all reasonable and necessary cooperation in connection with any such suit, proceeding or action including, without limitation, joining as a necessary party. Each Grantor shall promptly, following its becoming aware thereof, notify Secured Party of the institution of, or of any adverse determination in, any proceeding (whether in the United States Patent and Trademark Office, the United States Copyright Office or any federal, state, local or foreign court) or regarding such Grantor's ownership, right to use, or interest in any Intellectual Property Collateral. Such Grantor shall provide to Secured Party any information with respect thereto requested by Secured Party.

(e) In addition to, and not by way of limitation of, the granting of a security interest in the Collateral pursuant hereto, each Grantor, effective upon

the occurrence and during the continuation of an Event of Default and upon written notice from Secured Party, shall grant, sell, convey, transfer, assign and set over to Secured Party, all of such Grantor's right, title and interest in and to the Intellectual Property Collateral to the extent necessary to enable Secured Party to use, possess and realize on the Intellectual Property Collateral and to enable any successor or assign to enjoy the benefits of the Intellectual Property Collateral. This right shall inure to the benefit of all successors, assigns and transferees of Secured Party and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license shall be granted free of charge, without requirement that any monetary payment whatsoever be made to such Grantor. In addition, each Grantor hereby grants to Secured Party and its employees, representatives and agents the right to visit such Grantor's and any of its Affiliate's or subcontractor's plants, facilities and other places of business that are utilized in connection with the manufacture, production, inspection, storage or sale of products and services sold or delivered under any of the Intellectual Property Collateral (or which were so utilized during the prior six month period), and to inspect the quality control and all other records relating thereto upon reasonable advance written notice to such Grantor and at reasonable dates and times and as often as may be reasonably requested. If and to the extent that Grantors are permitted to license the Intellectual Property Collateral, Secured Party shall promptly enter into a non-disturbance agreement or other similar arrangement, at such Grantor's request and expense, with such Grantor and any licensee of any Intellectual Property Collateral permitted hereunder in form and substance reasonably satisfactory to Secured Party pursuant to which (i) Secured Party shall agree not to disturb or interfere with such licensee's rights under its license agreement with such Grantor so long as such licensee is not in default thereunder, and (ii) such licensee shall acknowledge and agree that the Intellectual Property Collateral licensed to it is subject to the security interest created in favor of Secured Party and the other terms of this Agreement.

SECTION 12. TRANSFERS AND OTHER LIENS. Grantors shall not sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except as permitted by the Credit Agreement; or, except for the interests disclosed on Schedule 4(a) annexed hereto and the security interest created by this Agreement, create or suffer to exist any Lien upon or with respect to any of the Collateral to secure the indebtedness or other obligations of any Person, provided that in the event Grantors make an asset sale permitted by the Credit Agreement and the assets subject to such asset sale are Collateral, Secured Party shall release the Collateral that is the subject of such asset sale to such Grantor free and clear of the lien and security interest under this Agreement concurrently with the consummation of such asset sale; provided, further that, as a condition precedent to such release, Secured Party shall have received evidence satisfactory to it that arrangements satisfactory to it have been made for delivery to Secured Party of the Net Asset Sale Proceeds of such asset sale to the extent required under the Credit Agreement.

SECTION 13. SECURED PARTY APPOINTED ATTORNEY-IN-FACT. Each Grantor hereby irrevocably appoints Secured Party as such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) to obtain and adjust insurance required to be maintained by such Grantor or paid to Secured Party pursuant to Section 8;

(b) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clauses (a) and (b) above;

(d) to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Collateral;

(e) to pay or discharge taxes or Liens (other than Liens permitted under this Agreement or the Credit Agreement) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Secured Party in its sole discretion, any such payments made by Secured Party to become obligations of Grantors to Secured Party, due and payable immediately without demand;

(f) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with Accounts and other documents relating to the Collateral; and

(g) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Grantors' expense, at any time or from time to time, all acts and things that Secured Party deems necessary to protect, preserve or realize upon the Collateral and Secured Party's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Grantors might do.

SECTION 14. SECURED PARTY MAY PERFORM. If any Grantor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by such Grantor under subsection 10.2 of the Credit Agreement.

SECTION 15. STANDARD OF CARE. The powers conferred on Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Secured Party accords its own property.

