

Risk Factors Comparison 2024-02-21 to 2023-02-24 Form: 10-K

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Our business operations face a number of risks. These risks should be read and considered with other information provided in this report. Strategic Risks Our failure to compete successfully, **including through technology innovations or new and improved solutions**, could cause our revenue or market share to decline. Our market is highly competitive and rapidly evolving, and there are limited barriers to entry for many segments of this market. The companies we compete with and other potential competitors may have greater financial, technical and marketing resources, generate greater revenue and have better name recognition than we do. Also, a large, diversified software enterprise could decide to enter the market directly, including through acquisitions. Competitive pressures can adversely impact our business by limiting the prices we can charge our customers and making the adoption and renewal of our solutions more difficult. Our competitors might also establish or strengthen cooperative relationships with resellers and third- party consulting firms or other parties with whom we have had relationships, thereby limiting our ability to promote our solutions. These competitive pressures could cause our revenue and market share to decline. **In addition, the introduction of solutions encompassing new technologies can render existing solutions obsolete and unmarketable. As a result, our future success will depend, in part, upon our ability to continue to enhance existing solutions and develop and introduce in a timely manner or acquire new solutions that keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance. If we are unable to develop or acquire on a timely and cost- effective basis new software solutions or enhancements to existing solutions or if such new solutions or enhancements do not achieve market acceptance, we may be unable to compete successfully and our business, results of operations and financial condition may be materially adversely affected.** Because competition for highly qualified personnel is intense, we might not be able to attract and retain key personnel needed to support our planned growth. To meet our objectives successfully, we must attract and retain highly qualified personnel with specialized skill sets. If we are unable to attract and retain suitably qualified management, there could be a material adverse impact on our business. Further, we use equity incentive programs and equity awards in lieu of cash as part of our overall employee compensation agreements to both attract and retain personnel. A decline in our stock price could negatively impact the value of these equity incentive and related compensation programs as retention and recruiting tools. We may need to create new or additional equity incentive programs and / or compensation packages to remain competitive, which could be dilutive to our existing stockholders and / or adversely affect our results of operations. ~~More rapid than expected success in implementing our strategic shift from a license-based and one-time services business model to a cloud subscription business model with partners delivering some of our services could negatively impact our total revenue growth and financial performance. We continue to intentionally shift our focus towards selling cloud subscription solutions, which generally require less customization services. Also, our cloud solution contracts now frequently include subscription-based professional, analytic and training services or those services can be delivered through our partner program. This strategic shift to migrate our existing customers, sell new customers our cloud subscription solutions and have some services delivered by our partners results in a decrease in our one-time services contracts and revenue. Although our business model seeks to anticipate the rate of migration and resulting negative impact on our total revenue growth, more rapid than expected success in implementing this strategic shift could negatively impact our total revenue growth and financial performance.~~ **162022-162023** Form 10- K Blackbaud, Inc. The market for software and services for the social impact community might not grow and the organizations in that community might not continue to adopt, **or renew their subscriptions for,** our solutions and services. Many organizations in the social impact community, including nonprofits, foundations, companies, education institutions, and healthcare organizations, have not traditionally used integrated and comprehensive software and services for their specific needs. We cannot be certain that the market for such solutions and services will continue to develop and grow or that these organizations will elect to adopt our solutions and services rather than continue to use traditional, less automated methods, attempt to develop software internally, rely upon legacy software systems, or use software solutions not specifically designed for this market. Organizations that have already invested substantial resources in other fundraising methods or other non- integrated software solutions might be reluctant to adopt our solutions and services to supplement or replace their existing systems or methods. In addition, the implementation of one or more of our software solutions can involve significant capital commitments by our customers, which they may be unwilling or unable to make. If demand for and market acceptance of our solutions and services does not increase, we might not grow our business as we expect. **Furthermore, if we fail to respond to technological changes or our successfully introduce do not renew them on terms that are favorable to us, our business might suffer.** Our subscription arrangements are generally for a term of three years at contract inception with ~~one to three-~~ year renewals thereafter. **Our Most of our maintenance arrangements- arrangement renewals** are **generally** for a ~~one-year~~ **term of three years**. As the end of the contract term approaches, we seek the renewal of the agreement with the customer. Historically, subscription and maintenance renewals have represented a significant portion of our total revenue. Because of this characteristic of our business, if our customers choose not to renew their subscriptions or maintenance ~~and support~~ arrangements with us on beneficial terms or at all, our business, operating results and financial condition could be harmed. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our solutions and services and their ability to continue their operations and spending levels due to general economic conditions, extraordinary business interruptions, client- specific financial issues or otherwise. **We are incorporating generative artificial intelligence, or AI, technology into certain of our products and services. This technology is new and developing improved solutions-**, and while we aim to adopt known best practices, it may result in operational, financial

and reputational harm and other adverse consequences to our business. We are implementing AI features in certain of our products and services. The technologies underpinning these features are in the early stages of commercial use and exist in an emerging regulatory environment, which presents regulatory, litigation, ethical, reputational, operational and financial risks. Many U. S. and international governmental bodies and regulators have proposed, ~~our~~ or competitive position are in the process of developing, new regulations related to the use of AI and machine learning technologies. The final form of these may impose obligations related to our development, offering and use of AI technologies and expose us to increased risk of regulatory enforcement and litigation. We also expect that many of our generative AI features will include the processing of personal data and ~~may be harmed~~ subject to laws, policies, legal obligations and codes of conduct related to privacy and data protection. There is uncertainty about the extent to which privacy and data protection laws apply to AI technologies, and any delay in addressing privacy ~~our~~ or data protection concerns relating to our AI features may result in liability or regulatory investigations and fines, as well as harm to our sales and reputation. In addition, issues relating to intellectual property rights in AI-generated content have not been fully addressed by the courts, laws or regulations. Accordingly, the implementation of generative AI technologies into our products and services may result in exposure to claims related to copyright infringement or other intellectual property misappropriation. Furthermore, many of our AI features may rely on third-party service providers. As such, any improper processing of personal data by these service providers could harm our reputation, ~~business~~ or customers, or expose us to legal liability. Any disruption or failure in our AI systems or infrastructure could result in delays or errors in our operations, which could harm our business and financial results. Our generative AI technology features may also generate output that is misleading suffer. The introduction of solutions encompassing new technologies can render existing solutions obsolete and unmarketable. As a result, ~~insecure, inaccurate, harmful our~~ or otherwise flawed future success will depend, in part which may harm our reputation, ~~upon business our~~ or customers, or expose us to legal liability. Also, some AI scenarios present ethical issues. If we ~~unable to continue to enhance existing solutions and develop and