

Contract ID#: CQIT07000040



Department: Information Technology

**Contract Details**

NIFS ID #: CQIT07000040

NIFS Entry Date: 07/13/07 Term: from 8/1/07 to 8/1/10

SERVICE ADAPT

New <input checked="" type="checkbox"/> Renewal <input type="checkbox"/>
Amendment <input type="checkbox"/>
Time Extension <input type="checkbox"/>
Addl. Funds <input type="checkbox"/>
Blanket Resolution <input type="checkbox"/>
RES#

1) Mandated Program:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
2) Comptroller Approval Form Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
3) CSEA Agreement § 32 Compliance Attached:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
5) Insurance Required	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

**Agency Information**

Vendor	
Name Tyler Technologies	Vendor ID# 752303920 - 01
Address 5949 Sherry La. Suite 1400 Dallas, TX 75225	Contact Person Andy Teed Phone 1-800-800-2581

County Department
Department Contact Rick Siegel
Address 160 Old Country Road, Mineola, NY 11501
Phone 516-571-4311

**Routing Slip**

DATE Rec'd	DEPARTMENT	Internal Verification	DATE App'd	SIGNATURE	Leg. Approval Required
	Department	NIFS Entry (Dept) NIFS Appvl (Dept. Head) Contractor Registered <input checked="" type="checkbox"/>			
10/6/07	OMB	NIFS Approval (Contractor Registered) <input checked="" type="checkbox"/>	10/6/07		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not required if blanket resolution
7/16/07	County Attorney	CA RE & Insurance Verification <input checked="" type="checkbox"/>	7/16/07		
	County Attorney	CA Approval as to form <input type="checkbox"/>	7/16/07		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
7/16/07	Legislative Affairs	Fw'd Original Contract to CA <input type="checkbox"/>	7/16/07		
	County Attorney	NIFS Approval <input type="checkbox"/>	8/1/07		
	Comptroller	NIFS Approval <input type="checkbox"/>			
	County Executive	Notarization Filed with Clerk of the Leg. <input checked="" type="checkbox"/>	8/1/07		



## Contract Summary

**Description:** Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection & Refunds "ADAPT"

**Purpose:** ADAPT will be used to maintain assessment, appeal, tax extension and collection records for all real property within the County, compute partial exemptions and other tax relief measures, establish tax rates, process tax appeals, support residential and commercial valuation for appeal adjudication and defense, handle delinquency and lien processes, calculate refunds, and make timely information available to Nassau County employees in the Assessment Department, Assessment Review Commission, County Treasurer's and County Attorney's Offices.

**Method of Procurement:**  
Request for Proposal

**Procurement History:**  
An RFP was issued on January 5, 2006. Four vendors submitted their proposals which included Tyler Technologies, Manatron, SD Services, and ACS, Inc. Tyler Technologies and Manatron were selected as the two finalists and the award was granted to Tyler Technologies. The selection committee consisted of the representatives from Information Technology, Assessment, Assessment Review Commission, County Attorney and the Treasurer's Office.

**Description of General Provisions:**  
ADAPT will interface with the County WebSphere Portal, the GIS data warehouse, the Assessment Review on the Web (AROW) system, the Tyler IAS CAMA system and the Tier FAMIS system. It will be accessible by any standard web browser and host online applications on the County WebSphere portal and ADAPT will comply with the requirements as set forth in the County's RFP.

**Impact on Funding / Price Analysis:**  
The amount to be paid to the contractor shall be Five Million, Five Hundred and Thirty Three Thousand, Three Hundred and Fifty Dollars (\$5,533,350). The price includes license fees, service fees, and other fees and expenses.

The County expects to save \$4 million annually in avoided tax refund payments, by increasing resolution of Assessment errors, and reducing tax assessments prior to the issuing of the tax roll; 5% increase over \$80 million base.

**Change in Contract from Prior Procurement:**

**Recommendation:** (approve as submitted)

## Advisement Information

BUDGET CODES	
Fund:	CAP
Control:	97
Resp:	10'
Object:	000
Transaction:	

RENEWAL	
% Increase	
% Decrease	

FUNDING SOURCE	AMOUNT
Revenue Contract <input type="checkbox"/>	<del>XXXXXX</del>
County	\$
Federal	\$
State	\$
Capital	\$ 5,533,350
Other	\$
<b>TOTAL</b>	<b>\$ 5,533,350</b>