SECTION 16. REMEDIES. If any Event of Default shall have occurred and be continuing, Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "CODE") (whether or not the Code applies to the affected Collateral), and also may (a) require Grantors to, and Grantors hereby agree that they will at their expense and upon request of Secured Party forthwith, assemble all or part of the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties, (b) enter onto the property where any Collateral is located and take possession thereof with or without judicial process, (c) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Secured Party deems appropriate, (d) take possession of Grantors' premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of Grantors' equipment for the purpose of completing any work in process, taking any actions described in the preceding clause (c) and collecting any Secured Obligation, and (e) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Secured Party's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Secured Party may deem commercially reasonable. Secured Party or any Lender or Interest Rate Exchanger may be the purchaser of any or all of the Collateral at any such sale and

Secured Party, as agent for and representative of Lenders and Interest Rate Exchangers (but not any Lender or Lenders or Interest Rate Exchanger or Interest Rate Exchangers in its or their respective individual capacities unless Requisite Obligees (as defined in Section 21(a)) shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by Secured Party at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Grantors, and Grantors hereby waive (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor hereby waives any claims against Secured Party arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Secured Party accepts the first offer received and does not offer such Collateral to more than one offeree. If the proceeds of any sale or other disposition of the Collateral are insufficient to pay all the Secured Obligations, such Grantor shall be liable for the deficiency and the fees of any attorneys employed by Secured Party to collect such deficiency.

SECTION 17. ADDITIONAL REMEDIES FOR INTELLECTUAL PROPERTY COLLATERAL.

(a) Anything contained herein to the contrary notwithstanding, upon the occurrence and during the continuation of an Event of Default, (i) Secured Party shall have the right (but not the obligation) to bring suit, in the name of any Grantor, Secured Party or otherwise, to enforce any Intellectual Property Collateral, in which event such Grantor shall, at the request of Secured Party, do any and all lawful acts and execute any and all documents required by Secured Party in aid of such enforcement and such Grantor shall promptly, upon demand, reimburse and indemnify Secured Party as provided in subsections 10.2 and 10.3 of the Credit Agreement and Section 19 hereof, in connection with the exercise of its rights under this Section, and, to the extent that Secured Party shall elect not to bring suit to enforce any Intellectual Property Collateral as provided in this Section, such Grantor agrees to use all reasonable measures, whether by action, suit, proceeding or otherwise, to prevent the infringement of any of the Intellectual Property Collateral by others and for that purpose agrees to use its commercially reasonable judgment in maintaining any action, suit or proceeding against any Person so infringing reasonably necessary to prevent such infringement; (ii) upon written demand from Secured Party, Grantors shall execute and deliver to Secured Party an

assignment or assignments of the Intellectual Property Collateral and such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement; (iii) each Grantor agrees that such an assignment and/or recording shall be applied to reduce the Secured Obligations outstanding only to the extent that Secured Party (or any Lender) receives cash proceeds in respect of the sale of, or other realization upon, the Intellectual Property Collateral; and (iv) within five Business Days after written notice from Secured Party, such Grantor shall make available to Secured Party, to the extent within such Grantor's power and authority, such personnel in such Grantor's employ on the date of such Event of Default as Secured Party may reasonably designate, by name, title or job responsibility, to permit such Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold or delivered by such Grantor under or in connection with the Trademarks, Trademark Registrations and Trademark Rights, such persons to be available to perform their prior functions on Secured Party's behalf and to be compensated by Secured Party at such Grantor's expense on a per diem, pro-rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default.

(b) If (i) an Event of Default shall have occurred and, by reason of cure, waiver, modification, amendment or otherwise, no longer be continuing, (ii) no other Event of Default shall have occurred and be continuing, (iii) an assignment to Secured Party of any rights, title and interests in and to the Intellectual Property Collateral shall have been previously made, and (iv) the Secured Obligations shall not have become immediately due and payable, upon the written request of such Grantor, Secured Party shall promptly execute and deliver to such Grantor such assignments as may be necessary to reassign to such Grantor any such rights, title and interests as may have been assigned to Secured Party as aforesaid, subject to any disposition thereof that may have been made by Secured Party; provided, after giving effect to such reassignment, Secured Party's security interest granted pursuant hereto, as well as all other rights and remedies of Secured Party granted hereunder, shall continue to be in full force and effect; and provided further, the rights, title and interests so reassigned shall be free and clear of all Liens other than Liens (if any) encumbering such rights, title and interest at the time of their assignment to Secured Party and Permitted Encumbrances.

