County Nassau

Office of Purchasing

Staff Summary A-24-2018

PART 1

Subject: IAS Maintenance Renewal (RQIT18000014)	Date: February 02, 2018
Department: Office of Purchasing	Vendor Name: Tyler Technologies Inc.
Department Head Name: Robert Cleary	Contract Number A-24-2018
Department Head Signature	Contract Manager Name Timothy Funaro

Proposed Legislative Action					
	To	Date	Approval	Info	Other
	Assgn Comm				
	Rules Comm				
	Full Leg				

Internal Approvals			
Date & Init.	Approval	Date & Init.	Approval
	Dept. Head		
	Budget	04/09/2018	County Atty.
	Deputy C.E.	4/20/18	County Exec.

Narrative

Purpose: To authorize and award a purchase order for IAS/Adapt Assessment System software licenses and support/maintenance for the Nassau County Department of Information and Technology.

Discussion: This request is a sole source purchase; Tyler Technologies' IAS World system is a highly specialized computer software solution that contains software coding, process and trade secrets that are propriety to Tyler Technologies. Tyler Technologies is the only vendor with the necessary knowledge, skills and authority to provide the IAS World support to Nassau County. The maintenance agreement period is from January 01, 2018 to December 31, 2018.

Impact on Funding: A purchase order in the amount of Five Hundred Fifty-Nine Thousand Three Hundred Fifty-Five dollars. ($559,355.) from general funds.

Recommendation: Office of Purchasing recommends an award be given to Tyler Technologies as the sole source for this purchase.

4/9/18

Rec'd 4/10

(SUBJ. TO UPDATED INSURANCE INFO)

2018 MAY 24 P 12:29

CLERK OF THE LEGISLATURE NASSAU COUNTY RECEIVED

COUNTY OF NASSAU

INTER – DEPARTMENTAL MEMO

TO: CLERK OF THE COUNTY LEGISLATURE **A-24-2018**

FROM: ROBERT CLEARY; DIRECTOR-PROCUREMENT COMPLIANCE

DATE: FEBRUARY 14, 2018

SUBJECT: RESOLUTION–NASSAU COUNTY DEPARTMENT OF INFORMATION AND TECHNOLOGY

THIS RESOLUTION IS RECOMMENDED BY THE DIRECTOR, OFFICE OF PURCHASING TO AUTHORIZE AN AWARD AND TO EXECUTE A PURCHASE ORDER IN THE AMOUNT OF FIVE HUNDRED FIFTY-NINE THOUSAND THREE HUNDRED FIFTY-FIVE DOLLARS ($559,355.00) ON BEHALF OF NASSAU COUNTY INFORMATION AND TECHNOLOGY TO TYLER TECHNOLOGIES INC. FOR IAS WORLD SYSTEM FOR NASSAU COUNTY DEPARTMENT OF INFORMATION AND TECHNOLOGY.

THE ABOVE DESCRIBED DOCUMENT ATTACHED HERETO IS FORWARDED FOR YOUR REVIEW AND APPROVAL AND SUBSEQUENT TRANSMITTAL TO THE RULES COMMITTEE FOR INCLUSION IN ITS AGENDA.

MICHAEL SCHLENOFF
ACTING DIRECTOR OF PURCHASING

MS: br

ENCL:
(1) STAFF SUMMARY
(2) DISCLOSURE STATEMENT
(3) RESOLUTION
(4) SOLE SOURCE DOCUMENTS
(5) QUOTAITON
(6) CERTIFICATE OF LIABILITY INSURANCE
(7) POLITICAL CONTRIBUTION FORM

RULES RESOLUTION 2018

A RESOLUTION AUTHORIZING THE DIRECTOR OF NASSAU COUNTY OFFICE OF PURCHASING TO AWARD AND EXECUTE A CONTRACT BETWEEN THE COUNTY OF NASSAU ACTING ON BEHALF OF THE NASSAU COUNTY DEPARTMENT OF INFORMATION AND TECHNOLOGY AND TYLER TECHNOLOGIES INC.

WHEREAS, the Director is representing to the Rules Committee that the firm, TYLER TECHNOLOGIES INC., is a sole source provider and meets all specifications for the product described in the said contract as determined by the Director of the Office of Purchasing.

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the Director, Office of Purchasing to award and execute the said Purchase Order with TYLER TECHNOLOGIES INC.

CERTIFICATE OF LIABILITY INSURANCE

ACORD®

DATE (MM/DD/YYYY): 3/28/2018

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Hays Companies 133 Federal Street, 4th Floor Boston MA 02110	CONTACT NAME: Moira Crosby PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL ADDRESS: mcrosby@hayscompanies.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Hartford Fire Insurance Company	19682
INSURER B : Hartford Casualty Insurance Company	29424
INSURER C : Lloyds of London Syndicates	048337 &
INSURER D :	048945
INSURER E :	
INSURER F :	

INSURED
Tyler Technologies, Inc.
5101 Tennyson Parkway

Plano TX 75024

COVERAGES CERTIFICATE NUMBER: 18-19 GL, Auto REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC OTHER:			08UENAY8572	4/1/2018	4/1/2019	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 1,000,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 2,000,000
							PRODUCTS - COMP/OP AGG	$ 2,000,000
								$
A	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS			08UENAY8572	4/1/2018	4/1/2019	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
B	X UMBRELLA LIAB X OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $			08RHUAY8122	4/1/2018	4/1/2019	EACH OCCURRENCE	$ 25,000,000
							AGGREGATE	$ 25,000,000
								$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		08WEEL5271	4/1/2018	4/1/2019	X PER STATUTE OTH-ER	
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
C	Cyber/Privacy Prof Liab			B0621PTYLE000217	12/17/2017	12/17/2018	Occurence Limit	$20,000,000
C	Cyber/Privacy Prof Liab			B0621PTYLE000317	12/17/2017	12/17/2018	Aggregate Limit	$20,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Certificate Holder is listed as Additional Insured on the General Liability policy when required by written contract. Waiver of Subrogation is added to Workers Compensation in favor of Nassau County Assessor & Project Administrator.

CERTIFICATE HOLDER	CANCELLATION
Nassau County Dept./Assessors 240 Old County Road Mineola, NY 11501	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE James Hays/MCROSB

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 3/23/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME: Moira Crosby
Hays Companies 133 Federal Street, 2nd Floor Boston MA 02110	PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL ADDRESS: mcrosby@hayscompanies.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Hartford Fire Insurance Company	19682
INSURER B: Hartford Casualty Insurance Company	29424
INSURER C: Lloyds of London Syndicates	37090
INSURER D:	
INSURER E:	
INSURER F:	

INSURED
Tyler Technologies, Inc.
5101 Tennyson Parkway
Plano TX 75024

COVERAGES CERTIFICATE NUMBER: 4.1.17-11.17.17 GL, Auto, REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE [X] OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: [X] POLICY PRO-JECT LOC OTHER:			08 UUN AY8572	4/1/2017	4/1/2018	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 1,000,000 $ 10,000 $ 1,000,000 $ 2,000,000 $ 2,000,000 $
A	AUTOMOBILE LIABILITY [X] ANY AUTO ALL OWNED AUTOS / SCHEDULED AUTOS [X] HIRED AUTOS [X] NON-OWNED AUTOS			08 UUN AY8572	4/1/2017	4/1/2018	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ 1,000,000 $ $ $ $
B	[X] UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $			08 XHU AY8122	4/1/2017	4/1/2018	EACH OCCURRENCE AGGREGATE	$ 25,000,000 $ 25,000,000 $
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		08 WE EL5271	4/1/2017	4/1/2018	[X] PER STATUTE OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ 1,000,000 $ 1,000,000 $ 1,000,000
C	Cyber/Privacy Prof Liab			B0621PTYLE000216	11/17/2016	11/17/2017	Occurrence Limit	$20,000,000
C	Cyber/Privacy Prof Liab			B0621PTYLE000216	11/17/2016	11/17/2017	Aggregate Limit	$20,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Certificate Holder is listed as Additional Insured on the General Liability policy when required by written contract. Waiver of Subrogation is added to Workers Compensation in favor of Nassau County Assessor & Project Administrator.

CERTIFICATE HOLDER

Nassau County Dept./Assessors
240 Old County Road
Mineola, NY 11501

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
James Hays/MCROSB

COUNTY OF NASSAU

POLITICAL CAMPAIGN CONTRIBUTION DISCLOSURE FORM

1. Has the vendor or any corporate officers of the vendor provided campaign contributions pursuant to the New York State Election Law in (a) the period beginning April 1, 2016 and ending on the date of this disclosure, or (b), beginning April 1, 2018, the period beginning two years prior to the date of this disclosure and ending on the date of this disclosure, to the campaign committees of any of the following Nassau County elected officials or to the campaign committees of any candidates for any of the following Nassau County elected offices: the County Executive, the County Clerk, the Comptroller, the District Attorney, or any County Legislator? If yes, to what campaign committee?

No.

2. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

The undersigned further certifies and affirms that the contribution(s) to the campaign committees identified above were made freely and without duress, threat or any promise of a governmental benefit or in exchange for any benefit or remuneration.

Dated: 10/11/17

Vendor: Tyler Technologies, Inc.

Signed: [signature]

Print Name: Abby Diaz

Title: Chief Legal Officer

COUNTY OF NASSAU

LOBBYIST REGISTRATION AND DISCLOSURE FORM

1. Name, address and telephone number of lobbyist(s)/lobbying organization. The term "lobbyist" means any and every person or organization retained, employed or designated by any client to influence - or promote a matter before - Nassau County, its agencies, boards, commissions, department heads, legislators or committees, including but not limited to the Open Space and Parks Advisory Committee and Planning Commission. Such matters include, but are not limited to, requests for proposals, development or improvement of real property subject to County regulation, procurements. The term "lobbyist" does not include any officer, director, trustee, employee, counsel or agent of the County of Nassau, or State of New York, when discharging his or her official duties.

None.

2. List whether and where the person/organization is registered as a lobbyist (e.g., Nassau County, New York State):

NONE

3. Name, address and telephone number of client(s) by whom, or on whose behalf, the lobbyist is retained, employed or designated:

NONE

4. Describe lobbying activity conducted, or to be conducted, in Nassau County, and identify client(s) for each activity listed. **See page 4 for a complete description of lobbying activities.**

NONE

5. The name of persons, organizations or governmental entities before whom the lobbyist expects to lobby:

NONE

6. If such lobbyist is retained or employed pursuant to a written agreement of retainer or employment, you must attach a copy of such document; and if agreement of retainer or employment is oral, attach a written statement of the substance thereof. If the written agreement of retainer or employment does not contain a signed authorization from the client by whom you have been authorized to lobby, separately attach such a written authorization from the client.

7. Has the lobbyist/lobbying organization or any of its corporate officers provided campaign contributions pursuant to the New York State Election Law in (a) the period beginning April 1, 2016 and ending on the date of this disclosure, or (b), beginning April 1, 2018, the period beginning two years prior to the date of this disclosure and ending on the date of this disclosure, to the campaign committees of any of the following Nassau County elected officials or to the campaign committees of any candidates for any of the following Nassau County elected offices: the County Executive, the County Clerk, the Comptroller, the District Attorney, or any County Legislator? If yes, to what campaign committee?

NONE

I understand that copies of this form will be sent to the Nassau County Department of Information Technology ("IT") to be posted on the County's website.

I also understand that upon termination of retainer, employment or designation I must give written notice to the County Attorney within thirty (30) days of termination.

VERIFICATION: The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

<u>The undersigned further certifies and affirms that the contribution(s) to the campaign committees listed above were made freely and without duress, threat or any promise of a governmental benefit or in exchange for any benefit or remuneration.</u>

Dated: 10/11/17

Signed: [signature]

Print Name: Abby Diaz

Title: Chief Legal Officer

The term <u>lobbying</u> shall mean any attempt to influence: any determination made by the Nassau County Legislature, or any member thereof, with respect to the introduction, passage, defeat, or substance of any local legislation or resolution; any determination by the County Executive to support, oppose, approve or disapprove any local legislation or resolution, whether or not such legislation has been introduced in the County Legislature; any determination by an elected County official or an officer or employee of the County with respect to the procurement of goods, services or construction, including the preparation of contract specifications, including by not limited to the preparation of requests for proposals, or solicitation, award or administration of a contract or with respect to the solicitation, award or administration of a grant, loan, or agreement involving the disbursement of public monies; any determination made by the County Executive, County Legislature, or by the County of Nassau, its agencies, boards, commissions, department heads or committees, including but not limited to the Open Space and Parks Advisory Committee, the Planning Commission, with respect to the zoning, use, development or improvement of real property subject to County regulation, or any agencies, boards, commissions, department heads or committees with respect to requests for proposals, bidding, procurement or contracting for services for the County; any determination made by an elected county official or an officer or employee of the county with respect to the terms of the acquisition or disposition by the county of any interest in real property, with respect to a license or permit for the use of real property of or by the county, or with respect to a franchise, concession or revocable consent; the proposal, adoption, amendment or rejection by an agency of any rule having the force and effect of law; the decision to hold, timing or outcome of any rate making proceeding before an agency; the agenda or any determination of a board or commission; any determination regarding the calendaring or scope of any legislature oversight hearing; the issuance, repeal, modification or substance of a County Executive Order; or any determination made by an elected county official or an officer or employee of the county to support or oppose any state or federal legislation, rule or regulation, including any determination made to support or oppose that is contingent on any amendment of such legislation, rule or regulation, whether or not such legislation has been formally introduced and whether or not such rule or regulation has been formally proposed.

The term "lobbying" or "lobbying activities" <u>does not include</u>: Persons engaged in drafting legislation, rules, regulations or rates; persons advising clients and rendering opinions on proposed legislation, rules, regulations or rates, where such professional services are not otherwise connected with legislative or executive action on such legislation or administrative action on such rules, regulations or rates; newspapers and other periodicals and radio and television stations and owners and employees thereof, provided that their activities in connection with proposed legislation, rules, regulations or rates are limited to the publication or broadcast of news items, editorials or other comment, or paid advertisements; persons who participate as witnesses, attorneys or other representatives in public rule-making or rate-making proceedings of a County agency, with respect to all participation by such persons which is part of the public record thereof and all preparation by such persons for such participation; persons who attempt to influence a County agency in an adjudicatory proceeding, as defined by § 102 of the New York State Administrative Procedure Act.

PRINCIPAL QUESTIONNAIRE FORM

All questions on these questionnaires must be answered by all officers and any individuals who hold a ten percent (10%) or greater ownership interest in the proposer. Answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name H. Lynn Moore, Jr.
   Date of birth 09/20/67
   Home address 5634 Purdue Avenue
   City/state/zip Dallas, TX 75209
   Business address 5101 Tennyson Parkway
   City/state/zip Plano, TX 75024
   Telephone (972) 713-3770
   Other present address(es) —
   City/state/zip —
   Telephone —
   List of other addresses and telephone numbers attached

2. Positions held in submitting business and starting date of each (check all applicable)
   President 01/01/17 Treasurer __/__/__
   Chairman of Board __/__/__ Shareholder __/__/__
   Chief Exec. Officer __/__/__ Secretary 10/01/2000
   Chief Financial Officer __/__/__ Partner __/__/__
   Vice President 10/01/2000 to 02/01/2008
   (Other) Executive Vice President 02/2008 – 12/2016
   General Counsel 09/1998 – 12/2016

3. Do you have an equity interest in the business submitting the questionnaire?
   YES X NO __ If Yes, provide details. See attached

4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire? YES __ NO X If Yes, provide details.

5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? YES __ NO X; If Yes, provide details.

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? YES ___ NO X If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency.
Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:

   a. Been debarred by any government agency from entering into contracts with that agency?
   YES ______ NO X If Yes, provide details for each such instance.

   b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause? YES ____ NO X If Yes, provide details for each such instance.

   c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? YES ___ NO X If Yes, provide details for each such instance.

   d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? YES ____ NO X If Yes, provide details for each such instance.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)

   a) Is there any felony charge pending against you? YES ___ NO X If Yes, provide details for each such charge.

   b) Is there any misdemeanor charge pending against you? YES ____ NO X If Yes, provide details for each such charge.

   c) Is there any administrative charge pending against you? YES ____ NO X If Yes, provide details for each such charge.

   d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business? YES ___ NO X If Yes, provide details for each such conviction.

e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor?
YES ____ NO X If Yes, provide details for each such conviction.

f) In the past 5 years, have you been found in violation of any administrative or statutory charges? YES ____ NO X If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? YES ____ NO X If Yes, provide details for each such investigation.

10. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer? YES ____ NO X If Yes; provide details for each such investigation.

11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? YES ____ NO X If Yes; provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? YES ____ NO X If Yes, provide details for each such year.

CERTIFICATION
A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

I, H. Lynn Moore, Jr., being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 4th day of October 2017

SHERRY CLARK
Notary Public, State of Texas
Comm. Expires 09-29-2020
Notary ID 130842141

Sherry Clark
Notary Public

Tyler Technologies, Inc.
Name of submitting business

H. Lynn Moore, Jr.
Print name

Signature

President
Title

10 / 4 / 17
Date

Tyler Technologies, Inc. (TYL)

NYSE - Nasdaq Real Time Price, Currency in USD

Add to watchlist

Quote Lookup

174.84 +0.52 (+0.30%)

As of -. Market open.

People also watch
ULTI MANH BLKB CSGP SSNC

Summary Chart Conversations Statistics Profile Financials Options Holders Historical Data Analysts

Major Holders | Insider Roster Insider Transactions

Major Holders

Currency in USD

Breakdown

7.42%	% of Shares Held by All Insider
92.60%	% of Shares Held by Institutions
100.03%	% of Float Held by Institutions
366	Number of Institutions Holding Shares

Direct Holders (Forms 3 and 4)

Name	Shares	Date Reported
MARR JOHN S JR	339,457	Aug 23, 2017
YEAMAN JOHN M	316,294	Mar 14, 2017
WOMBLE DUSTIN R	210,122	Sep 11, 2017
KING LUTHER JR	68,369	Jun 1, 2016
MOORE H LYNN JR	55,257	Sep 11, 2017
MILLER BRIAN K	50,694	Sep 14, 2017
BRATTAIN DONALD R	11,570	Aug 13, 2017

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	2,804,393	Jun 29, 2017	7.52%	490,852,803

Sorry for the inconvenience but we had to move some things around. You can find your portfolios here.

Neuberger Berman Gr	1,573,105	Jun 29, 2017	4.22%	275,340,566
JP Morgan Chase & C	1,027,797	Jun 29, 2017	2.76%	179,695,307
SQ Advisors, LLC	891,635	Jun 29, 2017	2.39%	158,045,369
State Street Corporation	883,896	Jun 29, 2017	2.37%	154,725,818
Times Square Capital Management, LLC	845,540	Jun 29, 2017	2.27%	147,894,865
Goldman Sachs Group, Inc.	766,872	Jun 29, 2017	2.06%	134,190,599

Top Mutual Fund Holders

Holder	Shares	Date Reported	% Out	Value
Neuberger & Berman Genesis Fund	1,169,392	Mar 30, 2017	3.13%	180,764,617
Brown Capital Management Small Company Fund	1,134,714	Mar 30, 2017	3.04%	175,404,092
Janus Henderson Research Fund	840,755	Jun 29, 2017	2.25%	147,157,346
iShares Core S&P Midcap ETF	808,590	Jun 29, 2017	2.17%	141,527,506
Vanguard Small-Cap Index Fund	774,216	Mar 30, 2017	2.08%	119,678,310
Vanguard Total Stock Market Index Fund	738,022	Mar 30, 2017	1.98%	114,083,442
Federated Kaufmann Fund	570,000	Jan 30, 2017	1.53%	84,063,597
Vanguard Small-Cap Growth Index Fund	423,250	Mar 30, 2017	1.13%	65,425,985
Vanguard Extended Market Index Fund	417,211	Mar 30, 2017	1.12%	64,492,477
American Century Heritage Fund	415,383	Jun 29, 2017	1.11%	72,704,485

PRINCIPAL QUESTIONNAIRE FORM

All questions on these questionnaires must be answered by all officers and any individuals who hold a ten percent (10%) or greater ownership interest in the proposer. Answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name John S. Marr, Jr.
   Date of birth 03 / 07 / 60
   Home address 5 Orchard Lane
   City/state/zip Falmouth, ME 04105
   Business address One Tyler Drive
   City/state/zip Yarmouth, ME 04096
   Telephone (207) 772-2260
   Other present address(es) ______
   City/state/zip ______
   Telephone ______
   List of other addresses and telephone numbers attached

2. Positions held in submitting business and starting date of each (check all applicable)
   President 07 / 01 / 04 Treasurer ___/___/___
   Chairman of Board 01 / 01 / 17 Shareholder ___/___/___
   Chief Exec. Officer 07 / 01 / 04 Secretary ___/___/___ Chief Operating Officer 07/2003 - 07/2004
   Chief Financial Officer ___/___/___ Partner ___/___/___
   Vice President ___/___/___ ______ ___/___/___
   (Other) President of Munis 1994 - 07/2004
   Director, Board of Directors May 2002 - Present

3. Do you have an equity interest in the business submitting the questionnaire?
   YES X NO ___ If Yes, provide details. See attached.

4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire? YES ___ NO X If Yes, provide details.

5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? YES X NO ___; If Yes, provide details.
   Hardy Boat (Boat Yard and restaurant)
   215 Foreside Road
   Falmouth, ME 04105
   co-owner with wife, Rebecca Marr

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? YES ___ NO X
If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency.
Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:

   a. Been debarred by any government agency from entering into contracts with that agency?
   YES ______ NO X If Yes, provide details for each such instance.

   b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause? YES ____ NO X If Yes, provide details for each such instance.

   c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? YES ___ NO X If Yes, provide details for each such instance.

   d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? YES ____ NO X If Yes, provide details for each such instance.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)

   a) Is there any felony charge pending against you? YES ___ NO X If Yes, provide details for each such charge.

   b) Is there any misdemeanor charge pending against you? YES ____ NO X If Yes, provide details for each such charge.

   c) Is there any administrative charge pending against you? YES ____ NO X If Yes, provide details for each such charge.

   d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business? YES ___ NO X If Yes, provide details for each such conviction.

e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor?
YES ___ NO X If Yes, provide details for each such conviction.

f) In the past 5 years, have you been found in violation of any administrative or statutory charges? YES ____ NO X If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? YES ____ NO X If Yes, provide details for each such investigation.

10. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer? YES ____ NO X If Yes; provide details for each such investigation.

11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? YES ____ NO X If Yes; provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? YES ____ NO X If Yes, provide details for each such year.

CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

I, John S. Marr, Jr., being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 11 day of October 2017

Gayle M. Schmidt
Notary Public

GAYLE M. SCHMIDT
NOTARY PUBLIC
State of Maine
My Commission Expires
November 5, 2021

Tyler Technologies, Inc.
Name of submitting business

John S. Marr, Jr.
Print name

Signature

Chairman and Chief Executive Officer
Title

10 / 11 / 17
Date

PRINCIPAL QUESTIONNAIRE FORM

All questions on these questionnaires must be answered by all officers and any individuals who hold a ten percent (10%) or greater ownership interest in the proposer. Answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name Mark Hawkins
   Date of birth 7/23/75
   Home address 2125 Stags Leap
   City/state/zip Celina, TX 75009
   Business address 5101 Tennyson Pkwy
   City/state/zip Plano, TX 75024
   Telephone 972-713-3770
   Other present address(es) ____
   City/state/zip ____
   Telephone ____
   List of other addresses and telephone numbers attached

2. Positions held in submitting business and starting date of each (check all applicable)
   President __/__/__ Treasurer __/__/__
   Chairman of Board __/__/__ Shareholder __/__/__
   Chief Exec. Officer __/__/__ Secretary __/__/__
   Chief Financial Officer __/__/__ Partner __/__/__
   Vice President 8/1/2015 __/__/__
   (Other)

3. Do you have an equity interest in the business submitting the questionnaire?
   YES ✓ NO __ If Yes, provide details. Less than 10%

4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire? YES __ NO ✓ If Yes, provide details.

5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? YES __ NO ✓
   If Yes, provide details.

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? YES ___ NO ✓
If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency.
Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:

   a. Been debarred by any government agency from entering into contracts with that agency?
   YES ______ NO ✓ If Yes, provide details for each such instance.

   b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause? YES ____ NO ✓ If Yes, provide details for each such instance.

   c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? YES ___ NO ✓ If Yes, provide details for each such instance.

   d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? YES ____ NO ✓ If Yes, provide details for each such instance.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)

   a) Is there any felony charge pending against you? YES ___ NO ✓ If Yes, provide details for each such charge.

   b) Is there any misdemeanor charge pending against you? YES ____ NO ✓ If Yes, provide details for each such charge.

   c) Is there any administrative charge pending against you? YES ____ NO ✓ If Yes, provide details for each such charge.

   d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business? YES ___ NO ✓ If Yes, provide details for each such conviction.

e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor?
YES ___ NO _✓_ If Yes, provide details for each such conviction.

f) In the past 5 years, have you been found in violation of any administrative or statutory charges? YES ____ NO _✓_ If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? YES ____ NO _✓_ If Yes, provide details for each such investigation.

10. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer? YES ____ NO _✓_ If Yes; provide details for each such investigation.

11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? YES ____ NO _✓_ If Yes; provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? YES ____ NO _✓_ If Yes, provide details for each such year.

CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

I, Mark Hawkins, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 6th day of October 2017

Sophia L. Thomas

Notary Public

SOPHIA L. THOMAS
Notary Public, State of Texas
Comm. Expires 06-23-2018
Notary ID 126488736

Tyler Technologies, Inc.

Name of submitting business

Mark Hawkins

Print name

[signature]

Signature

Sr. VP of Operations

Title

10 / 6 / 17

Date

Business History Form

The contract shall be awarded to the responsible proposer who, at the discretion of the County, taking into consideration the reliability of the proposer and the capacity of the proposer to perform the services required by the County, offers the best value to the County and who will best promote the public interest.

In addition to the submission of proposals, each proposer shall complete and submit this questionnaire. The questionnaire shall be filled out by the owner of a sole proprietorship or by an authorized representative of the firm, corporation or partnership submitting the Proposal.

NOTE: All questions require a response, even if response is "none" or "not-applicable." No blanks.

(USE ADDITIONAL SHEETS IF NECESSARY TO FULLY ANSWER THE FOLLOWING QUESTIONS).

Date: October 2, 2017

1) Proposer's Legal Name: Tyler Technologies, Inc. Appraisal + Tax

2) Address of Place of Business: One Tyler Way, Moraine, OH 45439

List all other business addresses used within last five years:
3199 Klepinger Road, Dayton, OH 45406

3) Mailing Address (if different): Not-Applicable

Phone : 800-800-2581

Does the business own or rent its facilities? Own

4) Dun and Bradstreet number: 04-108-9293

5) Federal I.D. Number: 75-2303920

6) The proposer is a (check one): ____ Sole Proprietorship ____ Partnership ____ Corporation X Other (Describe) ________________

7) Does this business share office space, staff, or equipment expenses with any other business?
Yes ___ No X If Yes, please provide details: ________________

8) Does this business control one or more other businesses? Yes __ No X If Yes, please provide details: ________________

9) Does this business have one or more affiliates, and/or is it a subsidiary of, or controlled by, any other business? Yes ___ No X If Yes, provide details.___

10) Has the proposer ever had a bond or surety cancelled or forfeited, or a contract with Nassau County or any other government entity terminated? Yes ___ No X If Yes, state the name of bonding agency, (if a bond), date, amount of bond and reason for such cancellation or forfeiture: or details regarding the termination (if a contract). ___

11) Has the proposer, during the past seven years, been declared bankrupt? Yes ___ No X If Yes, state date, court jurisdiction, amount of liabilities and amount of assets ___

12) In the past five years, has this business and/or any of its owners and/or officers and/or any affiliated business, been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency? And/or, in the past 5 years, have any owner and/or officer of any affiliated business been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency, where such investigation was related to activities performed at, for, or on behalf of an affiliated business.
Yes ___ No X If Yes, provide details for each such investigation. ___

13) In the past 5 years, has this business and/or any of its owners and/or officers and/or any affiliated business been the subject of an investigation by any government agency, including but not limited to federal, state and local regulatory agencies? And/or, in the past 5 years, has any owner and/or officer of an affiliated business been the subject of an investigation by any government agency, including but not limited to federal, state and local regulatory agencies, for matters pertaining to that individual's position at or relationship to an affiliated business. Yes ___ No X If Yes, provide details for each such investigation. ___

14) Has any current or former director, owner or officer or managerial employee of this business had, either before or during such person's employment, or since such employment if the charges pertained to events that allegedly occurred during the time of employment by the submitting business, and allegedly related to the conduct of that business:

a) Any felony charge pending? Yes ___ No X If Yes, provide details for each such charge.___

b) Any misdemeanor charge pending? Yes ___ No X If Yes, provide details for each such charge.___

c) In the past 10 years, you been convicted, after trial or by plea, of any felony and/or any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business? Yes ___ No X

If Yes, provide details for each such conviction ______________________

d) In the past 5 years, been convicted, after trial or by plea, of a misdemeanor? Yes ___ No X If Yes, provide details for each such conviction. ___________

e) In the past 5 years, been found in violation of any administrative, statutory, or regulatory provisions? Yes ___ No X If Yes, provide details for each such occurrence. ______________________

15) In the past (5) years, has this business or any of its owners or officers, or any other affiliated business had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? Yes ____ No X; If Yes, provide details for each such instance. ______________________

16) For the past (5) tax years, has this business failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? Yes ___ No X If Yes, provide details for each such year. Provide a detailed response to all questions checked 'YES'. If you need more space, photocopy the appropriate page and attach it to the questionnaire. ______________

Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

17) Conflict of Interest:

a) Please disclose any conflicts of interest as outlined below. **NOTE: If no conflicts exist, please expressly state "No conflict exists."**

(i) Any material financial relationships that your firm or any firm employee has that may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

(ii) Any family relationship that any employee of your firm has with any County public servant that may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

(iii) Any other matter that your firm believes may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

b) Please describe any procedures your firm has, or would adopt, to assure the County that a conflict of interest would not exist for your firm in the future.

Please refer to Tyler's Code of Business Conduct and Ethics which is a publicly available document and one that all Tyler employees are advised on at least at the time of hire. The Tyler Code of Business Ethics is attached to this Business History Form and can also be found at http://investors.tylertech.com/Profiles/Investor/Investor.asp?BzID=499+from=go+ID=379+myID= [illegible]

A. Include a resume or detailed description of the Proposer's professional qualifications, demonstrating extensive experience in your profession. Any prior similar experiences, and the results of these experiences; must be identified.

Should the proposer be other than an individual, the Proposal **MUST** include:

i) Date of formation; (page 3 of Form 10-K)

ii) Name, addresses, and position of all persons having a financial interest in the company, including shareholders, members, general or limited partner; (see attached print out from Yahoo finance)

iii) Name, address and position of all officers and directors of the company; (see attached list)

iv) State of incorporation (if applicable); (page 1 of Form 10-K)

v) The number of employees in the firm; (page 10 of Form 10-K)

vi) Annual revenue of firm; (page 18 of Form 10-K)

vii) Summary of relevant accomplishments (page 6 of Form 10-K; Annual Report)

viii) Copies of all state and local licenses and permits. (see attached)

B. Indicate number of years in business (See attached)

C. Provide any other information which would be appropriate and helpful in determining the Proposer's capacity and reliability to perform these services (See attached Annual Report)

D. Provide names and addresses for no fewer than three references for whom the Proposer has provided similar services or who are qualified to evaluate the Proposer's capability to perform this work.

Company Fairfax County, VA

Contact Person Mr. Howard Goodie, Director Real Estate Division

Address Department of Tax Administration; 1200 Government Center Parkway, 357

City/State Fairfax, VA 22035

Telephone 703-324-4803

Fax # 703-324-4935

E-Mail Address howard.goodie@fairfaxcounty.gov

Company Clermont County, OH

Contact Person Ms. Linda Fraley, Auditor

Address 101 East Main Street

City/State Batavia, OH 45103

Telephone 513-732-7150

Fax # 513-732-7226

E-Mail Address lfraley@clermontcountyohio.gov

Company Leon County, FL

Contact Person Ms. Kathy Doolin, Assistant Property Appraiser

Address Courthouse Annex, 315 S. Calhoun Street

City/State Tallahassee, FL 32301

Telephone 850-488-6102

Fax # 850-922-7238

E-Mail Address Kdoolin@leonpa.org

CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

I, Abby Diaz, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 11th day of October 2017

Andrea Fravert
Notary Public

ANDREA L. FRAVERT
Notary Public - Maine
My Commission Expires
June 1, 2022

Name of submitting business: Tyler Technologies, Inc.

By: Abby Diaz
Print name

[signature]
Signature

Chief Legal Officer
Title

10 / 11 / 17
Date

COUNTY OF NASSAU

CONSULTANT'S, CONTRACTOR'S AND VENDOR'S DISCLOSURE FORM

1. Name of the Entity: Tyler Technologies, Inc.

Address: One Tyler Way

City, State and Zip Code: Moraine, OH 45439

2. Entity's Vendor Identification Number: 752303920-01

3. Type of Business: X Public Corp ____Partnership ____Joint Venture

____Ltd. Liability Co ____Closely Held Corp __________________Other (specify)

4. List names and addresses of all principals; that is, all individuals serving on the Board of Directors or comparable body, all partners and limited partners, all corporate officers, all parties of Joint Ventures, and all members and officers of limited liability companies (attach additional sheets if necessary):

See attached.

Please note, we do not disclose the personal addresses of Tyler's management team.

5. List names and addresses of all shareholders, members, or partners of the firm. If the shareholder is not an individual, list the individual shareholders/partners/members. If a Publicly held Corporation, include a copy of the 10K in lieu of completing this section.

See attached Form 10-K.

6. List all affiliated and related companies and their relationship to the firm entered on line 1. above (if none, enter "None"). Attach a separate disclosure form for each affiliated or subsidiary company that may take part in the performance of this contract. Such disclosure shall be updated to include affiliated or subsidiary companies not previously disclosed that participate in the performance of the contract.

None.

7. List all lobbyists whose services were utilized at any stage in this matter (i.e., pre-bid, bid, post-bid, etc.). If none, enter "None." The term "lobbyist" means any and every person or organization retained, employed or designated by any client to influence - or promote a matter before - Nassau County, its agencies, boards, commissions, department heads, legislators or committees, including but not limited to the Open Space and Parks Advisory Committee and Planning Commission. Such matters include, but are not limited to, requests for proposals, development or improvement of real property subject to County regulation, procurements. The term "lobbyist" does not include any officer, director, trustee, employee, counsel or agent of the County of Nassau, or State of New York, when discharging his or her official duties.

(a) Name, title, business address and telephone number of lobbyist(s):

None.

(b) Describe lobbying activity of each lobbyist. See below for a complete description of lobbying activities.

NONE

(c) List whether and where the person/organization is registered as a lobbyist (e.g., Nassau County, New York State):

NONE

8. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

Dated: 10/11/17 Signed: [signature]

Print Name: Abby Diaz

Title: Chief Legal Officer

The term lobbying shall mean any attempt to influence: any determination made by the Nassau County Legislature, or any member thereof, with respect to the introduction, passage, defeat, or substance of any local legislation or resolution; any determination by the County Executive to support, oppose, approve or disapprove any local legislation or resolution, whether or not such legislation has been introduced in the County Legislature; any determination by an elected County official or an officer or employee of the County with respect to the procurement of goods, services or construction, including the preparation of contract specifications, including by not limited to the preparation of requests for proposals, or solicitation, award or administration of a contract or with respect to the solicitation, award or administration of a grant, loan, or agreement involving the disbursement of public monies; any determination made by the County Executive, County Legislature, or by the County of Nassau, its agencies, boards, commissions, department heads or committees, including but not limited to the Open Space and Parks Advisory Committee, the Planning Commission, with respect to the zoning, use, development or improvement of real property subject to County regulation, or any agencies, boards, commissions, department heads or committees with respect to requests for proposals, bidding, procurement or contracting for services for the County; any determination made by an elected county official or an officer or employee of the county with respect to the terms of the acquisition or disposition by the county of any interest in real property, with respect to a license or permit for the use of real property of or by the county, or with respect to a franchise, concession or revocable consent; the proposal, adoption, amendment or rejection by an agency of any rule having the force and effect of law; the decision to hold, timing or outcome of any rate making proceeding before an agency; the agenda or any determination of a board or commission; any determination regarding the calendaring or scope of any legislature oversight hearing; the issuance, repeal, modification or substance of a County Executive Order; or any determination made by an elected county official or an officer or employee of the county to support or oppose any state or federal legislation, rule or regulation, including any determination made to support or oppose that is contingent on any amendment of such legislation, rule or regulation, whether or not such legislation has been formally introduced and whether or not such rule or regulation has been formally proposed.

The term lobbying shall mean any attempt to influence: any determination made by the Nassau County Legislature, or any member thereof, with respect to the introduction, passage, defeat, or substance of any local legislation or resolution; any determination by the County Executive to support, oppose, approve or disapprove any local legislation or resolution, whether or not such legislation has been introduced in the County Legislature; any determination by an elected County official or an officer or employee of the County with respect to the procurement of goods, services or construction, including the preparation of contract specifications, including by not limited to the preparation of requests for proposals, or solicitation, award or administration of a contract or with respect to the solicitation, award or administration of a grant, loan, or agreement involving the disbursement of public monies; any determination made by the County Executive, County Legislature, or by the County of Nassau, its agencies, boards, commissions, department heads or committees, including but not limited to the Open Space and Parks Advisory Committee, the Planning Commission, with respect to the zoning, use, development or improvement of real property subject to County regulation, or any agencies, boards, commissions, department heads or committees with respect to requests for proposals, bidding, procurement or contracting for services for the County; any determination made by an elected county official or an officer or employee of the county with respect to the terms of the acquisition or disposition by the county of any interest in real property, with respect to a license or permit for the use of real property of or by the county, or with respect to a franchise, concession or revocable consent; the proposal, adoption, amendment or rejection by an agency of any rule having the force and effect of law; the decision to hold, timing or outcome of any rate making proceeding before an agency; the agenda or any determination of a board or commission; any determination regarding the calendaring or scope of any legislature oversight hearing; the issuance, repeal, modification or substance of a County Executive Order; or any determination made by an elected county official or an officer or employee of the county to support or oppose any state or federal legislation, rule or regulation, including any determination made to support or oppose that is contingent on any amendment of such legislation, rule or regulation, whether or not such legislation has been formally introduced and whether or not such rule or regulation has been formally proposed.

Tyler Technologies, Inc. (TYL)

NYSE - Nasdaq Real Time Price. Currency in USD

Add to watchlist

Quote Lookup

174.84 +0.52 (+0.30%)

As of -. Market open.

People also watch
ULTI MANH BLKB CSGP SSNC

Summary Chart Conversations Statistics Profile Financials Options Holders Historical Data Analysts

Major Holders | Insider Roster | Insider Transactions

Major Holders

Currency in USD

Breakdown

7.42%	% of Shares Held by All Insider
92.60%	% of Shares Held by Institutions
100.03%	% of Float Held by Institutions
366	Number of Institutions Holding Shares

Direct Holders (Forms 3 and 4)

Name	Shares	Date Reported
MARR JOHN S JR	339,457	Aug 23, 2017
YEAMAN JOHN M	316,294	Mar 14, 2017
WOMBLE DUSTIN R	210,122	Sep 11, 2017
KING LUTHER JR	68,369	Jun 1, 2016
MOORE H LYNN JR	55,257	Sep 11, 2017
MILLER BRIAN K	50,694	Sep 14, 2017
BRATTAIN DONALD R	11,570	Aug 13, 2017

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	2,804,393	Jun 29, 2017	7.52%	490,852,903

Sorry for the inconvenience but we had to move some things around. You can find your portfolios here.

Neuberger Berman Gr	1,573,105	Jun 29, 2017	4.22%	275,340,586
JP Morgan Chase & C	1,027,797	Jun 29, 2017	2.76%	179,896,307
SQ Advisors, LLC	891,535	Jun 29, 2017	2.39%	156,045,369
State Street Corporation	883,996	Jun 29, 2017	2.37%	154,725,818
Times Square Capital Management, LLC	845,540	Jun 29, 2017	2.27%	147,994,865
Goldman Sachs Group, Inc.	766,672	Jun 29, 2017	2.06%	134,190,599

Top Mutual Fund Holders

Holder	Shares	Date Reported	% Out	Value
Neuberger & Berman Genesis Fund	1,169,392	Mar 30, 2017	3.13%	180,764,617
Brown Capital Management Small Company Fund	1,134,714	Mar 30, 2017	3.04%	175,404,092
Janus Henderson Research Fund	840,755	Jun 29, 2017	2.25%	147,157,346
iShares Core S&P Midcap ETF	808,690	Jun 29, 2017	2.17%	141,527,506
Vanguard Small-Cap Index Fund	774,216	Mar 30, 2017	2.08%	119,678,310
Vanguard Total Stock Market Index Fund	738,022	Mar 30, 2017	1.98%	114,083,442
Federated Kaufmann Fund	570,000	Jan 30, 2017	1.53%	84,063,597
Vanguard Small-Cap Growth Index Fund	423,250	Mar 30, 2017	1.13%	65,425,985
Vanguard Extended Market Index Fund	417,211	Mar 30, 2017	1.12%	64,492,477
American Century Heritage Fund	415,383	Jun 29, 2017	1.11%	72,704,485

tyler
technologies

One Tyler Drive
Yarmouth, ME 04096

P: 800.772.2260
F: 207.781.2459

www.tylertech.com

Ms. Vandana Manucha
Department of Information Technology
Nassau County
240 Old Country Road
Mineola, NY 11501

October 18, 2017

Dear Vandana,

Enclosed please find the following documents with respect to Tyler Technologies, Inc.:

1. Business History Form;
2. Political Contribution Form;
3. Lobbyist Registration Form;
4. Vendor Disclosure Form; and
5. Principal Questionnaire Forms: John Marr, Jr, Lynn Moore Jr., Mark Hawkins.
6.

Please redact all personal information from the Principal Questionnaire forms once they have been reviewed and approved by the County. Please do not hesitate to contact me at 1-800-772-2260, extension 4642, if you have any questions.

Sincerely,

Andrea L. Fravert

Andrea L. Fravert
Senior Corporate Attorney

Enclosure

Attachment Question 17.b)

Code of Business Conduct and Ethics
of
Tyler Technologies, Inc.

Tyler Technologies, Inc. ("Tyler") expects all officers, directors, and employees to exercise the highest degree of professional business ethics in all actions they undertake on behalf of Tyler. Accordingly, Tyler expects its officers, directors, and employees to act at all times in accordance with the policies outlined herein. These policies apply to all officers, directors, and employees, including, without limitation, Tyler's principal executive officer, principal financial officer, principal accounting officer, and all persons performing similar functions.

Any employee who has any questions regarding these policies should contact Robert Sansone, Tyler Human Resources. An employee should immediately report any violations to Robert Sansone, Tyler Human Resources. The policies in this Code of Business Conduct and Ethics will be strictly enforced. Tyler will take appropriate disciplinary action with respect to those involved in any violations of the standards, including, where appropriate, dismissal. Tyler will not retaliate against an employee for reporting violations. This Code of Business Conduct and Ethics is not intended to affect the status of any employee or to enhance or diminish any employee's contract rights.

Anonymous Reporting of Accounting or Auditing Concerns

If any employee has any concerns about any accounting, auditing, internal audit controls, or related matter, he/she is encouraged to bring the matter to the attention of Tyler's Audit Committee Chairperson. The Audit Committee is comprised of three (3) or more members of Tyler's Board of Directors and assists the Board in fulfilling its oversight responsibility to Tyler's shareholders, potential shareholders, the investment community, and others relating to Tyler's financial statements, financial reporting, and processes. The Audit Committee Chairperson can be contacted in four different ways:

1. **By phone (toll-free) at (866) 376-4128;**
2. **By Internet at http://www.openboard.info/tyl;**
3. **By email at tyl@openboard.info; or**
4. **By mail at Tyler Technologies, Inc., Board of Directors, Audit Committee Chairperson, 5101 Tennyson Parkway, Plano, TX 75024.**

Reports regarding accounting, auditing, or related matters will be kept strictly confidential and the employee or other person raising the issue is under no obligation to reveal his/her identity in connection with the anonymous reporting process.

Introduction and Purpose

This Code of Business Conduct and Ethics is designed to deter wrongdoing and promote the following:

- Honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Avoidance of conflicts of interest, including disclosure to the appropriate person identified herein of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that Tyler files with, or submits to, the Securities and Exchange Commission and in other public communications by Tyler;
- Compliance with applicable governmental laws, rules, and regulations;
- Prompt internal reporting to the appropriate person identified herein of any violations of this Code of Business Conduct and Ethics; and
- Accountability for adherence to the policies contained in this Code of Business Conduct and Ethics.