LINE	INDEX OBJECT CODE	AMOUNT
1	PWCAPCAP - 97107 5 / 00005	\$ 400,000
2	PWCAPCAP - 97102 5 / 00005	\$ 1,000,000
3	PWCAPCAP - 97007 5 / 00005	\$ 3,600,000
4	PWCAPCAP - 99022 5 / 00005	\$ 533,350
5		\$
6		\$
	<b>TOTAL</b>	<b>\$ 5,533,350</b>

APPROVED: *[Signature]* 7/16/07

Document Prepared By: Rick Siegel

Date: 7/16/07

<b>NYS Certification</b> I certify that this document was accepted into NYS.		<b>Comptroller Certification</b> I certify that an unencumbered balance sufficient to cover this contract is present in the appropriation to be charged.		<b>County Executive Approval</b> Name _____ Date _____	
Name <i>[Signature]</i> Date 8/9/07		Name <i>[Signature]</i> Date <i>[Signature]</i>		E #: _____ (For Office Use Only)	

## CONTRACT

THIS AGREEMENT, dated as of July 13, 2007 (together with the schedules, appendices, attachments and exhibits, if any, this "Agreement"), is entered into by and between (i) Nassau County, a municipal corporation having its principal office at One West Street, Mineola, New York 11501 (the "County"), acting on behalf of the County Departments of Information Technology (IT), having its principal contact offices at 160 Old Country Road, Mineola, New York 11501 (the "Department"), and (ii) Tyler Technologies, Inc., CLT Division (Tyler | CLT), authorized to do business in the State of New York, having its principal office at 3199 Klepinger Rd., Dayton OH 45406 and its local office at 140 Old Country Road, Suite 200, Mineola, New York 11501 (the "Contractor").

### WITNESSETH:

WHEREAS, the County issued a request for proposal (the "RFP") # IT0830-0560 on January 5, 2006, for the implementation of the integrated system for real property assessment administration, appeals, tax billing, collection and refunds ("ADAPT");

WHEREAS, the Contractor, in response to the County's RFP, submitted a proposal to develop and implement the ADAPT system, which proposal is attached hereto as Exhibit A and incorporated herein by reference;

WHEREAS, the Contractor was selected pursuant to a competitive process;

WHEREAS, the County desires to hire the Contractor to perform the services described in this Agreement;

WHEREAS, this is a personal service contract within the intent and purview of Section 2206 of the County Charter; and

WHEREAS, the Contractor desires to perform the services described in this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement, the parties agree as follows:

1. Term. This Agreement shall commence upon execution of the Agreement by all parties (the "Effective Date") and terminate upon completion of services ("Contract Completion"), but in no event later than four (4) years from the Effective Date, unless sooner terminated in accordance with the provisions of this Agreement. If the services are not completed within four (4) years, the parties may extend the term upon a mutual written agreement.

2. Services. Set forth on Exhibit B is the project plan (the "Project Plan"), which includes a detailed description of the services (collectively, the "Services") as well as the milestones and timetables required for the completion of the Services to be provided by the Contractor pursuant to this Agreement, including the development and deployment of ADAPT.

3. ADAPT Functionality. ADAPT will be used to maintain assessment, appeal, tax extension and collection records for all real property within the County. ADAPT will:

(a) interface with the County WebSphere Portal, the GIS (geographic information system) data warehouse, the Assessment Review on the Web (AROW) system, the Tyler IAS CAMA system and the Tier FAMIS or the then current financial system in service at end of project configured to the County specifications;

(b) be accessible by any standard web browser; and

(c) host online applications on the County WebSphere Portal.

(d) Specifically, ADAPT will comply with the requirements as set forth in (i) the County's RFP: SECTION TWO attached here to as Exhibit C and incorporated herein by reference and which includes the County's technical, functional, data conversion, and interface requirements. (ii) The following shall be exceptions to the County's RFP as stated in the Contractor's proposal (Exhibit "A") and excerpted below:

- "Users should be able to create new fields based on logical rules. Not Available – there are user defined fields but limited people have access to define."
- "Users should be able to modify the language or error messages and help text. Not Available – these change requests should be made to Tyler."

(e) Additionally, ADAPT shall comply with the Base System Description as set forth in Exhibit D and incorporated herein by reference.

#### 4. Contract Price; Payment.

(a) Contract Price. The amount to be paid to the Contractor as full consideration for the Contractor's services under this Agreement shall be **Five Million, Five Hundred Thirty Three Thousand, Three Hundred Fifty Dollars (\$5,533,350)** (the "Contract Price"). The Contract Price consists of license fees, services fees, and other fees and expenses as more particularly set forth on Exhibit E, which amounts shall be due and payable in accordance with the payment schedule also set forth on Exhibit E.

