DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

IN THE MATTER OF:	)	ADMINISTRATIVE ORDER
BLACKBOARD, INC.	)	Order No. SB-04-01

CONSENT AGREEMENT AND SETTLEMENT ORDER

The Commissioner of the District of Columbia Department of Insurance, Securities and Banking (formerly the Department of Insurance and Securities Regulation), having the authority to administer and provide for enforcement of the Securities Act of 2000, D.C. Official Code § 31-5601.01 et. seq., upon due consideration of the subject matter hereof, has determined as follows:

Statement of Facts

1. BLACKBOARD, INC. ("Respondent") is a Delaware software e-Education company that was founded in 1997 and is based in the District of Columbia.[1]

2. On November 19, 2003, Respondent made a filing with the Department's Securities Bureau concerning the issuance of stock options under an employee stock incentive plan (the "Plan") offered by the Respondent.

3. The filing submitted by the Respondent requested that the offering be exempted from registration under D.C. Official Code § 31-5604.01(10)(A). That exemption may be available in the District of Columbia where a security is offered in

[1] Respondent is a software company for e-Education that was founded with a vision to transform the Internet into a powerful environment for the education experience. The Respondent offers a complete suite of enterprise software products and services that power e-Education programs in four primary markets (Higher Education, Kindergarten through 12th grade, Corporate and Government and International).

connection with a written compensatory benefit plan including a stock option or similar employee benefits plan.

4. In order to be eligible for the exemption found in § 31-5604.01(10)(A), issuers must provide notice to the Department at least 20 days prior to the offering date, pursuant to D.C. Mun. Reg. § 1943.5. The requirements found in D.C. Mun. Reg. § 1943 have been in effect since June 1, 2001.

5. The Securities Bureau requested and received a list of all transactions that occurred in the District with respect to the Plan between June 1, 2001 and November 25, 2003, the date on which the Respondent filed its notice under Rule 401(10). The list covered all transactions that occurred with employees located in the Respondent's office in the District as well as employees who resided in the District, whether or not they were employed out of the District. It also included certain employees considered remote employees who neither reside in the District nor are employed in the District but may be considered to have received their options from the Issuer's headquarters in the District.

6. In total 196 option grants were made by the Respondent in the District between June 1, 2001 and December 31, 2003 as part of an offering that was neither registered with the Department of Insurance and Securities Regulation nor properly exempted from registration.

7. Respondent acknowledged in its January 14, 2004 letter to the Securities Bureau that its filing was being made less than 20 days prior to the applicable offering date but offered the following explanation of why the Plan was not filed in a timely manner:

   Respondent's Plan was adopted in January 1998 and options were granted under that Plan commencing shortly thereafter. While the District of Columbia has regulated securities professionals for many years, it did not regulate the sale of securities by issuers at the time of the Plan's adoption. The Respondent, in June of 2001, was represented by Washington DC counsel to assist it with its corporate and securities matters, but was not informed or aware of the requirement that went into effect in June 2001 requiring it to file its employee benefit plan in advance of any additional issuance made thereunder. The Respondent erroneously believed that, because it made no changes to the Plan, other than ordinary course annual increases in the number of securities subject to the Plan, prior to June 1, 2001, the Plan was exempt from the notice requirement under D.C. Mun. Reg. § 1943. The Respondent conducted a private placement in 2002 and was assisted by Washington, D.C. counsel in insuring that the federal and state securities laws were complied with. The Respondent has indicated that all options under the Plan were issued pursuant to the exemptive requirements

under 701 of the Securities Act of 1933, as amended. The Respondent indicated that it had no reason to believe that it was not being kept aware of changes to local securities laws and that impacted its ability to do business in the Distrct. The Respondent has since engaged the services of Hale and Dorr LLP in part because of its plan to commence a public offering. As part of the engagement, the Respondent requested the Hale and Dorr review all of its prior securities transactions to be sure that they were in compliance with federal and state laws. In the course of that review, it was discovered that the Plan had not been filed in the District of Columbia. Shortly thereafter, the Respondent requested that Hale and Dorr file the Plan on its behalf.

8. The Securities Bureau requested that the Respondent provide assurances that it was in good standing with the District of Columbia in all other respects to conduct business in this jurisdiction.

9. In its letter dated January 14, 2004, Respondent provided an assurance that Blackboard, Inc. is a Delaware corporation and that it is qualified to do business as a foreign corporation in the District of Columbia. The Respondent further provided that it does not owe back taxes and is not subject to any liens in the District.

10. Respondent is desirous of settling this matter and agrees to voluntarily waive all right to a hearing upon entry of this Order and, solely for the purposes of this proceeding and without admitting or denying the existence of a violation, Respondent has consented to the entry of this Order.

11. In view of the circumstances, the Securities Bureau determined that a fine in the amount of Five Thousand dollars ($5,000) is appropriate.

CONCLUSIONS OF LAW

1. Respondent failed to provide timely notification to the Department of Insurance and Securities Regulation in connection with its issuance of stock option plans that were offered in the District of Columbia.

2. The failure of Respondent to notify the Department of stock options granted to District of Columbia residents at least 20 days prior to the first offering is a violation of D.C. Mun. Reg. 1943.5.

ORDER

WHEREAS, the Department, based on information submitted by the Respondent is satisfied that the exceptions alleged, supra, were not willful and that the corrective action is now being taken;

WHEREAS, Respondent wishes to resolve alleged violations by entering into a Consent Agreement with the Department of Insurance and Securities Regulation, subject to the approval of the Commissioner, as follows:

A. The Respondent waives its right to further notice and hearing in this matter.

B. The Respondent shall pay administrative fine in the amount of Five Thousand dollars ($5,000) made payable to the D.C. Treasurer.

C. The Department of Insurance and Securities Regulation hereby accepts the administrative fine and agrees not to pursue other administrative remedies available under its administrative authority relating to matters alleged in this agreement.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That Respondent shall ensure that proper procedures are effected to preclude any future non-compliance with the Act.

2. That in lieu of revoking the exemption available to Respondent, the Commissioner will agree to accept an administrative penalty and will take no other enforcement action with respect to the offers made prior to notification.

3. Respondent shall pay an administrative penalty in the amount of Five thousand dollars ($5,000) made payable to the D.C. Treasurer.

4. The Commissioner finds this Order necessary and appropriate and in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

Agreed and Consented to:

RECEIVED

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SECURITIES BUREAU
DISR

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

BY: _____
Theodore A. Miles,
Director

RESPONDENT
BLACKBOARD, INC.

BY: _____
Mathew Small, Esq.

SO ORDERED:

Dated this 2 day of April, 2004.

APPROVED and so ORDERED:
In Witness Whereof, I have hereunto set my hand and affixed the official seal. Of this Department in the District of Columbia, this 2 day of April, 2004.

_____
Lawrence H. Mirel,
Commissioner

BLACKBOARD INC.
1899 L STREET, NW
FIFTH FLOOR
WASHINGTON, DC 20036

SILICON VALLEY BANK
SANTA CLARA, CALIFORNIA 95054
90-4039/1211

23131

DATE 3/19/2004

AMOUNT $5,000.00

Five Thousand Dollars and 00 Cents

PAY

TO THE ORDER OF:
D.C. Treasurer
D.C. Office of Tax and Revenue
941 N. Capitol St, 6th FL NE
Washington DC 20002

2ND SIGNATURE REQUIRED IF OVER $50,000

MP

AUTHORIZED SIGNATURE

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

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