introduce in a timely manner or acquire new offer AI solutions that keep pace with~~ are controversial because of their purported or actual impact on human rights, privacy, employment or other social issues, we may experience reputational harm. New and emerging AI technological technologies may require additional investment in the ~~developments~~ development and maintenance of various models, satisfy increasingly sophisticated approaches and processes, as well as development of protections and safeguards for the use of AI technologies, which may be expensive and could impact our financial results if we decide to further expand generative AI into our products and services. Likewise, the use of AI involves significant technical complexity and requires specialized expertise. The success of any enhancement or new product depends on many factors, including its relevance to our ~~customer~~ customers requirements, timely implementation and achieve market acceptance. If we are unable to develop or ~~our enhanced products~~ acquire on a timely and services cost-effective basis new software solutions or enhancements to existing solutions or if such new solutions or enhancements do not achieve widespread market adoption 2023 Form 10-K17 or there is a reduction in demand due to a lack of customer acceptance, technology challenges, strengthening competition, weakening economic conditions, or security or privacy concerns, our business ; could be harmed and our financial results of operations could be adversely affected. Although we aim to develop and financial condition use AI responsibly and attempt to identify and mitigate ethical and legal issues presented by its use, we may be materially adversely affected ~~unsuccessful in identifying or resolving issues before they arise~~. If we do not successfully address the risks inherent in the expansion of our international operations, our business could suffer. We currently have non- U. S. operations primarily in the U. K., Canada, Australia and Costa Rica, and we intend to expand further into international markets. Expansion of our international operations will require a significant amount of attention from our management and substantial financial resources and might 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. **Increases in** We expect that an increasing portion of our international revenues will be denominated in foreign currencies ; ~~subjecting~~ --- **subject** us to fluctuations in foreign currency exchange rates. If we expand our international operations, exposures to gains and losses on foreign currency transactions may increase. (See Foreign Currency Exchange Rates on page 58-59 for more information regarding the impact of foreign currency exchange rates on our operations.) Doing business internationally involves additional risks that could harm our operating results. Along with risks similar to those faced by our U. S. operations, our international operations are also subject to risks related to differing legal, political, social and regulatory requirements and economic conditions, including: • the imposition of additional withholding taxes or other tax on our foreign income, tariffs or restrictions on foreign trade or investment, including currency exchange controls; • greater risk of a failure of our employees and partners to comply with both U. S. and foreign laws, including antitrust regulations, the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act of 2010, and any trade regulations ensuring fair trade practices; ~~and~~ • the imposition of, or unexpected adverse changes in, foreign laws or regulatory requirements, including those pertaining to export restrictions, privacy and data protection, trade and employment restrictions and intellectual protections ; **and • general business disruptions caused by geopolitical situations and developments** 2022 Form 10-K17 Unfavorable media coverage related to peer-to-peer fundraising campaigns on our social platforms could negatively impact our business. Our online social giving platforms receive a high degree of media coverage for particularly news-worthy or controversial fundraising campaigns, as well as for our fee-based business model. Although our terms of service provide express limitations on the platforms' user-initiated fundraising campaigns and reserve our right to remove content that violates our terms of service, it may not always be possible to remove such content prior to it receiving attention in the media. Negative publicity related to our online social giving platforms could have an adverse effect on the size, engagement and loyalty of our user base and could result in decreased

revenue, which could adversely affect our business and financial results. Acquisitions could be difficult to consummate and integrate into our operations, and they could disrupt our business, dilute stockholder value or impair our financial results. As part of our business strategy, we ~~will continue from time to time to~~ seek to grow our business through acquisitions of new or complementary businesses, technologies or products that we believe can improve our ability to compete in our existing customer markets or allow us to enter new markets. The potential risks associated with acquisitions and investment transactions include, but are not limited to: • failure to realize anticipated returns on investment, cost savings and synergies; • difficulty in assimilating the operations, policies and personnel of the acquired company; • unanticipated costs associated with acquisitions; **182023 Form 10- K** • challenges in combining product offerings and entering into new markets in which we may not have experience; • distraction of management' s attention from normal business operations; • potential loss of key employees of the acquired company; • difficulty implementing effective internal controls over financial reporting, disclosure controls and procedures and **cybersecurity and** data protection procedures; • impairment of relationships with customers or suppliers; and • issues not discovered in due diligence, which may include product quality issues or legal or other contingencies. For example, following our acquisition of EVERFI, Inc. (as further described in Note 3 to our consolidate financial statements in this report) we experienced the loss of certain employees and unexpected delays in realizing anticipated returns on our investment. Acquisitions, including for example our ~~recent~~ acquisition of EVERFI, Inc., may also result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the expenditure of available cash, and amortization expenses or write- downs related to intangible assets such as goodwill, any of which could have a material adverse effect on our operating results or financial condition. We may experience risks relating to the challenges and costs of closing a business combination and the risk that an announced business combination may not close. There can be no assurance that we will be successful in making additional acquisitions in the future or in integrating or executing on our business plan for existing or future acquisitions. A reduction in the growth or amount of charitable giving due to deteriorating general economic conditions, a recession or otherwise could adversely affect our operating results and financial condition. A large percentage of our customers are nonprofits, foundations, education institutions, healthcare organizations and other members of the social impact community that fully or partially rely on charitable donations. If charitable giving, including online giving, does not continue to grow or declines, it could limit our current and potential customers' ability to use and pay for our solutions and services, which could adversely affect our operating results and financial condition. In addition, we derive a significant portion of our revenue from transaction-based payment processing fees that we collect from our customers through our Blackbaud Merchant Services solution, which enables our customers' donors to make donations and purchase goods and services using various payment options. A reduction in the growth of, or a decline in, charitable giving to these customers, whether due to deteriorating general economic conditions, the impact of past or future changes to applicable tax laws, or otherwise, could negatively impact the volume and size of such payment processing transactions and thereby adversely affect our operating results and financial condition. ~~182022 Form 10- K~~ Our failure to obtain licenses for, or our use of, third- party technologies could harm our business. We expect to continue licensing technologies from third parties, including applications used in our research and development activities, technologies that are integrated into our solutions and solutions that we resell. We believe that the loss of any third- party technologies currently integrated into our solutions could have a material adverse effect on our business. Our inability in the future to obtain any third- party licenses on commercially reasonable terms, or at all, could delay future solution development until equivalent technology can be identified, licensed or developed and integrated. This inability in turn could harm our business and operating results. Our use of third- party technologies also exposes us to increased risks including, but not limited to, risks associated with the integration of new technology into our solutions, 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. ~~The U. K.' s departure from the European Union (" E. U. ") could adversely affect us. Effective January 31, 2020, the U. K. is no longer a member of the E. U. Effective January 1, 2021, the relationship between the U. K. and the E. U. is governed primarily by certain trade and cooperation agreements, that set forth, among other things, terms regarding the trade of goods and services, workers' rights, social and environmental matters, data sharing, data privacy and financial services. Because we currently conduct business in the U. K. and in Europe, the U. K.' s exit from the E. U. under such circumstances creates uncertainty and could affect the business of and / or our relationships with our customers and partners as well as the value of the British Pound and the Euro relative to the U. S. dollar. The effects of Brexit on us, including those mentioned above and others we cannot now anticipate, are difficult to predict and could adversely affect our business, business opportunities, results of operations or financial condition in both the short- term and thereafter.