(b) Vouchers; Voucher Review, Approval and Audit. Payments shall be made to the Contractor in arrears and shall be contingent upon (i) the Contractor submitting a claim voucher (the "Voucher") in a form satisfactory to the County, that (A) states with reasonable specificity the services provided and the payment requested as consideration for such services, (B) certifies that the services rendered and the payment requested are in accordance with this Agreement, and (C) is accompanied by documentation satisfactory to the County supporting the amount claimed, and (ii) review, approval and audit of the Voucher by the Department and/or the County Comptroller or his or her duly designated representative (the "Comptroller").

(c) Timing of Payment Claims. The Contractor shall submit claims no later than three (3) months following the County's receipt of the services that are the subject of the claim and no more frequently than once a month

(d) No Duplication of Payments. Payments under this Agreement shall not duplicate payments for any work performed or to be performed under other agreements between the Contractor and any funding source including the County.

#### 5. Software Licenses.

(a) Development License. Upon payment by County of the initial license fee (the "Development License Fee"), Contractor hereby grants the County a 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 non-exclusive, royalty-free 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).

(c) Restrictions. Unless otherwise expressly set forth in this Agreement or otherwise agreed in writing by Contractor, the County shall not (i) reverse engineer, de-compile, or disassemble any portion of the software licensed hereunder or (ii) sublicense, transfer, rent, or lease the software or its usage.

(d) Copies. The County may make and maintain such copies of the licensed software as are reasonably appropriate for its use of the software as set forth in Section 3 and for archival and backup purposes; provided, however, that the County shall retain all proprietary notices, logos, copyright notices, and similar markings on such copies.

(e) Embedded Third Party Software. The license grant set forth in this Section 5 includes the right to use any embedded third party software; provided, however, that access to and use of such embedded third party software shall be according to the terms, conditions, and licenses as are imposed by the manufacturers and/or third party licensors of such embedded third party software. All such embedded third party software shall be included in the license fee. Contractor shall pass through to the County any and all warranties granted to Contractor by the owners, licensors, and/or distributors of such embedded third party software.

## 6. Title.

(a) IAS World Software. Contractor represents and warrants that it is the owner of all right, title, and interest in and to the IAS World software (other than any embedded third party software) and all components and copies thereof. Except as set forth in Section 6(d), nothing in this Agreement shall be deemed to vest in the County any ownership or intellectual property rights in and to Contractor's intellectual property, and components and copies thereof, or any derivative works based thereon prepared by Contractor.

(b) Training Materials; Manuals. All training materials or other manuals developed solely by either party shall be the sole property of such party. All training materials or other manuals developed jointly by the parties shall be owned jointly by the parties, and each party shall be entitled to exercise all rights of ownership of such materials without any duty to account to the

other, subject to the confidentiality obligations set forth in this Agreement.

(c) County Data. All County data (including, without limitation, all content in any media or format entered into, stored in, and/or susceptible to retrieval from County's computer systems) shall remain the property of the County. Contractor shall not use the County data other than in connection with providing the services pursuant to this Agreement.

(d) ADAPT Modifications. ADAPT modifications (the "ADAPT Modifications") will be developed by Contractor consistent with Contractor's ADAPT proposal to the County. The ADAPT Modifications shall be owned by Contractor; provided, however, that the County shall be entitled to receive a percentage of future license fees sold by Contractor with respect to the ADAPT Modifications as more particularly described herein. For a period beginning on Contract Completion and continuing for five (5) years (the "Third Party License Period"), the County shall be entitled to receive, and Contractor shall pay, a portion of all license fees sold by Contractor attributable to its Appeals Management module to 3<sup>rd</sup> parties (or any successor or derivative work thereof). Once complete, the Appeals Management module will also incorporate existing functionality of the Contractor's Inquiry & Appeals Tracking Module; therefore, for purposes of calculating this revenue sharing, the license value of the Inquiry & Appeals Tracking module shall be subtracted from the license fee of the Appeals Management module (the "Net AM Value"). The County shall only be entitled to receive compensation in the amount of 30% of the Net AM Value and when Contractor actually receives license fees from such 3<sup>rd</sup> parties that are attributable to the Appeal Management Module for all sales made during the Third Party License Period. Upon Contract Completion, Contractor shall provide the County with an annual report identifying all licenses sold, and license fees received, during that year, which reports shall be provided by Contractor until it has received all license fees attributable to the Appeal Management Module that were sold by Contractor during the Third Party License Period. Payment to the County shall be in the form of a credit on the County's next annual maintenance and support fee. By way of example only, if during the first year after Contract Completion, Contractor sells and receives license fees attributable to the Appeal Management Module equal to \$120,000, and the Inquiry & Appeals Tracking license for that 3<sup>rd</sup> party has a value of \$70,000 yielding a Net AM Value of \$50,000, then the County shall receive a \$15,000 credit on its annual maintenance and support fee during the next succeeding year under the maintenance and support agreement.