SECTION 18. APPLICATION OF PROCEEDS. Except as expressly provided elsewhere in this Agreement, all proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of Secured Party, be held by Secured Party as Collateral for, and/or then, or at any other time thereafter, applied in full or in part by Secured Party against, the Secured Obligations as provided in subsection 2.4D of the Credit Agreement.

SECTION 19. INDEMNITY AND EXPENSES.

(a) Each Grantor agrees to indemnify Secured Party and each Lender from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's or such Lender's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Each Grantor agrees to pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by such Grantor to perform or observe any of the provisions hereof.

(c) The obligations of each Grantor in this Section 19 shall survive the termination of this Agreement and the discharge of such Grantor's other obligations under this Agreement.

SECTION 20. CONTINUING SECURITY INTEREST; TRANSFER OF LOANS. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Secured Obligations, the cancellation or termination of the Commitments, and the cancellation or expiration of all outstanding Letters of Credit, (b) be binding upon any Grantor and its successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), but subject to the provisions of subsection 10.1 of the Credit Agreement, any Lender may assign or otherwise transfer any Loans held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lenders herein or otherwise. Upon the payment in full of all Secured Obligations, the cancellation or termination of the Commitments and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to such Grantor. Upon any such termination Secured Party will, at such Grantor's expense, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

SECTION 21. SECURED PARTY AS AGENT.

(a) Secured Party has been appointed to act as Secured Party hereunder by Lenders and, by their acceptance of the benefits hereof, Interest Rate Exchangers. Secured Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including without limitation the release or substitution of Collateral), solely in

accordance with this Agreement and the Credit Agreement; provided that Secured Party shall exercise, or refrain from exercising, any remedies provided for in Section 16 in accordance with the instructions of (i) Requisite Lenders or (ii) after payment in full of all Obligations under the Credit Agreement and the other Loan Documents, the holders of a majority of the aggregate notional amount (or, with respect to any Lender Interest Rate Agreement that has been terminated in accordance with its terms, the amount then due and payable (exclusive of expenses and similar payments but including any early termination payments then due) under such Lender Interest Rate Agreement) under all Lender Interest Rate Agreements (Requisite Lenders or, if applicable, such holders being referred to herein as "Requisite Obligees"). In furtherance of the foregoing provisions of this Section 21(a), each Interest Rate Exchanger, by its acceptance of the benefits hereof, agrees that it shall have no right individually to realize upon any of the Collateral hereunder, it being understood and agreed by such Interest Rate Exchanger that all rights and remedies hereunder may be exercised solely by Secured Party for the benefit of Lenders and Interest Rate Exchangers in accordance with the terms of this Section 21(a).

(b) Secured Party shall at all times be the same Person that is Administrative Agent under the Credit Agreement. Written notice of resignation by Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute notice of resignation as Secured Party under this Agreement; removal of Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute removal as Secured Party under this Agreement; and appointment of a successor Administrative Agent pursuant to subsection 9.5 of the Credit Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as Administrative Agent under subsection 9.5 of the Credit Agreement by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Secured Party under this Agreement, and the retiring or removed Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums, securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor Secured Party such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring or removed Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Administrative Agent's resignation or removal hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken

or omitted to be taken by it under this Agreement while it was Secured Party hereunder.

SECTION 22. AMENDMENTS; ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by any Grantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and, in the case of any such amendment or modification, by such Grantor. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 23. NOTICES. Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed; provided that notices to Secured Party shall not be effective until received. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or such other address as shall be designated by such party in a written notice delivered to the other parties hereto.

SECTION 24. FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 25. SEVERABILITY. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 26. HEADINGS. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 27. GOVERNING LAW; TERMS; RULES OF CONSTRUCTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE PROVIDES THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION

OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Credit Agreement, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined. The rules of construction set forth in subsection 1.3 of the Credit Agreement shall be applicable to this Agreement mutatis mutandis.