~~ Operational Risks Breaches of our software, our failure to securely collect, store and transmit customer information, or our failure to safeguard confidential donor data, **including, for example, the Security Incident described below,** exposes us to liability, litigation, government investigations, penalties and remedial costs and our reputation and business could suffer. Fundamental to the use of our solutions is the secure collection, storage and transmission of confidential donor **, customer** and end user data **, personally identifiable information** and transaction data, including in our payment services. Despite the **2023 Form 10- K19** network, application and physical security procedures and internal control measures we employ to safeguard our systems, we have been, and in the future may be, vulnerable to a security breach, intrusion, loss or theft of confidential donor data and transaction data, which has in the past harmed and may in the future harm our business, reputation and future financial results. Furthermore, our reliance on remote access to information systems increases our exposure to potential cybersecurity incidents. Like ~~many~~ **virtually all** major businesses, we are, from time to time, a target of cyberattacks ~~, phishing and social engineering schemes,~~ such as the Security Incident (as described below and in Note 11 to our consolidated financial statements in this report), **information systems interruptions, phishing, social engineering schemes** and ~~we~~ **other systems disruptions.** We expect these threats to continue, some of which have been, and in the future may be, successful to varying degrees. Because the numerous and evolving cybersecurity threats used to obtain unauthorized access, disable, degrade or sabotage systems have become increasingly more

complex and sophisticated, it may be difficult to anticipate these acts or to detect them for periods of time, as with the Security Incident, and we may be unable to respond adequately or timely. As these threats continue to evolve and increase, we have already devoted and expect to continue to devote significant resources in order to modify and enhance our security controls and to identify and remediate any security vulnerabilities. A compromise of our data security, such as the Security Incident, that results in customer or customer constituent personal or payment card data being obtained by unauthorized persons could adversely affect our reputation with our customers and others, as well as our operations, results of operations, financial condition and liquidity **and** has resulted in, and could in the future result in, litigation against us, government investigations or the imposition of fines and penalties. (See Note 11 to our consolidated financial statements in this report for information regarding litigation, government investigations, fines and penalties related to the Security Incident.) We **have been, and in the future might be**, required to expend significant additional capital and other resources to rectify problems caused by a security breach, including notification under data privacy laws and regulations, and incur expenses related to remediating our information security systems. ~~2022 Form 10-K~~ Even though we may carry cyber-technology insurance policies that provide insurance coverage under certain circumstances, we have in the past suffered losses and may in the future suffer losses as a result of a security breach that exceed the coverage available under our insurance policies or for which we do not have coverage. (See Note 11 to our consolidated financial statements in this report for expense and insurance coverage information related to the Security Incident.) Furthermore, in the future such insurance may not be available on commercially reasonable terms, or at all. A security breach and any efforts we make to address such breach could also result in a disruption of our operations, particularly our online sales operations. The occurrence of actual cyber security events, such as the Security Incident, could magnify the severity of the adverse effects of future incidents on our business. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage information systems can be difficult to detect for long periods of time and can involve difficult or prolonged assessment or remediation periods even once detected. We, therefore, cannot assure you that all potential causes of past significant incidents, including the Security Incident, have been fully identified and remediated. The steps we take may not be sufficient to prevent future significant incidents and, as a result, such incidents may occur again. The Security Incident has had, and may continue to have, numerous adverse effects on our business, results of operations, financial condition and cash flows. As previously disclosed, on July 16, 2020, we contacted certain customers to inform them about the Security Incident, including that in May 2020 we discovered and stopped a ransomware attack. Prior to our successfully preventing the cybercriminal from blocking our system access and fully encrypting files, and ultimately expelling them from our system with no significant disruption to our operations, the cybercriminal removed a copy of a subset of data from our self-hosted environment **that affected over 13,000 customers**. Based on the nature of the incident, our research and third party (including law enforcement) investigation we believe that no data went beyond the cybercriminal, was or will be misused, or will be disseminated or otherwise made available publicly. However, our investigation into the Security Incident remains ongoing and may provide additional information. To date, we have received approximately 260 ~~customer-specific requests for~~ reimbursement ~~requests of~~ **expenses, approximately 214 (or 82 %) of which have been fully resolved and closed and approximately 39 (or 15 %) are inactive and are considered by us to have been abandoned by the customers. We have also received** approximately 400 reservations of the right to seek expense recovery in the future from customers or their attorneys in the U. S., U. K. and Canada related to the Security Incident, **none of which resulted in claims submitted to us and are considered by us to have been abandoned by the customers**. We have also received notices of proposed claims on behalf of ~~UK~~ **U. K.** data subjects, which we are reviewing. In addition, insurance ~~202023 Form 10-K~~ companies representing various customers' interests through subrogation claims have contacted us, and certain insurance companies have filed subrogation ~~claim~~ **claims** in court, **of which 3 cases remain active and unresolved**. Customer and insurer subrogation claims generally seek reimbursement of their costs and expenses associated with notifying their own customers of the Security Incident and taking steps to assure that personal information has not been compromised as a result of the Security Incident. In addition, presently, we are a defendant in ~~19~~ putative consumer class action cases ~~17~~ in U. S. federal courts (**most of** which have been consolidated under multi district litigation to a single federal court) and ~~2~~ in Canadian courts ~~1~~ alleging harm from the Security Incident. The plaintiffs in these cases, who generally purport to represent various classes of individual constituents of our customers, generally claim to have been harmed by alleged actions and / or omissions by us in connection with the Security Incident and assert a variety of common law and statutory claims seeking monetary damages, injunctive relief, costs and attorneys' fees, and other related relief. ~~We To date, we also~~ **have received a Civil Investigative Demand from the office of the California Attorney General relating to the Security Incident. In addition, we are subject to pending governmental actions or investigations by the U. S. Federal Trade Commission, the U. S. Department of Health and Human Services, the Office of the Australian Information Commissioner and the Office of the Privacy Commissioner of Canada. (See Note 11 to our consolidated financial statements included in this report for a more detailed description of the Security Incident and related matters.) On March 9, 2023, the Company reached a settlement with the SEC in connection with the Security Incident. This settlement fully resolves the previously disclosed SEC investigation of the Security Incident and is further described in the SEC Order. Under the terms of the SEC Order, the Company agreed to cease- and- desist from committing or causing any violations or any future violations of Sections 17 (a) (2) and (3) of the Securities Act and Section 13 (a) of the Exchange Act, and Rules 12b- 20, 13a- 13 and 13a- 15 (a) thereunder. As part of the SEC Order, the Company also agreed to pay, and has paid, a civil penalty in the amount of \$ 3. 0 million. On October 5, 2023, the Company reached a settlement with each of 49 state Attorneys General and the District of Columbia in connection with the Security Incident. This settlement fully resolves the previously disclosed multi- state Civil Investigative Demand issued on behalf of 49 state Attorneys General and the District of Columbia and a separate Civil Investigative Demand from the office Office of the California-Indiana Attorney General relating to the Security Incident. In addition, which is further described in the substantially similar Administrative Orders filed in each of the 49 states and the District of Columbia. Under the**