7. Representations and Warranties. Contractor covenants, represents, and warrants as follows:

(a) Licensed Software Functionality. The IAS World software will conform to the County's requirements as set forth in Section 3(d) "ADAPT Functionality" and/or its then current version of its published specifications. If the IAS World software does not perform as warranted, Contractor sole obligation shall be (i) prior to Contract Completion, to use all reasonable efforts, to cure the defect, and (ii) after Contract Completion, the obligations of Contractor as set forth in the Maintenance and Support Agreement.

(b) Project Personnel. All personnel utilized by Contractor in connection with fulfilling its obligations pursuant to or arising from this Agreement (the "Project Personnel") shall be employees of Contractor or, if applicable, Contractor's subcontractor(s), shall be qualified to perform the tasks assigned them, and shall be in compliance with all applicable laws relating to employees generally, including, without limitation, immigration laws.

(c) Media Defects. The media on which the licensed software is provided shall, at the

time of delivery and installation, be free of defects in material and workmanship.

(d) Pass-Through of Warranties. Contractor hereby passes through the benefits of all third party warranties that it receives in connection with any product provided to the County.

(e) No Actions, Suits, or Proceedings. There are no actions, suits, or proceedings, pending or, to the knowledge of Contractor, threatened, that shall have a material adverse effect on Contractor's ability to fulfill its obligations pursuant to or arising from this Agreement.

(f) Free and Clear Title. Contractor has free and clear title (including all proprietary rights) to any property licensed hereunder (other than embedded third party software) and that it has the right to license, transfer, or assign any and all software products that are licensed, transferred, or otherwise provided hereunder. Contractor shall not create or permit the creation of any lien, encumbrance, or security interest in any product sold, rented, leased, or licensed hereunder. Contractor represents and warrants that, to its knowledge, as advised by counsel, the licensed software, and all related source code and documentation, do not infringe any patent, copyright, trademark, trade secret, or any other intellectual property interest owned or controlled by any other person or third party.

(g) Future Support. Throughout the term of the Maintenance and Support Agreement and provided that the County is not in breach of the Maintenance and Support Agreement, Contractor shall correct or otherwise cure defects to the current version release of licensed software.

(h) Warranty of Contractor Capability. Contractor is financially capable of fulfilling all requirements of this Agreement. Contractor covenants, represents, and warrants that it is not prohibited by any loan, contract, financing arrangement, trade covenant, or similar restriction from entering into this Agreement.

(i) No Arrears or Defaults. Contractor is not in arrears to the County upon any debt or contract and it is not in default as surety, contractor, or otherwise upon any obligation to the County, including any obligation to pay taxes to, or perform services for or on behalf of, the County.

(j) Corporate Authority. Contractor has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations herein, and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation by Contractor of the transactions contemplated hereby have been duly authorized by all necessary corporate action, and no other corporate proceedings on the part of Contractor are necessary to authorize this Agreement or to consummate the transactions contemplated hereby.

(k) Ownership. Contractor is a Delaware corporation that is listed for trading on the New York Stock Exchange. No director, officer, or 5% or more stockholder shall, during the course of this Agreement, receive or confer improper personal benefits or gains associated with the performance of the services outlined in this Agreement.

(l) Certain Business Practices. Neither Contractor nor any of its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participating in this Agreement by any federal department or agency. Contractor further represents and warrants that it is not listed on any local, Purchaser, state or federal consolidated list of debarred, suspended, and ineligible contractors and grantees. No person (other than permanent

employees of Contractor) has been engaged or retained by Contractor to solicit, procure, receive, accept, arrange, or secure this Agreement for any compensation, consideration, or value.

(m) Corporate Good Standing. Contractor: (i) is a corporation duly incorporated, validly existing, and in good standing; and (ii) is duly licensed, authorized, or qualified to do business and is in good standing in every jurisdiction in which a license, authorization, or qualification is required for the ownership or leasing of its assets or the transaction of business of the character transacted by it, except when the failure to be so licensed, authorized, or qualified would not have a material adverse effect on Contractor's ability to fulfill its obligations herein.