General Principles for Business Conduct

- Tyler and its employee shall comply with all applicable legal requirements of any federal, state, local, or foreign jurisdiction where Tyler conducts business.
- The use of any Tyler assets for any unlawful or improper purpose is strictly prohibited.
- No undisclosed fund or asset shall be established or maintained for any purpose.
- No false or misleading entries shall be made for any reason in Tyler's books, records, or other financial documents, or in any materials prepared for or submitted to Tyler's accountants or independent auditors, and no employee shall engage in any arrangement that results in such prohibited act. In addition, all employees dealing with or providing information or documentation to Tyler's accountants or independent auditors must provide complete and accurate information, and must immediately report any request, suggestion, or threat that

they do otherwise to the Chairperson of the Tyler Audit Committee, on an anonymous and confidential basis, as outlined in the first section above.

- Just as Tyler expects all employees to speak honestly to clients, potential clients, and vendors, Tyler also expects all employees to display the same integrity in anything they write, whether for internal or external use. Therefore, all internal records, memoranda, and other documents must be accurate, complete, and truthful and must be maintained in that condition without any alteration, falsification, omission, or other change that would mislead someone reviewing the record about its original contents or meaning. Any employee who is asked or directed to engage in such prohibited conduct should immediately report it to Robert Sansone, Tyler Human Resources, or if it concerns questionable accounting or auditing matters, to the Chairperson of the Tyler Audit Committee, on an anonymous and confidential basis, as outlined in the first section above.

- Retaliation against any employee as a result of their bringing forward any questions, concerns, or complaints about accounting or auditing matters, recording of information, record retention, or in any other manner concerning the honesty and integrity of Tyler's operations or financial reporting is strictly prohibited. Similarly, retaliation is prohibited against any employee who provides accurate information to any law enforcement agency about the commission of any state or federal offense. Any employee who feels that he/she has been retaliated against or threatened with retaliation for these reasons should immediately report it to Robert Sansone, Tyler Human Resources, or if it concerns questionable accounting or auditing matters, to the Chairperson of the Tyler Audit Committee, on an anonymous and confidential basis, as outlined in the first section above.

- No payment on behalf of Tyler shall be approved without adequate supporting documentation, or made with the intention or understanding that any part of such payment is to be used for any purpose other than as described by the documentation supporting the payment.

- No Tyler confidential information shall be used or revealed within or outside of Tyler without proper authorization and purpose.

- The use of Tyler employees, materials, or equipment for personal purposes is strictly prohibited, unless specifically authorized.

- Compliance with established internal control procedures is required at all times.

Political Activities and Contributions

Tyler will not make any contribution to or for any political party, committee, or candidate for any public office. Any employee requested by another employee to contribute Tyler funds to a political party, committee, or candidate for public office should decline to do so and promptly notify Robert Sansone, Tyler Human Resources, of the details of any such request.

Payments to Government Officials and Personnel

Tyler's relationships with governmental agencies and their personnel in any federal, state, local, or foreign jurisdiction where Tyler conducts business shall be conducted so that full disclosure of the conduct will not impugn or jeopardize Tyler's integrity or reputation. Accordingly, payments to government personnel, including gifts of substantial value or lavish entertainment, is strictly prohibited, whether the payment is made from personal funds or assets or those of Tyler, and whether made directly or indirectly through consultants, advisors, suppliers, customers, or other third parties.

Use of Agents and Others to Assist in Obtaining and Performing Contracts

From time to time, Tyler may elect to use special consultants, distributors, representatives, and agents to assist in obtaining or performing contracts. These representatives must be *bona fide* professional individuals or organizations, they must render *bona fide* services, and their compensation must be limited to a reasonable fee for their services. A representative may not be employed by Tyler if he/she is connected directly or indirectly to the prospective customer or to an official or agent of a prospective customer.

Conflicts of Interest

Tyler expects the undivided loyalty of its employees in the conduct of business. It is important that employees be free from any financial interests or other relationships that might conflict with the best interests of Tyler. Accordingly, each employee shall avoid any investment or other interest in any business that would conflict with the proper performance of his/her duties or responsibilities for Tyler, or which might interfere with his/her independence of judgment with respect to the transactions between Tyler and such other business.

While it is impossible to enumerate all situations in which possible conflicts might arise, the following are some examples:

- To give or receive gifts of more than token value that are in any way connected with the business relationship;

- To lend or borrow money or other assets from individuals or concerns that do business with or compete against Tyler, except banks and other financial institutions;

- To serve as an officer, director, employee, or consultant of, or receive any income from any enterprise doing business with or competing against Tyler, or seeking to do so, or to own an interest in or engage in the management of an organization providing services or products to Tyler, or to which Tyler sells, or with which it competes, except when such interest (a) comprises publicly traded securities listed on a national securities exchange, NASDAQ, or the OTC margin list and (b) is not in excess of five percent (5%) of the securities of such company;

- To accept compensation from outsiders for services for which the employee is being paid by Tyler;

- To speculate or deal in materials, equipment, supplies, products, lands, leases, or property purchased or sold by Tyler, or for which negotiations to purchase, acquire, or sell are pending or may reasonably be anticipated, or to receive (other than from Tyler) any compensation, bonus, or commission in connection with any transaction relating to Tyler's business;

- To knowingly cause, directly or indirectly, Tyler to enter into a business transaction with a close relative of a Tyler employee or business enterprise of such relative;

- To knowingly buy or sell for the employee's own account or the account of a relative of a Tyler employee any security or other interest which Tyler may be considering buying or selling, or has decided to buy or sell, until Tyler's decision has been completely executed and publicly announced; or

- To transmit any knowledge of any consideration or decisions of any information that might be prejudicial to the interests of Tyler to any person, except as may be necessary for the proper discharge of the employee's responsibilities on behalf of Tyler.

If an employee finds that he/she has, or is considering the assumption of, a financial interest or outside relationship that might involve a conflict of interest, or if the employee has any doubt as to the proper application of this policy, he/she should promptly make all facts known to Robert Sansone, Tyler Human Resources, and refrain from any exercise of responsibility in any manner that might reasonably be considered to be affected by such adverse interest.

Protection of Confidential or Proprietary Information

Tyler's confidential and proprietary information is vital to its current operations and future success. Each employee shall use reasonable care to protect or otherwise prevent the unauthorized disclosure of such information. In no event shall confidential information be disclosed or revealed within or outside Tyler without proper authorization or purpose. If an employee is uncertain whether certain information should be treated as confidential, the employee should presume that such information is confidential and not disclose it without proper authorization.

By way of example, confidential or proprietary information includes information relating to Tyler's business methods, business plans, research, development, inventions, databases, systems, systems designs, technology, intellectual property, know-how, management, business development, operations, products, services, pricing strategies, client sources, employee records, terms and conditions of arrangements of any business or clients, client lists, methods of competing, financial statements, financial projections, financing methods, and other proprietary information.

Insider Trading

Tyler's common stock is listed for trading on the New York Stock Exchange (NYSE:TYL). No employee may purchase, sell, or otherwise trade Tyler common stock (including options) while in possession of material information that has not been publicly disseminated. In addition, employees shall not communicate non-public information to a third party under circumstances where improper trading can be anticipated. Material information can either be positive or negative information and can include such things as financial results, projections of future earnings or losses, significant acquisitions, contract awards, teaming agreements, or other material business developments, significant litigation, acquisition or loss of significant customers, and other information material to Tyler's business. Questions about any trade should be directed to H. Lynn Moore, Jr., Tyler's Executive Vice President, General Counsel, and Secretary at lynn.moore@tylertech.com.

Property Rights

During and subsequent to employment by Tyler, an employee must disclose to Tyler all ideas, concepts, inventions, improvements, and discoveries, including those related to software, and any and all writings including those related to software, regardless of the media that are conceived, made, or reduced to practice by the employee provided that such ideas, concepts, inventions, improvements, and discoveries arise from or relate to work done for or on behalf of Tyler, relate to Tyler's business, or involve the employee's use of Tyler equipment, facilities, or time, or arise out of any information received regarding Tyler's business. It is each employee's responsibility to fully disclose to Tyler as promptly as available all information known or possessed by the employee concerning these property rights. Where appropriate, ideas or questions should be directed to H. Lynn Moore, Jr., Tyler's Executive Vice President, General Counsel, and Secretary at lynn.moore@tylertech.com for patent, copyright, trademark, or trade secret protection.

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by EDGAR® Online

Attachment BHF

Question A.i); A.iv); A.v); A.vi); A.vii)

TYLER TECHNOLOGIES INC

FORM 10-K
(Annual Report)

Filed 02/22/17 for the Period Ending 12/31/16

Address	5101 TENNYSON PKWY PLANO, TX, 75024
Telephone	9727133700
CIK	0000860731
Symbol	TYL
SIC Code	7372 - Services-Prepackaged Software
Industry	Software
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-10485

TYLER TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	75-2303920
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
5101 Tennyson Parkway Plano, Texas	75024
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (972) 713-3700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, $0.01 PAR VALUE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filer pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K. YES ☐ NO ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) YES ☐ NO ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant was $5,505,843,000 based on the reported last sale price of common stock on June 30, 2016 , which is the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares of common stock of the registrant outstanding on February 21, 2017 was 36,828,000

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this annual report is incorporated by reference from the registrant's definitive proxy statement for its annual meeting of stockholders to be held on May 10, 2017.

TYLER TECHNOLOGIES, INC.
FORM 10-K
TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS.

DESCRIPTION OF BUSINESS

Tyler Technologies, Inc. ("Tyler") is a major provider of integrated information management solutions and services for the public sector, with a focus on local governments. We partner with clients to make local government more accessible to the public, more responsive to the needs of citizens and more efficient in its operations. We have a broad line of software solutions and services to address the information technology ("IT") needs of major areas of operations for cities, counties, schools and other local government entities. Most of our clients have our software installed in-house. For clients who prefer not to physically acquire the software and hardware, most of our software applications can be delivered as software as a service ("SaaS"), which utilize the Tyler private cloud. We provide professional IT services to our clients, including software and hardware installation, data conversion, training and, at times, product modifications. In addition, we are the nation's largest provider of outsourced property appraisal services for taxing jurisdictions. We also provide continuing client support services to ensure product performance and reliability, which provides us with long-term client relationships and a significant base of recurring maintenance revenue. In addition, we provide electronic document filing solutions ("e-filing"), which simplify the filing and management of court documents.

Tyler was founded in 1966. Prior to 1998, we operated as a diversified industrial conglomerate, with operations in various industrial, retail and distribution businesses, all of which have been divested. In 1997, we embarked on a multi-phase growth plan focused on serving the specialized information management needs of local governments nationwide. We entered the local government IT market through a series of strategic acquisitions in 1998 and 1999.

MARKET OVERVIEW

The state and local government market is one of the largest and most decentralized IT markets in the country, consisting of all 50 states, approximately 3,000 counties, 36,000 cities and towns and 13,900 school districts. This market is also comprised of approximately 37,000 special districts and other agencies, each with specialized delegated responsibilities and unique information management requirements.

Traditionally, local government bodies and agencies performed state-mandated duties, including property assessment, record keeping, road maintenance, law enforcement, administration of election and judicial functions, and the provision of welfare assistance. Today, a host of emerging and urgent issues are confronting local governments, each of which demands a service response. These areas include criminal justice and corrections, administration and finance, public safety, health and human services, planning, regulatory and maintenance and records and document management. Transfers of responsibility from the federal and state governments to county and municipal governments and agencies in these and other areas also place additional service and financial requirements on these local government units. In addition, constituents of local governments are increasingly demanding improved service and better access to information from public entities. As a result, local governments recognize the increasing value of information management systems and services to, among other things, improve revenue collection, provide increased access to information, and streamline delivery of services to their constituents. Local government bodies are now recognizing that "e-government" is an additional responsibility for community development. From integrated tax systems to integrated civil and criminal justice information systems, many counties and cities have benefited significantly from the implementation of jurisdiction-wide systems that allow different agencies or government offices to share data and provide a more comprehensive approach to information management. Many city and county governmental agencies also have unique individual information management requirements, which must be tailored to the specific functions of each particular office.

Many local governments also have difficulties attracting and retaining the staff necessary to support their IT functions. As a result, they seek to establish long-term relationships with reliable providers of high quality IT products and services such as Tyler.

Although local governments generally face budgetary constraints in their operations, their primary revenue sources are usually property taxes, and to a lesser extent, utility billings and other fees, which historically tend to be relatively stable. In addition, the acquisition of new technology typically enables local governments to operate more efficiently, and often provides a measurable return on investment that justifies the purchase of software and related services.

Gartner, Inc., a leading information technology research and advisory company, estimates that state and local government application and vertical specific software spending will grow from $12.7 billion in 2017 to $15.5 billion in 2020. The professional services and support segments of the market are expected to expand from $31.1 billion in 2017 to $35.1 billion in 2020. Application and vertical specific software sales in the primary and secondary education segments of the market is expected to expand from $2.3 billion in 2017 to $2.9 billion in 2020 while professional services and support are expected to grow from $2.1 billion in 2017 to $2.4 billion in 2020.

PRODUCTS AND SERVICES

We provide a comprehensive and flexible suite of products and services that addresses the information technology needs of cities, counties, schools and other local government entities. We derive our revenues from five primary sources

- Sales of software licenses and royalties
- Subscription-based arrangements
- Software services
- Maintenance and support
- Appraisal services

We design, develop, market and support a broad range of software solutions to serve mission-critical "back-office" functions of local governments. Many of our software applications include Internet-accessible solutions that allow for real-time public access to a variety of information or that allow the public to transact business with local governments via the Internet. Our software solutions and services are generally grouped in six major areas:

- Financial Management and Education
- Courts and Justice
- Public Safety
- Property Appraisal and Tax
- Planning, Regulatory and Maintenance
- Land and Vital Records Management

Each of our core software systems consists of several fully integrated applications. For clients who acquire software for use in-house, we generally license our systems under standard perpetual license agreements that provide the client with a fully paid, nonexclusive, nontransferable right to use the software. In some of the product areas, such as financial management and education and property appraisal and tax, we offer multiple solutions designed to meet the needs of different sized governments.

We also offer SaaS arrangements, which utilize the Tyler private cloud, for clients who do not wish to maintain, update and operate these systems or to make up-front capital expenditures to implement these advanced technologies. For these clients, the software and client data are hosted at our data centers or at third-party locations, and clients typically sign multi-year contracts for these subscription-based services.

Historically, we have had a greater proportion of our annual revenues in the second half of our fiscal year due to governmental budget and spending cycles and the timing of system implementations for clients desiring to "go live" at the beginning of the calendar year.

A description of our suites of products and services follows:

Software Licenses

Financial Management and Education

Our financial management and education solutions are enterprise resource planning systems for local governments, which integrate information across all facets of a client organization. Our financial management solutions include modular fund accounting systems that can be tailored to meet the needs of virtually any government agency or not-for-profit entity. Our financial management systems include modules for general ledger, budget preparation, fixed assets, requisitions, purchase orders, bid management, accounts payable, contract management, accounts receivable, investment management, inventory control, project and grant accounting, work orders, job costing, GASB reporting, payroll and human resources. All of our financial management systems are intended to conform to government auditing and financial reporting requirements and generally accepted accounting principles.

We sell utility billing systems that support the billing and collection of metered and non-metered services, along with multiple billing cycles. Our Web-enabled utility billing solutions allow clients to access information online such as average consumption and transaction history. In addition, our systems can accept secured Internet payments via credit cards and checks.

We also offer specialized products that automate numerous city functions, including municipal courts, parking tickets, equipment and project costing, animal licenses, business licenses, permits and inspections, code enforcement, citizen complaint tracking, ambulance billing, fleet maintenance, and cemetery records management.

In addition to providing financial management systems to K-12 schools, we sell student information systems for K-12 schools, which manage such activities as scheduling, grades and attendance. We also offer student transportation solutions to manage school bus routing optimization, fleet management, field trips and other related functions.

Tyler's financial management and education solutions include Web components that enhance local governments' service capabilities by facilitating online access to information for both employees and citizens and enabling online transactions.

Courts and Justice

We offer a complete, fully integrated suite of judicial solutions designed to handle complex, multi-jurisdictional county or statewide implementations as well as single county systems. Our solutions help eliminate duplicate data entry, promote more effective business procedures and improve efficiency across the entire justice process.

Our unified court case management system is designed to automate the tracking and management of information involved in all case types, including criminal, traffic, civil, family, probate and juvenile courts. It also tracks the status of cases, processes fines and fees and generates the specialized judgment and sentencing documents, notices and forms required in the court process. Documents received by the court can be scanned into the electronic case file and easily retrieved for viewing. Documents generated by the court can be electronically signed and automatically attached to the electronic case file. Additional modules automate the management of court calendars, coordinate judges' schedules and generate court dockets. Our targeted courtroom technologies allow courts to rapidly review calendars, cases and view documents in the courtroom. Courts may also take advantage of our related jury management system.

Our court and law enforcement systems allow the public to access, via the Internet, a variety of information, including non-confidential criminal and civil court records, jail booking and release information, bond and bondsmen information, and court calendars and dockets. In addition, our systems allow cities and counties to accept payments for traffic and parking tickets over the Internet, with a seamless and automatic interface to back-office justice and financial systems.

Our prosecutor system enables state attorney offices to track and manage criminal cases, including detailed victim information and private case notes. Investigative reports and charging instrument documents can be generated and stored for later viewing. Prosecutors can schedule and record the outcome of grand jury hearings. When integrated with the court system, prosecutors can view the electronic case file and related documents, as well as manage witness lists and subpoenas needed for court hearings.

Our supervision system allows pre-trial and probation offices to manage offender caseloads. Supervision officers can track contact schedules, risk/needs assessments and reassessments, detailed drug test results, employment histories, compliance with conditions and payments of fees and restitution. Documents and forms, like pre-sentence investigations or revocation orders, can be generated and stored for easy viewing. When integrated with the jail and court systems, supervision officers obtain easy access and quick notification of offenders that have court hearings scheduled, are arrested locally, and have new warrants issued.

We also offer a court case management solution that automates and tracks all aspects of municipal courts and offices. It is a fully integrated, graphical application that provides effective case management, document processing and cash/bond management. This system complies with all state reporting and conviction reports and includes electronic reporting and also integrates with certain of our financial management solutions and public safety solutions.

Public Safety

Our public safety software is a fully unified and comprehensive solution for law enforcement, fire and EMS, including 911 / computer aided dispatch ("CAD"), records management, mobile computing, corrections management, Web-based information sharing and decision support. The modules are fully integrated, utilizing a common database and providing full functionality between modules, reducing data entry. The software provides fast, efficient dispatching, and quick access to records, reports and actionable information from an agency's database.

Our 911 / CAD solutions provide real-time, critical response dispatch functions in either single- or multi-jurisdictional environments. When integrated with our records management software, a vital link exists between dispatch and the most comprehensive records database available. Within seconds, the dispatch operator and the officer in the field can access critical information, such as prior incidents and outstanding warrants, increasing officer knowledge and safety. The solutions offer strong geographic information systems integration to help dispatchers quickly locate and send the best response during an emergency. Tyler's 911 / CAD solutions dramatically improve performance, response time and unit safety.

Our records management solutions for law enforcement and fire track statistical, operational, investigative and management data for inquiry and reporting. The systems create an efficient case processing workflow and help solve crimes with an accessible database that maintains central files on people, places, property, vehicles and criminal activity. Tyler's public safety records management solutions enable easy access to information and simplify reporting.

Our mobile computing solutions for law enforcement and fire provide instant access to local, state, regional and federal databases via mobile devices. Officers and firefighters can experience the benefits of obtaining critical, real-time information in the field, while saving time by preparing reports directly in their vehicles.

Our jail management systems document and manage information that meets the requirements of a modern jail facility. This includes the booking and housing of persons in custody, supervising defendants on a pre-trial release, maintaining offenders sentenced to local incarceration and billing other agencies for housing inmates. Searching, reporting and tracking features are integrated, allowing reliable, up-to-date access to current arrest and incarceration data, including digital mug shots. Our systems also provide warrant checks for visitors or book-ins, inmate classification and risk assessment, commissary, property and medical processing, automation of statistics, and state and federal reporting.

Our civil processing solutions manage civil process needs from document receipt through service, payment process and final closeout. We also have a mobile electronic citation solution through which law enforcement officers can easily enter citation information in a mobile device, which is automatically uploaded into the court or public safety records management systems, rather than hand-writing citations that must be re-entered into the systems.

We significantly expanded our presence in the public safety market with our acquisition of New World Systems Corporation in November 2015.

Property Appraisal and Tax

We provide systems and software that automate the appraisal and assessment of real and personal property, including record keeping, mass appraisal, inquiry and protest tracking, appraisal and tax roll generation, tax statement processing, and electronic state-level reporting. These systems are image and video-enabled to facilitate the storage of and access to the many property-related documents and for the online storage of digital photographs of properties for use in defending values in protest situations. Other related tax applications are available for agencies that bill and collect taxes, including cities, counties, school tax offices, and special taxing and collection agencies. These systems support billing, collections, lock box operations, mortgage company electronic payments, and various reporting requirements.

Planning, Regulatory and Maintenance

Our planning, regulatory and maintenance software solutions are designed for public sector agencies such as community development, planning, building, code enforcement, tax and revenues, public works, transportation, land control, environmental, fire safety, storm water management, regulatory controls and engineering. These solutions help public sector agencies better manage their day-to-day business functions while streamlining and automating the many aspects of their land management, permitting and planning systems. Our mobile solutions extend automation to the field and Web access brings online services to citizens 24 hours a day, 365 days a year.

Land and Vital Records Management

We also offer a number of specialized software applications designed to help local governments enhance and automate operations involving records and document management. These systems record, scan and index information for the many documents maintained by local governments, such as deeds, mortgages, liens, UCC financing statements and vital records (birth, death and marriage certificates). These applications include fully integrated imaging systems with batch and scan processing capabilities and fully integrated receipting and cashiering systems, as well as Web-enabled public access.

Our content management solutions allow state and local governments and school districts to capture, deliver, manage and archive electronic information. These solutions streamline the flow of digital information throughout the organization to increase efficiency by transforming paper forms and documents into electronic images that drive key business processes.

Subscription-Based Services

Subscription-based revenue is primarily derived from our SaaS arrangements, which utilize the Tyler private cloud, as well as our transaction based offerings such as e-filing solutions.

We are able to provide the majority of our software products through our SaaS model. The clients who choose this model typically do not wish to maintain, update and operate these systems or make up-front capital expenditures to implement these advanced technologies. The contract terms for these arrangements range from one to 10 years, but are typically contracted for initial periods of five to seven years. The majority of our SaaS or hosting arrangements include additional professional services as well as maintenance and support services. In certain arrangements, the client may also acquire a license to the software.

As part of our subscription-based services, we provide e-filing solutions that simplify the filing and management of court related documents for courts and law offices. Revenues for e-filing are included in subscription-based revenues and are derived from transaction fees and in some cases fixed fee arrangements.

Software Services

We provide a variety of professional IT services to clients who utilize our software products. Virtually all of our clients contract with us for installation, training, and data conversion services in connection with their purchase of Tyler's software solutions. The complete implementation process for a typical system includes planning, design, data conversion, set-up and testing. At the culmination of the implementation process, a data implementation team travels to the client's facility to ensure the smooth go-live with the new system. Data implementation fees are charged separately to clients on either a fixed-fee or hourly charge basis, depending on the contract.

Both in connection with the installation of new systems and on an ongoing basis, we provide extensive training services and programs related to our products and services. Training can be provided in our training centers, onsite at clients' locations, or at meetings and conferences and can be customized to meet clients' requirements. The vast majority of our clients contract with us for training services, both to improve their employees' proficiency and productivity and to fully utilize the functionality of our systems. Training services are generally billed on an hourly or daily basis, along with travel and other expenses.

Maintenance and Support

Following the implementation of our software systems, we provide ongoing software support services to assist our clients in operating the systems and to periodically update the software. Support is provided to clients over the phone or via the Web through help desks staffed by our client support representatives. For more complicated issues, our staff, with the client's permission, can log on to clients' systems remotely. We maintain our clients' software largely through releases that contain improvements and incremental additions of features and functionality, along with updates necessary because of legislative or regulatory changes.

Virtually all of our software clients contract with us for maintenance and support, which provides us with a significant source of recurring revenue. We generally provide maintenance and support for our on-premises clients under annual, or in some cases, multi-year contracts, with a typical fee based on a percentage of the software product's license fee. These fees can generally be increased on renewal and may also increase as new license fees increase. Maintenance and support fees are generally paid annually in advance. Most maintenance contracts automatically renew unless the client or Tyler gives notice of termination prior to expiration. Similar support is provided to our SaaS clients and is included in their subscription fees, which are classified as subscription-based revenues.

Appraisal Services

We are the nation's largest provider of property appraisal outsourcing services for local government taxing authorities. These services include

- The physical inspection of commercial and residential properties
- Data collection and processing
- Sophisticated computer analyses for property valuation
- Preparation of tax rolls
- Community education regarding the assessment process
- Arbitration between taxpayers and the assessing jurisdiction

Local government taxing authorities normally reappraise properties from time to time to update values for tax assessment purposes and to maintain equity in the taxing process. In some jurisdictions, law mandates reassessment cycles; in others, they are discretionary. While some taxing jurisdictions perform reappraisals in-house, many local governments outsource this function because of its cyclical nature and because of the specialized knowledge and expertise requirements associated with it. Our appraisal services business unit has been in this business since 1938.

In some instances, we also sell property tax and/or appraisal software products in connection with appraisal outsourcing projects, while other clients may only engage us to provide appraisal services. Appraisal outsourcing services are somewhat seasonal in nature to the extent that winter weather conditions reduce the productivity of data collection activities in connection with those projects.

STRATEGY

Our objective is to grow our revenue and earnings organically, supplemented by focused strategic acquisitions. The key components of our business strategy are to:

- Provide high quality, value-added products and services to our clients. We compete on the basis of, among other things, delivering to clients our deep domain expertise in local government operations through the highest value products and services in the market. We believe we have achieved a reputation as a premium product and service provider to the local government market.

- Continue to expand our product and service offerings. While we already have what we believe to be the broadest line of software products for local governments, we continually upgrade our core software applications and expand our complementary product and service offerings to respond to technological advancements and the changing needs of our clients. In 2010, we began providing e-filing for courts and law offices, which simplifies the filing and management of court related documents. We believe revenue from e-filing solutions will continue to grow over time as more local and state governments mandate electronic document filings. We also offer solutions that allow the public to access data and conduct transactions with local governments, such as paying traffic tickets, property taxes and utility bills via the Internet. We believe that the addition of such features enhances the market appeal of our core products. We have also broadened our offerings of consulting and business process reengineering services. In November 2015, we significantly expanded our presence in the public safety software market through the acquisition of New World Systems Corporation.

- Expand our client base. We seek to establish long-term relationships with new clients primarily through our sales and marketing efforts. While we currently have clients in all 50 states, Canada, the Caribbean, the United Kingdom, and other international locations, not all of our solutions have achieved nationwide geographic penetration. We intend to continue to expand into new geographic markets by adding sales staff and targeting marketing efforts by solutions in those areas. We also intend to continue to expand our customer base to include more large governments. While our traditional market focus has primarily been on small and mid-sized governments, our increased size and market presence, together with the technological advances and improved scalability of certain of our solutions, are allowing us to achieve increasing success in selling to larger clients. We also expect to expand our presence in international markets by leveraging our leadership position in the United States through the disciplined pursuit of selected opportunities in other countries.

- Expand our existing client relationships. Our existing customer base offers significant opportunities for additional sales of solutions and services that we currently offer, but that existing clients do not fully utilize. Add-on sales to existing clients typically involve lower sales and marketing expenses than sales to new clients.

- Grow recurring revenues . We have a large recurring revenue base from maintenance and support and subscription-based services, which generated revenues of $465.7 million , or 62% of total revenues, in 2016 . We have historically experienced very low customer turnover (approximately 2% annually) and recurring revenues continue to grow as the installed customer base increases. Subscription-based revenues have been our fastest growing revenue category over the past five years, increasing from $44.6 million in 2012 to $142.7 million in 2016 .

- Maximize economies of scale and take advantage of financial leverage in our business . We seek to build and maintain a larger client base to create economies of scale, enabling us to provide value-added products and services to our clients while expanding our operating margins. Because we sell primarily "off-the-shelf" software, increased sales of the same solutions result in incrementally higher gross margins. In addition, we believe that we have a marketing and administrative infrastructure in place that can be leveraged to accommodate significant long-term growth without proportionately increasing selling, general and administrative expenses.

- Attract and retain highly qualified employees . We believe that the depth and quality of our operations management and staff is one of our significant strengths, and that the ability to retain such employees is crucial to our continued growth and success. We believe that our stable management team, financial strength and growth opportunities, as well as our leadership position in the local government market, enhance our attractiveness as an employer for highly skilled employees.

- Pursue selected strategic acquisitions . While we expect to primarily grow internally, from time to time we selectively pursue strategic acquisitions that provide us with one or more of the following

  - New products and services to complement our existing offerings
  - Entry into new markets related to local governments
  - New clients and/or geographic expansion

- Establish strategic alliances . In January 2007, we announced a strategic alliance with Microsoft Corporation to jointly develop core public sector functionality for Microsoft Dynamics AX to address the unique accounting needs of public sector organizations worldwide. As part of this alliance, we are enhancing Microsoft Dynamics AX with public sector-specific functionality. The arrangement has broadened the functionality of Microsoft Dynamics AX, providing both Tyler and Microsoft with a public sector accounting platform to support their existing and prospective clients well into the future. Microsoft Dynamics AX with public sector functionality was released to the market in August 2011 and is being sold in the United States and internationally through Microsoft's distribution channels. Tyler is also an authorized Microsoft reseller for the Microsoft Dynamics solutions developed under this arrangement, and we are selling the solutions directly into the government market. Tyler receives license and maintenance royalties on direct and indirect public-sector sales worldwide.

Our contractual research and development commitment to develop public sector functionality for Microsoft Dynamics AX was amended in March 2016 and significantly reduced our development commitment through March 2018. However, we will continue to provide sustained engineering and technical support for the public sector functionality within Dynamics AX.

SALES, MARKETING, AND CLIENTS

We market our products and services through direct sales and marketing personnel located throughout the United States. Other in-house sales staff focus on add-on sales, professional services and support.

Sales of new systems are typically generated from referrals from other government offices or departments within a county or municipality, referrals from other local governments, relationships established between sales representatives and county or local officials, contacts at trade shows, direct mailings, and direct contact from prospects already familiar with us. We are active in numerous national, state, county, and local government associations, and participate in annual meetings, trade shows, and educational events.

Clients consist primarily of county and municipal agencies, school districts and other local government offices. In counties, clients include the auditor, treasurer, tax assessor/collector, county clerk, district clerk, county and district court judges, probation officers, sheriff, and county appraiser. At municipal government sites, clients include directors from various departments, including administration, finance, utilities, public works, code enforcement, personnel, purchasing, taxation, municipal court, and police. Contracts for software products and services are generally implemented over periods of three months to one year, although some complex implementations may span multiple years, with annually renewing maintenance and support update agreements thereafter. Although either the client or we can terminate these agreements, historically almost all support and maintenance agreements are automatically renewed annually. During 2016 , approximately 43% of our revenue was attributable to ongoing support and maintenance agreements. Contracts for appraisal outsourcing services are generally one to three years in duration.

COMPETITION

We compete with numerous local, regional, and national firms that provide or offer some or many of the same solutions and services that we provide. Many of these competitors are smaller companies that may be able to offer less expensive solutions than ours. Many of these firms operate within a specific geographic area and/or in a narrow product or service niche. We also compete with national firms, some of which have greater financial and technical resources than we do, including Oracle Corporation, Infor, SAP AG, FIS (SunGard), Thomson Reuters Corporation, and Constellation Software, Inc. In addition, we sometimes compete with consulting and systems integration firms, which develop custom systems, primarily for larger governments. We also occasionally compete with central internal information service departments of local governments, which requires us to persuade the end-user department to discontinue service by its own personnel and outsource the service to us.

We compete on a variety of factors, including price, service, name recognition, reputation, technological capabilities, and the ability to modify existing products and services to accommodate the individual requirements of the client. Our ability to offer an integrated system of applications for several offices or departments is often a competitive advantage. Local governmental units often are required to seek competitive proposals through a request for proposal process and some prospective clients use consultants to assist them with the proposal and vendor selection process.

SUPPLIERS

Substantially all of the computers, peripherals, printers, scanners, operating system software, office automation software, and other equipment necessary for the implementation and provision of our software systems and services are presently available from several third-party sources. Hardware is purchased on original equipment manufacturer or distributor terms at discounts from retail. We have not experienced any significant supply problems.

BACKLOG

At December 31, 2016 , our estimated revenue backlog was approximately $953.3 million , compared to $844.5 million at December 31, 2015 . The backlog represents signed contracts under which the revenue has not been recognized as of year-end. Approximately $580.2 million , or 61% , of the backlog is expected to be recognized during 2017.

INTELLECTUAL PROPERTY, PROPRIETARY RIGHTS, AND LICENSES

We regard certain features of our internal operations, software, and documentation as confidential and proprietary and rely on a combination of contractual restrictions, trade secret laws and other measures to protect our proprietary intellectual property. We generally do not rely on patents. We believe that, due to the rapid rate of technological change in the computer software industry, trade secrets and copyright protection are less significant than factors such as knowledge, ability and experience of our employees, frequent product enhancements, and timeliness and quality of support services. We typically license our software products under non-exclusive license agreements, which are generally non-transferable and have a perpetual term.

EMPLOYEES

At December 31, 2016 , we had 3,831 employees. None of our employees are represented by a labor union or are subject to collective bargaining agreements. We consider our relations with our employees to be positive.

INTERNET WEBSITE AND AVAILABILITY OF PUBLIC FILINGS

We file annual, quarterly, current and other reports, proxy statements and other information with the Securities and Exchange Commission, or SEC, pursuant to the Securities Exchange Act. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room by calling the SEC at 1-800-732-0330. The SEC maintains an Internet site that contains reports, proxy and other information statements, and other information regarding issuers, including us, that file electronically with the SEC. The address of this site is http://www.sec.gov.

We also maintain a website at www.tylertech.com. We make available free of charge through this site our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Forms 4 and 5, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, copies of our annual report will be made available, free of charge upon written request.

Our "Code of Business Conduct and Ethics" is also available on our website. We intend to satisfy the disclosure requirements regarding amendments to, or waivers from, a provision of our Code of Business Conduct and Ethics by posting such information on our website.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a high degree of risk. Investors evaluating our company should carefully consider the factors described below and all other information contained in this Annual Report. Any of the following factors could materially harm our business, operating results, and financial condition. Additional factors and uncertainties not currently known to us or that we currently consider immaterial could also harm our business, operating results, and financial condition. This section should be read in conjunction with the Financial Statements and related Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report. We may make forward-looking statements from time to time, both written and oral. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. Our actual results may differ materially from those projected in any such forward-looking statements due to a number of factors, including those set forth below and elsewhere in this Annual Report.

Risks Associated with Our Software Products

Cyber-attacks and security vulnerabilities can disrupt our business and harm our competitive position.

Threats to IT security can take a variety of forms. Individuals and groups of hackers, and sophisticated organizations including state-sponsored organizations, may take steps that pose threats to our clients and our IT. They may develop and deploy malicious software to attack our products and services and gain access to our networks and data centers, or act in a coordinated manner to launch distributed denial of service or other coordinated attacks. Cyber threats are constantly evolving, thereby increasing the difficulty of detecting and successfully defending against them. Cyber threats can have cascading impacts that unfold with increasing speed across our internal networks and systems and those of our partners and clients. Breaches of our network or data security could disrupt the security of our internal systems and business applications, impair our ability to provide services to our clients and protect the privacy of their data, result in product development delays, compromise confidential or technical business information harming our competitive position, result in theft or misuse of our intellectual property or other assets, require us to allocate more resources to improve technologies, or otherwise adversely affect our business. Our business policies and internal security controls may not keep pace with these evolving threats.

We may not be able to fully protect client information from security breaches.

As we continue to grow the number and scale of our cloud-based offerings, we store and process increasingly large amounts of personally identifiable and other confidential information of our clients. The continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security. Despite our efforts to improve security controls, it is possible our security controls over personal data, our training of employees on data security, and other practices we follow may not prevent the improper disclosure of client data that we store and manage. Improper disclosure could harm our reputation, lead to legal exposure to clients, or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

Hosting services for some of our products are dependent upon the uninterrupted operation of data centers.

A material portion of our business is provided through software hosting services. These hosting services depend on the uninterrupted operation of data centers and the ability to protect computer equipment and information stored in these data centers against damage that may be caused by natural disaster, fire, power loss, telecommunications or Internet failure, acts of terrorism, unauthorized intrusion, computer viruses, and other similar damaging events. If any of our data centers were to become inoperable for an extended period, we might be unable to fulfill our contractual commitments. Although we take what we believe to be reasonable precautions against such occurrences, we can give no assurance that damaging events such as these will not result in a prolonged interruption of our services, which could result in client dissatisfaction, loss of revenue, and damage to our business.

We run the risk of errors or defects with new products or enhancements to existing products.

Our software products are complex and may contain errors or defects, especially when first introduced or when new versions or enhancements are released. Although we have not experienced material adverse effects from any such defects or errors to date, we cannot assure you that material defects and errors will not be found in the future. Any such defects could result in a loss of revenues or delay market acceptance. Our license agreements typically contain provisions designed to limit our exposure to potential liability. However, it is possible we may not always successfully negotiate such provisions in our client contracts or the limitation of liability provisions may not be effective due to existing or future federal, state, or local laws, ordinances, or judicial decisions. Although we maintain errors and omissions and general liability insurance, and we try to structure contracts to limit liability, we cannot assure you that a successful claim could not be made or would not have a material adverse effect on our future operating results.

We must timely respond to technological changes to be competitive.

The market for our products is characterized by technological change, evolving industry standards in software technology, changes in client requirements, and frequent new product introductions and enhancements. The introduction of products embodying new technologies and the emergence of new industry standards can render existing products obsolete and unmarketable. As a result, our future success will depend, in part, upon our ability to enhance existing products and develop and introduce new products that keep pace with technological developments, satisfy increasingly sophisticated client requirements, and achieve market acceptance. We cannot assure you that we will successfully identify new product opportunities and develop and bring new products to market in a timely and cost-effective manner. The products, capabilities, or technologies developed by others could also render our products or technologies obsolete or noncompetitive. Our business may be adversely affected if we are unable to develop or acquire new software products or develop enhancements to existing products on a timely and cost-effective basis, or if such new products or enhancements do not achieve market acceptance.

We may be unable to protect our proprietary rights.

Many of our product and service offerings incorporate proprietary information, trade secrets, know-how, and other intellectual property rights. We rely on a combination of contracts, copyrights, and trade secret laws to establish and protect our proprietary rights in our technology. We cannot be certain that we have taken all appropriate steps to deter misappropriation of our intellectual property. There has also been significant litigation recently involving intellectual property rights. We are not currently involved in any material intellectual property litigation; however, we may be a party to such litigation in the future to protect our proprietary information, trade secrets, know-how, and other intellectual property rights. We cannot assure you that third-parties will not assert infringement or misappropriation claims against us with respect to current or future products. Any claims or litigation, with or without merit, could be time-consuming, costly, and a diversion to management. Any such claims and litigation could also cause product shipment delays or require us to enter into royalty or licensing arrangements. Such royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all. Therefore, litigation to defend and enforce our intellectual property rights could have a material adverse effect on our business, regardless of the final outcome of such litigation.

Clients may elect to terminate our maintenance contracts and manage operations internally.

It is possible that our clients may elect to not renew maintenance contracts for our software, trying instead to maintain and operate the software themselves using their perpetual license rights (excluding software applications that we provide on a hosted or cloud basis). This could adversely affect our revenues and profits. Additionally, they may inadvertently allow our intellectual property or other information to fall into the hands of third-parties, including our competitors, which could adversely affect our business.

Material portions of our business require the Internet infrastructure to be further developed or adequately maintained.

Part of our future success depends on the use of the Internet as a means to access public information and perform transactions electronically, including, for example, electronic filing of court documents. This in part requires the further development and maintenance of the Internet infrastructure. Among other things, this further development and maintenance will require a reliable network backbone with the necessary speed, data capacity, security, and timely development of complementary products for providing reliable Internet access and services. If this infrastructure fails to be further developed or be adequately maintained, our business would be harmed because users may not be able to access our government portals.

Risks Associated with Selling Products and Services into the Public Sector Marketplace

Selling products and services into the public sector poses unique challenges.

We derive substantially all of our revenues from sales of software and services to state, county, and city governments, other municipal agencies, and other public entities. We expect that sales to public sector clients will continue to account for substantially all of our revenues in the future. We face many risks and challenges associated with contracting with governmental entities, including

- Resource limitations caused by budgetary constraints, which may provide for a termination of executed contracts due to a lack of future funding
- Long and complex sales cycles
- Contract payments at times being subject to achieving implementation milestones, and we may have differences with clients as to whether milestones have been achieved

- Political resistance to the concept of contracting with third-parties to provide IT solutions
- Legislative changes affecting a local government's authority to contract with third-parties
- Varying bid procedures and internal processes for bid acceptance
- Various other political factors, including changes in governmental administrations and personnel

Each of these risks is outside our control. If we fail to adequately adapt to these risks and uncertainties, our financial performance could be adversely affected.

A prolonged economic slowdown could harm our operations.

A prolonged economic slowdown or recession could reduce demand for our software products and services. Local and state governments may face financial pressures that could in turn affect our growth rate and profitability in the future. There is no assurance that local and state spending levels will be unaffected by declining or stagnant general economic conditions, and if budget shortfalls occur, they may negatively impact local and state IT spending and could adversely affect our business.

A decline in the demand for IT may result in a decrease in our revenues or lower our growth rate.

A decline in the demand for IT among our current and prospective clients may result in decreased revenues or a lower growth rate because our sales depend, in part, on our clients' level of funding for new or additional IT systems and services. Moreover, demand for our solutions may be reduced by a decline in overall demand for computer software and services. We cannot assure you that we will be able to increase or maintain our revenues.

The open bidding process creates uncertainty in predicting future contract awards.

Many governmental agencies purchase products and services through an open bidding process. Generally, a governmental entity will publish an established list of requirements requesting potential vendors to propose solutions for the established requirements. To respond successfully to these requests for proposals, we must accurately estimate our cost structure for servicing a proposed contract, the time required to establish operations for the proposed client, and the likely terms of any other third-party proposals submitted. We cannot guarantee that we will win any bids in the future through the request for proposal process, or that any winning bids will ultimately result in contracts on favorable terms. Our failure to secure contracts through the open bidding process, or to secure such contracts on favorable terms, may adversely affect our revenue and gross margins.

We face significant competition from other vendors and potential new entrants into our markets.

We believe we are a leading provider of integrated solutions for the public sector. However, we face competition from a variety of software vendors that offer products and services similar to those offered by us, as well as from companies offering to develop custom software. We compete based on a number of factors, including

- The attractiveness of our "evergreen" business strategy
- The breadth, depth, and quality of our product and service offerings
- The ability to modify our offerings to accommodate particular clients' needs
- Technological innovation
- Name recognition
- Price
- Our financial strength and stability

We believe the market is highly fragmented with a large number of competitors that vary in size, product platform, and product scope. Our competitors include consulting firms, publicly held companies that focus on selected segments of the public sector market, and a significant number of smaller, privately held companies. Certain competitors have greater technical, marketing, and financial resources than we do. We cannot assure you that such competitors will not develop products or offer services that are superior to our products or services or that achieve greater market acceptance.

We also compete with internal, centralized IT departments of governmental entities, which requires us to persuade the end-user to stop the internal service and outsource to us. In addition, our clients and prospective clients could elect to provide information management services internally through new or existing departments, which could reduce the market for our services.

We could face additional competition as other established and emerging companies enter the public sector software application market and new products and technologies are introduced. Increased competition could result in pricing pressure, fewer client orders, reduced gross margins, and loss of market share. Current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third-parties, thereby increasing the ability of their products to address the needs of our prospective clients. It is possible that new competitors or alliances may emerge and rapidly gain significant market share. We cannot assure you that we will be able to compete successfully against current and future competitors, and the failure to do so would have a material adverse effect upon our business.

Fixed-price contracts may affect our profits.