terms of the Administrative Orders, we have agreed: (i) to comply with state consumer protection laws, data breach notification laws, and HIPAA; (ii) not to make misleading misrepresentations to our customers or the individuals whose data is stored by us concerning (a) the extent to which we protect the privacy, security, confidentiality, or integrity of certain data, (b) the likelihood that data impacted by a security incident may be subject to pending governmental actions unauthorized access, disclosure, or investigations by the other misuse U. S. Federal Trade Commission, or the U. S. Department of Health and Human Services, the U. S. Securities and Exchange Commission (the "SEC"), the data breach notification requirements; Office of the Australian Information Commissioner and the Office of the Privacy Commissioner of Canada. (iii) See Note 11 to implement and improve certain cybersecurity programs and tools. As part of the Administrative Orders, we also agreed to pay, and have paid, a total of \$ 49. 5 million to the 49 states and District of Columbia. We paid the full settlement amount to each state and the District of Columbia during the fourth quarter of 2023 from our consolidated existing liquidity. This amount was fully accrued as a contingent liability in our financial statements included as of June 30, 2023. We entered into the Administrative Orders without admitting fault of liability in this report connection with the matters subject to the Multistate Investigation. The for form a more detailed description of Administrative Order was furnished as Exhibit 99. 2 to the Company' s Current Report on Form 8- K filed with the SEC on October 5, 2023. As previously disclosed, on February 1, 2024, the FTC announced its approval of an Agreement Containing Consent Order (the " Proposed Order ") evidencing its settlement with the Company in connection with the Security Incident . Pursuant to its rules, the FTC placed the Proposed Order and related matters draft complaint on the public record for a period of 30 days for the receipt of public comments after which the FTC will consider any comments received from interested persons prior to determining whether and in what form to finalize the Proposed Order . The 30- day comment period is scheduled to expire on March 14, 2024. As part of the FTC' s proposed order, the Company has not been fined and is not otherwise required to make any payment. Furthermore, the Company has agreed to the FTC' s proposed order without admitting or denying any of the FTC' s allegations, except as expressly stated otherwise in the Proposed Order. If finalized, the settlement described in the Proposed Order will fully resolve the FTC investigation. Although we believe the Proposed Order will be finalized in substantially its current form, there can be no assurances as to whether that will occur or its timing. Under the terms of the Proposed Order, we have agreed (i) to not misrepresent (a) the extent to which we maintain, use, delete or disclose certain customer information, (b) the extent to which we protect the privacy, security, availability, confidentiality or integrity of such information or (c) the extent of any security incident or unauthorized disclosure, misuse, loss, theft, alteration, destruction or other compromise of such information, and (ii) to delete certain data, adopt and make public certain record retention limits, establish, implement and maintain a specified information security program, obtain regular independent assessments of the mandated information security program, provide to the FTC specified certifications regarding our compliance with the Proposed Order, provide to the FTC reports of any future security incidents and create and maintain specified recordkeeping. The form of Proposed Order was furnished as Exhibit 99. 2 to the Company' s Current Report on Form 8- K filed with the SEC on February 2, 2024. 2023 Form 10- K21 As noted above, the terms of the FTC Proposed Order, the Attorneys General Administrative Orders and our settlement with the SEC require that we implement and maintain certain processes and programs and comply with certain legal requirements related to cybersecurity and data protection. Any future regulatory investigation or litigation settlements may also contain such requirements. Effectively implementing, monitoring and updating these requirements is expected to be expensive and time- consuming over an extended period. Our failure to do so in accordance with the terms of our agreements with FTC, the Attorneys General and with the SEC, and possibly others, could expose us to additional material liability under the terms of the Administrative Orders, the SEC settlement, or otherwise. We may be named as a party in additional lawsuits, other claims may be asserted by or on behalf of our customers or their constituents, and we may be subject to additional governmental inquiries, requests or investigations. Responding to and resolving these current and any future lawsuits, claims and / or investigations could result in material remedial and other expenses that will not be covered by insurance. It is reasonably possible that our estimated For- or actual losses may change example, we have recorded approximately \$ 23. 0 million in aggregate liabilities the near term for loss contingencies related to the those Security Incident matters and be materially more than the amounts accrued we believe we can reasonably estimate as of December 31, 2022. Certain governmental authorities are seeking to impose undertakings, injunctive relief, consent decrees, or other civil or criminal penalties, which could, among other things, materially increase our data security costs or otherwise require us to alter how we operate our business. Although we intend to defend ourselves vigorously against the claims asserted against us, we cannot predict the potential outcomes, cost and expenses associated with current and any future claims, lawsuits, inquiries and investigations. 2022 Form 10- K In addition, any legislative or regulatory changes adopted in reaction to the Security Incident or other companies' data breaches could require us to make modifications to the operation of our business that could have an adverse effect and / or increase or accelerate our compliance costs. Significant management time and Company resources have been, and are expected to continue to be, devoted to the Security Incident. For example, for full year 2022-2023, we incurred net pre- tax expense expenses of \$ 32-53 . 7-4 million and had net cash outlays of related to the Security Incident, which included \$ 20-22 . 9-4 million for ongoing legal fees and related to the Security Incident. For full year 2023, we currently expect pre- tax expense of approximately \$ 31. 0 20 million to \$ 30 million and net cash outlays of approximately \$ 25 million to \$ 35 million for settlements and recorded ongoing legal fees related to the Security Incident. Inclusive of accrued liabilities for loss contingencies discussed above, During 2023, we incurred a total had net cash outlays of \$ 55-78 . 7-0 million of net pre- tax expense related to the Security Incident, which included ongoing legal fees, the \$ 3. 0 million civil penalty paid during the first quarter of 2022-2023 related to the SEC settlement and the \$ 49. 5 million civil penalty paid during the fourth quarter of 2023 related to the Multistate Investigation (as discussed in Note 11). Although we carry insurance against certain losses related to the Security Incident, we have exceeded the limit of that