(n) Signatory Warranty. The person or persons signing and executing this Agreement on behalf of Contractor do hereby warrant and guarantee that he, she, or they have been duly authorized to execute this Agreement on behalf of Contractor and to validly and legally bind Contractor to all terms, conditions, and provisions herein set forth.

(o) Illicit Code. The licensed software, when delivered and installed by Contractor, does not contain, and Contractor has not knowingly introduced through any media, any virus, worm, trap door, back door, bomb, bug, or other contaminant or disabling device, including, without limitation, any timer, clock, counter or other limiting routines, codes, commands, or instructions that may have the effect or be used to access, alter, delete, limit, control, damage, or disable any County property.

(p) EXCEPT AS SPECIFICALLY SET FORTH IN THIS SECTION 7 OR ELSEWHERE IN THIS AGREEMENT, CONTRACTOR DISCLAIMS ALL OTHER WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

8. Maintenance and Support. Contractor shall provide the maintenance and support services for the licensed software in accordance with the terms of the Maintenance and Support Agreement, which is attached hereto as Exhibit G and incorporated by reference herein and which shall become effective as of Contract Completion.

9. Change Order Procedures.

(a) Requirement of Change Orders. All changes, modifications and additions to a statement of work (SOW) requires a written change order (a "Change Order"). Either party may initiate a Change Order by submitting a written request for a Change Order to the other party along with an explanation of reasons as to why such a modification is desirable or necessary. If Contractor believes that a proposed change will increase the County's costs or delay completion, the parties shall negotiate in good faith to try to accommodate such requests. Any failure to so agree to a proposed change shall not impair the enforceability of the other terms of this Agreement. A Change Order that does not involve a direct or indirect change in cost or otherwise materially alter this Agreement may be authorized by both the County and Contractor's Project Managers in writing. A Change Order that involves a direct or indirect change in cost or otherwise materially alters this Agreement shall not be effective against the County unless it complies with the provisions of this Agreement governing amendment and effectiveness against the County, including execution by the County Executive (as defined herein).

(b) Change Order Contents. All Change Orders must contain the following:

(i) a description of any additional work to be performed and/or changes to the performance required of either party, including the estimated number and skill level of personnel necessary to make such changes and/or additions and the availability of such personnel over the ensuing period;

(ii) a statement of the impact of the work or changes on the Services, Deliverables, Schedule, costs or other requirements of this Agreement or a SOW;

(iii) acceptance test procedures for such work, if applicable; and

(iv) signatures of duly authorized individuals of each party.

(c) The Change Order process may be used to document any changes in the Project Plan, including adjustments to price and timing of payments for work, so as to not materially impact the timing of milestone payments.

(d) Acceptance of Change Order. Within ten (10) days of the submission of a Change Order request from one party to the other, the receiving party shall notify the other party of its acceptance or rejection. The County may, in its sole discretion, reject any Change Order requested by the Contractor. The Contractor may not decline to accept any Change Order requested by the County that, together with any prior accepted Change Orders, do not substantially affect the nature of the deliverables, the cost and expense of the deliverables, their performance or functionality, and does not change the Schedule by more than two (2) man days.

10. Independent Contractor. The Contractor is an independent contractor of the County. The Contractor shall not, nor shall any officer, director, employee, servant, agent or independent contractor of the Contractor (a "Contractor Agent"), be (a) deemed a County employee, (b) commit the County to any obligation, or (c) hold itself, himself, or herself out as a County employee or Person with the authority to commit the County to any obligation. As used in this Agreement the word "Person" means any individual person, entity (including partnerships, corporations and limited liability companies), and government or political subdivision thereof (including agencies, bureaus, offices and departments thereof).

#### 11. Compliance with Law

(a) Generally. The Contractor shall comply with any and all applicable Federal, State and local Laws, including, but not limited to those relating to conflicts of interest, discrimination, a living wage, disclosure of information, and vendor registration, in connection with its performance under this Agreement. In furtherance of the foregoing, the Contractor agrees to be bound by and shall comply with the terms of Appendices EE and U attached hereto and with the County's vendor registration protocol. As used in this Agreement, the word "Law" includes any and all statutes, local laws, ordinances, rules, regulations, applicable orders, and/or decrees, as the same may be amended from time to time, enacted, or adopted.

(b) Nassau County Living Wage Law. Pursuant to LL 1-2006, as amended, and to the extent that a waiver has not been obtained in accordance with such law or any rules of the County Executive, the Contractor agrees as follows:

(i) Contractor shall comply with the applicable requirements of the Living Wage Law, as amended;

(ii) Contractor acknowledges that failure to comply with the Living Wage Law, as amended, may constitute a material breach of this Agreement, the occurrence of which shall be determined solely by the County. Contractor has the right to cure such breach within thirty days of receipt of notice of breach from the County. In the event that such breach is not timely cured, the County may terminate this Agreement as well as exercise any other rights available to the County under applicable law.