Some of our contracts are on a fixed-priced basis, which can lead to various risks, including

- The failure to accurately estimate the resources and time required for an engagement
- The failure to effectively manage our clients' expectations regarding the scope of services delivered for a fixed fee
- The failure to timely and satisfactorily complete fixed-price engagements within budget

If we do not adequately assess these and other risks, we may be subject to cost overruns and penalties, which may harm our financial performance.

Changes in the insurance markets may affect our business.

Some of our clients, primarily those for our property appraisal services, require that we secure performance bonds before they will select us as their vendor. In addition, we have in the past been required to provide letters of credit as security for the issuance of a performance bond. We cannot guarantee that we will be able to secure such performance bonds in the future on terms that are favorable to us, if at all. Our inability to obtain performance bonds on favorable terms or at all could impact our future ability to win some contract awards, particularly large property appraisal services contracts, which could negatively impact revenues. In addition, the general insurance markets may experience volatility, which may lead to future increases in our general and administrative expenses and negatively impact our operating results.

Risks Associated with Our Periodic Results and Stock Price

Software revenue recognition rules may require us to delay revenue recognition into future periods.

We have in the past had to, and may in the future be required to, defer revenue recognition for software license fees due to several factors, including

- License agreements include applications that are under development or other undelivered elements
- Client contracts require the delivery of services considered essential to the functionality of the software, including significant modifications, customization, or complex interfaces, that could delay product delivery or acceptance
- The transaction involves customer acceptance criteria with a right to refund
- The transaction involves contingent payment terms or fees
- We are required to accept a fixed-fee services contract
- We are required to provide extended payment terms

Because of these factors and other specific requirements for software revenue recognition under generally accepted accounting principles in the United States, we must have very precise terms in our contracts to recognize revenue upon the delivery and installation of our software or performance of services. Negotiation of mutually acceptable terms and conditions may extend the sales cycle. We are not always able to negotiate terms and conditions that permit revenue recognition at the time of delivery or even upon project completion.

Fluctuations in quarterly revenue could adversely impact our operating results and stock price.

Our revenues and operating results are difficult to predict and may fluctuate substantially from quarter to quarter for a variety of reasons, including the following

- Prospective clients' contracting decisions are often made in the last few weeks of a quarter
- The size of license transactions can vary significantly
- Clients may unexpectedly postpone or cancel procurement processes due to changes in strategic priorities, project objectives, budget, or personnel
- Client purchasing processes vary significantly and a client's internal approval, expenditure authorization, and contract negotiation processes can be difficult and time consuming to complete, even after selection of a vendor
- The number, timing, and significance of software product enhancements and new software product announcements by us and our competitors may affect purchase decisions
- We may have to defer revenues under our revenue recognition policies
- Clients may elect subscription-based arrangements, which result in lower software license revenues in the initial year as compared to traditional, on-premise software license arrangements, but generate higher overall subscription-based revenues over the term of the contract

In each fiscal quarter, our expense levels, operating costs, and hiring plans are based to some extent on projections of future revenues and are relatively fixed. If our actual revenues fall below expectations, we could experience a reduction in operating results. Also, if actual revenues or earnings for any given quarter fall below expectations, it may lead to a decline in our stock price.

Increases in service revenue as a percentage of total revenues could decrease overall margins.

We realize lower margins on software and appraisal service revenues than on license revenue. The majority of our contracts include both software licenses and software services. Therefore, an increase in the percentage of software service and appraisal service revenue compared to license revenue could have a detrimental impact on our overall gross margins and could adversely affect operating results.

Our stock price may be volatile.

The market price of our common stock may be volatile. Examples of factors that may significantly impact our stock price include

- Actual or anticipated fluctuations in our operating results
- Announcements of technological innovations, new products, or new contracts by us or our competitors
- Developments with respect to patents, copyrights, or other proprietary rights
- Conditions and trends in the software and other technology industries
- Adoption of new accounting standards affecting the software industry
- Changes in financial estimates by securities analysts
- General market conditions and other factors

In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices of technology company stocks and may in the future adversely affect the market price of our stock. Sometimes, securities class action litigation is filed following periods of volatility in the market price of a particular company's securities. We cannot assure you that similar litigation will not occur in the future with respect to us. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect upon our financial performance.

Financial Outlook.

From time to time, in press releases and otherwise, we may publish forecasts or other forward-looking statements regarding our results, including estimated revenues or earnings. Any forecast of our future performance reflects various assumptions. These assumptions are subject to significant uncertainties, and as a matter of course, any number of them may prove to be incorrect. Further, the achievement of any forecast depends on numerous risks and other factors (including those described in this discussion), many of which are beyond our control. As a result, we cannot be certain that our performance will be consistent with any management forecasts or that the variation from such forecasts will not be material and adverse. Current and potential stockholders are cautioned not to base their entire analysis of our business and prospects upon isolated predictions, but instead are encouraged to utilize our entire publicly available mix of historical and forward-looking information, as well as other available information regarding us, our products and services, and the software industry when evaluating our prospective results of operations.

Risks Associated with Our Growth Strategy and Other General Corporate Risks

We may experience difficulties in executing our acquisition strategy.

A material portion of our historical growth has resulted from strategic acquisitions. Although our focus is on internal growth, we will continue to identify and pursue strategic acquisitions with suitable candidates. These transactions involve significant challenges and risks, including the transaction does not advance our business strategy, we get no satisfactory return on our investment, we have difficulty integrating business systems and technology, we have difficulty retaining or integrating new employees, the transactions distract management from our other businesses, we acquire unforeseen liabilities, and other unanticipated events. Our future success will depend, in part, on our ability to successfully integrate future acquisitions into our operations. It may take longer than expected to realize the full benefits of these transactions, such as increased revenue, enhanced efficiencies, or increased market share, or the benefits may be ultimately smaller than we expected. Although we conduct due diligence reviews of potential acquisition candidates, we may not identify all material liabilities or risks related to acquisition candidates. There can be no assurance that any such strategic acquisitions will be accomplished on favorable terms or will result in profitable operations.

Our failure to properly manage growth could adversely affect our business.

We have expanded our operations significantly since 1998, when we entered the business of providing software solutions and services to the public sector. We intend to continue expansion in the foreseeable future to pursue existing and potential market opportunities. This growth places a significant demand on management and operational resources. In order to manage growth effectively, we must implement and improve our operational systems, procedures, and controls on a timely basis. If we fail to implement these systems, our business may be materially adversely affected.

We may be unable to hire, integrate, and retain qualified personnel.

Our continued success will depend upon the availability and performance of our key management, sales, marketing, client support, and product development personnel. The loss of key management or technical personnel could adversely affect us. We believe that our continued success will depend in large part upon our ability to attract, integrate, and retain such personnel. We have at times experienced and continue to experience difficulty in recruiting qualified personnel. Competition for qualified software development, sales, and other personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such personnel.

Compliance with changing regulation of corporate governance may result in additional expenses.

Changing laws, regulations, and standards relating to corporate governance and public disclosure can create uncertainty for public companies. The costs required to comply with such evolving laws are difficult to predict. To maintain high standards of corporate governance and public disclosure, we intend to invest all reasonably necessary resources to comply with evolving standards. This investment may result in an unforeseen increase in general and administrative expenses and a diversion of management's time and attention from revenue-generating activities, which may harm our operating results.

We don't foresee paying dividends on our common stock.

We have not declared or paid a cash dividend since we entered the business of providing software solutions and services to the public sector in 1998. We intend to retain earnings for use in the operation and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Provisions in our certificate of incorporation, bylaws, and Delaware law could deter takeover attempts.

Our board of directors may issue up to 1,000,000 shares of preferred stock and may determine the price, rights, preferences, privileges, and restrictions, including voting and conversion rights, of these preferred shares. These determinations may be made without any further vote or action by our stockholders. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may make it more difficult for a third-party to acquire a majority of our outstanding voting stock. In addition, some provisions of our Certificate of Incorporation, Bylaws, and the Delaware General Corporation Law could also delay, prevent, or make more difficult a merger, tender offer, or proxy contest involving us.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

We occupy approximately 890,000 square feet of office space, of which approximately 609,000 square feet is in office facilities we own. We own or lease offices for our major operations in Arizona, Colorado, Georgia, Iowa, Maine, Michigan, Montana, New York, Ohio, Texas and Washington.

ITEM 3. LEGAL PROCEEDINGS.

Other than routine litigation incidental to our business, there are no material legal proceedings pending to which we are party or to which any of our properties are subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the New York Stock Exchange under the symbol "TYL." At December 31, 2016, we had approximately 1,492 stockholders of record. Most of our stockholders hold their shares in street name; therefore, there are substantially more than 1,492 beneficial owners of our common stock.

The following table shows, for the calendar periods indicated, the high and low sales price per share of our common stock as reported on the New York Stock Exchange.

		High	Low
2015	First Quarter	$ 125.84	$ 103.18
	Second Quarter	133.54	118.05
	Third Quarter	152.91	127.25
	Fourth Quarter	184.01	150.00
2016	First Quarter	$ 172.50	$ 118.16
	Second Quarter	168.19	126.70
	Third Quarter	175.77	159.24
	Fourth Quarter	172.24	139.61
2017	First Quarter (through February 21, 2017)	$ 166.86	$ 142.75

We did not pay any cash dividends in 2016 or 2015. Our bank credit agreement contains restrictions on the payment of cash dividends. We intend to retain earnings for use in the operation and expansion of our business, and, therefore, we do not anticipate declaring a cash dividend in the foreseeable future.

The following table summarizes certain information related to our stock option plan and our employee stock purchase plan. There are no warrants or rights related to our equity compensation plans as of December 31, 2016.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2016	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in initial column as of December 31, 2016)
Equity compensation plans approved by security shareholders:			
Stock option plan	5,155,437	$ 83.64	2,902,978
Employee stock purchase plan	13,592	121.35	846,727
Equity compensation plans not approved by security shareholders	—	—	—
	5,169,029	$ 83.74	3,749,705

As of December 31, 2016 , we had authorization to repurchase up to 2.0 million additional shares of Tyler common stock. During 2016, we purchased approximately 882,000 shares of our common stock for an aggregate purchase price of $112.7 million . A summary of the repurchase activity during 2016 is as follows:

Period	Total number of shares repurchased	Additional number of shares authorized that may be repurchased	Average price paid per share	Maximum number of shares that may be repurchased under current authorization
Three months ended March 31	757,000		$ 124.75	643,000
Additional authorization by the board of directors	—	1,500,000	—	2,143,000
Three months ended June 30	—	—	—	2,143,000
Three months ended September 30	—	—	—	2,143,000
October 1 through October 31	—	—	—	2,143,000
November 1 through November 30	37,000	—	149.53	2,106,000
December 1 through December 31	88,000	—	144.57	2,018,000
	882,000	1,500,000	$ 127.75	

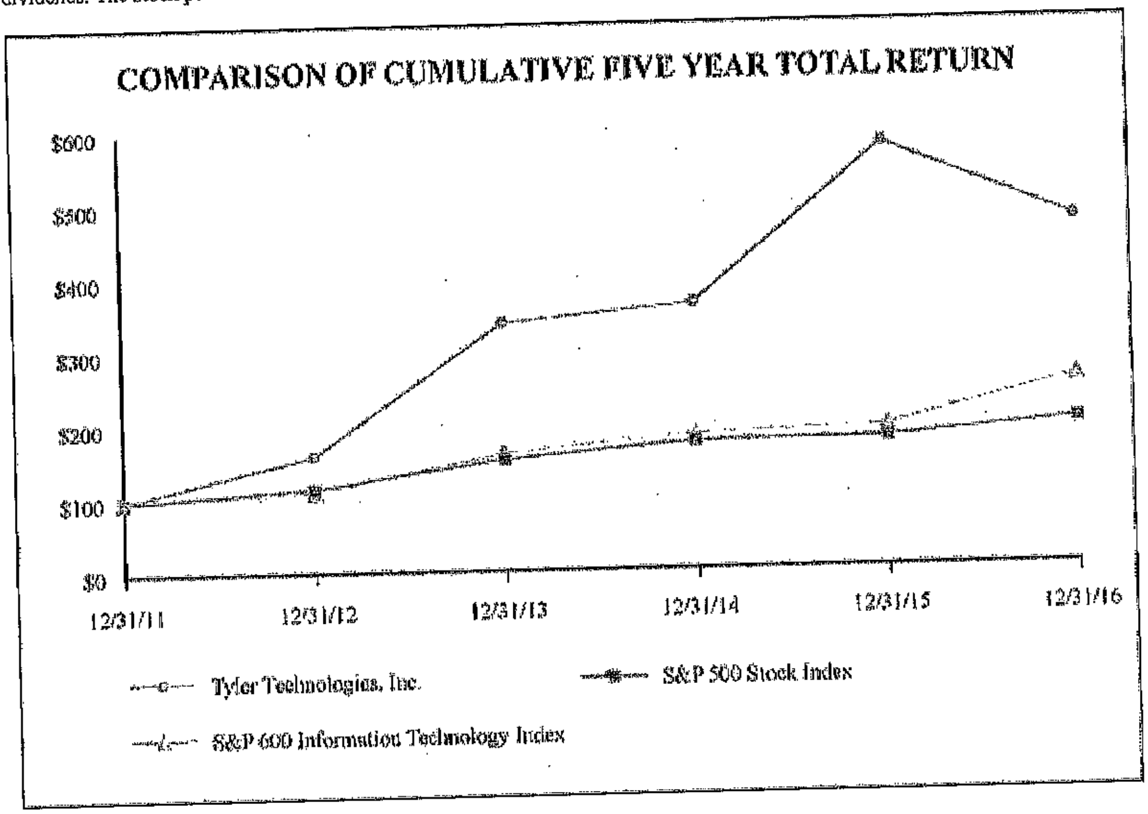
The repurchase program, which was approved by our board of directors, was announced in October 2002 and was amended at various times from 2003 through 2016. There is no expiration date specified for the authorization, and we intend to repurchase stock under the plan from time to time.

Subsequent to December 31, 2016 and through February 21, 2017, we purchased approximately 42,000 shares of our common stock for an aggregate cash purchase price of $6.2 million .

Performance Graph

The following Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following table compares total shareholder returns for Tyler over the last five years to the Standard and Poor's 500 Stock Index and the Standard and Poor's 600 Information Technology Index assuming a $100 investment made on December 31, 2011. Each of the three measures of cumulative total return assumes reinvestment of dividends. The stock performance shown on the graph below is not necessarily indicative of future price performance.



Company / Index	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Tyler Technologies, Inc.	100	160.88	339.19	363.47	578.94	474.16
S&P 500 Stock Index	100	116.00	153.57	174.60	177.01	198.18
S&P 600 Information Technology Index	100	112.02	162.33	183.91	192.46	257.61

ITEM 6. SELECTED FINANCIAL DATA.

(In thousands, except per share data)

	FOR THE YEARS ENDED DECEMBER 31, 2016	2015 (b)	2014	2013	2012
STATEMENT OF OPERATIONS DATA:					
Revenues	$ 756,043	$ 591,022	$ 493,101	$ 416,643	$ 363,304
Cost and expenses:					
Cost of revenues	400,692	313,835	259,730	223,440	195,602
Selling, general and administrative expenses	167,161	133,317	108,260	98,289	86,706
Research and development expense	43,154	29,922	25,743	23,269	20,140
Amortization of customer and trade name intangibles	13,731	5,905	4,546	4,517	4,279
Operating income	131,305	108,043	94,822	67,128	56,577
Other (expenses) income, net	(1,998)	381	(355)	(1,309)	(2,709)
Income before income taxes	129,307	108,424	94,467	65,819	53,868
Income tax provision (a)	19,450	43,555	35,527	26,718	20,874
Net income	109,857	64,869	58,940	39,101	32,994
Net earnings per diluted share	$ 2.82	$ 1.77	$ 1.66	$ 1.13	$ 1.00
Weighted average diluted shares (a)	38,961	36,552	35,401	34,590	32,916
STATEMENT OF CASH FLOWS DATA:					
Cash flows provided by operating activities (a)	$ 191,859	$ 134,327	$ 142,839	$ 94,297	$ 67,432
Cash flows used by investing activities	(50,720)	(398,459)	(11,555)	(25,658)	(34,736)
Cash flows (used) provided by financing activities (a)	(138,075)	91,052	(3,993)	3,831	(27,616)
BALANCE SHEET DATA:					
Total assets	$ 1,357,945	$ 1,356,570	$ 569,812	$ 444,488	$ 338,666
Revolving line of credit	10,000	66,000	—	—	18,000
Shareholders' equity	915,525	858,857	336,973	246,319	145,299

(a) During 2016, we adopted Accounting Standards Update ("ASU") No. 2016-09 "Improvements to Employee Share-Based Payment Accounting" requiring the recognition of excess tax benefits or tax deficiencies as a component of income tax expense; these benefits or deficiencies were historically recognized in equity. As the standard requires a prospective method of adoption, our net income in 2016 includes a $29.6 million income tax benefit due to the adoption that did not occur in the comparable periods presented above. In addition, the ASU updates the method of calculating diluted shares resulting in the inclusion of 519,000 additional shares in our diluted earnings per share calculation that is not comparable to the other periods presented. Refer to Note 1 "Summary of Significant Accounting Policies" for further discussion of this new accounting standard.

The adoption of ASU No. 2016-09 also requires excess tax benefits, previously presented as financing activities, to be classified as operating activities. As retrospective adoption for this component of the standard is allowable, we have adjusted all periods presented above to reflect this change in classification .

(b) On November 16, 2015, we completed the acquisition of New World Systems Corporation ("NWS"). Operating results for the twelve months ended December 31, 2015, include $5.9 million for financial advisory, legal, accounting, due diligence, valuation and other expenses necessary to complete the NWS acquisition as well as $3.5 million amortization expense related to NWS acquisition intangibles.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING STATEMENTS

This document 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 that are not historical in nature and typically address future or anticipated events, trends, expectations or beliefs with respect to our financial condition, results of operations or business. Forward-looking statements often contain words such as "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," "plans," "intends," "continues," "may," "will," "should," "projects," "might," "could" or other similar words or phrases. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. We believe there is a reasonable basis for our forward-looking statements, but they are inherently subject to risks and uncertainties and actual results could differ materially from the expectations and beliefs reflected in the forward-looking statements. We presently consider the following to be among the important factors that could cause actual results to differ materially from our expectations and beliefs: (1) changes in the budgets or regulatory environments of our clients, primarily local and state governments, that could negatively impact information technology spending; (2) our ability to protect client information from security breaches and provide uninterrupted operations of data centers; (3) our ability to achieve growth or operational synergies through the integration of acquired businesses, while avoiding unanticipated costs and disruptions to existing operations; (4) material portions of our business require the Internet infrastructure to be adequately maintained; (5) our ability to achieve our financial forecasts due to various factors, including project delays by our clients, reductions in transaction size, fewer transactions, delays in delivery of new products or releases or a decline in our renewal rates for service agreements; (6) general economic, political and market conditions; (7) technological and market risks associated with the development of new products or services or of new versions of existing or acquired products or services; (8) competition in the industry in which we conduct business and the impact of competition on pricing, client retention and pressure for new products or services; (9) the ability to attract and retain qualified personnel and dealing with the loss or retirement of key members of management or other key personnel; and (10) costs of compliance and any failure to comply with government and stock exchange regulations. A detailed discussion of these factors and other risks that affect our business are described in Item 1A, "Risk Factors." We expressly disclaim any obligation to publicly update or revise our forward-looking statements.

OVERVIEW

General

We provide integrated information management solutions and services for the public sector, with a focus on local governments. We develop and market a broad line of software products and services to address the IT needs of cities, counties, schools and other local government entities. In addition, we provide professional IT services to our clients, including software and hardware installation, data conversion, training and for certain clients, product modifications, along with continuing maintenance and support for clients using our systems. We also provide subscription-based services such as software as a service ("SaaS"), which utilizes the Tyler private cloud, and electronic document filing solutions ("e-filing"), which simplify the filing and management of court related documents. Revenues for e-filing are derived from transaction fees and in some cases fixed fee arrangements. We also provide property appraisal outsourcing services for taxing jurisdictions.

Our products generally automate six major functional areas: (1) financial management and education, (2) courts and justice, (3) public safety (4) property appraisal and tax, (5) planning, regulatory and maintenance, and (6) land and vital records management. We report our results in two segments. The Enterprise Software ("ES") segment provides municipal and county governments and schools with software systems and services to meet their information technology and automation needs for mission-critical "back-office" functions such as: financial management; courts and justice processes; public safety; planning, regulatory and maintenance; and land and vital records management. The Appraisal and Tax ("A&T") segment provides systems and software that automate the appraisal and assessment of real and personal property as well as property appraisal outsourcing services for local governments and taxing authorities. Property appraisal outsourcing services include: the physical inspection of commercial and residential properties; data collection and processing; computer analysis for property valuation; preparation of tax rolls; community education; and arbitration between taxpayers and the assessing jurisdiction.

Total organic revenues increased 12% in 2016 compared to 2015 .

On November 16, 2015, we acquired all of the capital stock of New World Systems Corporation ("NWS"), which provides public safety and financial solutions for local governments. The purchase price, net of cash acquired of $22.5 million, was $337.5 million in cash, of which $4.0 million was accrued at December 31, 2015, and 2.1 million shares of Tyler common stock valued at $362.8 million.

On May 29, 2015, we acquired all of the capital stock of Brazos Technology Corporation ("Brazos"), which provides mobile hand held solutions primarily to law enforcement agencies for field accident reporting and electronically issuing citations. The purchase price, net of cash acquired and including debt assumed, was $6.1 million in cash and 12,500 shares of Tyler common stock valued at $1.5 million.

The operating results of NWS and Brazos are included with the operating results of the Enterprise Software segment since their respective dates of acquisition.

We monitor and analyze several key performance indicators in order to manage our business and evaluate our financial and operating performance. These indicators include the following:

Revenues – We derive our revenues from five primary sources: sale of software licenses and royalties; subscription-based arrangements; software services; maintenance; and appraisal services. Subscriptions and maintenance are considered recurring revenue sources and comprised approximately 62% of our revenue in 2016 . The number of new SaaS clients and the number of existing clients who convert from our traditional software arrangements to our SaaS model are a significant driver to our business, together with new software license sales and maintenance rate increases. In addition, we also monitor our customer base and churn as we historically have experienced very low customer turnover. During 2016 , based on our number of customers, turnover was approximately 2% .

Cost of Revenues and Gross Margins – Our primary cost component is personnel expenses in connection with providing software implementation, subscription-based services, maintenance and support, and appraisal services to our clients. We can improve gross margins by controlling headcount and related costs and by expanding our revenue base, especially from those products and services that produce incremental revenue with minimal incremental cost, such as software licenses and royalties, subscription-based services, and maintenance and support. Our appraisal projects are cyclical in nature, and we often employ appraisal personnel on a short-term basis to coincide with the life of a project. As of December 31, 2016 , our total employee count increased to 3,831 from 3,586 at December 31, 2015 .

Selling, General and Administrative ("SG&A") Expenses – The primary components of SG&A expenses are administrative and sales personnel salaries and commissions, share-based compensation expense, marketing expense, rent and professional fees. Sales commissions typically fluctuate with revenues and share-based compensation expense generally increases when the market price of our stock increases. Other administrative expenses tend to grow at a slower rate than revenues. In 2015, SG&A expenses include approximately $5.9 million for financial advisory, legal, accounting, due diligence, valuation and other various services necessary to complete the NWS acquisition.

Liquidity and Cash Flows – The primary driver of our cash flows is net income. Uses of cash include acquisitions, capital investments in property and equipment and discretionary purchases of treasury stock. Our working capital needs are fairly stable throughout the year with the significant components of cash outflows being payment of personnel expenses offset by cash inflows representing collection of accounts receivable and cash receipts from clients in advance of revenue being earned. In recent years, we have also received significant amounts of cash from employees exercising stock options and contributing to our Employee Stock Purchase Plan.

Balance Sheet – Cash, accounts receivable and days sales outstanding and deferred revenue balances are important indicators of our business.

New Accounting Pronouncements Adopted in 2016

Improvements to Employee Share-Based Payment Accountin g. In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This standard is effective for our interim and annual reporting periods beginning December 15, 2016, and early adoption is permitted. We elected to early adopt this standard in fourth quarter of 2016. The impact of the early adoption was as follows:

- The standard eliminates additional paid in capital ("APIC") pools and requires excess tax benefits and tax deficiencies to be recorded in the income statement as a discrete item when the awards vest or are settled. The adoption of this guidance on a prospective basis resulted in the recognition of excess tax benefits in our provision for income taxes.
- The standard requires excess tax benefits to be recognized regardless of whether the benefit reduces taxes payable. The adoption of this guidance is applied on a modified retrospective basis; however, it did not have an impact on our retained earnings as of January 1, 2016, as we had previously recognized all our excess tax benefits.

- As permitted, we have elected to continue to estimate forfeitures expected to occur to determine the amount of stock-based compensation cost to be recognized in each period. As such, the guidance relating to forfeitures did not have an impact on our retained earnings as of January 1, 2016.
- The new guidance changes the calculation of common stock equivalents for earnings per share purposes.
- As permitted, we elected to apply the statement of cash flows guidance that cash flows related to excess tax benefits be presented as an operating activity retrospectively.

Adoption of the new standard resulted in the recognition of excess tax benefits in our provision for income taxes rather than APIC of $29.6 million for the period ended December 31, 2016. As of December 31, 2016, the change in the calculation of common stock equivalents added approximately 519,000 weighted average shares for the diluted earnings per share calculations. The impact to our previously reported quarterly results for fiscal year 2016 is as follows:

	Three Months Ended March 31, 2016		Three Months Ended June 30, 2016		Three Months Ended September 30, 2016	
(In thousands, except per share amounts)	As Reported	As Adjusted	As Reported	As Adjusted	As Reported	As Adjusted
Income statements:						
Income tax provision	$ 10,495	$ 9,350	$ 11,323	$ 5,188	$ 14,155	$ 989
Net income	$ 17,079	$ 18,224	$ 18,872	$ 25,007	$ 22,264	$ 35,430
Basic earnings per common share	$ 0.47	$ 0.50	$ 0.52	$ 0.69	$ 0.61	$ 0.97
Diluted earnings per common share	$ 0.44	$ 0.47	$ 0.49	$ 0.65	$ 0.58	$ 0.91
Diluted weighted average common shares outstanding	38,557	39,071	38,196	38,738	38,506	39,062
Statement of cash flows:						
Net cash provided by operating activities	$ 40,270	$ 41,321	$ 13,877	$ 19,520	$ 67,091	$ 79,213
Net cash (used) provided by financing activities	$ (15,860)	$ (16,911)	$ 5,668	$ 25	$ (77,973)	$ (90,095)

Presentation of Financial Statements - Going Concern . In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The guidance requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the financial statements are available to be issued when applicable) and to provide related footnote disclosures in certain circumstances. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. We adopted this standard in the fourth quarter of 2016 and its adoption did not have an impact on our consolidated financial statements.

Recent Accounting Guidance not yet Adopted

Revenue from Contracts with Customers . On May 28, 2014, FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This ASU is the result of a convergence project between the FASB and the International Accounting Standards Board. The core principle behind ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for delivering those goods and services. This model involves a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies the performance obligations. The ASU allows two methods of adoption: a full retrospective approach where three years of financial information are presented in accordance with the new standard, and a modified retrospective approach where the ASU is applied to the most current period presented in the financial statements. We currently anticipate adopting the standard using the full retrospective method to restate each prior reporting period presented. Our ability to adopt using the full retrospective method is dependent on system readiness, including software procured from third-party providers, and the completion of our analysis of information necessary to restate prior period financial statements.

The new standard requires application no later than annual reporting periods beginning after December 15, 2017, including interim reporting periods therein; however, public entities are permitted to elect to early adopt the new standard. We are assessing the financial impact of adopting the new standard and the methods of adoption; however, we are currently unable to provide a reasonable estimate regarding the financial impact. We will adopt the new standard in fiscal year 2018.

We anticipate this standard will have a material impact on our consolidated financial statements. While we are continuing to assess all potential impacts of the standard, we currently believe the most significant impact relates to our accounting for software license fees, installation fees, and incremental cost of obtaining a contract. Specifically, under the new standard we expect software license fees under perpetual agreements will no longer be subject to 100% discount allocations from other elements in the contract. Discounts in arrangements will be allocated across all deliverables increasing license revenues and decreasing revenues allocated to other performance obligations. In addition, in most cases, net license fees (total license fees less any allocated discounts) will be recognized at the point in time that control of the software license transfers to the customer versus our current policy of recognizing revenue only to the extent billable per the contractual terms. Time-based license fees currently recognized over the license term will no longer be recognized over the period of the license and will instead be recognized at the point in time that control of the software license transfers to the customer. Installation fees will no longer be considered distinct performance obligations and therefore will be recognized over the term of the arrangement or life of the performance obligation. We expect revenue related to our SaaS offerings and professional services to remain substantially unchanged. Due to the complexity of certain contracts, the actual revenue recognition treatment required under the standard will be dependent on contract-specific terms and may vary in some instances from recognition at the time of billing. Application of the new standard requires that incremental costs directly related to obtaining a contract (typically sales commissions plus any associated fringe benefits) must be recognized as an asset and expensed over the expected life of the arrangement, unless that life is less than one year. Currently, we defer sales commissions and recognize expense over the relevant initial contractual term. With the adoption the new standard, we expect amortization periods to extend past the initial term.

Leases. On February 25, 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, "Leases (Topic 842)." Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early application is permitted for all business entities upon issuance. We are assessing the financial impact of adopting the new standard; however, we are currently unable to provide a reasonable estimate regarding the financial impact. We expect to adopt the new standard in fiscal year 2019.

Outlook

Activity in the local government software market continues to be robust, and our backlog at December 31, 2016 reached $953.3 million , a 13% increase from last year. We expect to continue to achieve solid growth in revenue and earnings. With our strong financial position and cash flow, we plan to continue to make significant investments in product development to better position us to continue to expand our competitive position in the public sector software market over the long term.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues, cost of revenues and expenses during the reporting period, and related disclosure of contingencies. The Notes to the Financial Statements included as part of this Annual Report describe our significant accounting policies used in the preparation of the financial statements. Significant items subject to such estimates and assumptions include the application of the percentage-of-completion and proportional performance methods of revenue recognition, the carrying amount and estimated useful lives of intangible assets, determination of share-based compensation expense and valuation allowance for receivables. 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 may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies require significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition . We recognize revenues in accordance with the provisions of Accounting Standards Codification ("ASC") 605, Revenue Recognition and ASC 985-605, Software Revenue Recognition. Our revenues are derived from sales of software licenses and royalties, subscription-based services, appraisal services, maintenance and support, and services that typically range from installation, training and basic consulting to software modification and customization to meet specific customer needs. For multiple element software arrangements, which do not entail the performance of services that are considered essential to the functionality of the software, we generally record revenue when the delivered products or performed services result in a legally enforceable and non-refundable claim. We maintain allowances for doubtful accounts and sales adjustments, which are provided at the time the revenue is recognized. Because most of our customers are governmental entities, we rarely incur a loss resulting from the inability of a customer to make required payments. In a limited number of cases, we encounter a customer who is dissatisfied with some aspect of the software product or our service, and we may offer a "concession" to such customer. In those limited situations where we grant a concession, we rarely reduce the contract arrangement fee, but alternatively may perform additional services, such as additional training or creating additional custom reports. These amounts have historically been nominal. In connection with our customer contracts and the adequacy of related allowances and measures of progress towards contract completion, our project managers are charged with the responsibility to continually review the status of each customer on a specific contract basis. Also, we review, on at least a quarterly basis, significant past due accounts receivable and the adequacy of related reserves. Events or changes in circumstances that indicate that the carrying amount for the allowances for doubtful accounts and sales adjustments may require revision, include, but are not limited to, deterioration of a customer's financial condition, failure to manage our customer's expectations regarding the scope of the services to be delivered, and defects or errors in new versions or enhancements of our software products.

We use contract accounting, primarily the percentage-of-completion method, as discussed in ASC 605-35, Construction – Type and Certain Production – Type Contracts, for those software arrangements that involve significant production, modification or customization of the software, or where our software services are otherwise considered essential to the functionality of the software. We measure progress-to-completion primarily using labor hours incurred, or value added. In addition, we recognize revenue using the proportional performance method for our property appraisal projects, some of which can range up to five years. These methods rely on estimates of total expected contract revenue, billings and collections and expected contract costs, as well as measures of progress toward completion. We believe reasonably dependable estimates of revenue and costs and progress applicable to various stages of a contract can be made. At times, we perform additional and/or non-contractual services for little to no incremental fee to satisfy customer expectations. If changes occur in delivery, productivity or other factors used in developing our estimates of expected costs or revenues, we revise our cost and revenue estimates, and any revisions are charged to income in the period in which the facts that give rise to that revision first become known. In connection with these and certain other contracts, we may perform the work prior to when the services are billable and/or payable pursuant to the contract. The termination clauses in most of our contracts provide for the payment for the value of products delivered and services performed in the event of an early termination.

For SaaS arrangements, we evaluate whether the customer has the contractual right to take possession of our software at any time during the hosting period without significant penalty and whether the customer can feasibly maintain the software on the customer's hardware or enter into another arrangement with a third-party to host the software. If we determine that the customer has the contractual right to take possession of our software at any time during the hosting period without significant penalty and can feasibly maintain the software on the customer's hardware or enter into another arrangement with a third-party to host the software, we recognize the license, professional services and hosting services revenues pursuant to ASC 985-605, Software Revenue Recognition. For SaaS arrangements that do not meet the criteria for recognition under ASC 985-605, we account for the elements under ASC 605-25, Multiple Element Arrangements using all applicable facts and circumstances, including whether (i) the element has stand-alone value, (ii) there is a general right of return and (iii) the revenue is contingent on delivery of other elements. We allocate the contract value to each element of the arrangement that qualifies for treatment as a separate element based on vendor-specific objective evidence of fair value ("VSOE"), and if VSOE is not available, third-party evidence, and if third-party evidence is unavailable, estimated selling price. For professional services associated with SaaS arrangements that we determine do not have stand-alone value to the customer or are contingent on delivery of other elements, we recognize the services revenue ratably over the remaining contractual period once hosting has gone live and we may begin billing for the hosting services. We record amounts that have been invoiced in accounts receivable and in deferred revenue or revenues, depending on whether the revenue recognition criteria have been met.

In connection with certain of our contracts, we have recorded retentions receivable or unbilled receivables consisting of costs and estimated profit in excess of billings as of the balance sheet date. Many of the contracts which give rise to unbilled receivables at a given balance sheet date are subject to billings in the subsequent accounting period. We review unbilled receivables and related contract provisions to ensure we are justified in recognizing revenue prior to billing the customer and that we have objective evidence which allows us to recognize such revenue. In addition, we have a sizable amount of deferred revenue, which represents billings in excess of revenue earned. The majority of this liability consists of maintenance billings for which payments are made in advance and the revenue is ratably earned over the maintenance period, generally one year. We also have deferred revenue for those contracts in which we receive a deposit and the conditions in which to record revenue for the service or product have not been met. On a periodic basis, we review by customer the detail components of our deferred revenue to ensure our accounting remains appropriate.

Intangible Assets and Goodwill . Our business acquisitions typically result in the creation of goodwill and other intangible asset balances, and these balances affect the amount and timing of future period amortization expense, as well as expense we could possibly incur as a result of an impairment charge. The cost of acquired companies is allocated to identifiable tangible and intangible assets based on estimated fair value, with the excess allocated to goodwill. Accordingly, we have a significant balance of acquisition date intangible assets, including software, customer related intangibles, trade name, leases and goodwill. These intangible assets (other than goodwill) are amortized over their estimated useful lives. We currently have no intangible assets with indefinite lives other than goodwill.

When testing goodwill for impairment quantitatively, we first compare the fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to measure the amount of potential impairment. In the second step, we compare the implied fair value of reporting unit goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized. The fair values calculated in our impairment tests are determined using discounted cash flow models involving several assumptions. The assumptions that are used are based upon what we believe a hypothetical marketplace participant would use in estimating fair value. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. We evaluate the reasonableness of the fair value calculations of our reporting units by comparing the total of the fair value of all of our reporting units to our total market capitalization.

Our annual goodwill impairment analysis, which we performed quantitatively during the second quarter of 2016, did not result in an impairment charge. During 2016, we did not identify any triggering events that would require an update to our annual impairment review.

All intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of other intangible assets is measured by comparison of the carrying amount to estimated undiscounted future cash flows. The assessment of recoverability or of the estimated useful life for amortization purposes will be affected if the timing or the amount of estimated future operating cash flows is not achieved. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; and reductions in growth rates. In addition, products, capabilities, or technologies developed by others may render our software products obsolete or non-competitive. Any adverse change in these factors could have a significant impact on the recoverability of goodwill or other intangible assets.

Share-Based Compensation. We have a stock option plan that provides for the grant of stock options to key employees, directors and non-employee consultants. We estimate the fair value of share-based awards on the date of grant using the Black-Scholes option valuation model. Share-based compensation expense includes the estimated effects of forfeitures, which will be adjusted over the requisite service period to the extent actual forfeitures differ, or are expected to differ from such estimates. Changes in estimated forfeitures are recognized in the period of change and will also impact the amount of expense to be recognized in future periods. Forfeiture rate assumptions are derived from historical data. Our policy to estimate the impact of the forfeitures remains in accordance with the newly adopted accounting standard ASU No. 2016-09.

We estimate stock price volatility at the date of grant based on the historical volatility of our common stock. Estimated option life is determined using the weighted-average period the stock options are expected to be outstanding based primarily on the options' vesting terms, remaining contractual life and the employees' expected exercise based on historical patterns. Determining the appropriate fair-value model and calculating the fair value of share-based awards at the grant date requires considerable judgment, including estimating stock price volatility, expected option life and forfeiture rates.

ANALYSIS OF RESULTS OF OPERATIONS AND OTHER

The following discussion compares the historical results of operations on a basis consistent with GAAP for the years ended December 31, 2016 , 2015 and 2014 .

	Percentage of Total Revenues Years Ended December 31,		
	2016	2015	2014
Revenues:			
Software licenses and royalties	9.8 %	10.0%	10.0 %
Subscriptions	18.9	18.9	17.8
Software services	23.1	23.7	23.1
Maintenance	42.7	41.6	43.1
Appraisal services	3.5	4.2	4.4
Hardware and other	2.0	1.6	1.6
Total revenues	100.0	100.0	100.0
Operating Expenses:			
Cost of software licenses, royalties and acquired software	3.3	1.0	0.8
Cost of software services, maintenance and subscriptions	46.2	48.2	47.9
Cost of appraisal services	2.2	2.7	2.9
Cost of hardware and other	1.3	1.1	1.1
Selling, general and administrative expenses	22.1	22.6	22.0
Research and development expense	5.7	5.1	5.2
Amortization of customer and trade name intangibles	1.8	1.0	0.9
Operating income	17.4	18.3	19.2
Other (expense) income, net	(0.3)	0.1	(0.1)
Income before income taxes	17.1	18.4	19.1
Income tax provision	2.6	7.4	7.2
Net income	14.5 %	11.0%	11.9 %

2016 Compared to 2015

Revenues

On November 16, 2015, we acquired NWS, which provides public safety and financial solutions for local governments. In May 2015, we acquired a company which provides mobile hand-held solutions primarily to law enforcement agencies for field accident reporting and electronically issuing citations. The results of their operations are included in our ES segment from their respective dates of acquisition. For comparative purposes, we have provided explanations for changes in operations to exclude results of operations for these acquisitions noting the exclusion.

Software licenses and royalties.

The following table sets forth a comparison of our software licenses and royalties revenue for the years ended December 31:

($ in thousands)	2016	2015	Change $	Change %
ES	$ 68,844	$ 54,376	$ 14,468	27%
A&T	5,462	4,632	830	18
Total software licenses and royalties revenue	$ 74,306	$ 59,008	$ 15,298	26%

Excluding the results of acquisitions, software license revenue increased 3% compared to the prior year. The majority of this growth was due to a more active marketplace as the result of improvement in local government economic conditions, as well as our increasingly strong competitive position, which we attribute in part to our investment in product development in recent years. This increase was offset somewhat by lower sales to our existing customer base for courts and justice related add-on solutions that assist and support the transition to a paperless environment. By the end of 2015, the majority of our courts and justice clients had implemented these add-on solutions.

Although the mix of new contracts between subscription-based and perpetual license arrangements may vary from quarter to quarter and year to year, we expect our longer-term software license growth rate to be negatively impacted by a growing number of customers choosing our subscription-based options, rather than purchasing the software under a traditional perpetual software license arrangement. Subscription-based arrangements result in lower software license revenue in the initial year as compared to perpetual software license arrangements but generate higher overall revenue over the term of the contract. Our new client mix in 2016 was approximately 68% selecting perpetual software license arrangements and approximately 32% selecting subscription-based arrangements compared to a client mix in 2015 of approximately 76% selecting perpetual software license arrangements and approximately 24% selecting subscription-based arrangements. 250 new clients entered into subscription-based software arrangements in 2016 compared to 134 new clients in 2015 .

Subscriptions.

The following table sets forth a comparison of our subscriptions revenue for the years ended December 31:

($ in thousands)	2016	2015	Change $	Change %
ES	$ 135,516	$ 107,090	$ 28,426	27%
A&T	7,188	4,843	2,345	48
Total subscriptions revenue	$ 142,704	$ 111,933	$ 30,771	27%

Subscription-based services revenue primarily consists of revenue derived from our SaaS arrangements, which utilize the Tyler private cloud. As part of our subscription-based services, we also provide electronic document filing solutions ("e-filing") that simplify the filing and management of court related documents for courts and law offices. E-filing revenue is derived from transaction fees and fixed fee arrangements.

Excluding acquisitions, subscription-based services revenue increased 24% compared to 2015 . E-filing services contributed approximately $ 4.9 million of the subscriptions revenue increase in 2016 . Most of the e-filing revenue increase related to several statewide contracts, several of which implemented mandatory electronic filing during 2015 and throughout 2016 . New SaaS clients as well as existing clients who converted to our SaaS model provided the remainder of the subscriptions revenue increase. In 2016 , we added 250 new SaaS clients and 53 existing clients elected to convert to our SaaS model. The average contract sizes in 2016 were 1% and 9% higher than 2015 for new clients and clients converting to our SaaS model, respectively.

Software services.

The following table sets forth a comparison of our software services revenue for the years ended December 31:

			Change	
($ in thousands)	2016	2015	$	%
ES	$ 158,478	$ 129,068	$ 29,410	23%
A&T	16,326	10,784	5,542	51
Total software services revenue	$ 174,804	$ 139,852	$ 34,952	25%

Software services revenue primarily consists of professional services billed in connection with implementing our software, converting client data, training client personnel, custom development activities and consulting. New clients who purchase our proprietary software licenses generally also contract with us to provide for the related software services. Existing clients also periodically purchase additional training, consulting and minor programming services. Excluding the results of acquisitions, software services revenue grew 11% compared to the prior year period. This growth is partly due to additions to our implementation and support staff, which increased our capacity to deliver backlog, and a contract mix that included more custom development and other services.

Maintenance.

The following table sets forth a comparison of our maintenance revenue for the years ended December 31:

			Change	
($ in thousands)	2016	2015	$	%
ES	$ 304,380	$ 227,586	$ 76,794	34%
A&T	18,589	17,951	638	4
Total maintenance revenue	$ 322,969	$ 245,537	$ 77,432	32%

We provide maintenance and support services for our software products and certain third-party software. Excluding the results of acquisitions, maintenance revenue grew 9% compared to the prior year. Maintenance and support revenue increased mainly due to growth in our installed customer base from new software license sales as well as annual maintenance rate increases.

Appraisal services.

The following table sets forth a comparison of our appraisal services revenue for the years ended December 31:

			Change	
($ in thousands)	2016	2015	$	%
ES	$ —	$ —	$ —	—%
A&T	26,287	25,065	1,222	5
Total appraisal services revenue	$ 26,287	$ 25,065	$ 1,222	5%

The appraisal services business is somewhat cyclical and driven in part by statutory revaluation cycles in various states. In 2016, appraisal services revenue increased 5% compared to prior year primarily due to the Franklin County, Ohio, revaluation project, which began late in the fourth quarter of 2015.