insurance coverage **in the first quarter of 2022**. As a result, we will be responsible for all expenses or other losses (including penalties, fines or other judgments) or all types of claims that may arise in connection with the Security Incident, which could materially and adversely affect our liquidity and results of operations. (See Note 11 to our consolidated financial statements included in this report.) If any such fines or penalties were great enough that we could not pay them through funds generated from operating activities and / or cause a default under the 2020 Credit Facility, we may be forced to renegotiate or obtain a waiver under the 2020 Credit Facility and / or seek additional debt or equity financing. Such renegotiation or financing may not be available on acceptable terms, or at all. In these circumstances, if we were unable to obtain sufficient financing, we may not be able to meet our obligations as they come due. In addition, publicity or developments related to the Security Incident could in the future have a range of other adverse effects on our business or prospects, including causing or contributing to loss of customer confidence, reduced customer demand, reduced customer retention, strategic growth opportunities, and associated retention and recruiting difficulties, some or all of which could be material. Climate change and other natural disasters, new regulations and standards and climate- related goals have impacted, and may in the future impact, our operations and financial performance. The long- term effects of climate change on the global economy and our industry may impact our business operations and those of our suppliers, customers and partners. Climate change increases the severity and frequency of extreme weather events such as hurricanes, wildfires, floods, heat waves, or power shortages, all of which could lead to business disruptions. The locations of our principal executive offices and our data centers are vulnerable to the effects of climate events and other natural disasters, including hurricanes, heat waves and earthquakes, which we have experienced in the past. In addition, the effects of climate change are harder to mitigate for our remote- first workforce, which exposes the Company to business disruption. Even though we carry business interruption insurance policies and typically have provisions in our commercial 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. **222023 Form 10- K** Expected new regulations and standards relating to public disclosure, including those related to climate change, could adversely ~~could~~ impose significant costs on us to comply with such regulations. Finally, a failure to meet our climate- related goals, such as our commitment and progress towards reduction of greenhouse gas emissions, could damage our reputation, affect our financial performance and **impact our** ability to attract and retain talent. Defects, delays or interruptions in our cloud solutions and hosting services could diminish demand for these services and subject us to substantial liability. We currently utilize data center hosting facilities to provide cloud solutions to **most a significant number** of our subscription customers and hosting services to our on- premise license customers. Any damage to, or failure of, these data center systems generally could result in interruptions in service to our customers, notwithstanding any business continuity or disaster recovery agreements that may currently be in place at these facilities. As noted above, our executive offices and some of our data centers are located in areas that are vulnerable to the effects of climate change and could be subject to increased interruptions as a result of the severity and increased frequency of extreme weather events such as hurricanes, wildfires, floods, heat waves, or power shortages. Because our cloud solutions and hosting service offerings are complex and we have incorporated a variety of new computer hardware and software systems at our data centers, our services might have errors or defects that users identify after they begin using our services. This could result in unanticipated downtime for our customers and harm to our reputation and business results. Internet- based services sometimes contain undetected errors when first introduced or when new versions or enhancements are released. We have from time to time found defects in our web- based services and new errors **2022 Form 10- K21** might again be detected in the future. In addition, our customers might use our Internet- based offerings in unanticipated ways that cause a disruption in service for other customers attempting to access their data. Because our customers use these services for important aspects of their businesses, any defects, delays or disruptions in service or other performance problems with our services could hurt our reputation and damage our customers' businesses. If that occurs, customers could elect to cancel their service, delay or withhold payment to us, not purchase from us in the future or make claims against us, which could result in an increase in our provision for credit losses, an increase in collection cycles for accounts receivable or the expense and risk of litigation. Any of these could harm our business and reputation. Material defects or errors in the software we use to deliver our services could harm our reputation, result in significant costs to us and impair our ability to sell our services. The software applications underlying our services are inherently complex and may contain material defects or errors, particularly when first introduced or when new versions or enhancements are released. We have from time to time found defects in our software, and new errors in our existing software may be detected in the future. After the release of our software, defects or errors may also be identified from time to time by our internal team and our customers. The costs incurred in correcting any material defects or errors in our software may be substantial and could harm our operating results. Furthermore, our customers may use our software together with solutions 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 solution development efforts, impact our reputation and cause significant customer relations problems. If we are unable, or our customers believe we may be unable, to detect and prevent unauthorized use of **payment card or other private financial or personal information, or are otherwise unable to effectively manage our payment processing business,** we could be subject to financial liability, our reputation could be harmed and customers may be reluctant to use our solutions and services ~~controlled and managed~~. Our solutions provide our customers payment processing capabilities that enable their constituents to make donations and purchase services using numerous payment options, including credit card and automated clearing house (“ACH”) checking transactions, through secure online transactions. The provision of convenient, trusted, fast and effective payment processing services to our customers and potential customers is critical to our business, and revenue from payments processing constitutes a significant percentage of our total revenue. Increases in payment processing fees, material changes in our payment processing systems, changes to rules or regulations concerning payments or

disruptions or failures in our payment processing systems or payment products, including products we use to update payment information, could materially adversely impact our customer retention and results of operation. In addition, from time to time, we encounter fraudulent **2023 Form 10- K23** use of payment methods that could result in substantial additional costs or delay, preclude planned transactions, product launches or improvements, require significant and costly operational changes, impose restrictions, limitations, or additional requirements on our business, products and services, prevent or limit us from providing our products or services in a given market and adversely impact customer retention. Furthermore, we continue to undertake system upgrades designed to ~~222022 Form 10- K~~ improve the availability, reliability, resiliency and speed of our payments systems. These efforts are costly and time-consuming, involve significant technical complexity and risk, may divert our resources from new features and products and may ultimately **not be effective**. The rules of payment card associations in which we participate require that we comply with Payment Card Industry Data Security Standard ("PCI DSS") in order to preserve security of payment card data. Under PCI DSS, we are required to adopt and implement internal controls over the use, storage and security of payment card data to help prevent card fraud. Conforming our solutions and services to PCI DSS or other payment services related regulations or requirements imposed by payment networks or our customers or payment processing partners is expensive and time-consuming. However, failure to comply may subject us to fines, penalties, damages and civil liability, may impair the security of payment card data in our possession, and may harm our reputation and our business prospects, including by limiting our ability to process transactions. All Blackbaud products in scope for PCI DSS compliance meet applicable PCI DSS security requirements. In addition, we routinely subject our various data protection processes and controls to voluntary third-party review, audit or reporting, including, for example, the American Institute of Certified Public Accountants' System and Organization Controls reporting. Failure to conduct these voluntary data protection process and control reviews or to obtain and maintain audits or reports covering our data protection processes and controls may harm our reputation or our business prospects and our ability to market our solutions to our customers. **We are subject to payment processing risk..... and may ultimately not be effective.** Financial Risks Because a significant portion of our revenue is recognized over time on a ratable basis over the contract term, downturns in sales may not be immediately reflected in our revenue. We generally recognize our subscription and maintenance revenue ratably over time over the contract term. Our subscription arrangements are generally for a term of three years at contract inception with ~~one to three-~~ year renewals thereafter. **Our Most of our maintenance arrangements- arrangement renewals are generally for a one-year term of three years.** As a result, much of the revenue we report in each quarter is attributable to arrangements entered into during previous quarters. Consequently, a decline in sales to new customers, renewals by existing customers or market acceptance of our solutions in any one quarter will not necessarily be fully reflected in the revenues in that quarter and could negatively affect our revenues and profitability in future quarters. **If our customers do not renew their.....