SECTION 28. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GRANTORS ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH GRANTOR, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY (I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; (II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS; (III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO SUCH GRANTOR AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 23; (IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER SUCH GRANTOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; (V) AGREES THAT SECURED PARTY RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST GRANTORS IN THE COURTS OF ANY OTHER JURISDICTION; AND (VI) AGREES THAT THE PROVISIONS OF THIS SECTION 28 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

SECTION 29. WAIVER OF JURY TRIAL. GRANTORS AND SECURED PARTY HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Each Grantor and Secured Party acknowledge that this waiver is a material inducement for such Grantor and Secured Party to enter into a business relationship, that Grantors and Secured Party have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Each Grantor and Secured Party further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 29 AND EXECUTED BY EACH OF

THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 30. COUNTERPARTS. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Grantors and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BLACKBAUD, INC.

BLACKBAUD, LLC

By:

Name:
Title:

Address: 2000 Daniel Island Drive
Charleston, SC 29492

BANKERS TRUST COMPANY,
as Secured Party

By:

Name:
Title:

Address: One Bankers Trust Plaza
130 Liberty Street, 14th Floor
New York, New York 10006

SCHEDULE 1(a) TO
SECURITY AGREEMENT

TRADEMARKS:

SCHEDULE 1(b) TO
SECURITY AGREEMENT

PATENTS ISSUED:

Patent No.	Issue Date	Invention	Inventor

PATENTS PENDING:

Applicant's Name	Date Filed	Application Number	Invention	Inventor

SCHEDULE 1(c) TO
SECURITY AGREEMENT

U.S. COPYRIGHTS:

Title	Registration No.	Date of Issue	Registered Owner

FOREIGN COPYRIGHT REGISTRATIONS:

Country	Title	Registration No.	Date of Issue

PENDING U.S. COPYRIGHT REGISTRATIONS & APPLICATIONS:

Title	Reference No.	Date of Application	Copyright Claimant

PENDING FOREIGN COPYRIGHT REGISTRATIONS & APPLICATIONS:

Country	Title	Registration No.	Date of Issue

SCHEDULE 4(a)
TO
SECURITY AGREEMENT

INTERESTS IN COLLATERAL

SCHEDULE 4(b)
TO
SECURITY AGREEMENT

LOCATIONS OF EQUIPMENT AND INVENTORY

Name of Company	Locations of Equipment and Inventory

SCHEDULE 4(D)
TO
SECURITY AGREEMENT

Office Locations

Name of Company	Office Locations

SCHEDULE 4(E)
TO
SECURITY AGREEMENT

Other Names

NAME OF COMPANY	OTHER NAMES

SCHEDULE 4(H)
TO
SECURITY AGREEMENT

FILING OFFICES

EXHIBIT I TO
SECURITY AGREEMENT

[FORM OF GRANT OF TRADEMARK SECURITY INTEREST]

GRANT OF TRADEMARK SECURITY INTEREST

WHEREAS, [BLACKBAUD, INC., a South Carolina corporation] [BLACKBAUD, LLC, a South Carolina limited liability company] ("GRANTOR") owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Trademark Collateral (as defined below); and

WHEREAS, Grantor has, together with [Blackbaud Inc.][Blackbaud LLC] joint and severally, as borrowers (the "Borrowers") entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as so amended, restated, supplemented or otherwise modified, being the "CREDIT AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with the financial institutions named therein (collectively, together with their respective successors and assigns party to the Credit Agreement from time to time, the "Lenders"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Bankers Trust Company, as Administrative Agent (in such capacity, "SECURED PARTY");

WHEREAS, Under the Credit Agreement the Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Grantors and

WHEREAS, pursuant to the terms of a Security Agreement dated as of October 13, 1999 (as amended, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT"), among Borrower and Secured Party, Grantor has agreed to create in favor of Secured Party a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Trademark Collateral;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Credit Agreement and the Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (the "TRADEMARK COLLATERAL"):

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all trademarks, service marks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto, owned by Grantor, or hereafter adopted and used, in

its business (including, without limitation, the trademarks specifically identified in Schedule A) (collectively, the "TRADEMARKS"); provided that trademarks, servicemarks, designs, logos, indicia, tradenames, trade dress, corporate names, company names, business names, fictitious business names, trade styles and/or other sources and/or business identifiers and applications pertaining thereto considered to be work product performed for or acquired on behalf of customers of Grantor which have been assigned or are required to be assigned to such customer shall not be deemed Trademarks or Trademark Collateral; all registrations that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries (including, without limitation, the registrations and applications specifically identified in Schedule A) (the "TRADEMARK REGISTRATIONS"); provided that registrations that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries on behalf of or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Trademark Registrations or Trademark Collateral; all common law and other rights (but in no event any of the obligations) in and to the Trademarks in the United States and any state thereof and in foreign countries (the "TRADEMARK RIGHTS"), and all goodwill of Grantor's business symbolized by the Trademarks and associated therewith (the "ASSOCIATED GOODWILL"); and