Cost of Revenues and Gross Margins

The following table sets forth a comparison of the key components of our cost of revenues for the years ended December 31:

($ in thousands)	2016	2015	Change $	Change %
Software licenses and royalties	$ 2,964	$ 1,632	$ 1,332	82%
Acquired software	22,235	4,440	17,795	N/M
Software services, maintenance and subscriptions	348,939	285,340	63,599	22
Appraisal services	16,411	15,922	489	3
Hardware and other	10,143	6,501	3,642	56
Total cost of revenues	$ 400,692	$ 313,835	$ 86,857	28%

The following table sets forth a comparison of gross margin percentage by revenue type for the years ended December 31:

Gross margin percentage	2016	2015	Change
Software licenses, royalties and acquired software	66.1%	89.7%	(23.6)%
Software services, maintenance and subscriptions	45.5	42.6	2.9
Appraisal services	37.6	36.5	1.1
Hardware and other	32.3	32.5	(0.2)
Overall gross margin	47.0%	46.9%	0.1 %

Software licenses, royalties and acquired software. Costs of software licenses, royalties and acquired software are primarily comprised of amortization expense for acquired software and third-party software costs. We do not have any direct costs associated with royalties. In 2016, our software licenses, royalties and acquired software gross margin percentage declined compared to the prior year due to much higher amortization expense for acquired software resulting from our acquisition of NWS. Excluding the results of NWS, our software license, royalties and acquired software gross margin was 93.9% in 2016 compared to 93.6% in 2015.

Software services, maintenance and subscriptions. Cost of software services, maintenance and subscriptions primarily consists of personnel costs related to installation of our software, conversion of client data, training client personnel and support activities and various other services such as custom client development and on-going operation of SaaS and e-filing arrangements. In 2016, the software services, maintenance and subscriptions gross margin increased 2.9% compared to the prior year. Our implementation and support staff has grown by 169 employees since December 31, 2015. To support sales growth, we began making significant investments in our implementation and support staff in early 2015. Since December 31, 2014, excluding acquisitions, we have added 369 implementation and support employees. These additions contributed to the revenue growth in 2016. In addition, the NWS revenue mix includes a lower proportion of software services compared to Tyler's historical revenue mix, which also benefited the gross margin. Costs related to maintenance and various other services such as SaaS and e-filing typically grow at a slower rate than related revenue due to leverage in the utilization of support and maintenance staff and economies of scale. Maintenance and subscription price increases also resulted in slightly higher gross margins.

Appraisal services. Appraisal services revenue comprised approximately 3.5% of total revenue. The appraisal services gross margin increased 1.1% compared to 2015. A high proportion of the costs of appraisal services revenue are variable, as we often hire temporary employees to assist in appraisal projects, whose term of employment generally ends with the projects' completion.

Our 2016 blended gross margin remained consistent compared to 2015. Our overall gross margin was positively impacted by improved utilization of our support and maintenance staff; however, this benefit was offset by amortization expense for acquired software related to the NWS acquisition.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses consist primarily of salaries, employee benefits, travel, share-based compensation expense, commissions and related overhead costs for administrative and sales and marketing employees, as well as, professional fees, trade show activities, advertising costs and other marketing related costs. The following table sets forth a comparison of our SG&A expenses for the following years ended December 31:

($ in thousands)	2016	2015	Change $	Change %
Selling, general and administrative expenses	$ 167,161	$ 133,317	$ 33,844	25%

SG&A as a percentage of revenue was 22.1% in 2016 compared to 22.6% in 2015 . In 2015, our SG&A expense included approximately $5.9 million for financial advisory, legal, accounting, due diligence, valuation and other various expenses necessary to complete the NWS acquisition. Excluding NWS transaction costs and SG&A from acquisitions, SG&A expense increased approximately 12% mainly due to compensation costs related to increased staff levels, higher stock compensation expense and increased commission expense as a result of higher sales. We have added 22 employees mainly to our sales and finance teams since December 31, 2015. In addition, our 2016 stock compensation expense rose $6.4 million, mainly due to increases in our stock price over the last few years.

Research and Development Expense

Research and development expense consists primarily of salaries, employee benefits and related overhead costs associated with product development. The following table sets forth a comparison of our research and development expense for the years ended December 31:

($ in thousands)	2016	2015	Change $	Change %
Research and development expense	$ 43,154	$ 29,922	$ 13,232	44%

Research and development expense consists mainly of costs associated with development of new products and technologies from which we do not currently generate revenue, as well as costs related to the ongoing development efforts for Microsoft Dynamics AX. Our contractual research and development commitment to develop public sector functionality for Microsoft Dynamics AX was amended in March 2016, which significantly reduced our development commitment through March 2018. However, we will continue to provide sustained engineering and technical support for the public sector functionality within Dynamics AX. License and maintenance royalties for all applicable domestic and international sales of Dynamics AX to public sector entities will continue under the terms of the contract.

Excluding the results of acquisitions, research and development expense increased 1.5% in 2016 compared to the prior year period, mainly due to research and development efforts related to new Tyler product development initiatives. As a result of the Microsoft Dynamics AX amendment, we also redeployed certain development resources to enhance functionality on several existing solutions and these costs were recorded in cost of sales – software services, maintenance and subscriptions.

Amortization of Customer and Trade Name Intangibles

Acquisition intangibles are comprised of the excess of the purchase price over the fair value of net tangible assets acquired that is allocated to acquired software, leases and customer and trade name intangibles. The remaining excess purchase price is allocated to goodwill that is not subject to amortization. Amortization expense related to acquired software is included with cost of revenues, while amortization expense of customer and trade name intangibles is recorded as operating expense. The estimated useful lives of both customer and trade name intangibles range from five to 25 years. The following table sets forth a comparison of amortization of customer and trade name intangibles for the years ended December 31:

($ in thousands)	2016	2015	Change $	Change %
Amortization of customer and trade name intangibles	$ 13,731	$ 5,905	$ 7,826	133%

Amortization of customer and trade name intangibles increased substantially from the comparable prior year periods due to the acquisition of NWS in November 2015.

Estimated annual amortization expense relating to customer and trade name acquisition intangibles, excluding acquired software for which the amortization expense is recorded as cost of revenues, for the next five years and thereafter is as follows (in thousands):

2017	$	13,808
2018		13,658
2019		12,395
2020		11,241
2021		11,121

Amortization expense relating to acquired leases will be recorded as a reduction to hardware and other revenue and is expected to be $442,000 in 2017 , $426,000 in 2018 , $373,000 in 2019 , $314,000 in 2020 , $312,000 in 2021 and $1.3 million thereafter .

Other

The following table sets forth a comparison of other (expense) income, net for the years ended December 31:

			Change	
($ in thousands)	2016	2015	$	%
Other (expense) income, net	$ (1,998)	$ 381	$ (2,379)	N/M

Other (expense) income is comprised of interest expense and non-usage and other fees associated with our revolving credit agreement as well as interest income from invested cash. In 2015, we had significantly higher invested cash balances and no outstanding debt until we completed the NWS acquisition on November 16, 2015.

Income Tax Provision

The following table sets forth a comparison of our income tax provision for the years ended December 31:

			Change	
($ in thousands)	2016	2015	$	%
Income tax provision	$ 19,450	$ 43,555	$ (24,105)	(55)%
Effective income tax rate	15.0%	40.2%		

The decrease in the income tax provision during 2016 was primarily driven by the adoption of ASU No. 2016-09, which requires the excess tax benefits from stock option exercises to be recognized as a reduction of the income tax provision, whereas they previously were accounted for as an increase to shareholders' equity. The adoption of ASU No. 2016-09 resulted in a $29.6 million decrease in our full year 2016 provision for income taxes. (see Note 1 - "Summary of Significant Accounting Policies" in the accompanying consolidated financial statements).

Excluding the impact of the adoption of ASU No. 2016-09, our income tax provision and effective tax rate in 2016 would have been $49.0 million and 37.9%, respectively.

The effective income tax rates in both 2016 and 2015 also differed from the statutory United States federal income tax rate of 35% due to state income taxes, the domestic production activities deduction, non-deductible share-based compensation expense, disqualifying incentive stock option dispositions, and non-deductible business expenses. We realized a lower domestic production activities deduction as a result of taxable income limitations and non-deductible transaction costs related to the NWS acquisition negatively impacted our 2015 effective tax rate. In the past few years a relatively high amount of excess tax benefits related to stock option exercises have resulted in a reduction in our qualified manufacturing activities deduction. The qualified manufacturing activities deduction can be limited to a certain level of taxable income on the tax return. Therefore, any significant items that reduce taxable income, such as excess tax benefits on stock options, can reduce the amount of the qualified manufacturing activities deduction. We experienced significant stock option exercise activity in 2016 and 2015 that generated excess tax benefits of $29.6 million and $45.3 million, respectively.

2015 Compared to 2014

Revenues

Software licenses and royalties.

The following table sets forth a comparison of our software licenses and royalties revenue for the years ended December 31:

($ in thousands)	2015	2014	Change $	Change %
ES	$ 54,376	$ 46,047	$ 8,329	18%
A&T	4,632	3,018	1,614	53
Total software licenses and royalties revenue	$ 59,008	$ 49,065	$ 9,943	20%

Excluding the results of acquisitions, software license revenue increased 15% compared to the prior year. The majority of this growth was due to a more active marketplace as the result of improvement in local government economic conditions, as well as our increasingly strong competitive position, which we attribute in part to our investment in product development in recent years. In addition, add-on sales to our existing customer base for courts and justice related solutions that assist and support the transition to a paperless environment increased approximately $1.3 million.

Our new client mix in 2015 was approximately 76% selecting perpetual software license arrangements and approximately 24% selecting subscription-based arrangements compared to a client mix in 2014 of approximately 74% selecting perpetual software license arrangements and approximately 26% selecting subscription-based arrangements. 134 new clients entered into subscription-based software arrangements in 2015 compared to 138 new clients in 2014.

Subscriptions.

The following table sets forth a comparison of our subscriptions revenue for the years ended December 31:

($ in thousands)	2015	2014	Change $	Change %
ES	$ 107,090	$ 84,322	$ 22,768	27%
A&T	4,843	3,526	1,317	37
Total subscriptions revenue	$ 111,933	$ 87,848	$ 24,085	27%

Subscription-based services revenue increased 27% compared to 2014. E-filing services contributed approximately $7.7 million of the subscriptions revenue increase in 2015. Most of the e-filing revenue increase related to several statewide contracts, several of which implemented mandatory electronic filing near the end of 2014 and throughout 2015. New SaaS clients as well as existing clients who converted to our SaaS model provided the remainder of the subscriptions revenue increase. In 2015, we added 134 new SaaS clients and 66 existing clients elected to convert to our SaaS model. The average contract sizes in 2015 were 38% and 22% higher than 2014 for new clients and clients converting to our SaaS model, respectively.

Software services.

The following table sets forth a comparison of our software services revenue for the years ended December 31:

($ in thousands)	2015	2014	Change $	Change %
ES	$ 129,068	$ 104,146	$ 24,922	24%
A&T	10,784	9,675	1,109	11
Total software services revenue	$ 139,852	$ 113,821	$ 26,031	23%

Excluding the results of acquisitions, software services revenue grew 20% compared to the prior year period. This growth is mainly due to much higher revenue from proprietary software arrangements, as well as additions to our implementation and support staff, which increased our capacity to deliver backlog.

Maintenance.

The following table sets forth a comparison of our maintenance revenue for the years ended December 31:

($ in thousands)	2015	2014	Change $	Change %
ES	$ 227,586	$ 195,881	$ 31,705	16%
A&T	17,951	16,815	1,136	7
Total maintenance revenue	$ 245,537	$ 212,696	$ 32,841	15%

Excluding the results of acquisitions, maintenance revenue grew 12% compared to the prior year. Maintenance and support revenue increased mainly due to growth in our installed customer base from new software license sales as well as annual maintenance rate increases.

Appraisal services.

The following table sets forth a comparison of our appraisal services revenue for the years ended December 31:

($ in thousands)	2015	2014	Change $	Change %
ES	$ —	$ —	$ —	—%
A&T	25,065	21,802	3,263	15
Total appraisal services revenue	$ 25,065	$ 21,802	$ 3,263	15%

Appraisal services revenue benefited from the addition of several new revaluation contracts, including the City of Detroit, and the current appraisal cycle in Indiana, both of which began in 2014. In late 2015, Franklin County, Ohio began a full reappraisal cycle, which also contributed to appraisal services revenue.

<u>*Cost of Revenues and Gross Margins*</u>

The following table sets forth a comparison of the key components of our cost of revenues for the years ended December 31:

($ in thousands)	2015	2014	Change $	Change %
Software licenses and royalties	$ 1,632	$ 1,900	$ (268)	(14)%
Acquired software	4,440	1,858	2,582	139
Software services, maintenance and subscriptions	285,340	236,363	48,977	21
Appraisal services	15,922	14,284	1,638	11
Hardware and other	6,501	5,325	1,176	22
Total cost of revenues	$ 313,835	$ 259,730	$ 54,105	21 %

The following table sets forth a comparison of gross margin percentage by revenue type for the years ended December 31:

Gross margin percentage	2015	2014	Change
Software licenses, royalties and acquired software	89.7%	92.3%	(2.6)%
Software services, maintenance and subscriptions	42.6	43.0	(0.4)
Appraisal services	36.5	34.5	2.0
Hardware and other	32.5	32.3	0.2
Overall gross margin	46.9%	47.3%	(0.4)%

Software licenses, royalties and acquired software . In 2015, our software licenses, royalties and acquired software gross margin percentage declined compared to the prior year due to much higher amortization expense for acquired software resulting from our acquisition of NWS. Excluding the results of NWS, our software license, royalties and acquired software gross margin was 93.6% which increased 1.3% from the prior year period mainly due to higher revenues from proprietary software arrangements.

Software services, maintenance and subscriptions . In 2015, the software services, maintenance and subscriptions gross margin percentage declined compared to the prior year mainly due to onboarding costs associated with accelerated hiring to ensure that we are well-positioned to deliver our current backlog and anticipated new business. Excluding 285 employees added with acquisitions, our implementation and support staff has grown by 200 employees since December 31, 2014. In addition, in 2015, we incurred $1.4 million more in contract labor cost than 2014 in an effort to maintain flexibility to accommodate fluctuations in demand for professional services. The gross margin decline was somewhat offset because costs related to maintenance and various other services such as SaaS and e-filing typically grow at a slower rate than related revenue due to leverage in the utilization of our support and maintenance staff and economies of scale. Price increases also resulted in slightly higher rates on certain services.

Appraisal services . Appraisal services revenue comprised approximately 4% of total revenue. The appraisal services gross margin increased 2% compared to 2014. A high proportion of the costs of appraisal services revenue are variable, as we often hire temporary employees to assist in appraisal projects, whose term of employment generally ends with the projects' completion. The appraisal services gross margin was favorably impacted by operational efficiencies associated with a large revaluation contract that began late 2014.

Our 2015 blended gross margin declined 0.4% compared to 2014. The gross margin was negatively impacted by increased acquired software amortization expense associated with the NWS acquisition and expenses associated with increased hiring of implementation and development staff in order to expand our capacity to implement our contract backlog.

Selling, General and Administrative Expenses

The following table sets forth a comparison of our SG&A expenses for the following years ended December 31:

			Change	
($ in thousands)	2015	2014	$	%
Selling, general and administrative expenses	$ 133,317	$ 108,260	$ 25,057	23%

SG&A as a percentage of revenue was 22.6% in 2015 compared to 22.0% in 2014. In 2015, our SG&A expenses include approximately $5.9 million for financial advisory, legal, accounting, due diligence, valuation and other various services necessary to complete the NWS acquisition. In addition, our 2015 operating results include $4.0 million of SG&A expenses for NWS from the date of acquisition. The remaining SG&A expense increase is mainly due to compensation cost related to increased staff levels, higher stock compensation expense and increased commission expense as a result of higher sales. Excluding 140 employees added with acquisitions, we have added 16 employees mainly to our sales and finance teams since December 31, 2014. In addition, our 2015 stock compensation expense rose $4.2 million, mainly due to increases in our stock price over the last few years.

Research and Development Expense

The following table sets forth a comparison of our research and development expense for the years ended December 31:

			Change	
($ in thousands)	2015	2014	$	%
Research and development expense	$ 29,922	$ 25,743	$ 4,179	16%

Research and development expense in 2015 includes approximately $1.5 million related to NWS. The remaining increase compared to 2014 was primarily due to increased staffing to maintain and enhance our competitive position and annual wage adjustments.

Amortization of Customer and Trade Name Intangibles

The following table sets forth a comparison of amortization of customer and trade name intangibles for the years ended December 31:

			Change	
($ in thousands)	2015	2014	$	%
Amortization of customer and trade name intangibles	$ 5,905	$ 4,546	$ 1,359	30%

In 2015, we completed two acquisitions that increased amortizable customer and trade name intangibles by approximately $127.8 million. This amount is being amortized over a weighted average period of 15 years. We also added approximately $3.7 million to acquisition related intangibles to reflect the fair value of acquired leases, which will be amortized over the weighted average life of 9 years.

Other

The following table sets forth a comparison of other income (expense), net for the years ended December 31:

($ in thousands)	2015	2014	Change $	Change %
Other income (expense), net	$ 381	$ (355)	$ 736	N/M

Expenses in 2014 were comprised primarily of non-usage and other fees associated with a revolving debt agreement that terminated in August 2014, offset slightly by interest income from invested cash. In 2015, we had significantly higher invested cash balances than 2014 until we completed the NWS acquisition on November 16, 2015.

Income Tax Provision

The following table sets forth a comparison of our income tax provision for the years ended December 31:

($ in thousands)	2015	2014	Change $	Change %
Income tax provision	$ 43,555	$ 35,527	$ 8,028	23%
Effective income tax rate	40.2%	37.6%		

The effective income tax rates were different from the statutory United States federal income tax rate of 35% principally due to state income taxes, non-deductible share-based compensation expense, the qualified manufacturing activities deduction, disqualifying incentive stock option dispositions, non-deductible meals and entertainment costs and non-deductible transaction costs. A lower qualified manufacturing activities deduction and non-deductible transaction costs related to the NWS acquisition negatively impacted our 2015 effective tax rate.

In the past few years a relatively high amount of excess tax benefits related to stock option exercises have resulted in a reduction in our qualified manufacturing activities deduction as a result of taxable income limitations. We experienced significant stock option exercise activity in 2015 and 2014 that generated excess tax benefits of $45.3 million and $19.4 million, respectively.

FINANCIAL CONDITION AND LIQUIDITY

As of December 31, 2016 , we had cash and cash equivalents of $36.2 million compared to $33.1 million at December 31, 2015 . We also had $33.5 million invested in investment grade corporate and municipal bonds as of December 31, 2016 . These investments mature between 2016 through mid-2018 and we intend to hold these investments until maturity. Cash and cash equivalents consist of cash on deposit with several domestic banks and money market funds. As of December 31, 2016 , we had $10.0 million in outstanding borrowings and two outstanding letters of credit totaling $2.2 million in connection with a client contract and the expansion of our Yarmouth facility. Both letters of credit guarantee our performance under each contract. We do not believe the letters of credit will be required to be drawn upon. Both letters of credit expire in 2017 . We believe our revolving line of credit, cash from operating activities, cash on hand and access to the credit markets provide us with sufficient flexibility to meet our long-term financial needs.

The following table sets forth a summary of cash flows for the years ended December 31:

($ in thousands)	2016	2015	2014
Cash flows provided (used) by:			
Operating activities	$ 191,859	$ 134,327	$ 142,839
Investing activities	(50,720)	(398,459)	(11,555)
Financing activities	(138,075)	91,052	(3,993)
Net increase (decrease) in cash and cash equivalents	$ 3,064	$ (173,080)	$ 127,291

Net cash provided by operating activities continues to be our primary source of funds to finance operating needs and capital expenditures. Other potential capital resources include cash on hand, public and private issuances of debt or equity securities, and bank borrowings. It is possible that our ability to access the capital and credit markets in the future may be limited by economic conditions or other factors. We currently believe that cash provided by operating activities, cash on hand and available credit are sufficient to fund our working capital requirements, capital expenditures, income tax obligations, and share repurchases for at least the next twelve months.

In 2016 , operating activities provided cash of $191.9 million . Operating activities that provided cash were primarily comprised of net income of $109.9 million , non-cash depreciation and amortization charges of $50.3 million and non-cash share-based compensation expense of $29.7 million . Other sources of operating cash were higher deferred revenue balances due to growth in our installed software maintenance customer base and growth in subscription-based arrangements and timing of payments for wages and commissions. Somewhat offsetting these increases were annual maintenance and subscription billings.

In general, changes in the balance of deferred revenue are cyclical and primarily driven by the timing of our maintenance renewal billings. Our renewal dates occur throughout the year but our largest renewal cycles occur in the second and fourth quarters.

Days sales outstanding in accounts receivable were 93 days at December 31, 2016 , compared to 100 days at December 31, 2015 . Our maintenance billing cycle typically peaks at its highest level in June and second highest level in December of each year and is followed by collections in the subsequent quarter. DSO is calculated based on quarter-end accounts receivable (excluding long-term receivables, but including unbilled receivables) divided by the quotient of annualized quarterly revenues divided by 360 days.

Investing activities used cash of $50.7 million in 2016 compared to $398.5 million in 2015 . We invested $20.3 million in investment grade corporate and municipal bonds with maturity dates ranging from 2016 through mid-2018 . Approximately $37.7 million was invested in property and equipment. We purchased an office building in Falmouth, Maine, that was previously leased from an entity owned by an executive's father and brother, for approximately $9.7 million and paid $8.0 million for construction to expand a building in Yarmouth, Maine. We plan to spend approximately $18.7 million in 2017 in connection with the completion of this office expansion. The remaining additions were for computer equipment, furniture and fixtures in support of internal growth, particularly with respect to growth in our cloud-based offerings. We also made a small acquisition for approximately $7.4 million and paid $2.0 million related to the working capital holdback in connection with the NWS acquisition. These expenditures were funded from cash generated from operations, cash on hand and bank borrowings.

In 2015, we completed the acquisition of NWS for the purchase price of $337.5 million in cash, of which $4.0 million was accrued at December 31, 2015, and 2.1 million shares of Tyler common stock valued at $362.8 million. Also we completed the acquisition of Brazos Technology Corporation for the purchase price, net of cash acquired and including debt assumed, of $6.1 million in cash and 12,500 shares of Tyler common stock valued at $1.5 million. On January 30, 2015, we made a $15.0 million investment in convertible preferred stock representing a 20% interest in Record Holdings Pty Limited. We also invested $30.9 million in investment grade corporate and municipal bonds. The remaining use of cash was for capital expenditures related to computer equipment, furniture and fixtures in support of internal growth, particularly with respect to growth in our cloud-based offerings.

Financing activities used cash of $138.1 million in 2016 compared to cash provided by financing activities of $91.1 million in 2015 . Financing activities in 2016 were comprised of $56.0 million net payments on our revolving line of credit offset somewhat by collections of $29.8 million from stock option exercises and employee stock purchase plan activity. We also purchased approximately 882,000 shares of our common stock for an aggregate purchase price of $112.7 million , of which $860,000 was accrued at December 31, 2016.

Financing activities in 2015 were comprised of net borrowings of $66.0 million and collections of $27.8 million from stock option exercises and employee stock purchase plan activity. We purchased approximately 5,400 shares of our common stock for an aggregate purchase price of $645,000 in 2015 and paid $2.1 million in debt issuance costs. Cash used by financing activities in 2014 were comprised of purchases of 294,000 shares of our common stock for an aggregate purchase price of $22.8 million offset substantially by collections of $18.8 million from stock option exercises and contributions from the employee stock purchase plan.

On May 11, 2016, our board of directors authorized the repurchase of an additional 1.5 million shares of Tyler common stock. The repurchase program, which was approved by our board of directors, was announced in October 2002, and was amended at various times from 2003 through 2016. As of December 31, 2016 , we had remaining authorization to repurchase up to 2.0 million additional shares of our common stock. Our share repurchase program allows us to repurchase shares at our discretion. Market conditions influence the timing of the buybacks and the number of shares repurchased, as well as the volume of employee stock option exercises. Share repurchases are generally funded using our existing cash balances and borrowings under our credit facility and may occur through open market purchases and transactions structured through investment banking institutions, privately negotiated transactions and/or other mechanisms. There is no expiration date specified for the authorization and we intend to repurchase stock under the plan from time to time.

Subsequent to December 31, 2016 and through February 21, 2017, we purchased approximately 42,000 shares of our common stock for an aggregate cash purchase price of $6.2 million .

On November 16, 2015 , we entered into a $300.0 million Credit Agreement (the "Credit Facility") with the various lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent. The Credit Facility provides for a revolving credit line of up to $ 300.0 million , including a $10.0 million sublimit for letters of credit. The Credit Facility matures on November 16, 2020 . Borrowings under the Credit Facility may be used for general corporate purposes, including working capital requirements, acquisitions and share repurchases. Borrowings under the Credit Facility bear interest at a rate of either (1) Wells Fargo Bank's prime rate (subject to certain higher rate determinations) plus a margin of 0.25% to 1.00% or (2) the 30, 60, 90 or 180 day LIBOR rate plus a margin of 1.25% to 2.00% . As of December 31, 2016 , our interest rate was 1.96% . The Credit Facility is secured by substantially all of our assets. The Credit Facility requires us to maintain certain financial ratios and other financial conditions and prohibits us from making certain investments, advances, cash dividends or loans, and limits incurrence of additional indebtedness and liens. As of December 31, 2016 , we were in compliance with those covenants .

As of December 31, 2016 , we had $10.0 million in outstanding borrowings and unused borrowing capacity of $287.8 million under the Credit Facility .

We paid income taxes, net of refunds received, of $30.2 million in 2016 , $27.3 million in 2015 , and $10.2 million in 2014 . In 2016, we experienced significant stock option exercise activity that generated net tax benefits of $29.6 million and reduced tax payments accordingly. In 2015 and 2014, excess tax benefits were $45.3 million and $19.4 million, respectively.

Excluding acquisitions, we anticipate that 2017 capital spending will be between $52.0 million and $54.0 million, including approximately $24.0 million related to real estate. We expect the majority of the other capital spending will consist of computer equipment and software for infrastructure replacements and expansion. We currently do not expect to capitalize significant amounts related to software development in 2017, but the actual amount and timing of those costs, and whether they are capitalized or expensed may result in additional capitalized software development. Capital spending is expected to be funded from existing cash balances, cash flows from operations and borrowings under our revolving line of credit.

From time to time we engage in discussions with potential acquisition candidates. In order to pursue such opportunities, which could require significant commitments of capital, we may be required to incur debt or to issue additional potentially dilutive securities in the future. No assurance can be given as to our future acquisition opportunities and how such opportunities will be financed.

We lease office facilities, as well as transportation, computer and other equipment used in our operations under non-cancelable operating lease agreements expiring at various dates through 2023. Most leases contain renewal options and some contain purchase options.

Summarized in the table below are our obligations to make future payments under our Credit Facility and lease obligations at December 31, 2016 (in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total
Revolving line of credit	$ —	$ —	$ —	$ 10,000	$ —	$ —	$ 10,000
Lease obligations	5,177	4,221	3,556	3,273	2,059	601	18,887
Total future payment obligations	$ 5,177	$ 4,221	$ 3,556	$ 13,273	$ 2,059	$ 601	$ 28,887

As of December 31, 2016 , we do not have any off-balance sheet arrangements, guarantees to third-parties or material purchase commitments, except for the operating lease commitments listed above.

CAPITALIZATION

At December 31, 2016 , our capitalization consisted of $10.0 million of outstanding borrowings and $915.5 million of shareholders' equity.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk represents the risk of loss that may affect us due to adverse changes in financial market prices and interest rates.

As of December 31, 2016 , we had $10.0 million in outstanding borrowings under the Credit Facility. Loans under the Credit Facility bear interest, at Tyler's option, at a per annum rate of either (1) the Wells Fargo Bank prime rate (subject to certain higher rate determinations) plus a margin of 0.25% to 1.00% or (2) the 30, 60, 90 or 180-day LIBOR rate plus a margin of 1.25% to 2.00%.

In 2016 , our effective average interest rate for borrowings was 1.79% . As of December 31, 2016 our interest rate was 1.96% . The Credit Facility is secured by substantially all of our assets.

Assuming borrowings of $10.0 million , a hypothetical 10% increase in our interest rate at December 31, 2016 for a one-year period would result in approximately $19,600 of additional interest rate expense.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The reports of our independent registered public accounting firm and our financial statements, related notes, and supplementary data are included as part of this Annual Report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures — We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act) designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosures. Management, with the participation of the chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2016 . Based on this evaluation, the chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of December 31, 2016 .

Management's Report on Internal Control Over Financial Reporting — Tyler's management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Securities Exchange Act Rule 13a-15(f). Tyler's internal control over financial reporting is designed to provide reasonable assurance to Tyler's management and board of directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of Tyler's internal control over financial reporting as of December 31, 2016 . In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on our assessment, we concluded that, as of December 31, 2016 , Tyler's internal control over financial reporting was effective based on those criteria.

Tyler's internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young LLP, the independent registered public accounting firm who also audited Tyler's financial statements. Ernst & Young's attestation report on Tyler's internal control over financial reporting appears on page F-1 hereof.

Changes in Internal Control Over Financial Reporting — During the quarter ended December 31, 2016 , there were no changes in our internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f), that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

See the information under the following captions in Tyler's definitive Proxy Statement, which is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference. Such incorporation by reference does not include the Compensation Discussion and Analysis, the Compensation Committee Report or the Audit Committee Report, which are included in the Proxy Statement.

	Headings in Proxy Statement
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.	"Tyler Management" and "Corporate Governance Principles and Board Matters"
ITEM 11. EXECUTIVE COMPENSATION.	"Executive Compensation"
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.	"Security Ownership of Certain Beneficial Owners and Management"
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.	"Executive Compensation" and "Certain Relationships and Related Transactions"

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required under this item may be found under the section captioned "Proposals For Consideration – Proposal Two – Ratification of Our Independent Auditors for Fiscal Year 2017" in our Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as part of this Annual Report:

(a) (1) The financial statements are filed as part of this Annual Report.

(2) Financial statement schedules:

There are no financial statement schedules filed as part of this Annual Report, since the required information is included in the financial statements, including the notes thereto, or the circumstances requiring inclusion of such schedules are not present.

(3) Exhibits

Certain of the exhibits to this Annual Report are hereby incorporated by reference, as specified:

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Tyler Three, as amended through May 14, 1990, and Certificate of Designation of Series A Junior Participating Preferred Stock (filed as Exhibit 3.1 to our Form 10-Q for the quarter ended June 30, 1990, and incorporated by reference herein).
3.2	Certificate of Amendment to the Restated Certificate of Incorporation (filed as Exhibit 3.1 to our Form 8-K, dated February 19, 1998, and incorporated by reference herein).
3.3	Amended and Restated By-Laws of Tyler Corporation, dated October 20, 2015 (filed as Exhibit 3.3 to our Form 10-Q for the quarter ended September 30, 2015, and incorporated by reference herein).
3.4	Certificate of Amendment dated May 19, 1999 to the Restated Certificate of Incorporation (filed as Exhibit 3.4 to our Form 10-K for the year ended December 31, 2000, and incorporated by reference herein).
4.1	Specimen of Common Stock Certificate (filed as Exhibit 4.1 to our registration statement no. 33-33505 and incorporated by reference herein).
4.2	Credit Agreement dated November 16, 2015, among Tyler Technologies, Inc. and Wells Fargo Bank, N. A. as Administrative Agent and other lenders party hereto (filed as Exhibit 10.1 to our Form 8-K dated November 16, 2015, and incorporated by reference herein).
4.3	Agreement and Plan of Merger, dated as of September 30, 2015, by and among Tyler Technologies, Inc., Brinston Acquisition, LLC, New World Systems Corporation, and Larry D. Leinweber, as the Principal Shareholder identified therein and the Shareholders' Representative identified therein. (filed as Exhibit 2.1 to our Form 8-K, dated October 1, 2015, and incorporated by reference herein).
10.2	Tyler Technologies, Inc. 2010 Stock Option Plan effective as of May 13, 2010 (filed as Exhibit 4.1 to our registration statement no. 333-168499 and incorporated by reference herein).
10.3	Employment and Non-Competition Agreement between Tyler Technologies, Inc. and John S. Marr Jr. dated February 5, 2013 (filed as Exhibit 10.3 to our Form 10-K for the year ended December 31, 2012 and incorporated by reference herein).

Exhibit Number	Description
10.4	Employment and Non-Competition Agreement between Tyler Technologies, Inc. and Dustin R. Womble dated February 5, 2013 (filed as Exhibit 10.4 to our Form 10-K for the year ended December 31, 2012 and incorporated by reference herein).
10.5	Employment and Non-Competition Agreement between Tyler Technologies, Inc. and Brian K. Miller dated February 5, 2013 (filed as Exhibit 10.5 to our Form 10-K for the year ended December 31, 2012 and incorporated by reference herein).
10.6	Employment and Non-Competition Agreement between Tyler Technologies, Inc. and H. Lynn Moore dated February 5, 2013 (filed as Exhibit 10.6 to our Form 10-K for the year ended December 31, 2012 and incorporated by reference herein).
10.7	Employee Stock Purchase Plan (filed as Exhibit 10.1 to our registration statement 333-182318 dated June 25, 2012 and incorporated by reference herein).
*23	Consent of Independent Registered Public Accounting Firm.
*31.1	Rule 13a-14(a) Certification by Principal Executive Officer.
*31.2	Rule 13a-14(a) Certification by Principal Financial Officer.
*32	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.
*101	Instance Document
*101	Schema Document
*101	Calculation Linkbase Document
*101	Labels Linkbase Document
*101	Definition Linkbase Document
*101	Presentation Linkbase Document

* — Filed herewith.

A copy of each exhibit may be obtained at a price of 15 cents per page, with a $10.00 minimum order, by writing Investor Relations, 5101 Tennyson Parkway, Plano, Texas, 75024.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TYLER TECHNOLOGIES, INC.

Date: February 22, 2017	By:	/s/ John S. Marr
		John S. Marr Chief Executive Officer and Chairman of the Board (principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the registrant and in the capacities and on the dates indicated have signed this report below.

Date: February 22, 2017	By:	/s/ John S. Marr
		John S. Marr Chief Executive Officer and Chairman of the Board Director (principal executive officer)
Date: February 22, 2017	By:	/s/ Brian K. Miller
		Brian K. Miller Executive Vice President and Chief Financial Officer (principal financial officer)
Date: February 22, 2017	By:	/s/ W. Michael Smith
		W. Michael Smith Chief Accounting Officer (principal accounting officer)
Date: February 22, 2017	By:	/s/ Donald R. Brattain
		Donald R. Brattain Director
Date: February 22, 2017	By:	/s/ Glenn A. Carter
		Glenn A. Carter Director
Date: February 22, 2017	By:	/s/ Brenda A. Cline
		Brenda A. Cline Director

Date: February 22, 2017	By:	/s/ J. Luther King J. Luther King Director
Date: February 22, 2017	By:	/s/ Larry D. Leinweber Larry D. Leinweber Director
Date: February 22, 2017	By:	/s/ Daniel M. Pope Daniel M. Pope Director
Date: February 22, 2017	By:	/s/ Dustin R.Womble Dustin R. Womble Director
Date: February 22, 2017	By:	/s/ John M. Yeaman John M. Yeaman Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Tyler Technologies, Inc.

We have audited Tyler Technologies, Inc.'s internal control over financial reporting as of December 31, 2016 , based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Tyler Technologies, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Tyler Technologies, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Tyler Technologies, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 22, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Tyler Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Tyler Technologies, Inc. as of December 31, 2016 and 2015 , and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 . 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tyler Technologies, Inc. at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 , in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company has adopted ASU 2016-09 Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Tyler Technologies, Inc.'s internal control over financial reporting as of December 31, 2016 , based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 22, 2017

Tyler Technologies, Inc.
Consolidated Statements of Comprehensive Income
For the years ended December 31
(In thousands, except per share amounts)

	2016	2015	2014
Revenues:			
Software licenses and royalties	$ 74,306	$ 59,008	$ 49,065
Subscriptions	142,704	111,933	87,848
Software services	174,804	139,852	113,821
Maintenance	322,969	245,537	212,696
Appraisal services	26,287	25,065	21,802
Hardware and other	14,973	9,627	7,869
Total revenues	756,043	591,022	493,101
Cost of revenues:			
Software licenses and royalties	2,964	1,632	1,900
Acquired software	22,235	4,440	1,858
Software services, maintenance and subscriptions	348,939	285,840	236,363
Appraisal services	16,411	15,922	14,284
Hardware and other	10,143	6,501	5,325
Total cost of revenues	400,692	313,835	259,730
Gross profit	355,351	277,187	233,371
Selling, general and administrative expenses	167,161	133,317	108,260
Research and development expense	43,154	29,922	25,743
Amortization of customer and trade name intangibles	13,731	5,905	4,546
Operating income	131,305	108,043	94,822
Other (expense) income, net	(1,998)	381	(355)
Income before income taxes	129,307	108,424	94,467
Income tax provision	19,450	43,555	35,527
Net income	$ 109,857	$ 64,869	$ 58,940
Earnings per common share:			
Basic	$ 3.01	$ 1.90	$ 1.79
Diluted	$ 2.82	$ 1.77	$ 1.66

See accompanying notes.

Tyler Technologies, Inc.
Consolidated Balance Sheets
(In thousands, except par value and share amounts)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,151	$ 33,087
Accounts receivable (less allowance for losses of $3,396 in 2016 and $1,640 in 2015)	200,334	176,360
Short-term investments	20,273	13,423
Prepaid expenses	21,039	22,334
Income tax receivable	2,895	21,080
Other current assets	2,268	1,931
Total current assets	282,960	268,215
Accounts receivable, long-term	2,480	2,777
Property and equipment, net	124,268	101,112
Other assets:		
Goodwill	650,237	653,666
Other intangibles, net	267,259	295,378
Cost method investment	15,000	15,000
Non-current investments and other assets	15,741	20,422
	$ 1,357,945	$ 1,356,570
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,295	$ 6,789
Accrued liabilities	55,989	49,156
Deferred revenue	298,217	281,627
Total current liabilities	361,501	337,572
Revolving line of credit	10,000	66,000
Deferred revenue, long-term	2,140	3,115
Deferred income taxes	68,779	91,026
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $10.00 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 48,147,969 shares issued in 2016 and 2015	481	481
Additional paid-in capital	556,663	607,755
Accumulated other comprehensive loss, net of tax	(46)	(46)
Retained earnings	435,876	326,019
Treasury stock, at cost; 11,381,733 and 11,373,666 shares in 2016 and 2015, respectively	(77,449)	(75,352)
Total shareholders' equity	915,525	858,857
	$ 1,357,945	$ 1,356,570

See accompanying notes.

Tyler Technologies, Inc.
Consolidated Statements of Shareholders' Equity
For the years ended December 31, 2016 , 2015 and 2014
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2013	48,148	$ 481	$ 182,176	$ (46)	$ 202,210	(15,310)	$ (138,502)	$ 246,319
Net income	—	—	—	—	58,940	—	—	58,940
Issuance of shares pursuant to stock compensation plan	—	—	(17,449)	—	—	855	32,129	14,680
Stock compensation	—	—	14,819	—	—	—	—	14,819
Issuance of shares pursuant to employee stock purchase plan	—	—	2,235	—	—	53	1,909	4,144
Federal income tax benefit related to exercise of stock options	—	—	19,415	—	—	—	—	19,415
Treasury stock purchases	—	—	—	—	—	(294)	(22,817)	(22,817)
Issuance of shares for acquisition	—	—	193	—	—	17	1,280	1,473
Balance at December 31, 2014	48,148	481	201,389	(46)	261,150	(14,679)	(126,001)	336,973
Net income	—	—	—	—	64,869	—	—	64,869
Issuance of shares pursuant to stock compensation plan	—	—	4,332	—	—	1,118	18,828	23,160
Stock compensation	—	—	20,182	—	—	—	—	20,182
Issuance of shares pursuant to employee stock purchase plan	—	—	3,879	—	—	43	792	4,671
Federal income tax benefit related to exercise of stock options	—	—	45,314	—	—	—	—	45,314
Treasury stock purchases	—	—	—	—	—	(5)	(645)	(645)
Issuance of shares for acquisition	—	—	332,659	—	—	2,149	31,674	364,333
Balance at December 31, 2015	48,148	481	607,755	(46)	326,019	(11,374)	(75,352)	858,857
Net income	—	—	—	—	109,857	—	—	109,857
Issuance of shares pursuant to stock compensation plan	—	—	(82,273)	—	—	827	105,800	23,527
Stock compensation	—	—	29,747	—	—	—	—	29,747
Issuance of shares pursuant to employee stock purchase plan	—	—	1,434	—	—	47	4,802	6,236
Treasury stock purchases	—	—	—	—	—	(882)	(112,699)	(112,699)
Balance at December 31, 2016	48,148	$ 481	$ 556,663	$ (46)	$ 435,876	(11,382)	$ (77,449)	$ 915,525

See accompanying notes.

Tyler Technologies, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31
(In thousands)

	2016	2015	2014
Cash flows from operating activities:			
Net income	$ 109,857	$ 64,869	$ 58,940
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	50,301	19,574	14,605
Share-based compensation expense	29,747	20,182	14,819
Provision for losses - accounts receivable	4,484	1,756	1,897
Deferred income tax benefit	(28,939)	(7,956)	(3,804)
Changes in operating assets and liabilities, exclusive of effects of acquired companies:			
Accounts receivable	(30,227)	(28,172)	(8,912)
Income tax receivable	18,185	24,255	29,117
Prepaid expenses and other current assets	2,229	(3,054)	(3,696)
Accounts payable	387	652	1,586
Accrued liabilities	10,717	490	6,326
Deferred revenue	25,118	41,731	31,961
Net cash provided by operating activities	191,859	134,327	142,839
Cash flows from investing activities:			
Cost of acquisitions, net of cash acquired	(9,394)	(339,961)	(3,242)
Purchase of cost method investment	—	(15,000)	—
Purchase of marketable security investments	(20,316)	(31,907)	—
Proceeds from marketable security investments	16,837	900	808
Additions to property and equipment	(37,726)	(12,501)	(9,343)
(Increase) decrease in other	(121)	10	222
Net cash used by investing activities	(50,720)	(398,459)	(11,555)
Cash flows from financing activities:			
(Decrease) increase in net borrowings on revolving line of credit	(56,000)	66,000	—
Purchase of treasury shares	(111,838)	(645)	(22,817)
Contributions from employee stock purchase plan	6,236	4,671	4,144
Proceeds from exercise of stock options	23,527	23,160	14,680
Debt issuance costs	—	(2,134)	—
Net cash (used) provided by financing activities	(138,075)	91,052	(3,993)
Net increase (decrease) in cash and cash equivalents	3,064	(173,080)	127,291
Cash and cash equivalents at beginning of period	33,087	206,167	78,876
Cash and cash equivalents at end of period	$ 36,151	$ 33,087	$ 206,167

See accompanying notes.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

We provide integrated software systems and related services for the public sector, with a focus on local governments. We develop and market a broad line of software solutions and services to address the information technology ("IT") needs of cities, counties, schools and other local government entities. In addition, we provide professional IT services, including software and hardware installation, data conversion, training, and for certain customers, product modifications, along with continuing maintenance and support for customers using our systems. We also provide subscription-based services such as software as a service ("SaaS") arrangements, which utilize the Tyler private cloud, and electronic document filing solutions ("e-filing"). In addition, we provide property appraisal outsourcing services for taxing jurisdictions.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include our parent company and a subsidiary, which is wholly-owned. All significant intercompany balances and transactions have been eliminated in consolidation. Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions, and other events and circumstances from non-owner sources and includes all components of net income (loss) and other comprehensive income (loss). We had no items of other comprehensive income (loss) during the years ended December 31, 2016, 2015 and 2014.

CASH AND CASH EQUIVALENTS

Cash in excess of that necessary for operating requirements is invested in short-term, highly liquid, income-producing investments. Investments with original maturities of three months or less are classified as cash and cash equivalents, which primarily consist of cash on deposit with several banks and money market funds. Cash and cash equivalents are stated at cost, which approximates market value.

REVENUE RECOGNITION

We earn revenue from software licenses, royalties, subscription-based services, software services, post-contract customer support ("PCS" or "maintenance"), hardware, and appraisal services.