- specific financial issues or otherwise.** We significantly increased our leverage in connection with acquisition of EVERFI and may increase our leverage in the future in connection with additional acquisitions, Security Incident costs or other business purposes, which could adversely impact our business and financial performance, ~~as described below~~. We incurred a substantial amount of indebtedness in connection with acquisitions, including our acquisition of EVERFI, Inc. (as described in Note 3 to our consolidated financial statements included in this report). As a result of this indebtedness, our interest payment obligations have increased. In addition, we have been named as a party in various lawsuits in connection with the Security Incident, claims have been asserted by or on behalf of our customers or their constituents, and we are subject to various governmental inquiries, requests or investigations. Responding to and resolving these current and any future lawsuits, claims and / or investigations could result in material remedial and other expenses. Although we intend to defend ourselves vigorously against the claims asserted against us, we cannot predict the potential outcomes, cost and expenses associated with current and any future claims, lawsuits, inquiries and investigations, which could require that we incur additional indebtedness to fund. (See Note 11 to our consolidated financial statements in this report for additional information regarding the Security Incident.) The degree to which we are leveraged could have adverse effects on our business, including the following: • Requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, dividends, ~~share stock~~ repurchases and other general corporate purposes; • **Increasing the amount of interest we pay, particularly if interest rates increase;** • Limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; **242023 Form 10- K** • Restricting us from making additional strategic acquisitions or exploiting business opportunities; • Placing us at a competitive disadvantage compared to our competitors that have less debt; • Reducing our currently available borrowing capacity or limiting our ability to borrow additional funds; and • Decreasing our ability to compete effectively or operate successfully under adverse economic and industry conditions. ~~2022 Form 10- K23~~ If we incur additional debt, these risks may intensify, ~~particularly if interest rates increase in the future~~. Our ability to meet our debt service obligations will depend upon our future performance, which will be subject to the financial, business and other factors affecting our operations, many of which are beyond our control. In addition, additional leverage could impact our ability to meet certain financial and other covenants contained in our 2020 Credit Facility. (See Note 9 to our consolidated financial statements included in this report for a more detailed description of our 2020 Credit Facility.) There can be no assurance that we will be able to remain in compliance with the covenants to which we are now subject or may be subject in the future and, if we fail to do so, that we will be able to obtain waivers from our lenders or amend the covenants. In the event of a default under our 2020 Credit Facility, we could be required to immediately repay all outstanding borrowings, which we might not be able to do and which would materially negatively affect our business, operations and financial condition. Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets could negatively affect our operating results. As of December 31, ~~2022-2023~~, we had \$ 1. 1 billion and \$ ~~635-581~~ **1-9** million of goodwill and intangible assets, respectively. On at least an annual basis, we assess whether there have been impairments in the carrying value of goodwill and intangible assets. If the carrying value of an asset is determined to be

impaired, then it is written down to fair value by a non-cash charge to operating earnings. Changes in circumstances that could indicate that the carrying value of goodwill or intangible assets may not be recoverable include declines in our stock price, market capitalization, cash flows and slower growth rates in our industry. We cannot accurately predict the likelihood or potential amount and timing of any impairment of goodwill or other intangible assets. An impairment of a significant portion of goodwill or intangible assets could materially and negatively affect our results of operations and financial condition. Restrictions in our credit facility may limit certain of our activities, including dividend payments, share stock repurchases and acquisitions. Our credit facility contains restrictions, including covenants limiting our ability to incur additional debt, grant liens, make acquisitions and other investments, prepay specified debt, consolidate, merge or acquire other businesses, sell assets, pay dividends and other distributions, repurchase stock and enter into transactions with affiliates. There can be no assurance that we will be able to remain in compliance with the covenants to which we are subject in the future and, if we fail to do so, that we will be able to obtain waivers from our lenders or amend the covenants. In the event of a default under our credit facility, we could be required to immediately repay all outstanding borrowings, which we might not be able to do. In addition, certain of our material domestic subsidiaries are required to guarantee amounts borrowed under the credit facility, and we have pledged the shares of certain of our subsidiaries as collateral for our obligations under the credit facility. Any such default could have a material adverse effect on our ability to operate, including allowing lenders under the credit facility to enforce guarantees of our subsidiaries, if any, or exercise their rights with respect to the shares pledged as collateral. We cannot guarantee that our stock repurchase program will be fully consummated or that it will enhance long-term stockholder value. Share Stock repurchases could also increase the volatility of the trading price of our stock and will diminish our cash reserves. Although our board of directors has authorized a stock repurchase program that does not have an expiration date, the program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our common stock. We have, from time to time, repurchased stock under this program and re-initiated repurchases under the program in the fourth quarter of 2023 after a two-year hiatus. We cannot guarantee that the program will be fully consummated or that it will enhance long-term stockholder value. The program could affect the trading price of our stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our 2023 Form 10-K stock. In addition, implementation of some or all of this program will diminish diminishes our cash reserves, which may impact our ability to finance future growth, to pursue possible future strategic opportunities and acquisitions and fund liabilities and expenses related to the Security Incident. (See Note 14 to our consolidated financial statements in this report for additional information related to our stock repurchase program.) We have recorded significant deferred tax assets, and we might never realize their full value, which would result in a charge against our earnings. As of December 31, 2022-2023, we had deferred tax assets of \$ 118-143.93 million. Realization of our deferred tax assets is dependent upon our generating sufficient taxable income in future years to realize the tax benefit from those assets. Deferred tax assets 242022 Form 10-K are reviewed at least annually for realizability. A charge against our earnings 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 beyond our existing valuation allowance. This could be caused by, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the solutions sold by our business and a variety of other factors. For example, during 2020, we recorded an increase in our valuation allowance attributable to state tax credit carryforwards for which we do not expect to realize benefit. (See Note 12 to our consolidated financial statements in this report for additional details.) If a deferred tax asset net of our valuation allowance was determined to be not realizable in a future period, the charge to earnings would be recognized as an expense in our results of operations in the period the determination is made. Additionally, if we are unable to utilize our deferred tax assets, our cash flow available to fund operations could be adversely affected. Depending on future circumstances, it is possible that we might never realize the full value of our deferred tax assets. Any future impairment charges related to a significant portion of our deferred tax assets would have an adverse effect on our financial condition and results of operations. Legal and Compliance Risks Privacy and data protection concerns, including evolving domestic and international government regulation in the area of consumer data privacy or data protection, could adversely affect our business and operating results. The effectiveness of our software solutions relies on our customers' storage and use of data concerning their customers, including financial, personally identifying or other sensitive data. Our customers' collection and use of this data for donor profiling, data analytics or communications outreach might raise privacy and data protection concerns and negatively impact the demand for our solutions and services. For example, our custom modeling and analytical services rely