(ii) all proceeds, products, rents and profits of or from any and all of the foregoing Trademark Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Trademark Collateral. For purposes of this Grant of Trademark Security Interest, the term "PROCEEDS" includes whatever is receivable or received when Trademark Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

Notwithstanding anything herein to the contrary, in no event shall the Trademark Collateral include, and Grantor shall be not deemed to have granted a security interest in, any of Grantor's rights or interests in any license, contract or agreement to which Grantor is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of such license, contract or agreement or otherwise, result in a breach of the terms of, or constitute a default under any license, contract or agreement to which Grantor is a party; provided, that immediately upon the ineffectiveness, lapse or termination of any such provision, the Trademark Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[The remainder of this page is intentionally left blank.]

G-Exhibit II-3

IN WITNESS WHEREOF, Grantor has caused this Grant of Trademark Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the __this day of _____, 2001.

[BLACKBAUD, INC.]

[BLACKBAUD, LLC.]

By:

Name:
Title:

SCHEDULE A
TO
GRANT OF TRADEMARK SECURITY INTEREST

Registered Owner	United States Trademark Description	Registration Number	Registration Date

EXHIBIT II TO
SECURITY AGREEMENT

[FORM OF GRANT OF PATENT SECURITY INTEREST]

GRANT OF PATENT SECURITY INTEREST

WHEREAS, [BLACKBAUD, INC., a South Carolina corporation] [BLACKBAUD, LLC, a South Carolina limited liability company] ("GRANTOR") owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Patent Collateral (as defined below); and

WHEREAS, Grantor, together with [Blackbaud, Inc.][Blackbaud LLC], joint and severally, as borrowers (the "Borrowers") has entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as so amended, restated, supplemented or otherwise modified, being the "CREDIT AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with the financial institutions named therein (collectively, together with their respective successors and assigns party to the Credit Agreement from time to time, the "Lenders"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Bankers Trust Company, as Administrative Agent (in such capacity, "SECURED PARTY");

WHEREAS, under the Credit Agreement, the Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Grantor; and

WHEREAS, pursuant to the terms of a Security Agreement dated as of October 13, 1999 (as amended, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT"), among Borrowers and Secured Party, Grantor has agreed to create in favor of Secured Party a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Patent Collateral;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Credit Agreement and the Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (the "PATENT COLLATERAL"):

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) in and to all patents and patent applications and rights and interests in patents and patent applications under any domestic or foreign law that are presently, or in the future may be, owned or held by Grantor and all patents and patent applications and rights, title and interests in patents and patent applications under any

domestic or foreign law that are presently, or in the future may be, owned by Grantor in whole or in part (including, without limitation, the patents and patent applications listed in Schedule A), all rights (but not obligations) corresponding thereto to sue for past, present and future infringements and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof (all of the foregoing being collectively referred to as the "PATENTS"); provided that patents and patent applications and rights and interests in patents and patent applications considered to be work product performed for or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Patents or Patent Collateral; and

(ii) all proceeds, products, rents and profits of or from any and all of the foregoing Patent Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Patent Collateral. For purposes of this Grant of Patent Security Interest, the term "PROCEEDS" includes whatever is receivable or received when Patent Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

Notwithstanding anything herein to the contrary, in no event shall the Patent Collateral include, and Grantor shall be not deemed to have granted a security interest in, any of Grantor's rights or interests in any license, contract or agreement to which Grantor is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of such license, contract or agreement or otherwise, result in a breach of the terms of, or constitute a default under any license, contract or agreement to which Grantor is a party; provided, that immediately upon the ineffectiveness, lapse or termination of any such provision, the Patent Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Grantor has caused this Grant of Patent Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the ___this day of _____, 2001.

[BLACKBAUD, INC.]