Software Arrangements:

For the majority of our software arrangements, we provide services that range from installation, training, and basic consulting to software modification and customization to meet specific customer needs. If the arrangement does not require significant production, modification or customization or where the software services are not considered essential to the functionality of the software, revenue is recognized when all of the following conditions are met

- persuasive evidence of an arrangement exists
- delivery has occurred
- our fee is fixed or determinable
- collectability is probable

For multiple element arrangements, each element of the arrangement is analyzed and we allocate a portion of the total arrangement fee to the elements based on the relative fair value of the element using vendor-specific objective evidence of fair value ("VSOE"), regardless of any separate prices stated within the contract for each element. Fair value is considered the price a customer would be required to pay if the element was sold separately based on our historical experience of stand-alone sales of these elements to third-parties. For PCS, we use renewal rates for continued support arrangements to determine fair value. For software services, we use the fair value we charge our customers when those services are sold separately. We monitor our transactions to determine that we maintain and periodically revise VSOE to reflect fair value. In software arrangements in which we have the fair value of all undelivered elements but not of a delivered element, we apply the "residual method," in compliance with Accounting Standards Codification ("ASC") 985-605, Software Revenue Recognition. Under the residual method, if the fair value of all undelivered elements is determinable, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered element(s) and is recognized as revenue assuming the other revenue recognition criteria are met. In software arrangements in which we do not have VSOE for all undelivered elements, revenue is deferred until fair value is determined or all elements for which we do not have VSOE have been delivered. Alternatively, if sufficient VSOE does not exist and the only undelivered element is services that do not involve significant modification or customization of the software, the entire fee is recognized over the period during which the services are expected to be performed.

Software Licenses and Royalties

We recognize the revenue allocable to software licenses and specified upgrades upon delivery of the software product or upgrade to the customer, unless the fee is not fixed or determinable or collectability is not probable. If the fee is not fixed or determinable, software license revenue is generally recognized as payments become due from the customer. If collectability is not considered probable, revenue is recognized when the fee is collected. Arrangements that include software services, such as training or installation, are evaluated to determine whether those services are essential to the product's functionality.

A majority of our software arrangements involve "off-the-shelf" software. We consider software to be off-the-shelf software if it can be added to an arrangement with minor changes in the underlying code and it can be used by the customer for the customer's purpose upon installation. For off-the-shelf software arrangements, we recognize the software license fee as revenue after delivery has occurred, customer acceptance is reasonably assured, that portion of the fee represents a non-refundable enforceable claim and is probable of collection, and the remaining services such as training are not considered essential to the product's functionality.

For arrangements that involve significant production, modification or customization of the software, or where software services are otherwise considered essential, we recognize revenue using contract accounting and apply the provisions of the Construction type and Production type Contracts as discussed in ASC 605-35. We generally use the percentage-of-completion method to recognize revenue from these arrangements. We measure progress-to-completion primarily using labor hours incurred, or value added. The percentage-of-completion method generally results in the recognition of reasonably consistent profit margins over the life of a contract because we have the ability to produce reasonably dependable estimates of contract billings and contract costs. We use the level of profit margin that is most likely to occur on a contract. If the most likely profit margin cannot be precisely determined, the lowest probable level of profit margin in the range of estimates is used until the results can be estimated more precisely. These arrangements are often implemented over an extended time period and occasionally require us to revise total cost estimates. Amounts recognized in revenue are calculated using the progress-to-completion measurement after giving effect to any changes in our cost estimates. Changes to total estimated contract costs, if any, are recorded in the period they are determined. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent. For arrangements that include new product releases for which it is difficult to estimate final profitability except to assume that no loss will ultimately be incurred, we recognize revenue under the completed contract method. Under the completed contract method, revenue is recognized only when a contract is completed or substantially complete. Historically these amounts have been immaterial.

We recognize royalty revenue when earned under the terms of our third party royalty arrangements, provided the fees are considered fixed or determinable and realization of payment is probable. Currently, our third party royalties are variable in nature and such amounts are not considered fixed or determinable until we receive notice of amounts earned. Typically, we receive notice of royalty revenues earned on a quarterly basis in the immediate quarter following the royalty reporting period.

Software Services

Some of our software arrangements include services considered essential for the customer to use the software for the customer's purposes. For these software arrangements, both the software license revenue and the services revenue are recognized as the services are performed using the percentage-of-completion contract accounting method. When software services are not considered essential, the fee allocable to the service element is recognized as revenue as we perform the services.

Computer Hardware Equipment

Revenue allocable to computer hardware equipment is recognized when we deliver the equipment and collection is probable.

Post-Contract Customer Support

Our customers generally enter into PCS agreements when they purchase our software licenses. PCS includes telephone support, bug fixes, and rights to upgrades on a when-and-if available basis. Our PCS agreements are typically renewable annually. Revenue allocated to PCS is recognized on a straight-line basis over the period the PCS is provided. All significant costs and expenses associated with PCS are expensed as incurred.

Subscription-Based Services:

Subscription-based services consist of revenues derived from SaaS arrangements, which utilize the Tyler private cloud, and electronic filing transactions.

For SaaS arrangements, we evaluate whether the customer has the contractual right to take possession of our software at any time during the hosting period without significant penalty and whether the customer can feasibly maintain the software on the customer's hardware or enter into another arrangement with a third-party to host the software. In cases where the customer has the contractual right to take possession of our software at any time during the hosting period without significant penalty and the customer can feasibly maintain the software on the customer's hardware or enter into another arrangement with a third-party to host the software, we recognize the license, professional services and hosting services revenues pursuant to ASC 985-605, Software Revenue Recognition.

For SaaS arrangements that do not meet the criteria for recognition under ASC 985-605, we account for the elements under ASC 605-25, Multiple Element Arrangements, using all applicable facts and circumstances, including whether (i) the element has stand-alone value, (ii) there is a general right of return and (iii) the revenue is contingent on delivery of other elements. We allocate contract value to each element of the arrangement that qualifies for treatment as a separate element based on VSOE, and if VSOE is not available, third-party evidence, and if third-party evidence is unavailable, estimated selling price. We recognize hosting services ratably over the term of the arrangement, which range from one to 10 years but are typically for a period of five to seven years. For professional services associated with SaaS arrangements that we determine do not have stand-alone value to the customer or are contingent on delivery of other elements, we recognize the services revenue ratably over the remaining contractual period once we have provided the customer access to the software and we may begin billing for hosting services. We record amounts that have been invoiced in accounts receivable and in deferred revenue or revenues, depending on whether the revenue recognition criteria have been met.

Electronic filing transaction fees primarily pertain to documents filed with the courts by attorneys and other third-parties via our e-filing services and retrieval of filed documents via our access services. The elements for these arrangements are accounted for under ASC 605-25. For each document filed with a court, the filer generally pays a transaction fee and a court filing fee to us and we remit a portion of the transaction fee and the filing fee to the court. We record as revenue the transaction fee, while the portion of the transaction fee remitted to the courts is recorded as cost of sales as we are acting as a principal in the arrangement. Court filing fees collected on behalf of the courts and remitted to the courts are recorded on a net basis and thus do not affect the statement of comprehensive income. In some cases, we are paid on a fixed fee basis and recognize the revenue ratably over the contractual period.

Costs of performing services under subscription-based arrangements are expensed as incurred, except for certain direct and incremental contract origination and set-up costs associated with SaaS arrangements. Such direct and incremental costs are capitalized and amortized ratably over the related SaaS hosting term.

Appraisal Services:

For our property appraisal projects, we recognize revenue using the proportional performance method of revenue recognition since many of these projects are implemented over one to three year periods and consist of various unique activities. Under this method of revenue recognition, we identify each activity for the appraisal project, with a typical project generally calling for bonding, office set up, training, routing of map information, data entry, data collection, data verification, informal hearings, appeals and project management. Each activity or act is specifically identified and assigned an estimated cost. Costs which are considered to be associated with indirect activities, such as bonding costs and office set up, are expensed as incurred. These costs are typically billed as incurred and are recognized as revenue equal to cost. Direct contract fulfillment activities and related supervisory costs such as data collection, data entry and verification are expensed as incurred. The direct costs for these activities are determined and the total contract value is then allocated to each activity based on a consistent profit margin. Each activity is assigned a consistent unit of measure to determine progress towards completion and revenue is recognized for each activity based upon the percentage complete as applied to the estimated revenue for that activity. Progress for the fulfillment activities is typically based on labor hours or an output measure such as the number of parcel counts completed for that activity. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent.

Allocation of Revenue in Statements of Comprehensive Income

In our statements of comprehensive income, we allocate revenue to software licenses, software services, maintenance and hardware and other based on the VSOE of fair value for elements in each revenue arrangement and the application of the residual method for arrangements in which we have established VSOE of fair value for all undelivered elements. In arrangements where we are not able to establish VSOE of fair value for all undelivered elements, revenue is first allocated to any undelivered elements for which VSOE of fair value has been established. We then allocate revenue to any undelivered elements for which VSOE of fair value has not been established based upon management's best estimate of fair value of those undelivered elements and apply a residual method to determine the license fee. Management's best estimate of fair value of undelivered elements for which VSOE of fair value has not been established is based upon the VSOE of similar offerings and other objective criteria.

Other

The majority of deferred revenue consists of unearned maintenance revenue that has been billed based on contractual terms in the underlying arrangement with the remaining balance consisting of payments received in advance of revenue being earned under software licensing, subscription-based services, software and appraisal services and hardware installation. Unbilled revenue is not billable at the balance sheet date but is recoverable over the remaining life of the contract through billings made in accordance with contractual agreements. The termination clauses in our contracts generally provide for the payment for the value of products delivered and services performed in the event of an early termination.

Prepaid expenses and other current assets include direct and incremental costs such as commissions associated with arrangements for which revenue recognition has been deferred. Such costs are expensed at the time the related revenue is recognized.

USE OF ESTIMATES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the application of the percentage-of-completion and proportional performance methods of revenue recognition, the carrying amount and estimated useful lives of intangible assets, determination of share-based compensation expense and valuation allowance for receivables. Actual results could differ from estimates.

PROPERTY AND EQUIPMENT, NET

Property, equipment and purchased software are recorded at original cost and increased by the cost of any significant improvements after purchase. We expense maintenance and repairs when incurred. Depreciation and amortization is calculated using the straight-line method over the shorter of the asset's estimated useful life or the term of the lease in the case of leasehold improvements. For income tax purposes, we use accelerated depreciation methods as allowed by tax laws.

RESEARCH AND DEVELOPMENT COSTS

We expensed research and development costs of $43.2 million during 2016 , $29.9 million during 2015 , and $25.7 million during 2014 .

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred taxes arise because of different treatment between financial statement accounting and tax accounting, known as "temporary differences." We record the tax effect of these temporary differences as "deferred tax assets" (generally items that can be used as a tax deduction or credit in the future periods) and "deferred tax liabilities" (generally items that we received a tax deduction for, which have not yet been recorded in the income statement). The deferred tax assets and liabilities are measured using enacted tax rules and laws that are expected to be in effect when the temporary differences are expected to be recovered or settled. A valuation allowance would be established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be "realized."

SHARE-BASED COMPENSATION

We have a stock option plan that provides for the grant of stock options to key employees, directors and non-employee consultants. Stock options generally vest after three to six years of continuous service from the date of grant and have a contractual term of 10 years. We account for share-based compensation utilizing the fair value recognition pursuant to ASC 718, Stock Compensation. See Note 9 – "Share-Based Compensation" for further information. During fourth quarter of 2016, we adopted Accounting Standards Update ("ASU") No. 2016-09 "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." See "New Accounting Pronouncements" below for further information.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including identifiable intangible assets, in connection with our business combinations. Upon acquisition, goodwill is assigned to the reporting unit that is expected to benefit from the synergies of the business combination, which is the reporting unit to which the related acquired technology is assigned. A reporting unit is the operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by executive management. We assess goodwill for impairment annually as of April, or more frequently whenever events or changes in circumstances indicate its carrying value may not be recoverable.

When testing goodwill for impairment quantitatively, we first compare the fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to measure the amount of potential impairment. In the second step, we compare the implied fair value of reporting unit goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized. The fair values calculated in our impairment tests are determined using discounted cash flow models involving several assumptions. The assumptions that are used are based upon what we believe a hypothetical marketplace participant would use in estimating fair value. We evaluate the reasonableness of the fair value calculations of our reporting units by comparing the total of the fair value of all of our reporting units to our total market capitalization.

Our annual goodwill impairment analysis, which we performed quantitatively during the second quarter of 2016 , did not result in an impairment charge.

Other Intangible Assets

We make judgments about the recoverability of purchased intangible assets other than goodwill whenever events or changes in circumstances indicate that an impairment may exist. Customer base and acquired software each comprise approximately half of our purchased intangible assets other than goodwill. We review our customer turnover each year for indications of impairment. Our customer turnover has historically been very low. There have been no significant impairments of intangible assets in any of the periods presented. If indications of impairment are determined to exist, we measure the recoverability of assets by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the assets exceeds their estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the assets.

IMPAIRMENT OF LONG-LIVED ASSETS

We periodically evaluate whether current facts or circumstances indicate that the carrying value of our property and equipment or other long-lived assets to be held and used may not be recoverable. If such circumstances are determined to exist, we measure the recoverability of assets to be held and used by a comparison of the carrying amount of the asset or appropriate grouping of assets and the estimated undiscounted future cash flows expected to be generated by the assets. If the carrying amount of the assets exceeds their estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. There have been no significant impairments of long-lived assets in any of the periods presented.

COSTS OF COMPUTER SOFTWARE

We capitalize software development costs upon the establishment of technological feasibility and prior to the availability of the product for general release to customers. Software development costs primarily consist of personnel costs and rent for related office space. We begin to amortize capitalized costs when a product is available for general release to customers. Amortization expense is determined on a product-by-product basis at a rate not less than straight-line basis over the product's remaining estimated economic life. We have not capitalized any internal software development costs in any of the periods presented.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, accounts receivables, accounts payables, short-term obligations and certain other assets at cost approximate fair value because of the short maturity of these instruments. The fair value of our revolving line of credit approximates book value as of December 31, 2016 , because our interest rates reset approximately every 30 days or less. See Note 6 – "Revolving Line of Credit" for further discussion.

As of December 31, 2016 , we have $33.5 million in investment grade corporate and municipal bonds with maturity dates ranging from 2016 through mid-2018 . We intend to hold these bonds to maturity and have classified them as such. We believe cost approximates fair value because of the relatively short duration of these investments. The fair values of these securities are considered Level II as they are based on inputs from quoted prices in markets that are not active or from other observable market data. These investments are included in short-term investments and non-current investments and other assets.

As of December 31, 2016 , we have $15.0 million invested in convertible preferred stock representing a 20% interest in Record Holdings Pty Limited, a privately held Australian company specializing in digitizing the spoken word in court and legal proceedings. The fair value of this investment is based on valuations using Level III, unobservable inputs that are supported by little or no market value activity and that are significant to the fair value of the investment.

CONCENTRATIONS OF CREDIT RISK AND UNBILLED RECEIVABLES

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable from trade customers, and investments in marketable securities. Our cash and cash equivalents primarily consists of operating account balances and money market funds, which are maintained at several major domestic financial institutions and the balances often exceed insured amounts. As of December 31, 2016 , we had cash and cash equivalents of $36.2 million . We perform periodic evaluations of the credit standing of these financial institutions.

Concentrations of credit risk with respect to receivables are limited due to the size and geographical diversity of our customer base. Historically, our credit losses have not been significant. As a result, we do not believe we have any significant concentrations of credit risk as of December 31, 2016 .

We maintain allowances for doubtful accounts and sales adjustments, which are provided at the time the revenue is recognized. Since most of our customers are domestic governmental entities, we rarely incur a loss resulting from the inability of a customer to make required payments. Events or changes in circumstances that indicate that the carrying amount for the allowances for doubtful accounts and sales adjustments may require revision, include, but are not limited to, deterioration of a customer's financial condition, failure to manage our customer's expectations regarding the scope of the services to be delivered, and defects or errors in new versions or enhancements of our software products.

The following table summarizes the changes in the allowances for doubtful accounts and sales adjustments:

	Years Ended December 31,		
	2016	2015	2014
Balance at beginning of year	$ 1,640	$ 1,725	$ 1,113
Provisions for losses - accounts receivable	4,484	1,756	1,897
Collection of accounts previously written off	—	153	—
Deductions for accounts charged off or credits issued	(2,728)	(1,994)	(1,285)
Balance at end of year	$ 3,396	$ 1,640	$ 1,725

The termination clauses in most of our contracts provide for the payment for the value of products delivered or services performed in the event of early termination. Our property appraisal outsourcing service contracts can range up to three years and, in a few cases, as long as five years, in duration. In connection with these contracts, as well as certain software service contracts, we may perform work prior to when the software and services are billable and/or payable pursuant to the contract. We have historically recorded such unbilled receivables (costs and estimated profit in excess of billings) in connection with (1) property appraisal services contracts accounted for using proportional performance accounting in which the revenue is earned based upon activities performed in one accounting period but the billing normally occurs subsequently and may span another accounting period; (2) software services contracts accounted for using the percentage-of-completion method of revenue recognition using labor hours as a measure of progress towards completion in which the services are performed in one accounting period but the billing for the software element of the arrangement may be based upon the specific phase of the implementation; (3) software revenue for which we have objective evidence that the customer-specified objective criteria has been met but the billing has not yet been submitted to the customer; (4) some of our contracts provide for an amount to be withheld from a progress billing (generally between 5% and 20% retention) until final and satisfactory project completion is achieved; and (5) in a limited number of cases, we may grant extended payment terms, generally to existing customers with whom we have a long-term relationship and favorable collection history.

We have recorded unbilled receivables of $33.6 million and $29.7 million at December 31, 2016 and 2015 , respectively. Included in unbilled receivables are retention receivables of $5.0 million and $4.7 million at December 31, 2016 and 2015 , respectively, and these retentions become payable upon the completion of the contract or completion of our fieldwork and formal hearings. Unbilled receivables and retention receivables expected to be collected in excess of one year have been included with accounts receivable, long-term portion in the accompanying consolidated balance sheets.

INDEMNIFICATION

Most of our software license agreements indemnify our customers in the event that the software sold infringes upon the intellectual property rights of a third-party. These agreements typically provide that in such event we will either modify or replace the software so that it becomes non-infringing or procure for the customer the right to use the software. We have recorded no liability associated with these indemnifications, as we are not aware of any pending or threatened infringement actions that are possible losses. We believe the estimated fair value of these intellectual property indemnification clauses is minimal.

We have also agreed to indemnify our officers and board members if they are named or threatened to be named as a party to any proceeding by reason of the fact that they acted in such capacity. We maintain directors' and officers' liability insurance coverage to protect against any such losses. We have recorded no liability associated with these indemnifications. Because of our insurance coverage, we believe the estimated fair value of these indemnification agreements is minimal.

RECLASSIFICATIONS

Certain amounts for previous years have been reclassified to conform to the current year presentation.

NEW ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements Adopted in 2016

Improvements to Employee Share-Based Payment Accountin g. In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This standard is effective for our interim and annual reporting periods beginning December 15, 2016, and early adoption is permitted. We elected to early adopt this standard in fourth quarter of 2016. The impact of the early adoption was as follows:

- The standard eliminates additional paid in capital ("APIC") pools and requires excess tax benefits and tax deficiencies to be recorded in the income statement as a discrete item when the awards vest or are settled. The adoption of this guidance on a prospective basis resulted in the recognition of excess tax benefits in our provision for income taxes.
- The standard requires excess tax benefits to be recognized regardless of whether the benefit reduces taxes payable. The adoption of this guidance is applied on a modified retrospective basis; however, it did not have an impact on our retained earnings as of January 1, 2016, as we had previously recognized all our excess tax benefits.
- As permitted, we have elected to continue to estimate forfeitures expected to occur to determine the amount of stock-based compensation cost to be recognized in each period. As such, the guidance relating to forfeitures did not have an impact on our retained earnings as of January 1, 2016.
- The new guidance changes the calculation of common stock equivalents for earnings per share purposes.
- As permitted, we elected to apply the statement of cash flows guidance that cash flows related to excess tax benefits be presented as an operating activity retrospectively.

Adoption of the new standard resulted in the recognition of excess tax benefits in our provision for income taxes rather than APIC of $29.6 million for the period ended December 31, 2016. As of December 31, 2016, the change in the calculation of common stock equivalents added approximately 519,000 weighted average shares for the diluted earnings per share calculations. The impact to our previously reported quarterly results for fiscal year 2016 is as follows:

	Three Months Ended March 31, 2016		Three Months Ended June 30, 2016		Three Months Ended September 30, 2016	
(In thousands, except per share amounts)	As Reported	As Adjusted	As Reported	As Adjusted	As Reported	As Adjusted
Income statements:						
Income tax provision	$ 10,495	$ 9,350	$ 11,323	$ 5,188	$ 14,155	$ 989
Net income	$ 17,079	$ 18,224	$ 18,872	$ 25,007	$ 22,264	$ 35,430
Basic earnings per common share	$ 0.47	$ 0.50	$ 0.52	$ 0.69	$ 0.61	$ 0.97
Diluted earnings per common share	$ 0.44	$ 0.47	$ 0.49	$ 0.65	$ 0.58	$ 0.91
Diluted weighted average common shares outstanding	38,557	39,071	38,196	38,738	38,506	39,062
Statement of cash flows:						
Net cash provided by operating activities	$ 40,270	$ 41,321	$ 13,877	$ 19,520	$ 67,091	$ 79,213
Net cash (used) provided by financing activities	$ (15,860)	$ (16,911)	$ 5,668	$ 25	$ (77,973)	$ (90,095)

Presentation of Financial Statements - Going Concern . In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The guidance requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the financial statements are available to be issued when applicable) and to provide related footnote disclosures in certain circumstances. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. We adopted this standard in the fourth quarter of 2016 and its adoption did not have an impact on our consolidated financial statements.

Recent Accounting Guidance not yet Adopted

Revenue from Contracts with Customers. On May 28, 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This ASU is the result of a convergence project between the FASB and the International Accounting Standards Board. The core principle behind ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for delivering those goods and services. This model involves a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies the performance obligations. The ASU allows two methods of adoption: a full retrospective approach where three years of financial information are presented in accordance with the new standard, and a modified retrospective approach where the ASU is applied to the most current period presented in the financial statements. We currently anticipate adopting the standard using the full retrospective method to restate each prior reporting period presented. Our ability to adopt using the full retrospective method is dependent on system readiness, including software procured from third-party providers, and the completion of our analysis of information necessary to restate prior period financial statements.

The new standard requires application no later than annual reporting periods beginning after December 15, 2017, including interim reporting periods therein; however, public entities are permitted to elect to early adopt the new standard. We are assessing the financial impact of adopting the new standard and the methods of adoption; however, we are currently unable to provide a reasonable estimate regarding the financial impact. We will adopt the new standard in fiscal year 2018.

We anticipate this standard will have a material impact on our consolidated financial statements. While we are continuing to assess all potential impacts of the standard, we currently believe the most significant impact relates to our accounting for software license fees, installation fees, and incremental cost of obtaining a contract. Specifically, under the new standard we expect software license fees under perpetual agreements will no longer be subject to 100% discount allocations from other elements in the contract. Discounts in arrangements will be allocated across all deliverables increasing license revenues and decreasing revenues allocated to other performance obligations. In addition, in most cases, net license fees (total license fees less any allocated discounts) will be recognized at the point in time that control of the software license transfers to the customer versus our current policy of recognizing revenue only to the extent billable per the contractual terms. Time-based license fees currently recognized over the license term will no longer be recognized over the period of the license and will instead be recognized at the point in time that control of the software license transfers to the customer. Installation fees will no longer be considered distinct performance obligations and therefore will be recognized over the term of the arrangement or life of the performance obligation. We expect revenue related to our SaaS offerings and professional services to remain substantially unchanged. Due to the complexity of certain contracts, the actual revenue recognition treatment required under the standard will be dependent on contract-specific terms and may vary in some instances from recognition at the time of billing. Application of the new standard requires that incremental costs directly related to obtaining a contract (typically sales commissions plus any associated fringe benefits) must be recognized as an asset and expensed over the expected life of the arrangement, unless that life is less than one year. Currently, we defer sales commissions and recognize expense over the relevant initial contractual term. With the adoption the new standard, we expect amortization periods to extend past the initial term.

Leases. On February 25, 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, "Leases (Topic 842)." Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early application is permitted for all business entities upon issuance. We are assessing the financial impact of adopting the new standard; however, we are currently unable to provide a reasonable estimate regarding the financial impact. We expect to adopt the new standard in fiscal year 2019.

(2) ACQUISITIONS

2016

During 2016, we acquired a business for approximately $7.4 million in cash paid. This acquisition is immaterial to our consolidated financial statements. The operating results of this small acquisition are included with the operating results of the Enterprise Software segment since its date of acquisition. The purchase price allocation for this acquisition is reflected in the accompanying consolidated balance sheet as of December 31, 2016 and is preliminary.

2015

On November 16, 2015, we acquired all the capital stock of New World Systems Corporation ("NWS"), which provides public safety and financial solutions for local governments. The purchase price, net of cash acquired of $22.5 million , comprised of $337.5 million in cash, of which $4.0 million was accrued at December 31, 2015, and 2.1 million shares of Tyler common stock valued at $362.8 million , which was based on the closing price on November 16, 2015. We also incurred fees of approximately $5.9 million for financial advisory, legal, accounting, due diligence, valuation and other various services necessary to complete the acquisition. These fees were expensed in 2015 and are included in selling, general and administrative expenses.

In 2016, we paid $2.0 million related to the working capital holdback of $4.0 million and reduced the accrued liability. Our final valuation of the fair market value of NWS' assets and liabilities resulted in adjustments to the preliminary opening balance sheet. These adjustments related to a reduction in deferred revenue and related deferred income taxes and additional reserves for accounts receivable and contingencies resulting in a net decrease to goodwill of approximately $ 7.4 million .

On May 29, 2015, we acquired all of the capital stock of Brazos Technology Corporation ("Brazos"), which provides mobile hand held solutions primarily to law enforcement agencies for field accident reporting and electronically issuing citations. The purchase price, net of cash acquired of $312,000 and including debt assumed of $733,000 , was $6.1 million in cash and 12,500 shares of Tyler common stock valued at $1.5 million .

The operating results of NWS and Brazos are included with the operating results of the Enterprise Software segment since their dates of acquisition. The fair value of the assets and liabilities acquired are based on valuations using Level III, unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(3) PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31:

	Useful Lives (years)	2016	2015
Land	—	$ 9,958	$ 8,146
Building and leasehold improvements	5-39	94,924	77,020
Computer equipment and purchased software	3-5	55,627	42,245
Furniture and fixtures	5	19,897	16,661
Transportation equipment	5	447	252
		180,853	144,324
Accumulated depreciation and amortization		(56,585)	(43,212)
Property and equipment, net		$ 124,268	$ 101,112

Depreciation expense was $13.4 million during 2016 , $9.1 million during 2015 , and $7.9 million during 2014 .

In 2016, we purchased an office building in Falmouth, Maine, that was previously leased from an entity owned by an executive's father and brother, for approximately $9.7 million , and paid $ 8.0 million for construction to expand a building in Yarmouth, Maine.

We own office buildings in Bangor, Falmouth and Yarmouth, Maine; Lubbock and Plano, Texas; Troy, Michigan; and Moraine, Ohio. We lease some space in these buildings to third-party tenants. These leases expire between 2017 and 2025 and are expected to provide rental income of approximately $1.6 million during 2017 , $1.9 million during 2018 , $1.9 million during 2019 , $1.7 million during 2020 , $1.4 million during 2021 , and $5.2 million thereafter. Rental income from third-party tenants was $1.7 million in 2016 , $913,000 in 2015 , and $945,000 in 2014 .

(4) GOODWILL AND OTHER INTANGIBLE ASSETS

Other intangible assets and related accumulated amortization consists of the following at December 31:

	2016	2015
Gross carrying amount of acquisition intangibles:		
Customer related intangibles	$ 186,231	$ 181,671
Acquired software	176,096	172,666
Trade name	11,065	10,765
Leases acquired	3,694	3,694
	377,086	368,796
Accumulated amortization	(109,827)	(73,418)
Total intangibles, net	$ 267,259	$ 295,378

Total amortization expense for intangibles was $36.4 million in 2016 , $10.3 million in 2015 , and $6.4 million during 2014 .

The allocation of acquisition intangible assets is summarized in the following table:

	December 31, 2016			December 31, 2015		
	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization
Non-amortizable intangibles:						
Goodwill	$ 650,237	—	$ —	$ 653,666	—	$ —
Amortizable intangibles:						
Customer related intangibles	186,231	15 years	51,491	181,671	15 years	38,754
Acquired software	176,096	7 years	55,115	172,666	7 years	32,880
Trade name	11,065	12 years	2,740	10,765	12 years	1,747
Leases acquired	3,694	9 years	481	3,694	9 years	37

The changes in the carrying amount of goodwill for the two years ended December 31, 2016 are as follows:

	Enterprise Software	Appraisal and Tax	Total
Balance as of 12/31/2014	$ 117,585	$ 6,557	$ 124,142
Goodwill acquired during 2015 related to the purchase of NWS	527,618	—	527,618
Goodwill acquired during 2015 related to the purchase of Brazos	1,906	—	1,906
Balance as of 12/31/2015	647,109	6,557	653,666
Goodwill acquired during 2016 related to a small acquisition	3,943	—	3,943
Purchase price adjustments related to NWS acquisition	(7,372)	—	(7,372)
Balance as of 12/31/2016	$ 643,680	$ 6,557	$ 650,237

Estimated annual amortization expense relating to acquired leases will be recorded as a reduction to hardware and other revenue and is expected to be $442,000 in 2017 , $426,000 in 2018 , $373,000 in 2019 , $314,000 in 2020 , $312,000 in 2021 and $1.3 million thereafter . Estimated annual amortization expense relating to acquisition intangibles, including acquired software, for which the amortization expense is recorded as cost of revenues, for the next five years is as follows:

2017	$ 35,120
2018	34,443
2019	33,107
2020	31,660
2021	31,302

(5) ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	2016	2015
Accrued wages, bonuses and commissions	$ 38,996	$ 32,006
Other accrued liabilities	16,993	17,150
	$ 55,989	$ 49,156

(6) REVOLVING LINE OF CREDIT

On November 16, 2015 , we entered into a $300.0 million Credit Agreement (the "Credit Facility") with the various lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent. The Credit Facility provides for a revolving credit line of up to $ 300.0 million , including a $10.0 million sublimit for letters of credit. The Credit Facility matures on November 16, 2020 . Borrowings under the Credit Facility may be used for general corporate purposes, including working capital requirements, acquisitions and share repurchases.

Borrowings under the Credit Facility bear interest at a rate of either (1) Wells Fargo Bank's prime rate (subject to certain higher rate determinations) plus a margin of 0.25% to 1.00% or (2) the 30, 60, 90 or 180 day LIBOR rate plus a margin of 1.25% to 2.00% . As of December 31, 2016 , our interest rate was 1.96% . The Credit Facility is secured by substantially all our assets. The Credit Facility requires us to maintain certain financial ratios and other financial conditions and prohibits us from making certain investments, advances, cash dividends or loans, and limits incurrence of additional indebtedness and liens. As of December 31, 2016 , we were in compliance with those covenants .

As of December 31, 2016 , we had $10.0 million in outstanding borrowings and unused borrowing capacity of $287.8 million under the Credit Facility . In addition, as of December 31, 2016 , we had two outstanding letters of credit totaling $2.2 million in favor of a client contract and the expansion of an office building in Yarmouth, Maine. Both letters of credit guarantee our performance under each contract and both expire in 2017 .

We paid interest of $1.9 million in 2016 and $223,000 in 2015 .

(7) INCOME TAX

The income tax provision (benefit) on income from operations consists of the following:

	Years Ended December 31,		
	2016	2015	2014
Current:			
Federal	$ 41,366	$ 44,841	$ 34,504
State	7,023	6,670	4,827
	48,389	51,511	39,331
Deferred	(28,939)	(7,956)	(3,804)
	$ 19,450	$ 43,555	$ 35,527

Reconciliation of the U.S. statutory income tax rate to our effective income tax expense rate for operations follows:

	Years Ended December 31,		
	2016	2015	2014
Federal income tax expense at statutory rate	$ 45,257	$ 37,949	$ 33,064
State income tax, net of federal income tax benefit	4,807	3,715	2,867
Domestic production activities deduction	(3,947)	(466)	(1,720)
Excess tax benefits related to stock option exercises	(29,582)	—	—
Non-deductible business expenses	2,979	2,414	1,485
Other, net	(64)	(57)	(169)
	$ 19,450	$ 43,555	$ 35,527

Due to the adoption of ASU No. 2016-09, federal and state excess tax benefits from stock option exercises for the year ended December 31, 2016 are reflected as a reduction of the provision for income taxes, whereas they were previously accounted for as an increase to shareholders' equity. See Note 1 "Summary of Significant Accounting Policies" for additional information related to this adoption.

The tax effects of the major items recorded as deferred tax assets and liabilities as of December 31 are:

	2016	2015
Deferred income tax assets:		
Operating expenses not currently deductible	$ 18,721	$ 9,953
Stock option and other employee benefit plans	19,665	13,504
Capital loss and credit carryforward	—	179
Total deferred income tax assets	38,386	23,636
Deferred income tax liabilities:		
Intangible assets	(103,754)	(111,653)
Property and equipment	(3,207)	(2,781)
Other	(204)	(228)
Total deferred income tax liabilities	(107,165)	(114,662)
Net deferred income tax liabilities	$ (68,779)	$ (91,026)

Although realization is not assured, we believe it is more likely than not that all the deferred tax assets will be realized. Accordingly, we believe no valuation allowance is required for the deferred tax assets. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of reversing taxable temporary differences are revised. There were no unrecognized tax benefits during any of the reported periods.

The Internal Revenue Service ("IRS") is examining our U.S. income tax return for the year 2012 . As of February 21, 2017, no significant adjustments have been proposed by any taxing jurisdiction. We are unable to make a reasonable estimate as to when cash settlements, if any, will occur.

We are subject to U.S. federal tax as well as income tax of multiple state and local jurisdictions. We are no longer subject to United States federal income tax or state and local income tax examinations for years before 2011.

We paid income taxes, net of refunds received, of $30.2 million in 2016 , $27.3 million in 2015 , and $10.2 million in 2014 .

(8) SHAREHOLDERS' EQUITY

The following table details activity in our common stock:

	Years Ended December 31,					
	2016		2015		2014	
	Shares	Amount	Shares	Amount	Shares	Amount
Stock option exercises	827	$ 23,527	1,118	$ 23,160	855	$ 14,680
Purchases of common stock	(882)	(112,699)	(5)	(645)	(294)	(22,817)
Employee stock plan purchases	47	6,236	43	4,671	53	4,144
Shares issued for acquisitions	—	—	2,149	364,333	17	1,473

Subsequent to December 31, 2016 and through February 21, 2017 , we repurchased 42,000 shares for an aggregate purchase price of $6.2 million . As of February 21, 2017 , we had authorization from our board of directors to repurchase up to 2.0 million additional shares of our common stock.

(9) SHARE-BASED COMPENSATION

Share-Based Compensation Plan

We have a stock option plan that provides for the grant of stock options to key employees, directors and non-employee consultants. Stock options generally vest after three to six years of continuous service from the date of grant and have a contractual term of 10 years. Once options become exercisable, the employee can purchase shares of our common stock at the market price on the date we granted the option. We account for share-based compensation utilizing the fair value recognition pursuant to ASC 718, Stock Compensation. During fourth quarter of 2016, we adopted ASU No. 2016-09 "Improvements to Employee Share-Based Payment Accounting," See Note 1 - "Summary of Significant Accounting Policies" for further information.

As of December 31, 2016 , there were 2.9 million shares available for future grants under the plan from the 20.0 million shares previously approved by the shareholders.

Determining Fair Value of Stock Compensation

Valuation and Amortization Method. We estimate the fair value of share-based awards granted using the Black-Scholes option valuation model. We amortize the fair value of all awards on a straight-line basis over the requisite service periods, which are generally the vesting periods.

Expected Life. The expected life of awards granted represents the period of time that they are expected to be outstanding. The expected life represents the weighted-average period the stock options are expected to be outstanding based primarily on the options' vesting terms, remaining contractual life and the employees' expected exercise based on historical patterns.

Expected Volatility. Using the Black-Scholes option valuation model, we estimate the volatility of our common stock at the date of grant based on the historical volatility of our common stock.

Risk-Free Interest Rate. We base the risk-free interest rate used in the Black-Scholes option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award.

Expected Dividend Yield. We have not paid any cash dividends on our common stock in more than ten years and we do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes option valuation model.

Expected Forfeitures. We use historical data to estimate pre-vesting option forfeitures. We record share-based compensation only for those awards that are expected to vest.

The following weighted average assumptions were used for options granted:

	Years Ended December 31,		
	2016	2015	2014
Expected life (in years)	6.0	6.0	6.0
Expected volatility	29.3%	28.3%	30.9%
Risk-free interest rate	1.8%	1.7%	1.8%
Expected forfeiture rate	—%	1.7%	3.0%

The following table summarizes share-based compensation expense related to share-based awards which is recorded in the statements of comprehensive income:

	Years Ended December 31,		
	2016	2015	2014
Cost of software services, maintenance and subscriptions	$ 6,548	$ 3,380	$ 2,177
Selling, general and administrative expenses	23,199	16,802	12,642
Total share-based compensation expenses	29,747	20,182	14,819
Tax benefit	(30,059)	(5,986)	(4,237)
Net (decrease) increase in net income	$ (312)	$ 14,196	$ 10,582

Adoption of ASU 2016-09 resulted in the recognition of excess tax benefits in our provision for income taxes rather than paid-in capital of $29.6 million for period ended December 31, 2016.

Stock Option Activity

Options granted, exercised, forfeited and expired are summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2013	5,720	$ 34.66		
Granted	675	94.15		
Exercised	(855)	17.17		
Forfeited	(3)	37.44		
Outstanding at December 31, 2014	5,537	44.61		
Granted	747	145.71		
Exercised	(1,118)	20.71		
Forfeited	(2)	19.61		
Outstanding at December 31, 2015	5,164	64.43		
Granted	846	147.25		
Exercised	(827)	28.43		
Forfeited	(27)	95.33		
Outstanding at December 31, 2016	5,156	83.64	7	$ 320,924
Exercisable at December 31, 2016	2,311	58.07	6	$ 198,460

We had unvested options to purchase 2.8 million shares with a weighted average grant date exercise price of $104.91 as of December 31, 2016 and unvested options to purchase 3.1 million shares with a weighted average grant date exercise price of $78.86 as of December 31, 2015 . As of December 31, 2016 , we had $80.1 million of total unrecognized compensation cost related to unvested options, net of expected forfeitures, which is expected to be amortized over a weighted average amortization period of 3.2 years.

Other information pertaining to option activity was as follows during the twelve months ended December 31:

	2016	2015	2014
Weighted average grant-date fair value of stock options granted	$ 46.89	$ 43.17	$ 31.32
Total intrinsic value of stock options exercised	103,703	149,542	69,768

Employee Stock Purchase Plan

Under our Employee Stock Purchase Plan ("ESPP") participants may contribute up to 15% of their annual compensation to purchase common shares of Tyler. The purchase price of the shares is equal to 85% of the closing price of Tyler shares on the last day of each quarterly offering period. As of December 31, 2016 , there were 847,000 shares available for future grants under the ESPP from the 2.0 million shares previously approved by the stockholders.

(10) EARNINGS PER SHARE

Basic earnings and diluted earnings per share data were computed as follows:

	Years Ended December 31,		
	2016	2015	2014
Numerator for basic and diluted earnings per share:			
Net income	$ 109,857	$ 64,869	$ 58,940
Denominator:			
Weighted-average basic common shares outstanding	36,448	34,137	33,011
Assumed conversion of dilutive securities:			
Stock options	2,513	2,415	2,390
Denominator for diluted earnings per share - Adjusted weighted-average shares	38,961	36,552	35,401
Earnings per common share:			
Basic	$ 3.01	$ 1.90	$ 1.79
Diluted	$ 2.82	$ 1.77	$ 1.66

Stock options representing the right to purchase common stock of 786,000 shares in 2016 , 417,000 shares in 2015 , and 481,000 shares in 2014 were not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. During fourth quarter of 2016, we adopted ASU No. 2016-09 requiring the recognition of excess tax benefits as a component of income tax expense; these benefits were historically recognized in equity. As the standard required a prospective method of adoption, our 2016 net income includes a $29.6 million income tax benefit due to the adoption that did not occur in the comparable periods presented above. In addition, the standard updates the method of calculating diluted shares resulting in the inclusion of 519,000 additional shares in our diluted EPS calculation that is not comparable to the other periods presented. Refer to Note 1 "Summary of Significant Accounting Policies" for further discussion of this new accounting standard.

(11) LEASES

We lease office facilities for use in our operations, as well as transportation, computer and other equipment. Most of our leases are non-cancelable operating lease agreements and they expire at various dates through 2023 . In addition to rent, the leases generally require us to pay taxes, maintenance, insurance and certain other operating expenses.

Rent expense was approximately $6.7 million in 2016 , $7.2 million in 2015 , and $6.7 million in 2014 , which included rent expense associated with related party lease agreements of $330,000 in 2016 , $1.8 million in 2015 , and $1.7 million in 2014 .

Future minimum lease payments under all non-cancelable leases at December 31, 2016 are as follows:

Years Ending December 31,	
2017	$ 5,177
2018	4,221
2019	3,556
2020	3,273
2021	2,059
Thereafter	601
Total	$ 18,887

(12) EMPLOYEE BENEFIT PLANS

We provide a defined contribution plan for the majority of our employees meeting minimum service requirements. The employees can contribute up to 30% of their current compensation to the plan subject to certain statutory limitations. We contribute up to a maximum of 3% of an employee's compensation to the plan. We made contributions to the plan and charged operating results $6.9 million during 2016 , $5.3 million during 2015 , and $4.3 million during 2014 .

(13) COMMITMENTS AND CONTINGENCIES

Other than routine litigation incidental to our business, there are no material legal proceedings pending to which we are party or to which any of our properties are subject.

(14) SEGMENT AND RELATED INFORMATION

We are a major provider of integrated information management solutions and services for the public sector, with a focus on local and state governments.

We provide our software systems and services and appraisal services through four business units, which focus on the following products:

- financial management, education and planning, regulatory and maintenance software solutions;
- financial management, municipal courts, and land and vital records management software solutions;
- courts and justice and public safety software solutions; and
- appraisal and tax software solutions and property appraisal services.

In accordance with ASC 280-10, Segment Reporting, the financial management, education and planning, regulatory and maintenance software solutions unit; financial management, municipal courts and land and vital records management software solutions unit; and the courts and justice and public safety software solutions unit meet the criteria for aggregation and are presented in one reportable segment, Enterprise Software ("ES"). The ES segment provides municipal and county governments and schools with software systems and services to meet their information technology and automation needs for mission-critical "back-office" functions such as financial management and courts and justice and public safety processes. The Appraisal and Tax ("A&T") segment provides systems and software that automate the appraisal and assessment of real and personal property as well as property appraisal outsourcing services for local governments and taxing authorities. Property appraisal outsourcing services include: the physical inspection of commercial and residential properties; data collection and processing; computer analysis for property valuation; preparation of tax rolls; community education; and arbitration between taxpayers and the assessing jurisdiction.

We evaluate performance based on several factors, of which the primary financial measure is business segment operating income. We define segment operating income for our business units as income before noncash amortization of intangible assets associated with their acquisition, interest expense and income taxes. Segment operating income includes intercompany transactions. The majority of intercompany transactions relate to contracts involving more than one unit and are valued based on the contractual arrangement. Segment operating income for corporate primarily consists of compensation costs for the executive management team and certain accounting and administrative staff and share-based compensation expense for the entire company. Corporate segment operating income also includes revenues and expenses related to a company-wide user conference. The accounting policies of the reportable segments are the same as those described in Note 1, "Summary of Significant Accounting Policies."

Segment assets include net accounts receivable, prepaid expenses and other current assets and net property and equipment. Corporate assets consist of cash and investments, prepaid insurance, intangibles associated with acquisitions, deferred income taxes and net property and equipment mainly related to unallocated information and technology assets.

ES segment capital expenditures in 2016 included $17.7 million for the expansion of an existing building and purchase of a building and land.