(iii) Contractor agrees that it shall inform the County of any material changes in the content of its certification of compliance, attached to this Agreement as Appendix L, and shall provide to the County any information necessary to maintain the certification's accuracy.

(c) Records Access. The parties acknowledge and agree that all records, information, and data ("Information") acquired in connection with performance or administration of this Agreement shall be used and disclosed solely for the purpose of performance and administration of the contract or as required by law. The Contractor acknowledges that certain Contractor Information in the County's possession may be subject to disclosure under Article 6 of the New York State Public Officer's Law ("Freedom of Information Law" or "FOIL"). In the event that such a request for disclosure is made, the County shall make reasonable efforts to notify the Contractor of such request prior to disclosure of the Information so that the Contractor may take such action as it deems appropriate.

## 12. Confidentiality.

(a) Confidential Information. Each party hereby agrees (i) to hold and to cause each of such party's agents, employees and representatives to hold the other party's Confidential Information in strict confidence and to take reasonable precautions to protect such Confidential Information including, without limitation, all precautions the receiving party employs with respect to its own confidential materials, (ii) not to divulge any such Confidential Information or any information derived therefrom to any third person; (iii) not to make any use whatsoever at any time of such Confidential Information except as contemplated hereunder, and (iv) not to copy or reverse engineer any such Confidential Information. For purposes of this Section 12(a), "Confidential Information" shall mean, without limitation:

- (i) any information that is specifically marked as "Confidential";
- (ii) information which the County or the Contractor has requested in writing to be kept confidential;
- (iii) information which is disclosed verbally and identified as confidential at the time of disclosure;
- (iv) information which, by its nature, must be kept confidential in order to prevent adverse consequences to the Business or either Party; and
- (v) all County data related to assessed property value.

(b) Exceptions to Confidentiality Obligations. "Confidential Information" shall not include

information that:

- (i) was already known to the receiving Party prior to disclosure by the disclosing party;
- (ii) is in or has entered the public domain through no breach of this Agreement or other wrongful act of the receiving party,
- (iii) has been rightfully received by the receiving party from a third party and without breach of any obligation of confidentiality of such third party to the owner of the Confidential Information;
- (iv) has been approved for release by written authorization of the owner of the Confidential Information; or
- (v) has been independently developed by the receiving party.

(c) Notwithstanding any provision in this Agreement to the contrary, a party may disclose Confidential Information of the other Party to the extent it is required to be disclosed pursuant to (i) Section 11(c) "Compliance with Law: Record Access" or (ii) a valid order or requirement of a governmental agency or court of competent jurisdiction, provided that the owner of the Confidential Information shall be given reasonable notice of such an order or requirement and the opportunity to contest it.

(d) Limitation on the Flow of Information. The parties shall endeavor to give access to the other party's Confidential Information only to such persons who are either bound by a professional duty of confidentiality or who require knowledge of the information as employees, representatives, agents, authorized persons, advisors, officers, or directors of the respective party for orderly conduct of business of the party concerned. Each party shall also require the recipients of the other party's Confidential Information to undertake to keep such Confidential Information secret.

(e) Non-Disclosure Agreement (NDA). The Contractor and the Contractor's personnel and/or agents working on the ADAPT project or are providing Services pursuant to this Agreement shall enter into a County issued NDA prior to commencement of Services.

(f) The provisions of this Section shall survive the termination of this Agreement.

13. Minimum Service Standards. Regardless of whether required by Law:

(a) The Contractor shall, and shall cause Contractor Agents to, conduct its, his or her activities in connection with this Agreement so as not to endanger or harm any Person or property.

(b) The Contractor shall deliver services under this Agreement in a professional manner consistent with the best practices of the industry in which the Contractor operates. The Contractor shall take all actions necessary or appropriate to meet the obligation described in the immediately preceding sentence, including obtaining and maintaining, and causing all Contractor Agents to obtain and maintain, all approvals, licenses, and certifications ("Approvals") necessary or appropriate in connection with this Agreement.

(c) The Contractor and County shall designate and cause the employees identified in Exhibit H (or such other qualified employees designated to replace such employee in accordance with this Agreement) to serve as each such party's Project Manager, who shall manage and implement the party's respective obligations pursuant to this Agreement and serve as the primary contract for the respective party. The Contractor shall commit "key management and supervisory personnel" and "technical personnel" to provide the Services and agrees not to reassign any such personnel to any other project until the County determines that the Services have been satisfactorily completed.