[BLACKBAUD, LLC]

By:

Name:
Title:

SCHEDULE A
TO
GRANT OF PATENT SECURITY INTEREST

PATENTS ISSUED:

Patent No.	Issue Date	Invention	Inventor

PATENTS PENDING:

Applicant's Name	Date Filed	Application Number	Invention	Inventor

EXHIBIT III TO
SECURITY AGREEMENT

[FORM OF GRANT OF COPYRIGHT SECURITY INTEREST]

GRANT OF COPYRIGHT SECURITY INTEREST

WHEREAS, [BLACKBAUD, INC., a South Carolina corporation] [BLACKBAUD, LLC, a South Carolina limited liability company] ("GRANTOR"), owns and uses in its business, and will in the future adopt and so use, various intangible assets, including the Copyright Collateral (as defined below); and

WHEREAS, Grantor has, together with [Blackbaud, Inc.][Blackbaud LLC], joint and severally, as borrowers (the "Borrowers") entered into a Credit Agreement dated as of October 13, 1999 (said Credit Agreement, as so amended, restated, supplemented or otherwise modified, being the "CREDIT AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with the financial institutions named therein (collectively, together with their respective successors and assigns party to the Credit Agreement from time to time, the "Lenders"), Fleet National Bank, as Documentation Agent and First Union Securities, Inc., as Syndication Agent, and Bankers Trust Company, as Administrative Agent (in such capacity, "SECURED PARTY");

WHEREAS, under the Credit Agreement, the Lenders have made certain commitments, subject to the terms and conditions set forth in the Credit Agreement, to extend certain credit facilities to Grantor; and

WHEREAS, pursuant to the terms of a Security Agreement dated as of October 13, 1999 (as amended, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT"), among Borrowers and Secured Party, Grantor has agreed to create in favor of Secured Party a secured and protected interest in, and Secured Party has agreed to become a secured creditor with respect to, the Copyright Collateral;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, subject to the terms and conditions of the Credit Agreement and the Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (the "COPYRIGHT COLLATERAL"):

(i) all rights, title and interest (including rights acquired pursuant to a license or otherwise but only to the extent permitted by agreements governing such license or other use) under copyright in various published and unpublished works of authorship including, without limitation, computer programs, computer data bases, other computer software layouts, trade dress, drawings, designs, writings, and formulas (including, without limitation, the works listed on Schedule A, as the same may be

amended pursuant hereto from time to time) (collectively, the "COPYRIGHTS"); provided that rights, title and interest under copyright in various published and unpublished works of authorship including, without limitation, computer programs, computer data bases, other computer software, layouts, trade dress, drawings, designs, writings, formulas, copyright registrations and applications for copyright registrations considered to be work product performed for or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Copyrights or Copyright Collateral; all copyright registrations issued to Grantor and applications for copyright registration that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries (including, without limitation, the registrations listed on Schedule A, as the same may be amended pursuant hereto from time to time) (collectively, the "COPYRIGHT REGISTRATIONS"); provided that copyright registrations issued to Grantor and applications for copyright registration that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries on behalf of or acquired on behalf of customers of Grantor or which have been assigned or are required to be assigned to such customer shall not be deemed Copyright Registrations or Copyright Collateral; all common law and other rights in and to the Copyrights in the United States and any state thereof and in foreign countries including all copyright licenses (but with respect to such copyright licenses, only to the extent permitted by such licensing arrangements) (the "COPYRIGHT RIGHTS"), including, without limitation, each of the Copyrights, rights, titles and interests in and to the Copyrights and works protectable by copyright, which are presently, or in the future may be, owned, created (as a work for hire for the benefit of Grantor), authored (as a work for hire for the benefit of Grantor), or acquired by Grantor, in whole or in part, and all Copyright Rights with respect thereto and all Copyright Registrations therefor, heretofore or hereafter granted or applied for, and all renewals and extensions thereof, throughout the world, including all proceeds thereof (such as, by way of example and not by limitation, license royalties and proceeds of infringement suits), the right (but not the obligation) to renew and extend such Copyright Registrations and Copyright Rights and to register works protectable by copyright and the right (but not the obligation) to sue in the name of Grantor or in the name of Secured Party or Lenders for past, present and future infringements of the Copyrights and Copyright Rights; and