heavily on processing and using of data we gather from customers and various sources. Privacy and data protection laws could add restrictions or regulatory burdens, which could limit our ability to market and profit from those services. Governments in some jurisdictions have enacted or are considering enacting consumer data privacy or data protection legislation, including laws and regulations applying to the solicitation, collection, transfer, processing and use of personal data. This legislation could reduce the demand for our software solutions if we fail to design or enhance our solutions to enable our customers to comply with the privacy and data protection measures required by the legislation. Moreover, we may be exposed to liability under existing or new consumer privacy or data protection legislation. For example, when providing our solutions to certain customers in the healthcare industry, we must comply with applicable provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and might be subject to similar provisions of other legislation, including, without limitation, the Gramm-Leach-Bliley Act and related regulations, and the California Consumer Privacy Act of 2018, which became effective January 1, 2020, and may apply to some of our customers and areas of business. Even technical violations of these laws may result in penalties that are assessed for each non-compliant transaction. Blackbaud We, and some of our customers, are subject to the E. U. General Data Protection Regulation ("GDPR"), which became effective in the E. U. in May 2018 and its provisions continue to apply in the U. K. after Brexit by virtue of legislation incorporating the GDPR into U. K. data protection law, known as the "U. K. GDPR." The law requires companies to meet requirements regarding the handling of personal data, including rights such as the

portability of personal data. ~~All~~ We completed an extensive program of product and operational changes to address GDPR requirements and all future solutions sold we sell to customers subject to GDPR must include GDPR features. The implementation of GDPR has affected our ability to offer some features and services to customers in the E. U. and U. K. Furthermore, actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase, which have impacted us, and could in the future further impact us, through increased costs or restrictions on our business, and noncompliance could result in significant regulatory penalties and legal liability. If our customers or we were found to be subject to and in violation of any privacy or data protection laws or regulations, our business may be materially and adversely impacted 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 our customers and us and make it more ~~262023 Form 10-K~~ difficult for donors to make online donations. (See Note 11 to our consolidated financial statements included in this report for a description of the Security Incident and related legal proceedings and regulatory matters.) ~~2022 Form 10-K25~~ We are in the information technology business, and our solutions and services store, retrieve, transfer, manipulate and manage our customers' information and data. The effectiveness of our software solutions relies on our customers' storage and use of data concerning their donors, including financial, personally identifying and other sensitive data and our business uses similar systems that require us to store and use data with respect to our customers and personnel. Our collection and our customers' collection and use of this data might raise privacy and data protection concerns and negatively impact our business or the demand for our solutions and services. If a breach of data security, such as the Security Incident, were to occur, or other violation of privacy or data protection laws and regulations were to be alleged, our business may be materially and adversely impacted and solutions may be perceived as less desirable, which would negatively affect our business and operating results. Claims that we or our technologies infringe upon the intellectual property or other proprietary rights of a third party may require us to incur significant costs, enter into royalty or licensing agreements or develop or license substitute technology. We have been, and may in the future be, subject to claims that the technologies in our solutions and services infringe upon the intellectual property or other proprietary rights of a third party. In addition, the vendors providing us with technology that we use in our own solutions could become subject to similar infringement claims. Although we believe that our solutions and services do not infringe any intellectual property or other proprietary rights, we cannot be certain that our solutions and services do not, or that they will not in the future, infringe intellectual property or other proprietary rights held by others. Any claims of infringement could cause us to incur substantial costs to defend against the claim, even if the claim is without merit, and could distract our management from our business. Moreover, any settlement or adverse judgment resulting from the claim could require us to pay substantial amounts, or obtain a license to continue to use the technology and services that are the subject of the claim, and / or otherwise restrict or prohibit our use of the same. There can be no assurance that we would be able to obtain a license on commercially reasonable terms from the third party asserting any particular claim, or that we would be able to successfully develop alternative technology on a timely basis, or that we would be able to obtain a license from another provider of suitable alternative technology to permit us to continue offering, and our customers to continue using, the solutions and services. In addition, we generally provide in our customer arrangements for certain solutions and services that we will indemnify our customers against third- party infringement claims relating to technology we provide to those customers, which could obligate us to pay damages if the solutions and services were found to be infringing. Infringement claims asserted against us, our vendors or our customers may have a material adverse effect on our business, prospects, financial condition and results of operations. Our solutions utilize open source software, which may subject us to litigation, require us to re- engineer our solutions, or otherwise divert resources away from our development efforts. We use open source software in connection with certain of our solutions. Such open source software is generally licensed by its authors or other third parties under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, " Apache- style " licenses, " BSD- style " licenses and other open source licenses. There is little legal precedent governing the interpretation of many of the terms of some of these licenses and, therefore, the potential impact of these terms on our business is currently unable to be determined and may result in unanticipated obligations regarding our solutions and technologies. From time to time, companies that incorporate open source software into their products have faced claims challenging the ownership of open source software and / or compliance with open source license terms. Therefore, we could be subject to litigation by parties claiming ownership of open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their own software to publicly disclose all or part of the source code to such software and / or make available any derivative works of the open source code on unfavorable terms or at no cost. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose the source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and we may be required to release proprietary source code, pay damages for breach of contract, re- engineer our applications, discontinue sales in the event re- engineering cannot be accomplished on a timely basis, or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business. ~~2023 Form 10- K27~~ We rely upon trademark, copyright, patent and trade secret laws to protect our proprietary rights, which might not provide us with adequate protection. Our success and ability to compete depends to a significant degree upon the protection of our 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 core proprietary technology, we rely on a combination of patent, ~~262022 Form 10- K~~ trademark, copyright and trade secret laws, as well as nondisclosure agreements, each of which affords only limited protection. Changing domestic and international laws, government regulations and policies, ~~laws including, without limitation --- limiting ; California AB488~~ or restricting our ability to pass card charges on to customers and other similar laws and regulations, could adversely affect our business and operating results by increasing compliance costs, reducing customer demand for our solutions or damaging our reputation. Certain of our solutions, in particular our financial management and payment services