(d) The County shall, upon written notice to the Contractor Project Manager, have the right to remove a Contractor employee or agent from the project immediately for the following reasons: (i) violation of the terms and conditions of this Agreement; (ii) violation of the County's written work rules and regulations as disclosed in writing to the Contractor; (iii) criminal activity; or (iv) violation of state, federal, or municipal statutes. The County may, upon 10 (ten) business days written notice to the Contractor Project Manager, require Contractor to immediately remove an individual from the project without cause. The Contractor shall provide replacement employees in a timely manner to remain on schedule pursuant to Exhibit B; provided, however, that Contractor may reasonably extend any deadlines adversely affected by any delays in the project directly attributable to the County's request for removal of Contractor personnel without cause. The Contractor shall obtain County's approval prior to removal of the County Project Manager, "key management and supervisory personnel", "technical personnel", or a material number of other Contractor employees or agents from the project who are retained to provide Services under this Agreement.

#### 14. Indemnification; Defense; Cooperation.

(a) The Contractor shall be solely responsible for and shall indemnify and hold harmless the County, the Department and its officers, employees, and agents (the "Indemnified Parties") from and against any and all liabilities, losses, costs, expenses (including, without limitation, attorneys' fees and disbursements) and damages ("Losses"), arising out of or in connection with any acts or omissions of the Contractor or a Contractor Agent, regardless of whether due to negligence, fault, or default, including Losses in connection with any threatened investigation, litigation or other proceeding or preparing a defense to or prosecuting the same; provided, however, that the Contractor shall not be responsible for that portion, if any, of a Loss that is caused by the negligence of the County.

(b) The Contractor shall indemnify and hold the County harmless against any and all Losses arising out of or in connection with (i) any breach of warranty by the Contractor, subject to any applicable limitation of liability provisions set forth in Section 18 "Limitation of Actions and Liability; Force Majeure", and (ii) any claim for any infringement of intellectual property rights as indicated in Section 16, "Patent / Copyright / Trademark / Trade Secrets Claims."

(c) The Contractor shall, upon the County's demand and at the County's direction, promptly and diligently defend, at the Contractor's own risk and expense, any and all suits, actions, or proceedings which may be brought or instituted against one or more Indemnified Parties for which the Contractor is responsible under this Section, and, further to the Contractor's indemnification obligations, the Contractor shall pay and satisfy any judgment, decree, loss or settlement in connection therewith, subject to any applicable limitation of liability provisions set forth in Section 18 "Limitation of Actions and Liability; Force Majeure".

(d) The Contractor shall, and shall cause Contractor Agents to, cooperate with the County and the Department in connection with the investigation, defense or prosecution of any



action, suit or proceeding in connection with this Agreement, including the acts or omissions of the Contractor and/or a Contractor Agent in connection with this Agreement.

(e) The provisions of this Section shall survive the termination of this Agreement.

15. Insurance.

(a) Types and Amounts. The Contractor shall obtain and maintain throughout the term of this Agreement, at its own expense: (i) one or more policies for commercial general liability insurance, which policy(ies) shall name "Nassau County" as an additional insured and have a minimum single combined limit of liability of not less than fifteen million dollars (\$15,000,000) per occurrence and fifteen million dollars (\$15,000,000) aggregate coverage, (ii) if contracting in whole or part to provide professional services, one or more policies for professional liability insurance, which policy(ies) shall have a minimum single combined limit liability of not less than ten million dollars (\$10,000,000) per occurrence, (iii) compensation insurance for the benefit of the Contractor's employees ("Workers' Compensation Insurance"), which insurance is in compliance with the New York State Workers' Compensation Law, and (iv) such additional insurance as the County may from time to time specify.

(b) Acceptability; Deductibles; Subcontractors. All insurance obtained and maintained by the Contractor pursuant to this Agreement shall be (i) written by one or more commercial insurance carriers licensed to do business in New York State and acceptable to the County, and which is (ii) in form and substance acceptable to the County. The Contractor shall be solely responsible for the payment of all deductibles to which such policies are subject. The Contractor shall require any subcontractor hired in connection with this Agreement to carry insurance with the same limits and provisions required to be carried by the Contractor under this Agreement.