(ii) all proceeds, products, rents and profits of or from any and all of the foregoing Copyright Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Copyright Collateral. For purposes of this Grant of Copyright Security Interest, the term "PROCEEDS" includes whatever is receivable or received when Copyright Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

Notwithstanding anything herein to the contrary, in no event shall the Copyright Collateral include, and Grantor shall be not deemed to have granted a security interest in, any of Grantor's rights or interests in any license, contract or agreement to which Grantor is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of such license, contract or agreement or otherwise, result in a breach of the terms of, or constitute a default under any license, contract or agreement to which Grantor is a party; provided, that immediately upon the ineffectiveness, lapse or termination of any such provision, the Copyright Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

Grantor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Copyright Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Grantor has caused this Grant of Copyright Security Interest to be duly executed and delivered by its officer thereunto duly authorized as of the ___this day of _____, 2001.

[BLACKBAUD, INC.]

[BLACKBAUD, LLC]

By:

Name:
Title:

BANKERS TRUST COMPANY,
as secured party

One Bankers Trust Plaza
130 Liberty Street
New York, NY 10006
Attention: Robert Telesa

By:

Name:
Title:

SCHEDULE A
TO
GRANT OF COPYRIGHT SECURITY INTEREST

U.S. COPYRIGHTS:

Title	Registration No.	Date of Issue	Registered Owner

FOREIGN COPYRIGHT REGISTRATIONS:

Country	Title	Registration No.	Date of Issue

PENDING U.S. COPYRIGHT REGISTRATIONS & APPLICATIONS:

Title	Reference No.	Date of Application	Copyright Claimant

PENDING FOREIGN COPYRIGHT REGISTRATIONS & APPLICATIONS:

Country	Title	Registration No.	Date of Issue

EXHIBIT IV TO
SECURITY AGREEMENT

SECURITY AGREEMENT SUPPLEMENT

This SECURITY AGREEMENT SUPPLEMENT, dated _____, is delivered pursuant to the Amended and Restated Security Agreement, dated as of May __, 2001 (as it may be from time to time amended, modified or supplemented, the "SECURITY AGREEMENT"), among [Blackbaud, Inc, a South Carolina corporation] [Blackbaud LLC, a South Carolina limited liability company] as Grantor, and Bankers Trust Company, as Administrative Agent and as Secured Party. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Security Agreement.

Subject to the terms and conditions of the Security Agreement, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the Intellectual Property Collateral listed on Supplemental Schedule [1(b)] [1(c)] [1(d)] attached hereto the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located. All such Intellectual Property Collateral shall be deemed to be part of the Collateral and hereafter subject to each of the terms and conditions of the Security Agreement.

IN WITNESS WHEREOF, Grantor has caused this Supplement to be duly executed and delivered by its duly authorized officer as of _____.

[BLACKBAUD, INC.]

[BLACKBAUD, LLC]

By:

Name:
Title:

ANNEX H

Schedule 4.1C

[To come from Company]

ANNEX I

Schedule 5.1

[To come from Company]

ANNEX J

Schedule 1.1

Expansion Expenditures

A. Sales and Marketing Expenditures

- Costs of a remote sales office - this would include rent and all other related expenses.

- Hiring a VP Human Resources - this would include the salary, related benefits and costs to recruit and relocate.

- Hiring a VP Marketing - this would include the salary, related benefits and costs to recruit and relocate.

- Overstaffing of sales function - this would include salaries and benefits for the first 6 months for commissioned sales staff above the head count in the 2001 budget (such 2001 head count being 58 sales account executives). Also included would be the costs to recruit and relocate these individuals.

B. Product Development Expenditures

- Enhancement of the existing QA function - this would include the salaries and related benefits and costs to recruit and relocate the necessary staff. The project will be identified as the costs of personnel added above the current head count working in QA (such 2001 head count being 37 QA employees). This project would also include the costs of new software testing tools and any third party professionals assisting in the enhancement effort.

- Expansion of web-based product offerings - this would include the salaries and related benefits and costs to recruit and relocate the necessary staff. The project will be identified as the costs of personnel added above the current headcount working on these offerings (such 2001 head count being 7 web-based employees).

- Implementation of a "low-end" product - there are no staff currently working on such an offering. Accordingly the project would be defined as the salaries, related benefits of the staff working on such a project as well as the costs to recruit and relocate any new personnel.