As of the year ended December 31, 2016

	Enterprise Software		Appraisal and Tax		Corporate		Totals	
Revenues								
Software licenses and royalties	$	68,844	$	5,462	$	—	$	74,306
Subscriptions		135,516		7,188		—		142,704
Software services		158,478		16,326		—		174,804
Maintenance		304,380		18,589		—		322,969
Appraisal services		—		26,287		—		26,287
Hardware and other		11,942		16		3,015		14,973
Intercompany		6,742		—		(6,742)		—
Total revenues	$	685,902	$	73,868	$	(3,727)	$	756,043
Depreciation and amortization expense		43,962		984		5,355		50,301
Segment operating income		190,817		18,286		(41,832)		167,271
Capital expenditures		23,843		1,432		11,448		36,723
Segment assets	$	295,260	$	31,769	$	1,030,916	$	1,357,945

As of the year ended December 31, 2015

	Enterprise Software		Appraisal and Tax		Corporate		Totals	
Revenues								
Software licenses and royalties	$	54,376	$	4,632	$	—	$	59,008
Subscriptions		107,090		4,843		—		111,933
Software services		129,068		10,784		—		139,852
Maintenance		227,586		17,951		—		245,537
Appraisal services		—		25,065		—		25,065
Hardware and other		6,935		12		2,680		9,627
Intercompany		4,025		—		(4,025)		—
Total revenues	$	529,080	$	63,287	$	(1,345)	$	591,022
Depreciation and amortization expense		15,413		867		3,294		19,574
Segment operating income		141,401		15,477		(38,490)		118,388
Capital expenditures		6,112		646		6,746		13,504
Segment assets	$	265,877	$	22,283	$	1,068,410	$	1,356,570

As of the year ended December 31, 2014

	Enterprise Software	Appraisal and Tax	Corporate	Totals
Revenues				
Software licenses and royalties	$ 46,047	$ 3,018	$ —	$ 49,065
Subscriptions	84,322	3,526	—	87,848
Software services	104,146	9,675	—	113,821
Maintenance	195,881	16,815	—	212,696
Appraisal services	—	21,802	—	21,802
Hardware and other	5,398	11	2,460	7,869
Intercompany	2,812	—	(2,812)	—
Total revenues	$ 438,606	$ 54,847	$ (352)	$ 493,101
Depreciation and amortization expense	11,140	866	2,599	14,605
Segment operating income	114,993	11,603	(25,370)	101,226
Capital expenditures	3,644	359	5,446	9,449
Segment assets	$ 170,369	$ 16,463	$ 382,980	$ 569,812

Reconciliation of reportable segment operating income to the Company's consolidated totals:	Years Ended December 31,		
	2016	2015	2014
Total segment operating income	$ 167,271	$ 118,388	$ 101,226
Amortization of acquired software	(22,235)	(4,440)	(1,858)
Amortization of customer and trade name intangibles	(13,731)	(5,905)	(4,546)
Other (expense) income, net	(1,998)	381	(355)
Income before income taxes	$ 129,307	$ 108,424	$ 94,467

(15) QUARTERLY FINANCIAL INFORMATION (unaudited)

The following table contains selected financial information from unaudited statements of income for each quarter of 2016 and 2015 .

	Quarters Ended							
	2016				2015			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31(b)	Sept. 30	June 30	Mar. 31
Revenues	$ 193,281	$ 194,497	$ 188,972	$ 179,293	$ 158,916	$ 150,845	$ 146,295	$ 134,966
Gross profit	92,817	93,480	86,936	82,118	73,222	71,833	68,253	63,879
Income before income taxes (a)	35,119	36,419	30,195	27,574	19,540	31,744	29,781	27,359
Net income (a)	31,196	35,430	25,007	18,224	8,618	20,142	18,836	17,273
Earnings per diluted share	$ 0.80	$ 0.91	$ 0.65	$ 0.47	$ 0.23	$ 0.55	$ 0.52	$ 0.48
Shares used in computing diluted earnings per share (a)	38,975	39,062	38,738	39,071	37,864	36,349	36,097	35,895

(a) During fourth quarter 2016, we adopted ASU No. 2016-09 requiring the recognition of excess tax benefits as a component of income tax expense; these benefits were historically recognized in equity. As the standard required a prospective method of adoption, our fourth quarter 2016 net income includes a $9.2 million income tax benefit due to the adoption that did not occur in the comparable prior year periods presented above. The three months ended March 31, June 30, and September 30, 2016, respectively, have been adjusted for the newly adopted standard. Refer to Note 1 "Summary of Significant Accounting Policies" for further discussion of this new accounting standard.

(b) Operating results for the three months ended December 31, 2015, include $5.9 million for financial advisory, legal, accounting, due diligence, valuation and other expenses necessary to complete the NWS acquisition as well as $3.5 million amortization expense related to NWS acquisition intangibles.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-205983) pertaining to the Tyler Technologies, Inc. 2010 Stock Option Plan,
(2) Registration Statement (Form S-8 No. 333-168499) pertaining to the Tyler Technologies, Inc. 2010 Stock Option Plan, and
(3) Registration Statement (Form S-8 No. 333-182318) pertaining to the Tyler Technologies, Inc. Employee Stock Purchase Plan;

of our reports dated February 22, 2017, with respect to the consolidated financial statements of Tyler Technologies, Inc., and the effectiveness of internal control over financial reporting of Tyler Technologies, Inc., included in this Annual Report (Form 10-K) of Tyler Technologies, Inc. for the year ended December 31, 2016.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 22, 2017

Exhibit 31.1

CERTIFICATIONS

I, John S. Marr, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Tyler Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over our financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Tyler and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its divisions, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (The registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 22, 2017

By: /s/ John S. Marr, Jr.

John S. Marr, Jr.

Chief Executive Officer and Chairman of the Board

Exhibit 31.2

CERTIFICATIONS

I, Brian K. Miller, certify that:

1. I have reviewed this annual report on Form 10-K of Tyler Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over our financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Tyler and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its divisions, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (The registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 22, 2017

By: /s/ Brian K. Miller

Brian K. Miller

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

John S. Marr, Jr., Chief Executive Officer and Chairman of the Board of Tyler Technologies, Inc., (the "Company") and Brian K. Miller, Executive Vice President and Chief Financial Officer of the Company, each certify pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

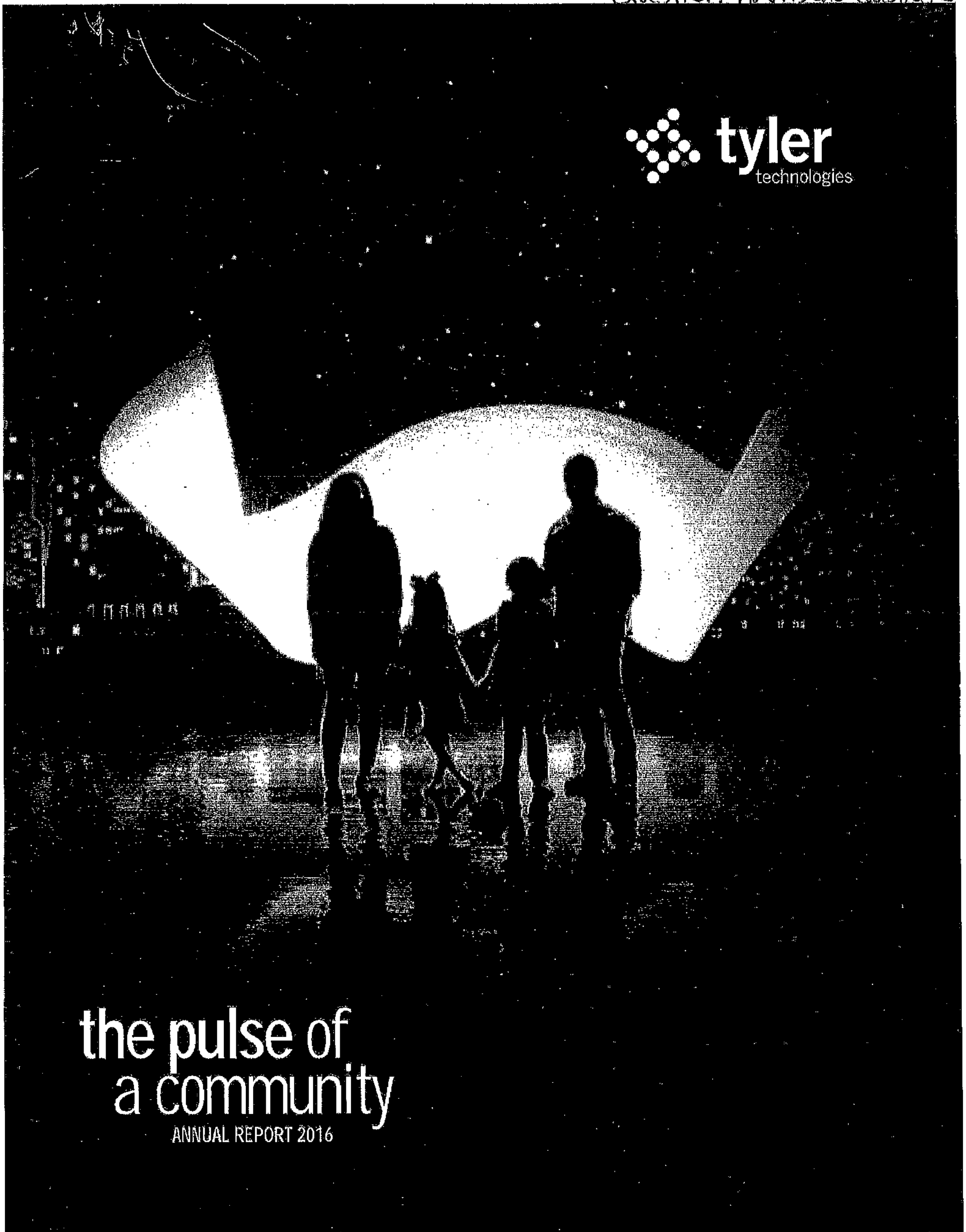
Date: February 22, 2017

By: /s/ John S. Marr, Jr.
John S. Marr, Jr.
Chief Executive Officer and Chairman of the Board

By: /s/ Brian K. Miller
Brian K. Miller
Executive Vice President and Chief Financial Officer

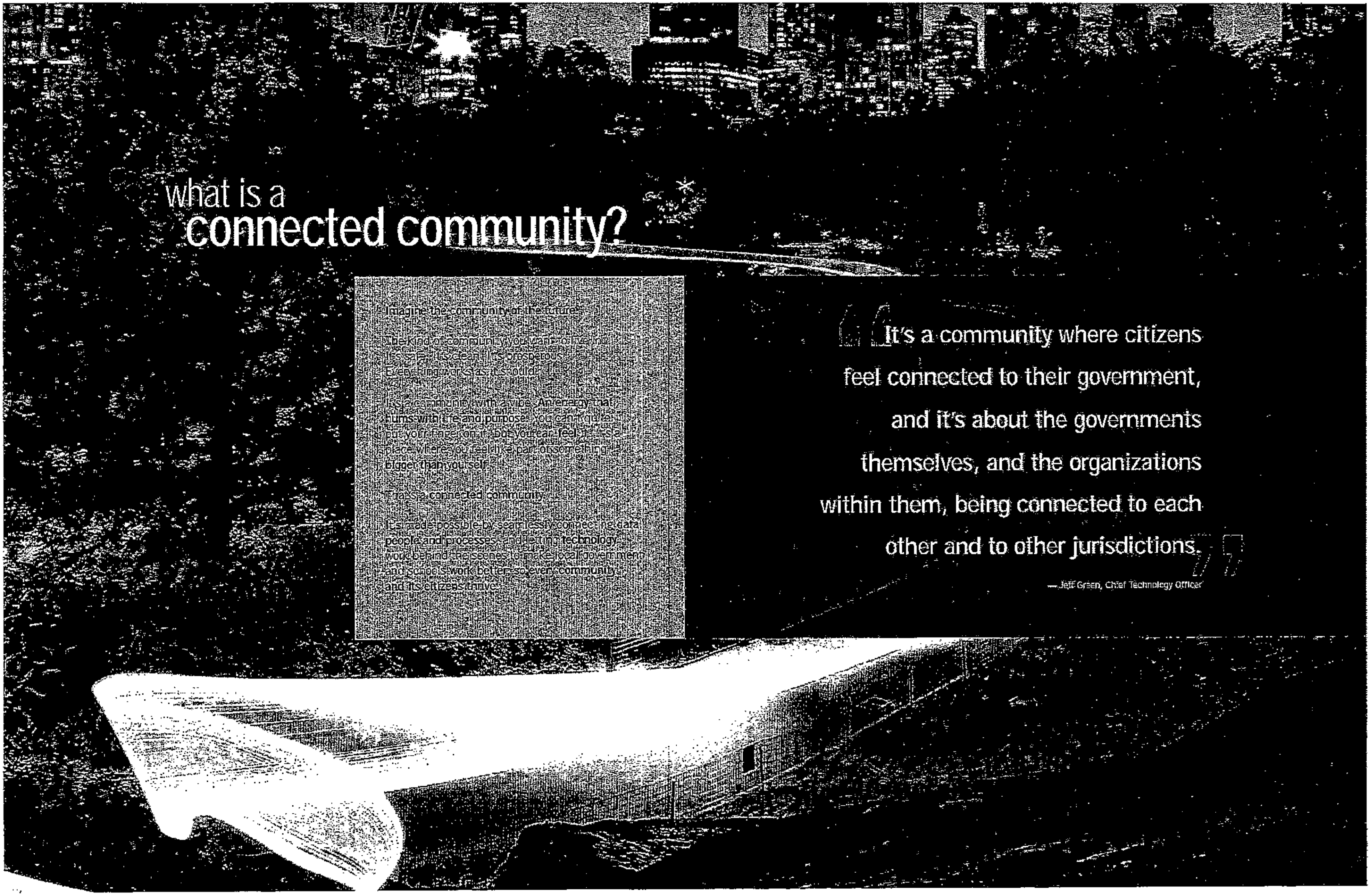
A signed original of this written statement required by Section 906 has been provided to Tyler Technologies, Inc. and will be retained by Tyler Technologies, Inc. and furnished to the Securities and Exchange Commission upon request.

Question A. vii) and question C



the pulse of a community

ANNUAL REPORT 2016


what is a
connected community?
Imagine the community of the future.
The kind of community you want to live in.
It's safe. It's clean. It's prosperous.
Everything works as it should.
It's a community with a vibe. An energy that hums with life and purpose. You can't quite put your finger on it, but you can feel it. It's a place where you feel like part of something bigger than yourself.
That's a connected community.
It's made possible by seamlessly connecting data, people and processes, and letting technology work behind the scenes to make local government and schools work better so every community and its citizens thrive.
"It's a community where citizens feel connected to their government, and it's about the governments themselves, and the organizations within them, being connected to each other and to other jurisdictions."
—Jeff Green, Chief Technology Officer

to our shareholders

In October 2016, Tyler Technologies' leaders commemorated our company's 50th anniversary by ringing The NYSE Closing Bell® on the New York Stock Exchange. Even though Tyler was founded in 1966, it was 1998 that marked the move to our singular focus on software for the local government market. This decision has led to steady and remarkable performance, and 2016 marked another year of extraordinary success in the growth of our business.

Our competitive position in the local government software market reached an impressive high in 2016. Historically, we've invested in our products to not only earn more business, but to better fulfill our mission of empowering those who serve the public sector. Having successfully built and reinforced our leadership position with multiple best-in-class products for major, essential parts of government, we are now ready for the next phase of Tyler's development — connecting communities through seamless integration. By developing technologies to enable our clients to share data between departments and agencies that traditionally have been siloed, Tyler will be unique in its ability to empower our clients for their future as connected communities.

"We believe that, together with our clients, we have a unique opportunity and responsibility to create a more efficient public sector and a more just society."

— Bruce Graham, Chief Strategy Officer

FINANCIAL STRENGTH

In 2016, we continued to see improving win rates and growth in market share driven by individual successes across product suites. Our focus on delivering best-of-breed solutions and services has resulted in strong financial performance, with 16 years of positive net income, and positions us well for what lies ahead.

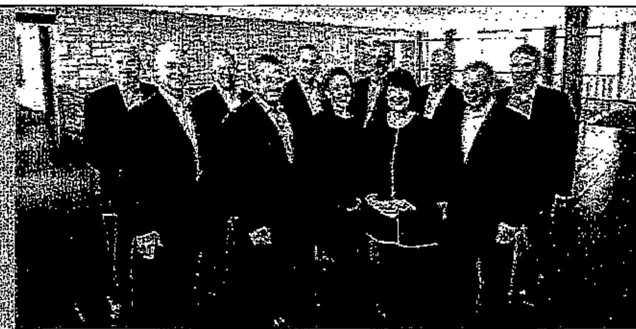
Tyler's revenues grew 28 percent to $756 million, with 12 percent organic growth. GAAP net income for the year was $110 million, or $2.82 per diluted share, up 69 percent. Non-GAAP net income rose more than 46 percent to $136 million, or $3.49 per diluted share. Our non-GAAP operating margin improved 260 basis points to 28 percent. Bookings were the highest in company history at $880 million, up 32 percent over 2015, $72 million of which was due to a four-year extension of Tyler's eFileTexas™ agreement. Total backlog also reached a new high of $953 million, up 13 percent from 2015. Our cloud business continued to generate interest and exhibit strength, increasing 27 percent over 2015, of which 24 percent was organic. Annual revenue from software licenses and royalties was up more than 25 percent from 2015.

Our balance sheet remains exceptionally strong, with $70 million in cash and investments and only $10 million of debt at the end of 2016. Cash provided by operations also reached a new high in 2016 at $192 million, an increase of 43 percent from 2015. During the year, we paid down $56 million of net debt, repurchased $113 million of our common stock, and spent $18 million on office facilities in Yarmouth and Falmouth, Maine, while investing in product development at an elevated level.

CONTINUED INVESTMENT

Our management team has always focused on converting our strong cash flow into shareholder value through strategic acquisitions and stock repurchases. We are well positioned to continue to expand our market presence by acquiring market leaders, as we did with the acquisition of New World Systems Corporation in late 2015. We made great progress with the integration of New World in 2016, from both an operational and a product perspective, and we are continuing to invest at a high level in Tyler's New World™ public safety products to strengthen our competitive position and broaden our addressable market. In June 2016 we acquired ExecuTime Software, which provides time and attendance solutions that complement and supplement Tyler's enterprise resource planning (ERP) solutions.

Our strong financial performance in 2016 reflects our patience-driven, long-term strategy of investment that has fueled growth and delivered value to our clients, shareholders and employees. Our long-term strategy is to continue to invest in our products at a high level while seeking strategic acquisitions that enhance our offerings and expand our reach. Ultimately, this strategy will facilitate our evolution from a company with multiple, very successful products to a more unified Tyler with integrated suites of complementary products. This will give our clients the unprecedented ability to share data across agencies and jurisdictions, leading to synergistic efficiencies, more informed decision-making, better transparency and improved service to their constituents.



EXPERIENCED LEADERSHIP

One of Tyler's greatest strengths is the depth and experience of our management team. To support Tyler's growth and evolution as a company, we made changes in roles on our senior leadership team, as well as organizational structure changes that will further our move toward more unified and integrated suites of products, and streamlined sales and operations channels. Our five independent divisions were organized into two groups that have affinity and synergy with each other — Enterprise, led by Andy Teed, and Justice, led by Bret Dixon. H. Lynn Moore Jr. was named president, effective January 1, 2017, and I became chairman of the board while continuing as chief executive officer. Lynn has served as a Tyler leader and close executive adviser for many years and, as president, will work with me to continue the management and culture that have made us successful as a company.

These changes enable us to continue and expand our focus on strategy and innovative development while our strong division leadership continues to focus on efficient performance and outstanding execution of our business operations. We believe continued investment combined with experienced operational leadership will make Tyler even more competitive by allowing us to reach into new markets and strengthen our presence in existing ones. In addition, our integration strategy will help our clients benefit from connected solutions, advancing the way they use technology and helping their communities thrive. We appreciate the support of our shareholders, clients and employees as we execute our mission of empowering people who serve the public.

John S. Marr, Jr.

how far we've come

At the cusp of the new millennium, Tyler had an opportunity to redefine the way government works at the local level. It focused on an ambitious goal:

efficient through innovative e-government systems and solutions has implications for virtually every individual and every type of business . . . The years ahead will be exciting as we deploy our combined knowledge and technological resources to bring this vision to reality."

— Tyler Technologies 1999 Annual Report

Tyler's 2000 annual report described our early strategy for achieving our goal of becoming the "country's largest company focused solely on providing software and services to the local government market." We've executed on that strategy, acquiring best-of-breed companies and investing in our products to earn more business.

"Three years ago, we targeted for acquisition the premier companies in the highly fragmented local government IT market. These geographically diverse companies offered a variety of products and services, but had several characteristics in common — including strong customer relationships, a reputation for quality and service, and a history of profitable growth. By bringing together these market niche leaders, we built the country's largest company focused solely on providing software and services to the local government market."

— Tyler Technologies 2000 Annual Report

» Tyler's employees and shareholders can take pride in having successfully executed the initial objectives of the Tyler strategy and look forward with optimism to the opportunities that lie ahead.

the next horizon

As successful as we have been in achieving our initial objectives, there is still work to do before we fully realize this vision of market leadership for every one of our solutions. To achieve this, we have defined a strategy for continued growth and developed a plan for connecting product suites across vertical solutions.

While we've achieved high win rates and clear leadership positions with many of our products, we cannot expect to continue to achieve our targets for double-digit growth by simply improving Tyler's competitive position. In order to meet our goals, we also need to expand our addressable market within the public sector, both geographically and by expanding our product offerings. While most of that growth will come organically through investing in Tyler's products and services, we also will continue to make strategic acquisitions to enhance and expand our product suites.

EVALUATING AND INTEGRATING ACQUISITIONS

We have historically supplemented our organic growth with targeted strategic acquisitions. In many cases, the acquisitions have brought products, services or technologies that expand and complement our existing offerings. For example, with the acquisition of New World Systems Corporation in 2015 (the largest acquisition in our company's history), we significantly increased Tyler's presence in the public safety software market, a large and growing segment that complements our strength in courts and justice solutions. Acquiring New World accelerated Tyler's ability to integrate public safety and criminal justice applications into an end-to-end solution spanning all phases of criminal justice from dispatch through disposition.

We look for companies with products that currently have market leadership positions, or that have the potential to achieve leadership as a part of Tyler. Our June 2016 acquisition of ExecuTime Software, while on a smaller scale, also fits this description. ExecuTime brought to us a robust time and attendance solution that integrates fully with our ERP and public safety solutions, giving us the opportunity to leverage our sales resources and client base to accelerate its growth. As an example, officials in Baton Rouge, Louisiana, signed an agreement to replace the city's legacy ERP system with both Tyler's Munis® ERP and ExecuTime® time and recordkeeping solutions to replace paper-oriented processes with digital workflows. In addition, we have completed some acquisitions that represent market consolidation opportunities, with products or services that overlap our current offerings, but have attractive client bases and recurring revenue streams.

As we discussed at the beginning of the year, we made significant investments in the New World public safety organization and products to integrate them into the family of Tyler justice solutions and position us to expand our presence in the public safety market. Some of those planned investments involved strengthening the organizational infrastructure to support our growth objectives, including adding resources to client support, development and sales teams. We're pleased with the progress we made in 2016, while New World provided a contribution to earnings that exceeded our plan for the year.

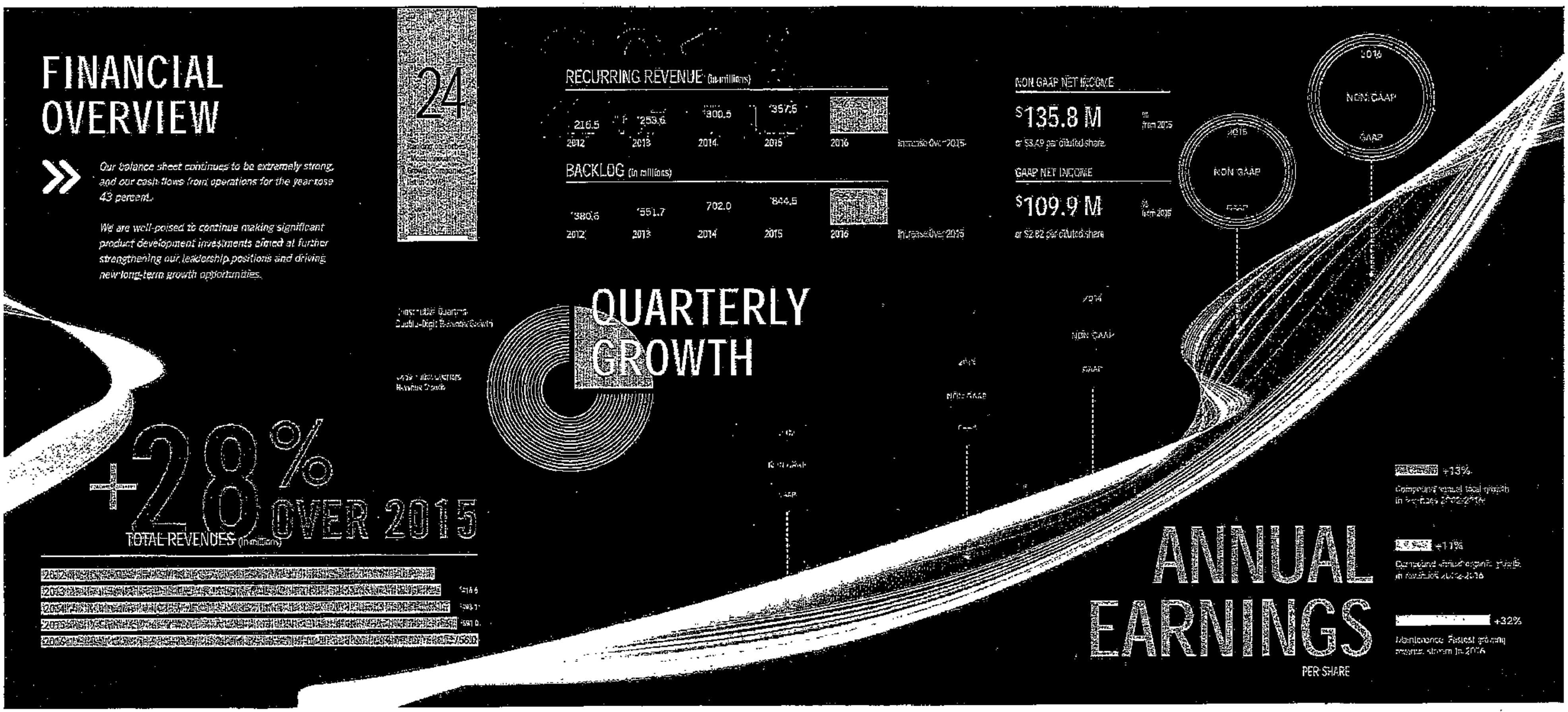
We expect to continue to invest in our public safety products at a high level in accordance with our long-term plan to significantly improve win rates and gain market share in that space. Among those efforts include accelerating development of advanced features and functionality, as well as scaling our solutions for larger clients. We believe these investments could expand our public safety addressable market by a factor of four and lead to increased win rates.

ANALYZING OPPORTUNITIES

OVER THE COURSE OF 2016

we put considerable effort into an extensive white-space analysis of the public sector software space to further our long-term goal of being a leading provider of most, if not all, of the essential applications for local governments. We're evaluating our current product offerings and their market positions, and, in those areas where we are not currently a market leader, mapping the path to leadership. At the same time, we're analyzing spaces adjacent to our current solutions and other areas of the public sector software market that we don't currently serve, identifying connections to our existing offerings, sizing the markets and studying the competitive landscape. This analysis is an ongoing effort, and it will enable us to prioritize strategic investments in a thoughtful and objective manner, shaping both our merger and acquisition strategy and our internal development priorities.

Underlying our commitment to making these investments in acquisitions and internal product development is our confidence in the ability of our people to execute at the highest levels. We know how to build industry-leading products, how to be responsive to clients, and how to strategically address the marketplace with a successful sales approach. Our track record shows that Tyler can invest in companies and products with confidence that they will be successful in the marketplace and drive additional growth over time.


FINANCIAL OVERVIEW
Our balance sheet continues to be extremely strong, and our cash flows from operations for the year rose 43 percent.
We are well-poised to continue making significant product development investments aimed at further strengthening our leadership positions and driving new long-term growth opportunities.
24
+28% OVER 2015
TOTAL REVENUES (in millions)
2012
2013
2014
2015
2016
RECURRING REVENUE (in millions)
216.5
253.6
300.5
357.5
2012
2013
2014
2015
2016
BACKLOG (in millions)
380.6
551.7
702.0
844.5
2012
2013
2014
2015
2016
QUARTERLY GROWTH
NON GAAP NET INCOME
$135.8 M
GAAP NET INCOME
$109.9 M
2015
NON GAAP
GAAP
2016
NON GAAP
GAAP
+13%
+11%
+32%
ANNUAL EARNINGS
PER SHARE

EVOLVING OUR PRODUCTS

Investment in deepening, defining and extending our core products has proven to be a winning strategy that enables us to compete favorably against a wide range of competitors. We believe our financial strength and long-term commitment to the public sector software market, which are reflected in our consistent investments, continue to set us apart from many of our competitors. We also continue to add value for our clients with initiatives like our evergreen perpetual licensing model and EverGuide™, Tyler's continuous improvement initiative that ensures our clients have the latest product releases, as well as the training and resources they need. With a singular focus on the public sector, coupled with what we believe is the largest base of local government clients in the nation, we use client feedback to understand users' pain points. This guides our efforts to enhance products and improve the user experience so our clients can accomplish their goals more quickly and efficiently.

In addition to making improvements to our product release cycles, we continue to add features and functionality to applications and drive consistency across multiple products. The 2016 release of Tyler's Odyssey Case Manager™ is one such example, incorporating new technology and delivering it in an evolutionary way. Odyssey® 2016 provides major technology platform upgrades in a way that minimizes disruption to client operations, and does it as part of their evergreen upgrades.

THREE KEYS TO THE FUTURE

One of Tyler's biggest challenges in providing end-to-end solutions for the public sector is navigating the inherent complexity of solutions that span multiple departments and multiple jurisdictions, each with its own individual missions and goals. We understand the budget challenges of local government, and consult with our clients to plan significant, yet manageable, advances in technology while accommodating the realities of integrating myriad independent systems of various ages and sophistication.

Many of our technology initiatives in 2016 focused on establishing the framework for the next phase of Tyler's evolution. We are integrating applications in a way that allows the user to share data smoothly through a workflow or chain of events across departments. The question becomes, how do we deliver best-in-class solutions for each stage of the end-to-end process in a way that offers efficiency, transparency and longevity?

WE ARE INTEGRATING APPLICATIONS IN A WAY THAT ALLOWS THE USER TO SHARE DATA SMOOTHLY THROUGH A WORKFLOW OR CHAIN OF EVENTS ACROSS DEPARTMENTS.

IMPROVING THE USER EXPERIENCE The first key is to enhance and improve core products by adding features that improve the user experience. On the front end of applications, this includes improving the user interface and unifying the look and feel of all of Tyler's applications.

DATA SHARING The second key is to build infrastructure to allow Tyler products to communicate with each other and improve data sharing. Historically, public sector software systems have generally been siloed, without the ability to access data across agencies. Complex integrations must be built between applications in order to connect products within a suite and across jurisdictional boundaries. To accomplish this degree of integrated communication, we are developing technologies that allow our applications to talk to one another and enable data flow across boundaries, along with a common workflow engine that helps orchestrate the flow of approvals, notifications and tasks according to the client's business process. For instance, a new building permit in our EnerGov™ application could automatically trigger a workflow that alerts a taxing authority to revalue the property, allowing the client to uncover hidden revenue.

This ability to share, aggregate, search and analyze data across jurisdictions will also be instrumental in helping our clients be more resourceful, accurate and responsive with information. With our ERP financial solutions in the Enterprise Group, Tyler clients could compare key performance indicators for their departments or organizations against organizations of similar size in their region, or even across the country, to help them make more informed financial decisions. In the Justice Group, Tyler DataXchange™ aggregates information across multiple jurisdictions and gives law enforcement and justice officials the ability to share offender records, outstanding warrants and similar data via mobile applications that can help them apprehend and bring criminals to justice.

COMMON FOUNDATION A third key is to create a shared foundation of services that provides core capabilities across all Tyler applications. Just as an interstate highway allows cars to travel unimpeded between states, our common foundation will allow data to flow unimpeded within and between jurisdictions, eliminating complexity while unlocking capability.

One initiative to better support integration is to create a model for single sign-on for constituents. Whether that constituent is a city employee, a vendor or a citizen, the idea is to create one consistent portal framework. Users will be able to log in to the Tyler portal once to access all the data they need to interact with any community department from a single user interface and single website.

These features will begin to roll out in 2017 in applications like EnerGov, Munis™ and Incode. Because of Tyler's best-in-class products, excellent customer service and our clients' confidence in the products they are currently using, we are seeing more clients interested in deploying multiple Tyler products across solution areas. This allows them to take advantage of the efficiencies created by an integrated process, the insights and workflows generated by the data, and the responsiveness and transparency available to their constituents. With our planned development initiatives, our clients will be able to realize value from Tyler that will further distinguish us from competitors.

connected communities

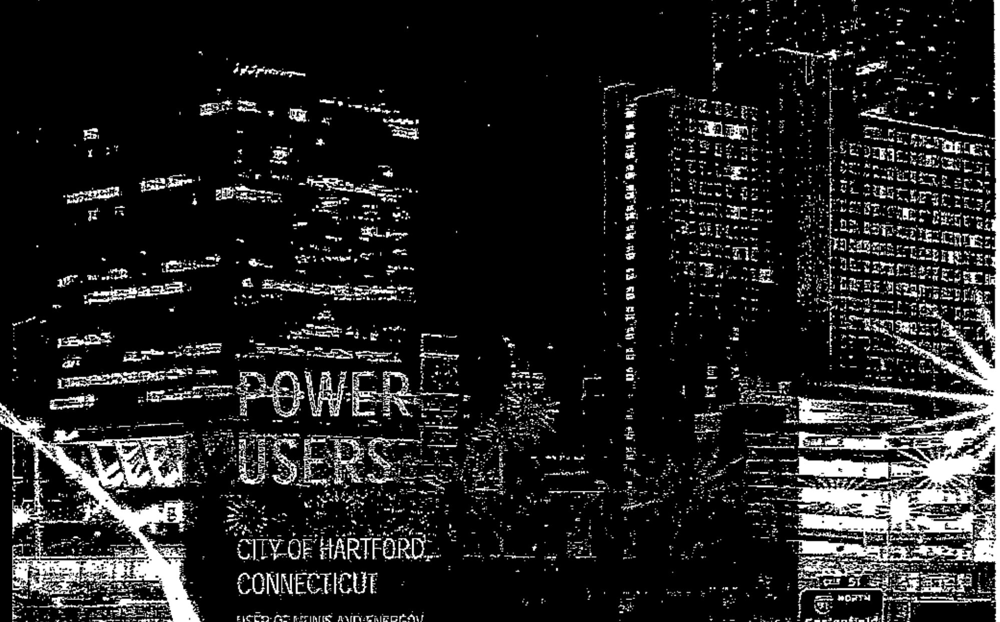
"WE'RE COMMITTED TO USING TECHNOLOGY AND DATA, NOT ONLY TO HELP US MAKE SMARTER POLICY DECISIONS, BUT ALSO TO HELP RESIDENTS AND BUSINESSES FEEL MORE CONNECTED TO THE DECISION-MAKING PROCESS."

— Mayor Luke Bronin
City of Hartford, Connecticut

The promise of technology has always been to amplify what one person can accomplish by making work more productive. By connecting data and organizations and networking communities, Tyler Technologies delivers on the promise of using technology to make local government more accessible, responsive and efficient.

Tyler's objective is to empower vibrant, thriving and engaged communities by enabling seamless connections between citizens and government agencies, ultimately creating better places to live and do business.

We have been steadily broadening our reach across the marketplace to support our vision of connected solutions. This leads us to the next step of connected communities. Our goal of expanding relationships by providing multiple products to an organization or jurisdiction is advanced, and our clients benefit with synergies that improve their operational effectiveness while helping them serve better-informed, happier and more engaged citizens—the pulse of a thriving community.



POWER USERS

CITY OF HARTFORD, CONNECTICUT

USER OF MUNIS AND ENERGOV

The City of Hartford, Connecticut, which had already seen savings in both hard costs and soft costs as a result of increased purchasing options in Tyler's Munis® (ERP) solution, added the EnerGov™ planning, regulatory and maintenance solution to save money and enhance efficiencies in the field while streamlining its processes.

Already at the forefront of using geographic information system (GIS) technology to provide data and analytics that help them make better decisions, Hartford leaders saw the ability to integrate the city's GIS technology with EnerGov as a huge advantage. By enabling departments across the city to streamline access to inspector and zoning information, analyze flood zones and soil type, and enhance other developmental services, city officials expect to encourage economic growth and development despite a financially challenging environment.

POWER USERS

CITY OF MOBILE, ALABAMA

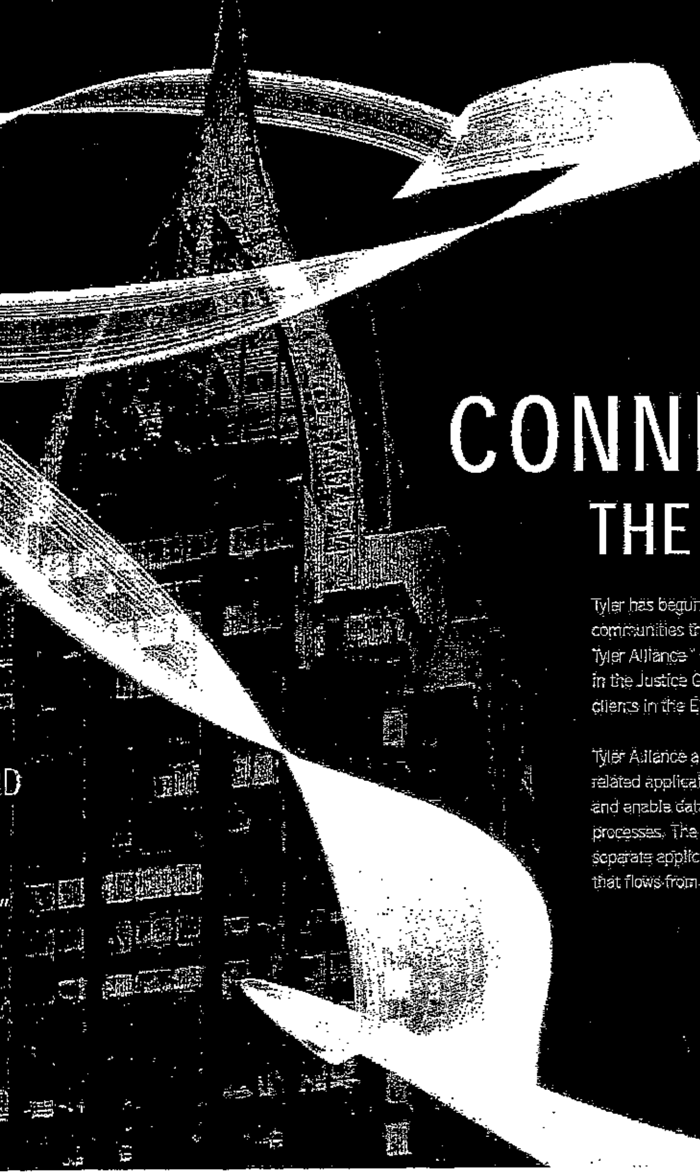
USER OF MULITPLE TYLER PRODUCTS, INCLUDING MUNIS (ERP),
INCODE (MUNICIPAL COURTS AND PUBLIC SAFETY), TYLER PARKS & REC, AND ENERGOV

In 2015, city leaders in Mobile, Alabama, signed a seven-year software-as-a-service (SaaS) agreement for an integrated suite of Tyler software solutions to replace the city's legacy system. Mobile is in the midst of a multi-year implementation of Tyler products including Munis®, EnerGov™, Incode® municipal court solution and the Incode public safety solution for a comprehensive set of integrated solutions.

Tyler's unique ability to integrate a city-wide cloud solution and manage day-to-day maintenance of the system provides value to Mobile by allowing city staff to focus on other critical functions. Financial benefits have also accrued to the city, contributing to budget surpluses since the go-live date.

"WE CHOSE TYLER BECAUSE WE FELT LIKE WE COULD GET EVERYTHING FROM ONE VENDOR. WHEN I HEARD ABOUT THE INTEGRATION, IT WAS MUSIC TO MY EARS."

— Sue Farni
Executive Director, Information Technology
City of Mobile, Alabama



CONNECTING THE DOTS

Tyler has begun to realize the vision of connected communities through two long-term initiatives branded as Tyler Alliance™ for public safety, courts and justice clients in the Justice Group, and Tyler Nexus™ for municipal clients in the Enterprise Group.

Tyler Alliance and Tyler Nexus will each bring together related applications under a common user experience and enable data sharing and workflows across business processes. The goal is to break down barriers between the separate applications and have one continuous process that flows from agency to agency.

connected community initiatives

tyler alliance™

Tyler Alliance™ is an initiative to build a multi-agency distributed platform that integrates public safety and criminal justice systems by connecting across departments, agencies and jurisdictions to help create safer communities. It connects core courts and justice products like Odyssey®, SoftCode™ and Incode® with Tyler's public safety solutions, creating the first integrated end-to-end criminal justice solution on the market. New products and technologies from Tyler's acquisitions of New World and Brazos Technology Corporation in 2015 fit the long-term objective of enabling the exchange of cross-departmental and cross-jurisdictional data. Tyler Alliance can help law enforcement agencies interdict crime while also helping to ensure efficient judicial proceedings. For a glimpse into the potential of Tyler Alliance, we can turn to one of Tyler's 2016 Excellence Award Winners in Public Safety, the city of Greenwood Village, Colorado. Because of Greenwood Village's positive experience using Tyler's Incode municipal court software, the Greenwood Village Police Department chose both Incode (public safety) and Brazos™ to replace paper-based processes with software that would effectively manage its essential day-to-day functions. Incode's public safety solution manages records and computer-aided dispatch to streamline the police department's critical data, while Brazos electronic citation software eliminates manual ticketing processes to save time and money. The ability to share reliable, real-time data gives officers the information they need to make the split-second decisions necessary to keep officers and citizens safe.

FROM DISPATCH THROUGH DISPOSITION

THE DIGITAL FABRIC FOR THRIVING COMMUNITIES

tyler nexus™

Tyler Nexus™ is a similar initiative for counties, cities and other municipal groups, which typically have multiple, smaller, public-facing agencies with different types of needs and processes than justice organizations. Tyler Nexus builds what is in essence a digital fabric that connects disparate governmental agencies, each with its own priorities, functions and procedures, into one digital ecosystem. Key data will be shared across organizations and with constituents through custom portals that leverage a common foundation of application services. The mission is to enable connected communities where local government and schools function efficiently, effectively, transparently and responsively on behalf of their constituents, and where constituents feel engaged and empowered. As with Tyler Alliance, the success of Tyler Nexus will rely on extending core products through strategic acquisitions and product enhancements and integrating them through Tyler's technology initiatives. Several recent contracts demonstrate the potential of Tyler Nexus by combining core product suites like EnerGov™ and Munis® with products like Eagle Recorder™ and iasWorld® appraisal and tax software and integrating new applications from acquisitions like ExecuTime™.

NEW CONTRACTS PROVIDE A GLIMPSE INTO THE FUTURE

We signed a number of new contracts in 2016 that include multiple Tyler products.

In July, officials in Collin County, Texas, signed an agreement for Tyler's Munis® ERP solution and the EnerGov™ permitting, regulatory and maintenance platform. Together, these products provide Collin County with a comprehensive solution that will enable the county to communicate better across departments, integrate processes and expand residents' access to government through a citizen portal. Already a user of Tyler's justice products, including Odyssey® and Brazos™, Collin County's addition of these Enterprise solutions is an example of incremental growth through cross-selling products across agencies, while also furthering Tyler's vision of connected communities.

Seeking a platform of solutions that would allow for the city's growth and constant improvement initiatives while expanding citizen access, the city of Amarillo, Texas, entered into a SaaS agreement with Tyler for the EnerGov, Munis and Eagle Recorder™ products. A user of Tyler's Incode™ municipal court case management solution, the addition of EnerGov will provide the city with permitting and inspections processing, as well as a citizen portal to expand access and transparency for residents. Munis will improve communication across multiple departments, and Eagle Recorder will streamline document and record management. Together, these integrated products allow for seamless coordination between various city departments and automated workflows to boost citizen access, customer service and communication, giving the citizens of Amarillo greater access to data through the city's 3-1-1 initiatives while offering the city cost savings and efficiencies.

Integrating EnerGov and Munis is proving to be an attractive offering for a number of clients. Tyler also entered into a SaaS agreement with the city of Tulsa, Oklahoma, which sought to use integrated Munis and EnerGov solutions to streamline business processes, eliminate redundancies and provide city staff and citizens access to real-time data. Opting for a SaaS solution also ensures that the city of Tulsa has up-to-date systems and built-in disaster recovery.