solutions, relate to activity heavily regulated by government agencies in the U. S., the U. K. and other countries in which we operate. The laws and regulations enforced by these agencies are proposed or enacted to deter fraud and other illicit financial transactions and to protect consumers and the financial system and are often revised or increased in scope. We have procedures and controls in place to monitor compliance with numerous federal, state and foreign laws and regulations. However, because these laws and regulations are complex, differ between jurisdictions, and are often subject to interpretation, or as a result of unintended errors, we may, from time to time, inadvertently violate these laws and regulations. Compliance with these laws and regulations is expensive and requires the time and attention of management. These costs divert capital and focus away from efforts intended to grow our business. If we do not successfully comply with laws, regulations, or policies, we could incur fines or penalties, be subject to litigation, lose existing or new customer contracts or other business, and suffer damage to our reputation. In addition, changes in certain laws, regulations or policies could impact our customers, alter our business environment and limit our operations. For example, various financial institutions subscribe to our EVERFI training solution, which they may then provide free of charge to schools in low- income and moderate- income communities as a means of satisfying their obligations under the Community Reinvestment Act of 1977, as amended (the “ CRA ”). Repeal or significant modification of the CRA or the many government agency regulations and policies implementing its provisions could cause financial institutions to limit or eliminate their purchases of these EVERFI solutions and thereby negatively impact our operating results and financial condition. ~~Anti-takeover provisions~~ **Provisions** in our ~~charter~~ **organizational** documents, our Stockholder Rights Agreement (as described below, the " Rights Agreement"), **certain officer compensation arrangements** and Delaware law may delay or prevent an acquisition **or change of control** of our Company **that could be deemed beneficial to our stockholders**. **Certain Provisions** ~~provisions of~~ **in our organizational documents, the Rights Agreement, compensation arrangements with our officers and** Delaware law **(as summarized below)** ~~our certificate of incorporation and bylaws and our Rights Agreement~~ may have the effect of delaying **, deferring, discouraging** or preventing **a an acquisition or** change in control of ~~our the company~~ **Company or a change in or our deterring management. This includes** tender offers for our common stock **that, proxy contests or other takeover attempts** stockholders may consider in their best interests. Our certificate of incorporation authorizes “ blank check ” preferred stock, which could be issued by the board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock. Stockholder approval is not necessary to issue preferred stock in this manner. Issuance of these **These** shares of preferred stock could have the effect of making it more difficult and more expensive for a person or group to acquire control of us and could effectively be used as an anti- takeover device. Currently **effects may discourage transactions that might result in** there ~~are no~~ **payment of a premium over the market price for** shares of our preferred stock issued or outstanding. Our bylaws provide for an advance notice procedure for stockholders to nominate director candidates for election or to bring business before an annual meeting of stockholders, including proposed nominations of persons for election to our board of directors, and limit the persons who may call special meetings of stockholders. On October 7, 2022, we declared a dividend of one preferred share purchase right (a “ Right ”) for each of our issued and outstanding shares of common stock. **Each Right entitles the registered holder.....** ~~by a bidder in a takeover context~~. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future. **2022 Certificate of Incorporation and Bylaw provisions. The 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. The classification of directors will have the effect of making it more difficult and time- consuming for stockholders to change the composition of the Board of Directors, could discourage a third- party from making a tender offer or otherwise attempting to obtain control of the Company and may maintain the incumbency of the Board of Directors. 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 the Board of Directors. The Bylaws may have the effect of precluding the conduct of business at a meeting if the proper procedures are not followed and may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company. 2023 Form 10- K27 Unanticipated- K** **The 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. This preferred stock, including the Series A Preferred Stock described below, could have terms that may discourage a potential acquirer from making, without first negotiating with the Board of Directors, an acquisition attempt through which such acquirer may be able to** ~~changes~~ **LLC.** Each Right entitles the registered holder, subject to the terms of the Rights Agreement, to purchase from us one one- thousandth of a share of ~~the our~~ **Series A Junior Participating Preferred Stock**, par value \$ 0.001 per share (the “ ~~Series A-Preferred Stock~~ ”) at a price of \$ 313.00, subject to certain adjustments (as adjusted from time to time, the “ Exercise Price ”). Under the Rights Agreement, the Rights will become exercisable if an entity, person or group acquires beneficial ownership of 20 % or more of ~~the our~~ **outstanding common stock** in a transaction not approved by ~~the our~~ **Board of Directors.** In the event that the Rights become exercisable due to the ownership threshold being crossed, each Right will entitle its holder (other than the person, entity or group triggering the Rights Plan, whose rights will become void and will not be exercisable) to purchase additional shares of ~~our~~ **common stock** having a then- current market value of twice the Exercise Price **, which would likely make any takeover or change of control attempt by such entity, person or group prohibitively expensive**. Subject to the terms of the Rights Agreement, the Rights **will were scheduled to expire on October 2, 2023. On Additional information regarding the Rights Agreement is contained in a Form 8- K filed with the SEC on** October 2-11, 2023-2022

~~the Company amended the Rights Agreement to extend the final expiration date from October 2, 2023 to October 2, 2024. The Company expects to submit this amendment to~~ **anti- takeover provisions of Delaware law and provisions in our organizational documents and the Company's Rights Agreement may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context** in our effective tax rate and additional tax liabilities and global tax developments may impact our financial results. We are subject to income taxes in the United States and various other jurisdictions. Significant judgment is often required in the determination of our worldwide provision for income taxes. Our effective tax rate could be impacted by changes in our earnings and losses in countries with differing statutory tax rates, changes in operations, changes in non- deductible expenses, changes in excess tax benefits of stock-based compensation, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes, effects from acquisitions, and changes in accounting **2023 Form 10- K29** principles and tax laws. Any changes, ambiguity or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions could also materially impact our income tax liabilities. We may also be subject to additional tax liabilities and penalties due to changes in non- income ~~-~~ based taxes resulting from changes in federal, state, local or international tax laws, changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, or changes to our business operations, including as a result of acquisitions. **For example, the U. S. Inflation Reduction Act of 2022 created an excise tax of 1 % on the value of any stock repurchased by us after December 31, 2022. We could be subject to this excise tax, but the amount will vary depending on various factors, including the amount and frequency of any stock repurchases and any permitted reductions or exceptions to the amount subject to the tax.** Any resulting increase in our tax obligation or cash taxes paid could adversely affect our **financial position and** cash flows ~~and financial results~~. We are also subject to tax examinations or engaged in alternative resolutions in multiple jurisdictions. While we regularly evaluate new information that may change our judgment resulting in recognition, derecognition or changes in measurement of a tax position taken, there can be no assurance that the final determination of any examinations will not have an adverse effect on our operating results or financial position. ~~As our business continues to grow, increasing our brand recognition and profitability, we may be subject to increased scrutiny and corresponding tax disputes, which may impact our cash flows and financial results. Furthermore, our growing prominence may bring public attention to our tax profile, and if perceived negatively, may cause brand or reputational harm.~~ As we utilize our tax credits and net operating loss carryforwards, we may be unable to mitigate our tax obligations to the same extent as in prior years, which could have a material impact to our future cash flows. In addition, changes to our operating structure, including changes related to acquisitions, may result in cash tax obligations. Global tax developments applicable to multinational businesses may have a material impact to our business, cash flow from operating activities, or financial results. Such developments, for example, may include certain United States' proposals as well as the Organization for Economic Co-operation and Development' s, the European Commission' s and certain major jurisdictions' heightened interest in and taxation of companies participating in the digital economy.