C. Acquisitions

- Any losses, before D&A, associated with newly acquired businesses (excluding the recent Core Data acquisition). The carve-out may be used to help cover the

historical test required by the loan agreement as well as, going forward, quarterly covenant tests.

ANNEX K

JOINDER AGREEMENT

This Joinder Agreement (the "Agreement") dated as of May _____, 2001 is by and between BLACKBAUD, LLC, a South Carolina limited liability company (the "ADDITIONAL BORROWER"), BLACKBAUD, INC., a South Carolina corporation, (the "EXISTING BORROWER" and together with the Additional Borrower, the "Borrowers") and BANKERS TRUST COMPANY ("BANKERS TRUST"), as administrative agent for the below referenced Lenders (the "ADMINISTRATIVE AGENT"), under that certain Credit Agreement dated as of October 13, 1999, as amended by that certain First Amendment dated as of December 6, 1999, that certain Second Amendment dated as of December 19, 2000 and that certain Third Amendment dated as of May _____, 2001 (as so amended and modified and as it may be further amended or modified, the "CREDIT AGREEMENT"), by and among the Existing Borrower, the Lenders and the Administrative Agent. All of the defined terms in the Credit Agreement are incorporated herein by reference.

The Additional Borrower desires to become a Borrower pursuant to the terms of the Credit Agreement.

Accordingly, the Additional Borrower hereby agrees as follows with the Administrative Agent and the Lenders:

1. The Additional Borrower hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the Additional Borrower will be deemed to be a party, on a joint and several basis, to the Credit Agreement and a "Borrower" and "Company" for all purposes of the Credit Agreement and the other Loan Documents and a co-maker of each of the Notes, and shall have all of the obligations of a Borrower thereunder as fully as if it has executed the Credit Agreement and the other Loan Documents. The Additional Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement and in the Loan Documents which are binding upon the Borrowers, including, without limitation (a) all of the representations and warranties of the Borrowers set forth in Section 5 of the Credit Agreement, as supplemented from time to time in accordance with the terms thereof, and (b) all of the covenants set forth in Sections 6 and 7 of the Credit Agreement.

2. Without limiting the generality of the foregoing terms of paragraph 1, the Additional Borrower hereby grants to the Administrative Agent, for the benefit of the Lenders, a continuing security interest in, and a right of set off against any and all right, title and interest of the Additional Borrower in and to, the Collateral (as such term is defined in

subsection 1.1 of the Credit Agreement) of the Additional Borrower, in each case as provided in the Loan Documents.

3. The Additional Borrower acknowledges and confirms that it has received a copy of the Credit Agreement and the Annexes, Schedules and Exhibits thereto.

4. The Existing Borrower confirms that all of its obligations under the Credit Agreement are, and upon the Additional Borrower becoming a Borrower shall continue to be, in full force and effect. The Existing Borrower further confirms that immediately upon execution of this Agreement by the parties hereto, that the Additional Borrower shall become a Borrower under the Credit Agreement, the term "Obligations", as used in the Credit Agreement, shall include all Obligations of such Additional Borrower under the Credit Agreement and under each other Loan Document.

5. Each of the Existing Borrower and the Additional Borrower agrees that at any time and from time to time, upon the written request of the Administrative Agent, it will execute and deliver such further documents and do such further acts and things as the Administrative Agent may reasonably request in order to effect the purposes of this Agreement.

6. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.

7. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the Existing Borrower and the Additional Borrower has caused this Agreement to be duly executed by its authorized officers, and the Administrative Agent has caused the same to be accepted by its authorized officer, as of the day and year first above written.

BLACKBAUD, LLC, as Additional Borrower

By: ---

Name: ---

Title: ---

BLACKBAUD, INC., as Existing Borrower

By: ---

Name: ---

Title: ---

BANKERS TRUST COMPANY, as Administrative Agent for itself and the other Lenders

By: ---

Name: ---

Title: ---

Exhibit 21.1

Subsidiaries

Blackbaud Canada, Inc. (Toronto)

Blackbaud Europe Ltd. (Scotland)

Blackbaud Pacific Pty. (New South Wales, Australia)

Exhibit 23.1

Consent of Independent Accountants

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated February 20, 2004 relating to the financial statements of Blackbaud, Inc., which appear in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Raleigh, North Carolina
February 20, 2004