Another contract where the client has selected multiple Tyler products from different enterprise suites is the seven-year SaaS agreement between Tyler and the city of Healdsburg, California. Seeking to replace the city's legacy system with a modernized solution that can accommodate complex financial reporting requirements, Healdsburg officials chose a suite of Incode financial applications along with EnerGov and Tyler Content Manager™ to replace manual processes, improve customer support and communication, enhance reporting and increase productivity citywide.

The Frederick County Public Schools in Virginia entered into a seven-year SaaS contract for Tyler's Munis® ERP solution and Tyler SIS™ student information system. The client wanted a technology partner that could provide both solutions in order to ease integration, help eliminate disparate systems and reduce the overall technology footprint. The Tyler solution also allows data to be shared across departments, so when a new teacher is added to Munis payroll, the automated workflow also adds the teacher to Tyler SIS. Choosing Tyler's SaaS model provides built-in redundancies to prevent data loss and downtime, and frees overloaded IT staff to focus on other projects.

In August 2016, leaders in Lake County, Illinois, opted to integrate EnerGov with Tyler's iasWorld® for an integrated property tax administration and computer-assisted mass appraisal solution to automate manual processes, while establishing e-services for residents and mobile capabilities for staff. Integrating property assessment with permitting and inspection functionality improves efficiency and reporting capabilities. The five-year SaaS contract supports Lake County's growth strategies in one integrated, multi-solution approach that will help the county provide better service to its constituents by creating greater access to information.

In other 2016 contracts, Tyler leveraged existing relationships to provide additional products. Washtenaw County, Michigan, had an existing relationship with Tyler, having implemented the Eagle recording and property tax assessment solution, as well as Tyler's Odyssey court case management solution. The county sought to replace its ERP system with a system that would provide modern applications needed to support high-quality customer service and accommodate the county's growth. After a competitive review, the county entered into a new agreement in the first quarter of 2016 for Tyler's Munis ERP solution.

These new contracts and numerous others give us confidence that the Tyler Alliance and Tyler Nexus initiatives resonate with local governments. Interest in integrated solutions that cross agencies, jurisdictions and county lines continues to build. Selecting a single provider that can weave together a comprehensive digital solution for all of the community's needs encourages success. This is the future Tyler envisions.

CREATING SYNERGY

In 2016, Tyler continued to advance ongoing efforts to connect more of our products to mobile devices and to create native mobile applications. Going forward, we expect investment in mobile technologies to increase as we further integrate our products and introduce applications that enable mobile access for both users and citizens.

With clients growing increasingly comfortable with cloud-based systems that offer benefits like remote access capabilities, security risk mitigation, scheduled upgrades and enhancements, and disaster recovery, Tyler expects to continue to see a gradual increase in the percentage of our clients that are choosing Tyler's software as a cloud-based service.

With the expectation of a growing move to the cloud, we plan to increase investment in cloud technologies in 2017. This includes adding capacity to our dedicated development teams to prepare specific technologies and product enhancements that will enable us to realize our vision.

Our product development goals will result in a network effect in which the more Tyler products our clients implement, the more value they receive. Not only will this network benefit our clients in many ways, it will also solidify our favorable competitive position. Development work in 2016 advanced our objectives toward improving the user experience, creating data exchanges, enhancing products and creating a common foundation that will knit together a digital environment where Tyler, our developers, our clients and our users can access data and fulfill necessary functions when and how they need it. While most of these technologies are still in development, we will begin to roll them out with future product updates in the next few years.

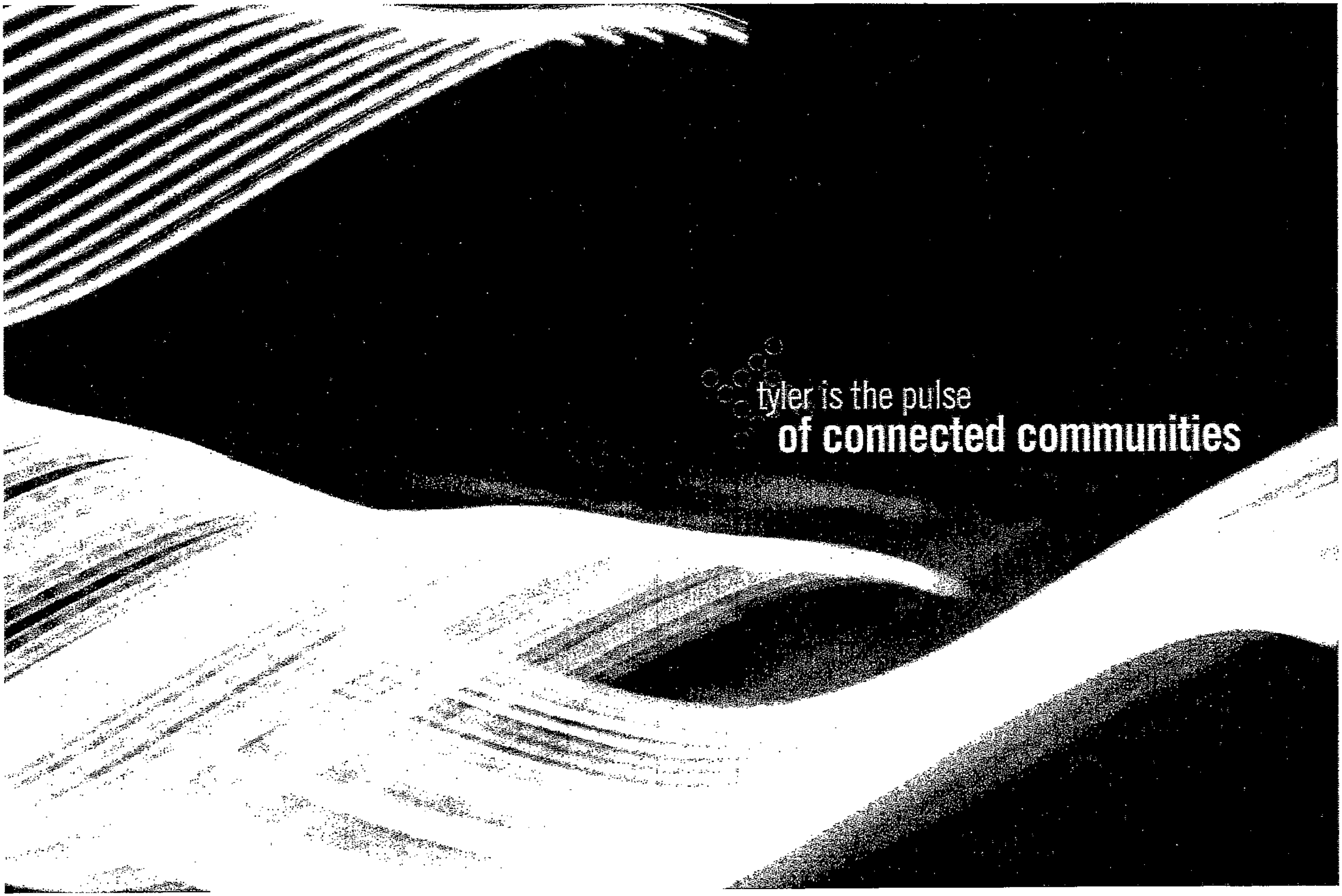
Tyler Identity™ is our engine for single sign-on that will allow any constituent with the proper authorization — whether a judge, an assessor, a bus driver, a county clerk or a citizen — to register for a single Tyler ID that will grant access to all Tyler applications. Tyler Identity is currently being tested by early adopters in some of our core products.

WE HAVE A STRATEGIC PLAN TO STANDARDIZE THESE NEW TECHNOLOGIES ACROSS ALL TYLER APPLICATIONS, PRIORITIZING DEPLOYMENT IN APPLICATIONS THAT OFFER THE HIGHEST VALUE TO OUR CLIENTS IN THE SHORTEST AMOUNT OF TIME.

TYLER IS ALSO DEVELOPING SEVERAL OTHER FOUNDATIONAL TECHNOLOGIES:

- A powerful global search engine that will be able to search across all Tyler applications
- An enterprise service bus, currently deployed in the EnerGov citizen access portal, which enables Tyler's applications to communicate with each other and share data across the application boundaries
- A constituent portal, serving as the framework for citizen communication through which all Tyler citizen-facing applications can be accessed
- Atlas, which allows citizens to easily browse and search aggregated data using a map interface.

We have a strategic plan to standardize these new technologies across all Tyler applications, prioritizing deployment in those that offer the highest value to our clients in the shortest amount of time.


tyler is the pulse
of connected communities

building on success

"OUR CONFIDENCE IN MAKING THESE STRATEGIC INVESTMENTS – WHETHER IN OUR CURRENT TECHNOLOGY, OR IN NEWLY ACQUIRED PRODUCTS AND COMPANIES – COMES FROM KNOWING THAT THE NEARLY 4,000 EMPLOYEES WE HAVE ARE THE BEST IN THIS INDUSTRY."

— John S. Marr Jr.
Chairman of the Board and Chief Executive Officer

Tyler's shareholders stand to benefit substantially from our transition to this new phase in Tyler's evolution where we can genuinely create connected communities that enable citizens to thrive. Because Tyler has a vision, a plan and the ability to repeat this connection in city after city, county after county, and state after state, the potential is enormous.

One of the keys to our longevity and success is our proven ability to consistently execute at a high level over a long period of time. This gives us the experience, the confidence and the credibility to win larger deals while continuing to perform at the highest level for clients of all sizes.

As Tyler continues to develop products and execute projects that help build connected communities, the potential is exciting. Because of the breadth and depth of our products, the talent and domain expertise of our team, and our clear-eyed vision of the future, we have the unique potential to blanket the country and beyond with solutions that empower those who serve the public sector.

We take pride in the fact that our solutions make tangible, positive differences in the lives of citizens every day. We help parents keep track of when and where their children get on and off a school bus. We help teachers record and access student information. We help citizens stay informed about how their home is valued. We help them submit payments for their utility bills and traffic tickets. We help cities and counties make informed decisions about investments in infrastructure, how their residents can be kept safe, how justice is served, and how tax dollars are spent. Tyler Technologies' solutions and initiatives make sure that all aspects of work in the public sector are made efficient, more transparent, and more effective.

TYLER IS THE PULSE THAT HELPS COMMUNITIES AND PEOPLE THRIVE.

Attachment - BHF Question A.ii)

hrs and 24 mins

S&P 500	Dow 30	Nasdaq	Crude Oil	Gold
2,524.30	22,479.24	6,508.76	50.12	1,276.50
+4.94 (+0.20%)	+74.15 (+0.33%)	+12.80 (+0.20%)	-1.55 (-3.00%)	-8.30 (-0.65%)

Stocks To Watch

MGM falls, gun stocks rise after mass Las Vegas shooting, Dis

Tyler Technologies, Inc. (TYL)

NYSE - Nasdaq Real Time Price. Currency in USD

Add to watchlist

175.43 +1.11 (+0.64%)

As of 11:36AM EDT. Market open.

Summary | Chart | Conversations | Statistics | Profile | Financials | Options | Holders | Histor

Yahoo Small Business

Major Holders | Insider Roster | Insider Transactions

Major Holders

Currency in USD

Breakdown

7.42%	% of Shares Held by All Insider
92.60%	% of Shares Held by Institutions
100.03%	% of Float Held by Institutions
366	Number of Institutions Holding Shares

Direct Holders (Forms 3 and 4)

Name	Shares	Date Reported
MARR JOHN S JR	339,457	Aug 23, 2017
YEAMAN JOHN M	316,294	Mar 14, 2017
WOMBLE DUSTIN R	210,122	Sep 11, 2017
KING LUTHER JR	68,369	Jun 1, 2016
MOORE H LYNN JR	65,257	Sep 11, 2017
MILLER BRIAN K	50,694	Sep 14, 2017
BRATTAIN DONALD R	11,670	Aug 13, 2017

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	2,804,393	Jun 29, 2017	7.52%	490,852,903

Brown Capital Management, Inc.	2,236,774	Jun 29, 2017	6.00%	391,502,550
Janus Henderson Group PLC	1,865,432	Jun 29, 2017	5.00%	326,506,560
Neuberger Berman Group, LLC	1,573,105	Jun 29, 2017	4.22%	275,340,566
JP Morgan Chase & Company	1,027,797	Jun 29, 2017	2.76%	179,895,307
SQ Advisors, LLC	891,535	Jun 29, 2017	2.39%	156,045,369
State Street Corporation	883,996	Jun 29, 2017	2.37%	154,725,818
Times Square Capital Management, LLC	845,540	Jun 29, 2017	2.27%	147,994,865
Goldman Sachs Group, Inc.	766,672	Jun 29, 2017	2.06%	134,190,599

Top Mutual Fund Holders

Holder	Shares	Date Reported	% Out	Value
Neuberger & Berman Genesis Fund	1,169,392	Mar 30, 2017	3.13%	180,764,617
Brown Capital Management Small Company Fund	1,134,714	Mar 30, 2017	3.04%	175,404,092
Janus Henderson Research Fund	840,755	Jun 29, 2017	2.25%	147,157,346
iShares Core S&P Midcap ETF	808,590	Jun 29, 2017	2.17%	141,527,506
Vanguard Small-Cap Index Fund	774,216	Mar 30, 2017	2.08%	119,678,310
Vanguard Total Stock Market Index Fund	738,022	Mar 30, 2017	1.98%	114,083,442
Federated Kaufmann Fund	570,000	Jan 30, 2017	1.53%	84,063,597
Vanguard Small-Cap Growth Index Fund	423,260	Mar 30, 2017	1.13%	65,425,985
Vanguard Extended Market Index Fund	417,211	Mar 30, 2017	1.12%	64,492,477
American Century Heritage Fund	415,383	Jun 29, 2017	1.11%	72,704,485

Attachment to BHF

Question A.iii: + B

Tyler Technologies, Inc. Directors as of 10/1/2017

http://investors.tylertech.com/profiles/investor/Directors.asp?BzID=499

- Donald R. Brattain – 5101 Tennyson Parkway, Plano TX 75024
- Glenn A. Carter – 5101 Tennyson Parkway, Plano TX 75024
- Brenda A. Cline – 5101 Tennyson Parkway, Plano TX 75024
- J. Luther King, Jr. – 5101 Tennyson Parkway, Plano TX 75024
- Larry D. Leinweber – 5101 Tennyson Parkway, Plano TX 75024
- John S. Marr, Jr. – One Tyler Drive, Yarmouth, ME 04096
- Daniel Pope – 5101 Tennyson Parkway, Plano TX 75024
- Dustin R. Womble – 5519 53rd Street, Lubbock, TX 79414
- H. Lynn Moore, Jr. – 5101 Tennyson Parkway, Plano TX 75024

Tyler Technologies, Inc. Officers as of 10/1/2017

http://www.tylertech.com/about-us/our-leadership

- John S. Marr Jr. – One Tyler Drive, Yarmouth, ME 04096
  Chief Executive Officer & Chairman of the Board
- Brian K. Miller – 5101 Tennyson Parkway, Plano TX 75024
  Executive Vice President,
  Chief Financial Officer and Treasurer
- H. Lynn Moore Jr. – 5101 Tennyson Parkway, Plano TX 75024
  President
- Matthew B. Bieri – 5101 Tennyson Parkway, Plano TX 75024
  Chief Information Officer
- Samantha B. Crosby – 5101 Tennyson Parkway, Plano TX 75024
  Chief Marketing Officer
- Bruce Graham – 5101 Tennyson Parkway, Plano TX 75024
  Chief Strategy Officer & Interim President, Courts & Justice Division
- Robert J. Sansone – One Tyler Drive, Yarmouth, ME 04096
  Chief Human Resources Officer
- W. Michael Smith – 5101 Tennyson Parkway, Plano TX 75024
  Chief Accounting Officer
- Brett Cate - 5519 53rd Street, Lubbock, TX 79414
  Chief Sales Officer

- Abigail Diaz - One Tyler Drive, Yarmouth, ME 04096
  Chief Legal Officer

- Jeff Green – 1601 East Valley Rd., Ste. 200, Renton, WA 98057
  Chief Technology Officer

- Andrew D. Teed – One Tyler Way, Moraine, OH 45439
  President, Enterprise Group and Appraisal & Tax Division

- Christopher P. Hepburn - One Tyler Drive, Yarmouth, ME 04096
  President, ERP & School Division

- Dane Womble – 5519 53rd Street, Lubbock, TX 79414
  President, Local Government Division

- Bret Dixon - 5101 Tennyson Parkway, Plano, TX 75024
  President, Justice Group

- Greg Sebastian – 840 West Long Lake Rd., Troy MI 48098
  President, Public Safety Division

B. Indicate Number of Years in Business

Tyler's Appraisal and Tax Division (formerly known as Cole Layer Trumble or CLT) has been in business since 1938. As indicated in Tyler's Form 10-K, Tyler was incorporated in 1966. Tyler acquired Cole Layer Trumble in 1999.

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  President, Justice Group

- Greg Sebastian – 840 West Long Lake Rd., Troy MI 48098
  President, Public Safety Division

Question A.viii) and
Question B.

NYS Department of State

Division of Corporations

Entity Information

The information contained in this database is current through September 29, 2017.

Selected Entity Name: TYLER TECHNOLOGIES, INC.
Selected Entity Status Information

Current Entity Name:	TYLER TECHNOLOGIES, INC.
DOS ID #:	3168959
Initial DOS Filing Date:	FEBRUARY 25, 2005
County:	ALBANY
Jurisdiction:	DELAWARE
Entity Type:	FOREIGN BUSINESS CORPORATION
Current Entity Status:	ACTIVE

Selected Entity Address Information

DOS Process (Address to which DOS will mail process if accepted on behalf of the entity)

TYLER TECHNOLOGIES, INC.
5101 TENNYSON PARKWAY
PLANO, TEXAS, 75024

Chief Executive Officer

JOHN S MARR JR
5101 TENNYSON PARKWAY
PLANO, TEXAS, 75024

Principal Executive Office

TYLER TECHNOLOGIES, INC.
5101 TENNYSON PARKWAY
PLANO, TEXAS, 75024

Registered Agent

CAPITOL SERVICES, INC.
1218 CENTRAL AVENUE, SUITE 100
ALBANY, NEW YORK, 12205

This office does not record information regarding the names and addresses of officers, shareholders or directors of nonprofessional corporations except the chief executive officer, if provided, which would be listed above. Professional corporations must include the name(s) and address(es) of the initial officers, directors, and shareholders in the initial certificate of incorporation, however this information is not recorded and only available by viewing the certificate.

***Stock Information**

# of Shares	Type of Stock	$ Value per Share
	No Information Available	

*Stock information is applicable to domestic business corporations.

Name History

Filing Date	Name Type	Entity Name
FEB 25, 2005	Actual	TYLER TECHNOLOGIES, INC.

A **Fictitious** name must be used when the **Actual** name of a foreign entity is unavailable for use in New York State. The entity must use the fictitious name when conducting its activities or business in New York State.

NOTE: New York State does not issue organizational identification numbers.

Search Results New Search

TYLER TECHNOLOGIES INC

FORM 10-Q
(Quarterly Report)

Filed 07/26/17 for the Period Ending 06/30/17

Address	5101 TENNYSON PKWY
	PLANO, TX, 75024
Telephone	9727133700
CIK	0000860731
Symbol	TYL
SIC Code	7372 - Services-Prepackaged Software
Industry	Software
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

Commission File Number 1-10485

TYLER TECHNOLOGIES, INC .
(Exact name of registrant as specified in its charter)

DELAWARE	**75-2303920**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**

5101 TENNYSON PARKWAY
PLANO, TEXAS
75024
(Address of principal executive offices)
(Zip code)

(972) 713-3700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of shares of common stock of registrant outstanding on July 25, 2017 was 37,303,134 .

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

TYLER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues:				
Software licenses and royalties	$ 17,107	$ 17,551	$ 35,330	$ 34,401
Subscriptions	40,947	33,968	81,049	68,057
Software services	47,372	46,040	92,390	88,470
Maintenance	89,412	78,743	176,271	154,775
Appraisal services	6,366	6,984	12,978	13,542
Hardware and other	7,919	5,686	10,647	9,020
Total revenues	209,123	188,972	408,665	368,265
Cost of revenues:				
Software licenses and royalties	647	666	1,378	1,304
Acquired software	5,360	5,680	10,770	11,139
Software services, maintenance and subscriptions	96,172	86,717	189,712	171,987
Appraisal services	4,282	4,458	8,479	8,420
Hardware and other	6,799	4,515	8,115	6,361
Total cost of revenues	113,260	102,036	218,454	199,211
Gross profit	95,863	86,936	190,211	169,054
Selling, general and administrative expenses	43,451	42,232	86,593	82,991
Research and development expense	11,874	10,336	23,473	20,292
Amortization of customer and trade name intangibles	3,463	3,453	6,921	6,815
Operating income	37,075	30,915	73,224	58,956
Other expense, net	(101)	(720)	(291)	(1,187)
Income before income taxes	36,974	30,195	72,933	57,769
Income tax provision	5,396	5,188	9,049	14,538
Net income	$ 31,578	$ 25,007	$ 63,884	$ 43,231
Earnings per common share:				
Basic	$ 0.85	$ 0.69	$ 1.72	$ 1.19
Diluted	$ 0.81	$ 0.65	$ 1.63	$ 1.11

See accompanying notes.

TYLER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share amounts)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,072	$ 36,151
Accounts receivable (less allowance for losses of $5,102 in 2017 and $3,396 in 2016)	233,831	200,334
Short-term investments	24,709	20,273
Prepaid expenses	23,676	21,039
Income tax receivable	12,206	2,895
Other current assets	2,784	2,268
Total current assets	352,278	282,960
Accounts receivable, long-term	2,333	2,480
Property and equipment, net	147,956	124,268
Other assets:		
Goodwill	651,721	650,237
Other intangibles, net	252,874	267,259
Non-current investments and other assets	31,347	30,741
Total assets	$ 1,438,509	$ 1,357,945
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,448	$ 7,295
Accrued liabilities	46,006	55,989
Deferred revenue	304,128	298,217
Total current liabilities	359,582	361,501
Revolving line of credit	—	10,000
Deferred revenue, long-term	1,643	2,140
Deferred income taxes	59,682	68,779
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $10.00 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 48,147,969 shares issued and outstanding as of June 30, 2017 and December 31, 2016	481	481
Additional paid-in capital	586,037	556,663
Accumulated other comprehensive loss, net of tax	(46)	(46)
Retained earnings	499,760	435,876
Treasury stock, at cost; 10,862,030 and 11,381,733 shares in 2017 and 2016, respectively	(68,630)	(77,449)
Total shareholders' equity	1,017,602	915,525
Total liabilities and shareholders' equity	$ 1,438,509	$ 1,357,945

See accompanying notes.

TYLER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	$ 63,884	$ 43,231
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	26,366	24,850
Share-based compensation expense	17,577	18,692
Deferred income tax (benefit) expense	(9,097)	427
Changes in operating assets and liabilities, exclusive of effects of acquired companies:		
Accounts receivable	(33,348)	(35,530)
Income taxes	(9,511)	(3,500)
Prepaid expenses and other current assets	(3,984)	(1,435)
Accounts payable	2,152	(236)
Accrued liabilities	(11,061)	4,883
Deferred revenue	6,397	14,459
Net cash provided by operating activities	49,575	60,841
Cash flows from investing activities:		
Additions to property and equipment	(30,123)	(21,959)
Purchase of marketable security investments	(21,392)	(10,607)
Proceeds from marketable security investments	17,029	6,526
Cost of acquisitions, net of cash acquired	(5,855)	(9,394)
Increase in other	(68)	(281)
Net cash used by investing activities	(40,409)	(35,715)
Cash flows from financing activities:		
(Decrease) increase in net borrowings on revolving line of credit	(10,000)	69,000
Purchase of treasury shares	(7,032)	(94,497)
Proceeds from exercise of stock options	23,360	5,793
Contributions from employee stock purchase plan	3,427	2,818
Net cash provided (used) by financing activities	9,755	(16,886)
Net increase in cash and cash equivalents	18,921	8,240
Cash and cash equivalents at beginning of period	36,151	33,087
Cash and cash equivalents at end of period	$ 55,072	$ 41,327

See accompanying notes.

(Tables in thousands, except per share data)

(1) Basis of Presentation

We prepared the accompanying condensed consolidated financial statements following the requirements of the Securities and Exchange Commission ("SEC") and accounting principles generally accepted in the United States, or GAAP, for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted for interim periods. Balance sheet amounts are as of June 30, 2017 , and December 31, 2016 , and operating result amounts are for the three and six months ended June 30, 2017 , and 2016 , respectively, and include all normal and recurring adjustments that we considered necessary for the fair summarized presentation of our financial position and operating results. As these are condensed financial statements, one should also read the financial statements and notes included in our latest Form 10-K for the year ended December 31, 2016 . Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be the same as those for the full year.

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions, and other events and circumstances from non-owner sources and includes all components of net income (loss) and other comprehensive income (loss). We had no items of other comprehensive income (loss) for the three and six months ended June 30, 2017 and 2016 .

Certain amounts for the previous year have been reclassified to conform to the current year presentation.

(2) Acquisitions

On May 30, 2017, we acquired all of the capital stock of Modria.com, Inc. , a company that specializes in online dispute resolution for government and commercial entities. The purchase price, net of debt assumed, was $5.9 million . The impact of this acquisition on our operating results is not material.

(3) Shareholders' Equity

The following table details activity in our common stock:

	Six months ended June 30,			
	2017		2016	
	Shares	Amount	Shares	Amount
Purchases of treasury shares	(42)	$ (6,171)	(758)	$ (94,497)
Stock option exercises	534	23,360	241	5,793
Employee stock plan purchases	27	3,427	23	2,818

As of June 30, 2017 , we had authorization from our board of directors to repurchase up to 2.0 million additional shares of Tyler common stock.

(4) Other Assets

Cash and cash equivalents consist of cash on deposit with several domestic banks and money market funds.

As of June 30, 2017 , we have $37.5 million in investment grade corporate and municipal bonds with maturity dates ranging from 2017 through early 2019 . We intend to hold these bonds to maturity and have classified them as such. We believe cost approximates fair value because of the relatively short duration of these investments. The fair values of these securities are considered Level II as they are based on inputs from quoted prices in markets that are not active or other observable market data. These investments are included in short-term investments and non-current investments and other assets.

We have a $15.0 million investment in convertible preferred stock representing a 20% interest in Record Holdings Pty Limited, a privately held Australian company specializing in digitizing the spoken word in court and legal proceedings. The investment in convertible preferred stock is accounted under the cost method because the Company does not have the ability to exercise significant influence over the investee and the securities do not have readily determinable fair values. Our investment is carried at cost less any impairment write-downs. Annually, the Company's cost method investments are assessed for impairment. The Company does not reassess the fair value of cost method investments if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investments. This investment is included in non-current investments and other assets.

(5) Revolving Line of Credit

On November 16, 2015, we entered into a $300.0 million Credit Agreement with various lender parties and Wells Fargo Bank, National Association, as Administrative Agent (the "Credit Facility"). The Credit Facility provides for a revolving credit line up to $300.0 million, including a $10.0 million sublimit for letters of credit. The Credit Facility matures on November 16, 2020. Borrowings under the Credit Facility may be used for general corporate purposes, including working capital requirements, acquisitions and share repurchases.

Borrowings under the Credit Facility bear interest at a rate of either (1) Wells Fargo Bank's prime rate (subject to certain higher rate determinations) plus a margin of 0.25% to 1.00% or (2) the 30, 60, 90 or 180 day LIBOR rate plus a margin of 1.25% to 2.00%. As of June 30, 2017, the interest rates were 4.50% under the Wells Fargo Bank's prime rate and 2.37% under a 30-day LIBOR contract. The Credit Facility is secured by substantially all of our assets. The Credit Facility requires us to maintain certain financial ratios and other financial conditions and prohibits us from making certain investments, advances, cash dividends or loans, and limits incurrence of additional indebtedness and liens. As of June 30, 2017, we were in compliance with those covenants.

As of June 30, 2017, we had no outstanding borrowings and two outstanding letters of credit totaling $2.2 million. Available borrowing capacity under the Credit Facility was $297.8 million.

(6) Income Tax Provision

For the three and six months ended June 30, 2017, we had effective income tax rates of 14.6% and 12.4%, respectively, compared to 17.2% and 25.2% for the three and six months ended June 30, 2016, respectively. The effective income tax rates for the periods presented were different from the statutory United States federal income tax rate of 35% principally due to excess tax benefits related to stock option exercises. The excess tax benefits related to stock option exercises realized were $8.5 million and $18.6 million for the three and six months ended June 30, 2017, respectively, compared to $6.3 million and $7.5 million for the three and six months ended June 30, 2016, respectively. Excluding the excess tax benefits, the effective rates were 37.5% and 37.9% for the three and six months ended June 30, 2017, respectively, compared to 37.9% and 38.1% for the three and six months ended June 30, 2016, respectively. Other differences from our federal statutory income tax rate included state income taxes, non-deductible business expenses, and the tax benefit of the domestic production activities deduction.

We made tax payments of $27.5 million and $17.6 million in the six months ended June 30, 2017 and June 30, 2016, respectively.

(7) Earnings Per Share

The following table details the reconciliation of basic earnings per share to diluted earnings per share:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Numerator for basic and diluted earnings per share:				
Net income	$ 31,578	$ 25,007	$ 63,884	$ 43,231
Denominator:				
Weighted-average basic common shares outstanding	37,154	36,160	37,144	36,316
Assumed conversion of dilutive securities:				
Stock options	2,047	2,579	2,067	2,550
Denominator for diluted earnings per share - Adjusted weighted-average shares	39,201	38,739	39,211	38,866
Earnings per common share:				
Basic	$ 0.85	$ 0.69	$ 1.72	$ 1.19
Diluted	$ 0.81	$ 0.65	$ 1.63	$ 1.11

For the three and six months ended June 30, 2017 , stock options representing the right to purchase common stock of approximately 1,251,000 shares and 1,205,000 shares, respectively, were not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For the three and six months ended June 30, 2016 , stock options representing the right to purchase common stock of approximately 785,000 shares and 784,000 shares, respectively, were not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

(8) Share-Based Compensation

The following table summarizes share-based compensation expense related to share-based awards recorded in the statements of income, pursuant to Accounting Standards Codification ("ASC") 718, Stock Compensation:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cost of software services, maintenance and subscriptions	$ 2,253	$ 1,571	$ 4,350	$ 2,888
Selling, general and administrative expenses	6,648	5,641	13,227	10,804
Total share-based compensation expense	$ 8,901	$ 7,212	$ 17,577	$ 13,692

(9) Segment and Related Information

We provide integrated information management solutions and services for the public sector, with a focus on local governments.

We provide our software systems and services and appraisal services through four business units, which focus on the following products:

- financial management, education and planning, regulatory and maintenance software solutions;
- financial management, municipal courts, planning, regulatory and maintenance, and land and vital records management software solutions;
- courts and justice and public safety software solutions; and
- appraisal and tax software solutions and property appraisal services.

In accordance with ASC 280-10, Segment Reporting, the financial management, education and planning, regulatory and maintenance software solutions unit; financial management, municipal courts, planning, regulatory and maintenance, and land and vital records management software solutions unit; and the courts and justice and public safety software solutions unit meet the criteria for aggregation and are presented in one reportable segment, the Enterprise Software ("ES") segment. The ES segment provides municipal and county governments and schools with software systems and services to meet their information technology and automation needs for mission-critical "back-office" functions such as financial management and courts and justice processes; public safety; planning, regulatory and maintenance; and land and vital records management. The Appraisal and Tax ("A&T") segment provides systems and software that automate the appraisal and assessment of real and personal property as well as property appraisal outsourcing services for local governments and taxing authorities. Property appraisal outsourcing services include: the physical inspection of commercial and residential properties; data collection and processing; computer analysis for property valuation; preparation of tax rolls; community education; and arbitration between taxpayers and the assessing jurisdiction.

We evaluate performance based on several factors, of which the primary financial measure is business segment operating income. We define segment operating income for our business units as income before non-cash amortization of intangible assets associated with their acquisitions, interest expense and income taxes. Segment operating income includes intercompany transactions. The majority of intercompany transactions relate to contracts involving more than one unit and are valued based on the contractual arrangement. Segment operating income for corporate primarily consists of compensation costs for the executive management team and certain accounting and administrative staff and share-based compensation expense for the entire company. Corporate segment operating income also includes revenues and expenses related to a company-wide user conference.

For the three months ended June 30, 2017

	Enterprise Software	Appraisal and Tax	Corporate	Totals
Revenues				
Software licenses and royalties	$ 15,354	$ 1,753	$ —	$ 17,107
Subscriptions	39,051	1,896	—	40,947
Software services	42,696	4,676	—	47,372
Maintenance	84,306	5,106	—	89,412
Appraisal services	—	6,366	—	6,366
Hardware and other	3,295	—	4,624	7,919
Intercompany	2,486	—	(2,486)	—
Total revenues	$ 187,188	$ 19,797	$ 2,138	$ 209,123
Segment operating income	$ 54,130	$ 4,410	$ (12,642)	$ 45,898

For the six months ended June 30, 2017

	Enterprise Software	Appraisal and Tax	Corporate	Totals
Revenues				
Software licenses and royalties	$ 31,928	$ 3,402	$ —	$ 35,330
Subscriptions	77,364	3,685	—	81,049
Software services	83,364	9,026	—	92,390
Maintenance	166,472	9,799	—	176,271
Appraisal services	—	12,978	—	12,978
Hardware and other	6,023	—	4,624	10,647
Intercompany	4,649	—	(4,649)	—
Total revenues	$ 369,800	$ 38,890	$ (25)	$ 408,665
Segment operating income	$ 106,181	$ 8,624	$ (23,890)	$ 90,915

For the three months ended June 30, 2016

	Enterprise Software	Appraisal and Tax	Corporate	Totals
Revenues				
Software licenses and royalties	$ 16,439	$ 1,112	$ —	$ 17,551
Subscriptions	32,316	1,652	—	33,968
Software services	42,159	3,881	—	46,040
Maintenance	74,110	4,633	—	78,743
Appraisal services	—	6,984	—	6,984
Hardware and other	2,942	—	2,744	5,686
Intercompany	1,612	—	(1,612)	—
Total revenues	$ 169,578	$ 18,262	$ 1,132	$ 188,972
Segment operating income	$ 46,109	$ 3,990	$ (10,051)	$ 40,048

For the six months ended June 30, 2016

	Enterprise Software	Appraisal and Tax	Corporate	Totals
Revenues				
Software licenses and royalties	$ 32,093	$ 2,308	$ —	$ 34,401
Subscriptions	64,301	3,756	—	68,057
Software services	80,763	7,707	—	88,470
Maintenance	145,510	9,265	—	154,775
Appraisal services	—	13,542	—	13,542
Hardware and other	5,977	16	3,027	9,020
Intercompany	2,772	—	(2,772)	—
Total revenues	$ 331,416	$ 36,594	$ 255	$ 368,265
Segment operating income	$ 86,778	$ 8,821	$ (18,689)	$ 76,910

	Three months ended June 30,		Six months ended June 30,	
Reconciliation of reportable segment operating income to the Company's consolidated totals:	2017	2016	2017	2016
Total segment operating income	$ 45,898	$ 40,048	$ 90,915	$ 76,910
Amortization of acquired software	(5,360)	(5,680)	(10,770)	(11,139)
Amortization of customer and trade name intangibles	(3,463)	(3,453)	(6,921)	(6,815)
Other expense, net	(101)	(720)	(291)	(1,187)
Income before income taxes	$ 36,974	$ 30,195	$ 72,933	$ 57,769

(10) Commitments and Contingencies

Other than routine litigation incidental to our business, there are no material legal proceedings pending to which we are party or to which any of our properties are subject.

(11) New Accounting Pronouncements

Revenue from Contracts with Customers. On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers." This ASU is the result of a convergence project between the FASB and the International Accounting Standards Board. The core principle behind ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for delivering those goods and services. This model involves a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies the performance obligations. The ASU allows two methods of adoption: a full retrospective approach where three years of financial information are presented in accordance with the new standard, and a modified retrospective approach where the ASU is applied to the most current period presented in the financial statements. We currently anticipate adopting the standard using the full retrospective method to restate each prior reporting period presented. Our ability to adopt using the full retrospective method is dependent on system readiness, including software procured from third-party providers, and the completion of our analysis of information necessary to restate prior period financial statements.

The new standard requires application no later than annual reporting periods beginning after December 15, 2017, including interim reporting periods therein; however, public entities are permitted to elect to early adopt the new standard. We are assessing the financial impact of adopting the new standard and the methods of adoption; however, we are currently unable to provide a reasonable estimate regarding the financial impact. We will adopt the new standard in fiscal year 2018.

We anticipate this standard will have a material impact on our consolidated financial statements. While we are continuing to assess all potential impacts of the standard, we currently believe the most significant impact relates to our accounting for software license fees, installation fees, and incremental cost of obtaining a contract. Specifically, under the new standard we expect software license fees under perpetual agreements will no longer be subject to 100% discount allocations from other elements in the contract. Discounts in arrangements will be allocated across all deliverables increasing license revenues and decreasing revenues allocated to other performance obligations. In addition, in most cases, net license fees (total license fees less any allocated discounts) will be recognized at the point in time that control of the software license transfers to the customer versus our current policy of recognizing revenue only to the extent billable per the contractual terms. Time-based license fees currently recognized over the license term will no longer be recognized over the period of the license and will instead be recognized at the point in time that control of the software license transfers to the customer. We expect revenue related to our software as a service ("SaaS") offerings and professional services to remain substantially unchanged. Due to the complexity of certain contracts, the actual revenue recognition treatment required under the standard will be dependent on contract-specific terms and may vary in some instances from recognition at the time of billing. Application of the new standard requires that incremental costs directly related to obtaining a contract (typically sales commissions plus any associated fringe benefits) must be recognized as an asset and expensed on a systematic basis that is consistent with the transfer to the customer of the goods and services to which the asset relates, unless that life is less than one year. Currently, we defer sales commissions and recognize expense over the relevant initial contractual term. With the adoption of the new standard, we expect amortization periods to extend past the initial term.

Leases. On February 25, 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, "Leases (Topic 842)." Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early application is permitted for all business entities upon issuance. We are assessing the financial impact of adopting the new standard, however; we are currently unable to provide a reasonable estimate regarding the financial impact. We expect to adopt the new standard in fiscal year 2019.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This document 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 that are not historical in nature and typically address future or anticipated events, trends, expectations or beliefs with respect to our financial condition, results of operations or business. Forward-looking statements often contain words such as "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," "plans," "intends," "continues," "may," "will," "should," "projects," "might," "could" or other similar words or phrases. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. We believe there is a reasonable basis for our forward-looking statements, but they are inherently subject to risks and uncertainties and actual results could differ materially from the expectations and beliefs reflected in the forward-looking statements. We presently consider the following to be among the important factors that could cause actual results to differ materially from our expectations and beliefs: (1) changes in the budgets or regulatory environments of our clients, primarily local and state governments, that could negatively impact information technology spending; (2) our ability to protect client information from security breaches and provide uninterrupted operations of data centers; (3) our ability to achieve growth or operational synergies through the integration of acquired businesses, while avoiding unanticipated costs and disruptions to existing operations; (4) material portions of our business require the Internet infrastructure to be adequately maintained; (5) our ability to achieve our financial forecasts due to various factors, including project delays by our clients, reductions in transaction size, fewer transactions, delays in delivery of new products or releases or a decline in our renewal rates for service agreements; (6) general economic, political and market conditions; (7) technological and market risks associated with the development of new products or services or of new versions of existing or acquired products or services; (8) competition in the industry in which we conduct business and the impact of competition on pricing, client retention and pressure for new products or services; (9) the ability to attract and retain qualified personnel and dealing with the loss or retirement of key members of management or other key personnel; and (10) costs of compliance and any failure to comply with government and stock exchange regulations. A detailed discussion of these factors and other risks that affect our business are described in Item 1A, "Risk Factors." We expressly disclaim any obligation to publicly update or revise our forward-looking statements.

GENERAL

We provide integrated information management solutions and services for the public sector, with a focus on local governments. We develop and market a broad line of software products and services to address the IT needs of cities, counties, schools and other local government entities. In addition, we provide professional IT services to our clients, including software and hardware installation, data conversion, training, and for certain clients, product modifications, along with continuing maintenance and support for clients using our systems. We also provide subscription-based services that utilize the Tyler private cloud such as e-filing, which simplifies the filing and management of court related documents. We also provide property appraisal outsourcing services for taxing jurisdictions.

Our products generally automate six major functional areas: (1) financial management and education, (2) courts and justice, (3) public safety, (4) property appraisal and tax, (5) planning, regulatory and maintenance, and (6) land and vital records management. We report our results in two segments. The Enterprise Software ("ES") segment provides municipal and county governments and schools with software systems and services to meet their information technology and automation needs for mission-critical "back-office" functions such as financial management; courts and justice processes; public safety; planning, regulatory and maintenance; and land and vital records management. The Appraisal and Tax ("A&T") segment provides systems and software that automate the appraisal and assessment of real and personal property as well as property appraisal outsourcing services for local governments and taxing authorities. Property appraisal outsourcing services include: the physical inspection of commercial and residential properties; data collection and processing; computer analysis for property valuation; preparation of tax rolls; community education; and arbitration between taxpayers and the assessing jurisdiction.

Our total employee count increased to 3,972 at June 30, 2017 , from 3,723 at June 30, 2016 .

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements. These condensed consolidated financial statements have been prepared following the requirements of accounting principles generally accepted in the United States ("GAAP") for the interim period and require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition and amortization and potential impairment of intangible assets and goodwill and share-based compensation expense. As these are condensed financial statements, one should also read expanded information about our critical accounting policies and estimates provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our Form 10-K for the year ended December 31, 2016 . There have been no material changes to our critical accounting policies and estimates from the information provided in our Form 10-K for the year ended December 31, 2016 .

ANALYSIS OF RESULTS OF OPERATIONS

	Percent of Total Revenues			
	Second Quarter		Six Months Ended	
	2017	2016	2017	2016
Revenues:				
Software licenses and royalties	8.2 %	9.3 %	8.6 %	9.3 %
Subscriptions	19.6	18.0	19.8	18.5
Software services	22.7	24.4	22.6	24.0
Maintenance	42.7	41.7	43.2	42.0
Appraisal services	3.0	3.7	3.2	3.7
Hardware and other	3.8	2.9	2.6	2.5
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues:				
Software licenses, royalties and acquired software	2.9	3.4	3.0	3.4
Software services, maintenance and subscriptions	46.0	45.9	46.4	46.7
Appraisal services	2.0	2.4	2.1	2.3
Hardware and other	3.3	2.4	2.0	1.7
Selling, general and administrative expenses	20.8	22.3	21.2	22.5
Research and development expense	5.7	5.5	5.7	5.5
Amortization of customer and trade name intangibles	1.7	1.8	1.7	1.9
Operating income	17.6	16.3	17.9	16.0
Other (expense), net	—	(0.2)	(0.1)	(0.2)
Income before income taxes	17.6	16.1	17.8	15.8
Income tax provision	2.6	2.7	2.2	3.9
Net income	15.0 %	13.4 %	15.6 %	11.9 %

Revenues

Software licenses and royalties

The following table sets forth a comparison of our software licenses and royalties revenue for the periods presented as of June 30:

	Second Quarter		Change		Six Months Ended		Change	
($ in thousands)	2017	2016	$	%	2017	2016	$	%
ES	$ 15,354	$ 16,439	$ (1,085)	(7)%	$ 31,928	$ 32,093	$ (165)	(1)%
A&T	1,753	1,112	641	58	3,402	2,308	1,094	47
Total software licenses and royalties revenue	$ 17,107	$ 17,551	$ (444)	(3)%	$ 35,330	$ 34,401	$ 929	3 %

Software license revenue and royalties decreased 3% and increased 3% for the three and six months ended June 30, 2017 , respectively, compared to the prior year period. The increase in software license revenue and royalties for the six months ended June 30, 2017 is attributed to additions to our implementation staff, which increased our capacity to deliver backlog. The decline for the three months ended June 30, 2017 was impacted by an increase in the number of clients choosing our subscription-based option, rather than purchasing the software under a traditional perpetual software arrangement.

Although the mix of new contracts between subscription-based and perpetual license arrangements may vary from quarter to quarter and year to year, we expect our longer-term software license growth rate to continue to be negatively impacted by a growing number of customers choosing our subscription-based options, rather than purchasing the software under a traditional perpetual software license arrangement. Subscription-based arrangements result in lower software license revenue in the initial year as compared to perpetual software license arrangements but generate higher overall revenue over the term of the contract. Our new client mix for the six months ended June 30, 2017 was approximately 52% selecting perpetual software license arrangements and approximately 48% selecting subscription-based arrangements compared to a client mix for the six months ended June 30, 2016 of approximately 66% selecting perpetual software license arrangements and approximately 34% selecting subscription-based arrangements. 105 and 197 new clients entered into subscription-based software arrangements for the three and six months ended June 30, 2017 , respectively, compared to 74 and 139 new clients for the three and six months ended June 30, 2016 , respectively.

Subscriptions

The following table sets forth a comparison of our subscriptions revenue for the periods presented as of June 30:

	Second Quarter		Change		Six Months Ended		Change	
($ in thousands)	2017	2016	$	%	2017	2016	$	%
ES	$ 39,051	$ 32,316	$ 6,735	21%	$ 77,364	$ 64,301	$ 13,063	20 %
A&T	1,896	1,652	244	15	3,685	3,756	(71)	(2)
Total subscriptions revenue	$ 40,947	$ 33,968	$ 6,979	21%	$ 81,049	$ 68,057	$ 12,992	19 %

Subscriptions revenue primarily consists of revenue derived from our SaaS arrangements, which utilize the Tyler private cloud. As part of our subscription-based services, we also provide e-filing arrangements that simplify the filing and management of court related documents for courts and law offices. E-filing revenue is derived from transaction fees and fixed fee arrangements.

Subscriptions revenue grew 21% and 19% for the three and six months ending June 30, 2017 , respectively, compared to the prior year. New SaaS clients as well as existing clients who converted to our SaaS model provided the majority of the subscriptions revenue increase. In the three and six months ending June 30, 2017 , respectively, we added 105 and 197 new SaaS clients and 37 and 54 existing on-premises clients converted to our SaaS model. Since June 30, 2016 , we added 308 new SaaS clients and 78 existing on-premises clients converted to our SaaS model. Also, e-filing services contributed approximately $1.7 million and $3.2 million to the subscriptions revenue increase for the three and six months ended June 30, 2017 , respectively, due to the addition of new e-filing clients, as well as increased volumes as the result of several existing clients mandating e-filing.

Software services

The following table sets forth a comparison of our software services revenue for the periods presented as of June 30:

($ in thousands)	Second Quarter		Change		Six Months Ended		Change	
	2017	2016	$	%	2017	2016	$	%
ES	$ 42,696	$ 42,159	$ 537	1%	$ 83,364	$ 80,763	$ 2,601	3%
A&T	4,676	3,881	795	20	9,026	7,707	1,319	17
Total software services revenue	$ 47,372	$ 46,040	$ 1,332	3%	$ 92,390	$ 88,470	$ 3,920	4%

Software services revenue primarily consists of professional services billed in connection with implementing our software, converting client data, training client personnel, custom development activities and consulting. New clients who purchase our proprietary software licenses generally also contract with us to provide for the related software services. Existing clients also periodically purchase additional training, consulting and minor programming services. For the three and six months ended June 30, 2017 , respectively, software services revenue grew 3% and 4% compared to the prior year period. This growth is primarily due to additions to our implementation and support staff which increased our capacity to deliver backlog and partially due to completing recognition of a majority of the acquisition-related deferred service revenue that was fair valued at rates below Tyler's average service rate in prior periods.

Maintenance

The following table sets forth a comparison of our maintenance revenue for the periods presented as of June 30:

($ in thousands)	Second Quarter		Change		Six Months Ended		Change	
	2017	2016	$	%	2017	2016	$	%
ES	$ 84,306	$ 74,110	$ 10,196	14%	$ 166,472	$ 145,510	$ 20,962	14%
A&T	5,106	4,633	473	10	9,799	9,265	534	6
Total maintenance revenue	$ 89,412	$ 78,743	$ 10,669	14%	$ 176,271	$ 154,775	$ 21,496	14%

We provide maintenance and support services for our software products and certain third-party software. Maintenance revenue grew 14% for the three and six months ended June 30, 2017 , respectively, compared to the prior year. Maintenance revenue increased mainly due to annual maintenance rate increases and growth in our installed customer base from new software license sales. In addition, the increase is partially due to completing recognition of a majority of the acquisition-related deferred maintenance revenue that was fair valued at rates below Tyler's average maintenance rate in prior periods.

Appraisal services

The following table sets forth a comparison of our appraisal services revenue for the periods presented as of June 30:

($ in thousands)	Second Quarter		Change		Six Months Ended		Change	
	2017	2016	$	%	2017	2016	$	%
ES	$ —	$ —	$ —	—%	$ —	$ —	$ —	—%
A&T	6,366	6,984	(618)	(9)	12,978	13,542	(564)	(4)
Total appraisal services revenue	$ 6,366	$ 6,984	$ (618)	(9)%	$ 12,978	$ 13,542	$ (564)	(4)%

Appraisal services revenue for the three and six months ended June 30, 2017 , respectively, decreased by 9% and 4%.. The appraisal services business is somewhat cyclical and driven in part by statutory revaluation cycles in various states.

Cost of Revenues and Gross Margins

The following table sets forth a comparison of the key components of our cost of revenues for the periods presented as of June 30:

($ in thousands)	Second Quarter		Change		Six Months Ended		Change	
	2017	2016	$	%	2017	2016	$	%
Software licenses and royalties	$ 647	$ 666	$ (19)	(3)%	$ 1,378	$ 1,304	$ 74	6 %
Acquired software	5,360	5,680	(320)	(6)	10,770	11,139	(369)	(3)
Software services, maintenance and subscriptions	96,172	86,717	9,455	11	189,712	171,987	17,725	10
Appraisal services	4,282	4,458	(176)	(4)	8,479	8,420	59	1
Hardware and other	6,799	4,515	2,284	51	8,115	6,361	1,754	28
Total cost of revenues	$ 113,260	$ 102,036	$ 11,224	11 %	$ 218,454	$ 199,211	$ 19,243	10 %

The following table sets forth a comparison of gross margin percentage by revenue type for the periods presented as of June 30:

	Second Quarter			Six Months Ended		
	2017	2016	Change	2017	2016	Change
Software licenses, royalties and acquired software	64.9%	63.8%	1.1 %	65.6%	63.8%	1.8 %
Software services, maintenance and subscriptions	45.9	45.4	0.5	45.8	44.8	1.0
Appraisal services	32.7	36.2	(3.5)	34.7	37.8	(3.1)
Hardware and other	14.1	20.6	(6.5)	23.8	29.5	(5.7)
Overall gross margin	45.8%	46.0%	(0.2)%	46.5%	45.9%	0.6 %

Software licenses, royalties and acquired software. Amortization expense for acquired software comprises the majority of costs of software licenses, royalties and acquired software. We do not have any direct costs associated with royalties. In the three and six months ended June 30, 2017 , respectively, our software licenses, royalties and acquired software gross margin increased 1.1% and 1.8% compared to the prior year period due to higher incremental margins on software license revenues, in part due to slightly lower amortization expense for acquired software resulting from acquisitions.

Software services, maintenance and subscriptions. Cost of software services, maintenance and subscriptions primarily consists of personnel costs related to installation of our software, conversion of client data, training client personnel and support activities and various other services such as custom client development and on-going operation of SaaS and e-filing arrangements. The software services, maintenance and subscription gross margin in the three and six months ended June 30, 2017 , respectively, was 0.5% and 1.0% higher than the comparable prior year period. Our implementation and support staff has grown by 197 employees since June 30, 2016 . Many of these additions occurred in early to mid-2016 and are contributing to revenue in 2017. Costs related to maintenance and various other services such as SaaS and e-filing typically grow at a slower rate than related revenue due to leverage in the utilization of support and maintenance staff and economies of scale. Reduced recognition of acquisition-related deferred revenue associated with software services and maintenance obligations completed in prior periods also resulted in higher gross margins.

Appraisal services. Appraisal services revenue comprised approximately 3.0% of total revenue. The appraisal services gross margin for the three and six months ended June 30, 2017 , respectively, decreased 3.5% and 3.1% compared to the same period in 2016, due to additional resources brought in to meet the deadline for completion of fieldwork for a large revaluation project. A high proportion of the costs of appraisal services revenue are variable, as we often hire temporary employees to assist in appraisal projects.

For the three and six months ended June 30, 2017 , respectively, our overall gross margin decreased 0.2% and increased 0.6% compared to the prior year period. Our overall gross margin increase for the six month period was mainly due to a product mix that included more higher-margin recurring revenues from subscriptions and maintenance and improved margin on revenues from software licenses. Overall gross margin was negatively impacted by lower-margin revenues from appraisal services as described above.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses consist primarily of salaries, employee benefits, travel, share-based compensation expense, commissions and related overhead costs for administrative and sales and marketing employees, as well as, professional fees, trade show activities, advertising costs and other marketing related costs.

The following table sets forth a comparison of our SG&A expenses for the periods presented as of June 30:

	Second Quarter		Change		Six Months Ended		Change	
($ in thousands)	2017	2016	$	%	2017	2016	$	%
Selling, general and administrative expenses	$ 43,451	$ 42,232	$ 1,219	3%	$ 86,593	$ 82,991	$ 3,602	4%

SG&A as a percentage of revenues was 20.8% and 21.2% for the three and six months ended June 30, 2017 , respectively, compared to 22.3% and 22.5% for the three and six months ended June 30, 2016 , respectively. SG&A expense increased approximately 3% and 4% for the three and six months ended June 30, 2017 , respectively. This increase is mainly due to compensation costs related to higher stock compensation expense, increased staff levels, and an increase in commission expense as a result of higher sales. For the three and six months ended June 30, 2017 , respectively, stock compensation expense rose $1.0 million and $2.4 million , respectively, compared to the same period in 2016, mainly due to increases in our stock price over the last few years.

Research and Development Expense

The following table sets forth a comparison of our research and development expense for the periods presented as of June 30:

	Second Quarter		Change		Six Months Ended		Change	
($ in thousands)	2017	2016	$	%	2017	2016	$	%
Research and development expense	$ 11,874	$ 10,336	$ 1,538	15%	$ 23,473	$ 20,292	$ 3,181	16%

Research and development expense consists mainly of costs associated with development of new products and technologies from which we do not currently generate significant revenue, as well as costs related to the ongoing development efforts for Microsoft Dynamics AX. Our contractual research and development commitment to develop public sector functionality for Microsoft Dynamics AX was amended in March 2016, which significantly reduced our development commitment through March 2018. However, we will continue to provide sustained engineering and technical support for the public-sector functionality within Dynamics AX. License and maintenance royalties for all applicable domestic and international sales of Dynamics AX to public sector entities will continue under the terms of the contract.

Research and development expense in the three and six months ended June 30, 2017 , respectively, increased 15% and 16% compared to prior period mainly due to research and development efforts related to new Tyler product development initiatives, primarily in our public safety solutions, offset by reduced development efforts for Microsoft Dynamics AX. As a result of the Microsoft Dynamics AX amendment, we are redeploying certain development resources to enhance functionality on several existing solutions and these costs are being recorded in cost of revenues -- software services, maintenance and subscriptions.

Amortization of Customer and Trade Name Intangibles

Acquisition intangibles are composed of the excess of the purchase price over the fair value of net tangible assets acquired that is allocated to acquired software and customer and trade name intangibles. The remaining excess purchase price is allocated to goodwill that is not subject to amortization. Amortization expense related to acquired software is included with cost of revenues while amortization expense of customer and trade name intangibles is recorded as operating expense.

The following table sets forth a comparison of amortization of customer and trade name intangibles for the periods presented as of June 30:

	Second Quarter		Change		Six Months Ended		Change	
($ in thousands)	2017	2016	$	%	2017	2016	$	%
Amortization of customer and trade name intangibles	$ 3,463	$ 3,453	$ 10	—%	$ 6,921	$ 6,815	$ 106	2%

Other Expense, Net

The following table sets forth a comparison of our other expense, net for the periods presented as of June 30:

	Second Quarter		Change		Six Months Ended		Change	
($ in thousands)	2017	2016	$	%	2017	2016	$	%
Other expense, net	$ (101)	$ (720)	$ 619	(86)%	$ (291)	$ (1,187)	$ 896	(75)%

Other expense, net is comprised of interest expense and non-usage and other fees associated with our revolving credit agreement, as well as interest income from invested cash. Other expense, net decreased in the three months ended June 30, 2017 , compared to the prior period due to significantly lower debt levels in the current period, as we repaid all borrowings under the revolving line of credit in January 2017, and correspondingly higher levels of cash investments.

Income Tax Provision

The following table sets forth a comparison of our income tax provision for the periods presented as of June 30:

	Second Quarter		Change		Six Months Ended		Change	
($ in thousands)	2017	2016	$	%	2017	2016	$	%
Income tax provision	$ 5,396	$ 5,188	$ 208	4%	$ 9,049	$ 14,538	$ (5,489)	(38)%
Effective income tax rate	14.6%	17.2%			12.4%	25.2%		

The effective income tax rates for the three and six months ended June 30, 2017 and 2016 , respectively, were different from the statutory United States federal income tax rate of 35% principally due to excess tax benefits related to stock option exercises. The excess tax benefits related to stock option exercises realized were $8.5 million and $18.6 million for the three and six months ended June 30, 2017 , respectively, compared to $6.3 million and $7.5 million for the three and six months ended June 30, 2016 , respectively. Excluding the excess tax benefits, the effective rates were 37.5% and 37.9% for the three and six months ended June 30, 2017 , respectively, compared to 37.9% and 38.1% for the three and six months ended June 30, 2016 , respectively. Other differences from our federal statutory income tax rate included state income taxes, non-deductible business expenses, and the tax benefit of the domestic production activities deduction. The effective income tax rate for the three and six months ended June 30, 2017 , respectively, decreased compared to the prior year period mainly due to higher excess tax benefits related to stock option exercises realized.

FINANCIAL CONDITION AND LIQUIDITY

As of June 30, 2017 , we had cash and cash equivalents of $55.1 million compared to $36.2 million at December 31, 2016. We also had $37.5 million invested in investment grade corporate and municipal bonds as of June 30, 2017 . These investments mature between 2017 through early 2019 and we intend to hold these investments until maturity. As of June 30, 2017 , we had two outstanding letters of credit totaling $2.2 million . We do not believe the letters of credit will be required to be drawn upon. These letters of credit expire in mid-2018. We believe our cash from operating activities, revolving line of credit, cash on hand and access to the capital markets provides us with sufficient flexibility to meet our long-term financial needs.

The following table sets forth a summary of cash flows for the six months ended June 30:

($ in thousands)	2017	2016
Cash flows provided (used) by:		
Operating activities	$ 49,575	$ 60,841
Investing activities	(40,409)	(35,715)
Financing activities	9,755	(16,886)
Net increase in cash and cash equivalents	$ 18,921	$ 8,240

Net cash provided by operating activities continues to be our primary source of funds to finance operating needs and capital expenditures. Other potential capital resources include cash on hand, public and private issuances of debt or equity securities, and bank borrowings. It is possible that our ability to access the capital and credit markets in the future may be limited by economic conditions or other factors. We currently believe that cash provided by operating activities, cash on hand and available credit are sufficient to fund our working capital requirements, capital expenditures, income tax obligations, and share repurchases for at least the next twelve months.

For the six months ended June 30, 2017 , operating activities provided cash of $49.6 million . Operating activities that provided cash were primarily comprised of net income of $ 63.9 million , non-cash depreciation and amortization charges of $26.4 million and non-cash share-based compensation expense of $17.6 million . Working capital, excluding cash, increased approximately $58.3 million mainly due to higher accounts receivable because our maintenance billing cycle peaks in June, the timing of payments related to bonuses, timing of income tax payments, and the deferred taxes associated with stock option activity during the period. These increases were offset slightly by timing of payments for wages and changes in deferred revenue balances.

In general, changes in deferred revenue are cyclical and primarily driven by the timing of our maintenance renewal billings. Our renewal dates occur throughout the year, but our largest renewal billing cycles occur in the second and fourth quarters. In addition, subscription renewals are billed throughout the year.

Our days sales outstanding ("DSO") was 101 days at June 30, 2017 , compared to 93 days at December 31, 2016 and 100 days at June 30, 2016 . Our maintenance billing cycle typically peaks at its highest level in June and second highest level in December of each year and is followed by collections in the subsequent quarter. DSO is calculated based on quarter-end accounts receivable divided by the quotient of annualized quarterly revenues divided by 360 days.

Investing activities used cash of $40.4 million in the six months ending June 30, 2017 . Approximately $30.1 million was invested in property and equipment. We purchased an office building in Latham, New York, for approximately $2.9 million and paid $9.5 million for construction to expand a building in Yarmouth, Maine. We plan to spend approximately $19.3 million in 2017 in connection with the completion of the Yarmouth office expansion and approximately $5.0 million for the purchase and renovation for the Latham office building. On May 30, 2017, we acquired all of the capital stock of Modria.com, Inc. , a company that specializes in online dispute resolution for government and commercial entities. The purchase price, net of debt assumed, was $5.9 million .

Investing activities used cash of $35.7 million in the six months ending June 30, 2016 . Approximately $22.0 million was invested in property and equipment. We purchased an office building in Falmouth, Maine, that was previously leased from an entity owned by an executives' father and brother, for approximately $9.7 million and paid $1.9 million to begin construction to expand a building in Yarmouth, Maine. In the six months ended June 2016, we acquired ExecuTime Software, LLC for approximately $7.4 million and paid $2.0 million related to the working capital holdback in connection with the New World Systems Corporation acquisition.

Financing activities provided cash of $9.8 million in the six months ended June 30, 2017 , and were comprised of purchases of treasury shares, proceeds from stock option exercises and employee stock purchase plan activity. During the six months ended June 30, 2017 , we purchased 42,000 shares of our common stock for an aggregate purchase price of $6.2 million at an average price paid per share of $147.30 .

Financing activities used cash of $16.9 million in the six months ended June 30, 2016 . Cash used by financing activities was comprised of purchases of treasury shares, net borrowings from our revolving line of credit and proceeds from stock option exercises and employee stock purchase plan activity. During the six months ended June 30, 2016 , we purchased 758,000 shares of our common stock for an aggregate purchase price of $94.5 million at an average price paid per share of $124.75.

We had authorization from our board of directors to repurchase up to 2.0 million additional shares of Tyler common stock as of June 30, 2017 . The repurchase program, which was approved by our board of directors, was announced in October 2002, and was amended at various times from 2003 through 2016. There is no expiration date specified for the authorization, and we intend to repurchase stock under the plan from time to time.

We made tax payments of $27.5 million in the six months ended June 30, 2017 , compared to tax payments of $17.6 million in the six months ended June 30, 2016 .

We anticipate that 2017 capital spending will be between $53.0 million and $55.0 million. Capital spending includes approximately $19.3 million for the Yarmouth office expansion and approximately $5.0 million for the purchase and renovation of an office building in Latham, New York. We expect the remaining capital spending will consist primarily of computer equipment and software for infrastructure replacements and expansion. We currently do not expect to capitalize significant amounts related to software development in 2017, but the actual amount and timing of those costs, and whether they are capitalized or expensed, may result in additional capitalized software development. Capital spending is expected to be funded from existing cash balances, cash flows from operations and borrowings under our revolving line of credit.

From time to time we engage in discussions with potential acquisition candidates. In order to consummate any such opportunities, which could require significant commitments of capital, we may incur debt or issue potentially dilutive securities in the future. No assurance can be given as to our future acquisitions and how such acquisitions may be financed.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may affect us due to adverse changes in financial market prices and interest rates.

As of June 30, 2017 , we had no outstanding borrowings under the Credit Facility. Loans under the Credit Facility bear interest, at Tyler's option, at a per annum rate of either (1) the Wells Fargo Bank prime rate (subject to certain higher rate determinations) plus a margin of 0.25% to 1.00% or (2) the 30, 60, 90 or 180-day LIBOR rate plus a margin of 1.25% to 2.00%.

During the six months ended June 30, 2017 , our effective average interest rate for borrowings was 2.13% . As of June 30, 2017 , our interest rate was 4.50% under the Wells Fargo Bank prime rate and 2.37% under a 30-day LIBOR contract. The Credit Facility is secured by substantially all of our assets.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act) designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2017 .

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the three months ended June 30, 2017 , that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Other than routine litigation incidental to our business, there are no material legal proceedings pending to which we are party or to which any of our properties are subject.

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, one should carefully consider the discussion of various risks and uncertainties contained in Part I, "Item 1A. Risk Factors" in our 2016 Annual Report on Form 10-K. We believe those risk factors are the most relevant to our business and could cause our results to differ materially from the forward-looking statements made by us. Please note, however, that those are not the only risk factors facing us. Additional risks that we do not consider material, or of which we are not currently aware, may also have an adverse impact on us. Our business, financial condition and results of operations could be seriously harmed if any of these risks or uncertainties actually occurs or materializes. In that event, the market price for our common stock could decline, and our shareholders may lose all or part of their investment. During the three months ended June 30, 2017 , there were no material changes in the information regarding risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2016 .

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 5. Other Information

None

ITEM 6. Exhibits

Exhibit 31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certifications Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101	Instance Document
Exhibit 101	Schema Document
Exhibit 101	Calculation Linkbase Document
Exhibit 101	Labels Linkbase Document
Exhibit 101	Definition Linkbase Document
Exhibit 101	Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TYLER TECHNOLOGIES, INC.

By: /s/ Brian K. Miller

Brian K. Miller

Executive Vice President and Chief Financial Officer

(principal financial officer and an authorized signatory)

Date: July 26, 2017

CERTIFICATIONS

I, John S. Marr, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tyler Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over our financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Tyler and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its divisions, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (The registrant's first quarter in the case of this quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 26, 2017

By: /s/ John S. Marr, Jr.

John S. Marr, Jr.

Chief Executive Officer and Chairman of the Board

Exhibit 31.2

CERTIFICATIONS

I, Brian K. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tyler Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over our financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Tyler and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its divisions, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (The registrant's first quarter in the case of this quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 26, 2017

By: /s/ Brian K. Miller

Brian K. Miller

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

John S. Marr Jr., Chief Executive Officer and Chairman of the Board of Tyler Technologies, Inc., (the "Company") and Brian K. Miller, Executive Vice President and Chief Financial Officer of the Company, each certify pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2017 , fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 26, 2017

By: /s/ John S. Marr, Jr.
John S. Marr, Jr.
Chief Executive Officer and Chairman of the Board

By: /s/ Brian K. Miller
Brian K. Miller
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Tyler Technologies, Inc. and will be retained by Tyler Technologies, Inc. and furnished to the Securities and Exchange Commission upon request.

REQUISITION

RQIT18000014 31/JAN/2018

VENDOR:		REQUISITIONER:	
TYLER TECHNOLOGIES, INC		IT DEPARTMENT OF INFORMATION TECH	
12 GOOSE LN		240 OLD COUNTRY ROAD	
		6TH FLOOR	
TOLLAND	CT 06084-0000	MINEOLA	NY 11501
		S.BARNETT/MARY MAHONEY(1-3159)	
TEL:(800)273-8605		TEL:(516)571-2233	
FAX:(860)872-9526		FAX:(516)571-3918	

ITEM	DESCRIPTION	QTY	U/M	UNIT COST	TOTAL
001	920-45	1.00	EA	559,355.0000	559,355.00

COMPUTER SOFTWARE MAINTENANCE/SUPPORT

2018 IAS MAINTENANCE RENEWAL 1/1/2018-12/31/2018 $301,350.00

2018 ADAPT MAINTENANCE RENEWAL 1/1/2018-12/31/2018 $258,005.00

ADAPT MAINTENANCE: =============

TAX BILLING & COLLECTION $559,355.00

DELINQUENT TAX

APPEALS MANAGEMENT

EDMS INTERFACE (IDOC)

INCLUDES: UPGRADES, NEW ENHANCEMENT RELEASES, HOT BUG FIXES/PATCHES
MON-FRI 8:00 AM - 5:00 PM TOLL FREE TELEPHONE SUPPORT,
USER GROUP

ESTIMATED TOTAL: 559,355.00

REQUISITION

RQIT18000014 31/JAN/2018

VENDOR:		REQUISITIONER:	
TYLER TECHNOLOGIES, INC		IT DEPARTMENT OF INFORMATION TECH	
12 GOOSE LN		240 OLD COUNTRY ROAD	
		6TH FLOOR	
TOLLAND	CT 06084-0000	MINEOLA	NY 11501
		S.BARNETT/MARY MAHONEY(1-3159)	
TEL:(800)273-8605		TEL:(516)571-2233	
FAX:(860)872-9526		FAX:(516)571-3918	

tyler
technologies

One Tyler Way
Moraine, Ohio 45439
P: 800.800.2581
F: 937.278.3711
www.tylertech.com

May 24, 2016

Mr. Ed Eisenstein
CIO
Nassau County Information Technology
240 Old Country Road, Suite 608
Mineola, NY 11501

Re: iasWorld Sole Source

Dear Mr. Eisenstein:

Tyler Technologies' iasWorld system is a highly specialized computer software solution that contains software coding, processes and trade secrets that are proprietary to Tyler Technologies. Tyler staff has performed all of the iasWorld system implementations, and no other company is authorized to provide these services, ongoing product support or access the Tyler proprietary source code.

Also, as part of Nassau County's ongoing iasWorld support contract, the County is entitled to receive updates, new releases and warranty fixes that can only be supplied by Tyler. Therefore, Tyler is the only vendor with the necessary knowledge, skills and authority to provide the iasWorld support services to Nassau County. Any attempted or successful access to the application code would violate the County's license agreement and render the software warranty provision as void. Tyler is, therefore, the sole source provider for all things related to the iasWorld solution.

If I can be of further assistance or if you have any questions, I can be reached at 1-800-800-2581 ext. 1924 or via email at gus.tenhundfeld@tylertech.com. Thank you for your continued confidence and support of Tyler Technologies.

Sincerely,

Gus T

Gus Tenhundfeld
Inside Sales Manager

Invoice

Empowering people who serve the public®

Remittance:
Tyler Technologies, Inc.
(FEIN 75-2303920)
P.O. Box 203551
Dallas, TX 75320-3551

Invoice No	*Date*	*Page*
060-8554	11/30/2017	1 of 1

Questions:
Tyler Technologies -
Phone: 1-800-772-2260 Press 2
Fax: 1-866-673-3274
Email: ar@tylertech.com

Bill To: Nassau County IT Dept.
Ms. Mary Mahoney
240 Old Country Road
Mineola, NY 11501

Ship To: Nassau County IT Dept.
Ms. Mary Mahoney
240 Old Country Road
Mineola, NY 11501

Customer No.	*Ord No*	*PO Number*	*Currency*	*Terms*	*Due Date*
48769			USD	NET30	12/30/2017

Date	Description	Units	Rate	Extended Price
	Original IAS Maintenance	1	301,350.00	301,350.00
	ADAPT Maintenance	1	258,005.00	258,005.00

Total Fee: $559,355.00

by check:
Tyler Technologies, Inc.
Appraisal & Tax Division
P.O. Box 203551
Dallas, TX 75320-3551

by wire/ach:
Wells Fargo Bank, N.A.
San Francisco, CA 94104
ABA: 121000248
Acct Name: Tyler Technologies, Inc. Operating Account
Acct No: 4124302472

Comments: Project #: 132360 - 2018 IAS/ADAPT Maintenance Renewal for the period of January 1, 2018 through December 31, 2018

Subtotal	559,355.00
Sales Tax	0.00
Invoice Total	559,355.00

Amendment #7

THIS AMENDMENT dated as of the date of execution by the County (together with the schedules, appendices, attachments and exhibits, if any, this "Amendment"), between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting on behalf of the County Department of Information Technology, having its principal office at 240 Old Country Road, Mineola, New York 11501 (the "Department"), and (ii) Tyler Technologies, Inc., CLT Division ("Tyler/CLT"), a corporation organized and existing under and by the virtue of the General Corporation Law of the State of Delaware and authorized to do business in the State of New York, having its principal office at One Tyler Way, Moraine, Ohio 45439 (the "Contractor").

WITNESSETH:

WHEREAS, the County requires the use of an integrated system for real property assessment administration, appeals, tax billing, collection, and refunds ("ADAPT System") for use by the County Department of Assessment, the Office of the County Treasurer, the Office of the County Attorney, and the Assessment Review Commission (the "Agency"); and

WHEREAS, the County issued Request for Proposal # IT0830-0560 on January 5, 2006 (the "RFP"); and

WHEREAS, the RFP sought services relating to the development and implementation of the ADAPT System; and

WHEREAS, the Contractor submitted a response to the RFP that was found to be beneficial to the County; and

WHEREAS, pursuant to County contract number CQIT07000040 between the County and the Contractor, executed on behalf of the County on August 16, 2007, and amended thereafter on August 11, 2011, July 12, 2012, August 26, 2013, November 5, 2014, July 8, 2015 and Feb 16, 2017 (the "Agreement"), the Contractor performs certain services for the County in connection with the ADAPT System which services are more fully described in the Agreement (the "Services"); and

WHEREAS, the ADAPT System was developed by the Contractor through the use of the Contractor's proprietary computer software solution iasWorld (the "Software"); and

WHEREAS, the Software has been highly customized by Contractor for the County's use; and

WHEREAS, the Agencies use the Software extensively and the Software is critical to all aspects of property assessment in Nassau County, including the levying of real property taxes; and

WHEREAS, the Software is necessary to implement the Nassau County Disputed Assessment Fund established by Nassau County Administrative Code § 6-41.0; and

WHEREAS, the Software requires further implementation services, including but not limited to ongoing maintenance, support, updates; warranty fixes, and upgrades ("Implementation Services"); and

WHEREAS, the Software contains software coding, processes, and trade secrets that are proprietary to Contractor; and

WHEREAS, there is only one source for the Software and no other equivalent software options that provide similar benefits are available since no other company is authorized to provide Implementation Services; and

WHEREAS, the Contractor is a sole source provider for the Services pursuant to N.Y. G.M.L. § 104-b since there is only one source for the software, there is no other software that provide equivalent benefits, and the cost of the Software is reasonable in light of the benefits to the County; and

WHEREAS, the term of the Agreement, as amended, is from August 16, 2007 through August 15, 2018 (the "Term"); and

WHEREAS, the maximum amount that the County agreed to reimburse the contractor for Services under the Original Agreement, as full compensation for the Services was Six Million, Seven Hundred Thirty-Three thousand, Three hundred and Fifty dollars ($6,733,350.00) (the "Maximum Amount"); and

WHEREAS, the Services contemplated by the Original Agreement have not been completed and Implementation Services are ongoing; and

WHEREAS, the County and the Contractor desire to increase the Maximum Amount,

WHEREAS, the services contemplated by this Amendment are personal services within the context and purview of Section 2206 of the County Government Law of Nassau County.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Maximum Amount. The Maximum Amount in the Original Agreement shall be increased by Two Hundred and Seventy Thousand Dollars ($270,000), so that the maximum amount that the County shall pay the Contractor as full consideration for all Services provided under the Amended Agreement shall be Seven Million, Three Thousand, Three Hundred and Fifty ($7,003,350.00), including the increase (the "Amended maximum Amount"). These additional funds will be used for ADAPT Phase II- under category 4 in Exhibit A – Business Process Support Hours.

2. Full Force and Effect. All the terms and conditions of the Agreement not expressly amended herein shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

IN WITNESS WHEREOF, the Contractor and the County have executed this Amendment as of the date first above written.

TYLER TECHNOLOGIES, INC. CLT DIVISION

By: ______________________

Name: Gus Tenhundfeld

Title: Inside Sales Manager

Date: 10-19-2017

NASSAU COUNTY

By: ______________________

Name: ______________________

Title: Deputy County Executive

Date: ______________________

PLEASE EXECUTE IN BLUE INK

STATE OF OHIO)
) ss.:
COUNTY OF MONTGOMERY)

On the 19th day of OCTOBER in the year 2017 before me personally came GUS TENHUNDFELD to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of MONTGOMERY; that he or she is the INSIDE SALES MANAGER of TYLER TECHNOLOGIES,INC., the corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

Karen A. Jackson

NOTARY PUBLIC

KAREN A JACKSON, Notary Public
In and for the State of Ohio
My Commission Expires Feb. 25, 2022

STATE OF NEW YORK)
) ss.:
COUNTY OF NASSAU)

On the _____ day of ___________ in the year ________ before me personally came _______________________ to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of _______________; that he or she is a Deputy County Executive of the County of Nassau, the municipal corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of Nassau County.

NOTARY PUBLIC

Exhibit A

Phase II Summary Sheet of Changes

Request #	Description	Cost
4	Additional Business Process Support Hours and Training Support	Additional $270,000.00

Amendment #6

THIS AMENDMENT dated as of the date of execution by the County (together with the schedules, appendices, attachments and exhibits, if any, this "Amendment"), between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting on behalf of the County Department of Information Technology, having its principal office at 240 Old Country Road, Mineola, New York 11501 (the "Department"), and (ii) Tyler Technologies, Inc., CLT Division ("Tyler/CLT"), a corporation organized and existing under and by the virtue of the General Corporation Law of the State of Delaware and authorized to do business in the State of New York, having its principal office at One Tyler Way, Moraine, Ohio 45439 (the "Contractor").

WITNESSETH:

WHEREAS, the County requires the use of an integrated system for real property assessment administration, appeals, tax billing, collection, and refunds ("ADAPT System") for use by the County Department of Assessment, the Office of the County Treasurer, the Office of the County Attorney, and the Assessment Review Commission (the "Agency"); and

WHEREAS, the County issued Request for Proposal # IT0830-0560 on January 5, 2006 (the "RFP"); and

WHEREAS, the RFP sought services relating to the development and implementation of the ADAPT System; and

WHEREAS, the Contractor submitted a response to the RFP that was found to be beneficial to the County; and

WHEREAS, pursuant to County contract number CQIT07000040 between the County and the Contractor, executed on behalf of the County on August 16, 2007, and amended thereafter on August 11, 2011, July 12, 2012, August 26, 2013, November 5, 2014, and July 8, 2015 (the "Agreement"), the Contractor performs certain services for the County in connection with the ADAPT System which services are more fully described in the Agreement (the "Services"); and

WHEREAS, the ADAPT System was developed by the Contractor through the use of the Contractor's proprietary computer software solution iasWorld (the "Software"); and

WHEREAS, the Software has been highly customized by Contractor for the County's use; and

WHEREAS, the Agencies use the Software extensively and the Software is critical to all aspects of property assessment in Nassau County, including the levying of real property taxes; and

WHEREAS, the Software is necessary to implement the Nassau County Disputed Assessment Fund established by Nassau County Administrative Code § 6-41.0; and

WHEREAS, the Software requires further implementation services, including but not limited to ongoing maintenance, support, updates; warranty fixes, and upgrades ("Implementation Services"); and

WHEREAS, the Software contains software coding, processes, and trade secrets that are proprietary to Contractor; and

WHEREAS, there is only one source for the Software and no other equivalent software options that provide similar benefits are available since no other company is authorized to provide Implementation Services; and

WHEREAS, the Contractor is a sole source provider for the Services pursuant to N.Y. G.M.L. § 104-b since there is only one source for the software, there is no other software that provide equivalent benefits, and the cost of the Software is reasonable in light of the benefits to the County; and

WHEREAS, the term of the Agreement, as amended, is from August 16, 2007 through August 15, 2016 (the "Term"); and

WHEREAS, the Services contemplated by the Original Agreement have not been completed and Implementation Services are ongoing; and

WHEREAS, the County and the Contractor desire to extend the Original Agreement in accordance with the terms and conditions set forth herein and clarify the term of the license for the Software; and

WHEREAS, the services contemplated by this Amendment are personal services within the context and purview of Section 2206 of the County Government Law of Nassau County.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Paragraph 5(a) and 5(b) of the Agreement shall be deleted in its entirety and replaced with the following:

   (a) Development License. Upon payment by County of the initial license fee (the "Development License Fee"), Contractor hereby grants the County a perpetual, non-exclusive, royalty-free development license to use the Contractor's IAS World software for the County's internal use throughout the implementation of the project by an unlimited number of users employed by the County on an unlimited number of computers and/or computer stations utilized by the County, subject to the restrictions on use set forth herein.

   (b) Use License. Upon (i) delivery by Contractor of each software module for each project milestone as set forth on Exhibit B, and (ii) acceptance of such milestone by County and payment for such milestone as set forth on Exhibit E, Contractor hereby grants the County a perpetual, nonexclusive, royalty-free enterprise license to use the Contractor's IAS World software associated with such milestone (including, without limitation, all modules delivered and installed by Contractor, and accepted and paid for by County) for the County's internal use and the purposes set forth in Section 3 by an unlimited number of users employed by the County on an unlimited number of computers and/or computer stations utilized by the County, subject to the restrictions on use set forth herein. Upon delivery of all project milestones by Contractor, and acceptance of all project milestones and payment of all license fees to Contractor by County, Contractor's license granted herein shall be inclusive of the IAS Software and all modules as listed in Exhibit F, Software License Agreement, required to be delivered by Contractor throughout the project, including, without limitation, all ADAPT Modifications (as defined in Section 6).

2. Term Extension and Renewal Option. The Term shall be extended for an additional two year period, so that the termination date of the Agreement, as amended herein (the "Amended Agreement"), shall be August 15, 2018. The County may renew the Amended Agreement for one (1) additional one (1) year period at the County's sole discretion and subject to the termination provisions of the Agreement.

3. Full Force and Effect. All the terms and conditions of the Agreement not expressly amended herein shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

IN WITNESS WHEREOF, the Contractor and the County have executed this Amendment as of the date first above written.

TYLER TECHNOLOGIES, INC. CLT DIVISION

By: Gus Tenhundfeld

Name: Gus Tenhundfeld

Title: Inside Sales Manager

Date: 8/23/2016

NASSAU COUNTY

By: [signature]

Name: Charles Ribando

Title: Deputy County Executive

Date: 2/16/17

PLEASE EXECUTE IN BLUE INK

STATE OF OHIO)
) ss.:
COUNTY OF MONTGOMERY)

On the 23 day of August in the year 2016 before me personally came Gus Tondhundfeld to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Montgomery; that he or she is the Inside Sales Manager of Tyler Technologies, the corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

Karen A. Jackson
NOTARY PUBLIC

KAREN A. JACKSON, Notary Public
In and for the State of Ohio
My Commission Expires Feb. 25, 2017

STATE OF NEW YORK)
) ss.:
COUNTY OF NASSAU)

On the 16th day of February in the year 2017 before me personally came Charles Ribando to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Nassau; that he or she is a Deputy County Executive of the County of Nassau, the municipal corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of Nassau County.

NOTARY PUBLIC

FRANCIS X. BECKER II
Notary Public, State of New York
No. 01BE5073153
Qualified in Nassau County
Commission Expires February 18, ~~1999~~ 2019

George Maragos
Comptroller

OFFICE OF THE COMPTROLLER
240 Old Country Road
Mineola, New York 11501

COMPTROLLER APPROVAL FORM FOR PERSONAL, PROFESSIONAL OR HUMAN SERVICES CONTRACTS

Attach this form along with all personal, professional or human services contracts, contract renewals, extensions and amendments.

CONTRACTOR NAME: **Tyler Technologies, Inc., CLT Division**

CONTRACTOR ADDRESS: **P. O Box 203551, Dallas, Texas 75320**

FEDERAL TAX ID #: 752303920-01

Instructions: **Please check the appropriate box ("☑") after one of the following roman numerals, and provide all the requested information.**

I. ☐ The contract was awarded to the lowest, responsible bidder after advertisement for sealed bids. The contract was awarded after a request for sealed bids was published in______________________________ [newspaper] on ________________ [date]. The sealed bids were publicly opened on ________________ [date]. ______ [#] of sealed bids were received and opened.

II. ☐ The contractor was selected pursuant to a Request for Proposals.
The Contract was entered into after a written request for proposals was issued on ________________ [date]. Potential proposers were made aware of the availability of the RFP by advertisement in ___________________________ [newspaper], posting on industry websites, via email to interested parties and by publication on the County procurement website. Proposals were due on ________________ [date]. _________ [state #] proposals were received and evaluated. The evaluation committee consisted of: ____ (list # of persons on committee and their respective departments). The proposals were scored and ranked. As a result of the scoring and ranking, the highest-ranking proposer was selected.

III. X] This is a renewal, extension or amendment of an existing contract.
The contract was originally executed by Nassau County on August 16, 2007. The original contract was entered into after a written request for proposals was issued on 12/12/2005. Potential proposers were made aware of the availability of the RFP by website/mailing. Six (6) potential proposers requested copies of the RFP. Proposals were due on 2/10/2006. Four (4) proposals were received and evaluated. The evaluation committee consisted of: Rick Siegel, Alice, Pasie, Mark MacArthur, Michele Wawrzynski, Jeanette Duncan, Regina Goodman, Sunil Beesham, Walter Kershaw, Merilee Daly and Mari Lomino. The Proposals were scored and ranked. As a result of the scoring and ranking, the highest-ranking proposer was selected. This amendment is for increasing the maximum amount by $270,000.00 for completion of the services.

IV. ☐ Pursuant to Executive Order No. 1 of 1993, as amended, at least three proposals were solicited and received. The attached memorandum from the department head describes the proposals received, along with the cost of each proposal.

☐ **A.** The contract has been awarded to the proposer offering the lowest cost proposal; **OR:**

☐ **B.** The attached memorandum contains a detailed explanation as to the reason(s)why the contract was awarded to other than the lowest-cost proposer. The attachment includes a specific delineation of the unique skills and experience, the specific reasons why a proposal is deemed superior, and/or why the proposer has been judged to be able to perform more quickly than other proposers.

V. ☐ Pursuant to Executive Order No. 1 of 1993 as amended, the attached memorandum from the department head explains why the department did not obtain at least three proposals.

☐ **A.** There are only one or two providers of the services sought or less than three providers submitted proposals. The memorandum describes how the contractor was determined to be the sole source provider of the personal service needed or explains why only two proposals could be obtained. If two proposals were obtained, the memorandum explains that the contract was awarded to the lowest cost proposer, or why the selected proposer offered the higher quality proposal, the proposer's unique and special experience, skill, or expertise, or its availability to perform in the most immediate and timely manner.

☐ **B.** The memorandum explains that the contractor's selection was dictated by the terms of a federal or New York State grant, by legislation or by a court order. (Copies of the relevant documents are attached).

☐ **C.** Pursuant to General Municipal Law Section 104, the department is purchasing the services required through a New York State Office of General Services contract no.________________________, and the attached memorandum explains how the purchase is within the scope of the terms of that contract.

☐ **D.** Pursuant to General Municipal LawSection 119-o, the department is purchasing the services required through an inter-municipal agreement.

VI. ☐ This is a human services contract with a not-for-profit agency for which a competitive process has not been initiated. Attached is a memorandum that explains the reasons for entering into this contract without conducting a competitive process, and details when the department intends to initiate a competitive process for the future award of these services. For any such contract, where the vendor has previously provided services to the county, attach a copy of the most recent evaluation of the vendor's performance. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to contract with the county.

In certain limited circumstances, conducting a competitive process and/or completing performance evaluations may not be possible because of the nature of the human services program, or because of a compelling need to continue services through the same provider. In those circumstances, attach an explanation of why a competitive process and/or performance evaluation is inapplicable.

VII. ☐ This is a public works contract for the provision of architectural, engineering or surveying services. The attached memorandum provides details of the department's compliance with Board of Supervisors' Resolution No. 928 of 1993, including its receipt and evaluation of annual Statements of Qualifications & Performance Data, and its negotiations with the most highly qualified firms.

Instructions with respect to Sections VIII, IX and X: **All Departments must check the box for VIII. Then, check the box for either IX or X, as applicable.**

VIII. ☐ Participation of Minority Group Members and Women in Nassau County Contracts. The selected contractor has agreed that it has an obligation to utilize best efforts to hire MWBE sub-contractors. Proof of the contractual utilization of best efforts as outlined in Exhibit "EE" may be requested at any time, from time to time, by the Comptroller's Office prior to the approval of claim vouchers.

IX. {X} Department MWBE responsibilities. To ensure compliance with MWBE requirements as outlined in Exhibit "EE", Department will require vendor to submit list of sub-contractor requirements prior to submission of the first claim voucher, for services under this contract being submitted to the Comptroller.

X. ☐ Vendor will not require any sub-contractors.

In addition, if this is a contract with an individual or with an entity that has only one or two employees: ☐ a review of the criteria set forth by the Internal Revenue Service, *Revenue Ruling No.* 87-41, 1987-1 C.B. 296, attached as Appendix A to the Comptroller's Memorandum, dated February 13, 2004, concerning independent contractors and employees indicates that the contractor would not be considered an employee for federal tax purposes.

Department Head Signature

10/31/17
Date

NOTE: ***Any information requested above, or in the exhibit below, may be included in the county's "staff summary" form in lieu of a separate memorandum.***

Compt. form Pers./Prof. Services Contracts: Rev. 03/16