(c) Delivery; Coverage Change; No Inconsistent Action. Prior to the execution of this Agreement, copies of current certificates of insurance evidencing the insurance coverage required by this Agreement shall be delivered to the Department. Not less than thirty (30) days prior to the date of any expiration or renewal of, or actual, proposed or threatened reduction or cancellation of coverage under, any insurance required hereunder, the Contractor shall provide written notice to the Department of the same and deliver to the Department renewal or replacement certificates of insurance. The Contractor shall cause all insurance to remain in full force and effect throughout the term of this Agreement and shall not take or omit to take any action that would suspend or invalidate any of the required coverages. The failure of the Contractor to maintain Workers' Compensation Insurance shall render this contract void and of no effect. The failure of the Contractor to maintain the other required coverages shall be deemed a material breach of this Agreement upon which the County reserves the right to consider this Agreement terminated as of the date of such failure.

16. Patent/Copyright/Trademark/Trade Secrets Claims:

(a) The Contractor will indemnify, defend and hold the County harmless for any claim for any infringement by the Contractor of any copyright, trade secrets, trademark or patent rights of design systems, drawings, graphs, charts, specifications or printed matter furnished or used by the Contractor in performance of this Agreement. The County shall give the Contractor: (i) prompt written notice of any action, claim or threat of infringement suit, or other suit, (ii) the opportunity to take over, settle or defend such action, claim or suit at the Contractor's sole expense, and (iii)

assistance in the defense of any such action at the expense of the Contractor. The Contractor shall indemnify and hold the County harmless regardless of whether or not the infringement arises in the course of delivering Services under this Agreement.

(b)(i) In addition to the foregoing, if the use of any item(s) or part(s) thereof shall be enjoined for any reason or if the Contractor believes that it may be enjoined, the Contractor shall have the right, at its own expense, to take action in the following order of precedence: (A) to procure for the County the right to continue using such item(s) or part (s) thereof, as applicable; (B) to modify the component so that it becomes non-infringing equipment of at least equal quality and performance; or (C) to replace said item(s) or part(s) thereof, as applicable, with non-infringing components of at least equal quality and performance, or (D) if none of the foregoing is commercially reasonable, then provide monetary compensation to the County up to the dollar amount of the aggregate consideration paid to the Contractor under this Agreement. (ii) The preceding remedies are in addition to and not in lieu of the Contractor's obligation to indemnify and defend the County. (iii) Time is of the essence with respect to every provision of this Agreement in which time of performance is a factor.

(c) The foregoing provisions shall not apply to any infringement occasioned by modification by the County or any third party pursuant to the County's direction that is (i) not expressly contemplated by the Contractor in writing; (ii) made without the Contractor's approval; (iii) based on the unauthorized use of the software by the County; or (iv) caused by the use of any deliverable with any adjunct device by the County, unless such use was contemplated or consented to by the Contractor.

(d) In the event that an action at law or equity is commenced against the County arising out of a claim that the County use of a deliverable under this Agreement infringes any patent, copyright or proprietary right and the Contractor is of the opinion that the allegations in such action in whole or in part are not covered by the indemnification and defense provisions set forth in this Agreement, the Contractor shall immediately notify the County in writing and shall specify to what extent the Contractor believes it is obligated to defend and indemnify under the terms and conditions of this Agreement. The Contractor shall in such event protect the interests of the County and secure a continuance to permit the County to appear and defend its interests in cooperation with the Contractor as is appropriate, including any jurisdictional defenses the County may have.

17. Source Code. Upon Contract Completion and payment of the license fee in full, Contractor shall deliver to the County one copy of source code for the licensed software. The County shall maintain the source code in strict confidence and shall not disclose, use, reproduce, transmit, or otherwise convey the source code to any third party except as set forth in Section 12 and this Section 17. Upon the occurrence of a Release Condition (as defined herein), the County may make use of such source code material, utilizing the services of such employees and outside consultants as it may require, to do all things reasonably necessary to perform such maintenance, support, modification, and enhancement of the licensed software as Contractor was obligated but failed to provide pursuant to or arising from this Agreement. For purposes of this section, "Release Condition" means one of the following: (a) Contractor no longer offers maintenance and support services for the licensed software; (b) the County terminates the Maintenance and Support Agreement "for cause" (as defined therein) and the County's right to exercise such termination is not disputed by Contractor in good faith; (c) failure of the Contractor to function as a going concern or operate in the in the ordinary course; or (d) Contractor becomes subject to a voluntary or involuntary bankruptcy proceeding.

18. Limitation of Actions and Liability; Force Majeure

(a) Neither party shall be liable to the other for any loss, damage, failure, delay or breach in rendering any services or performing any obligations hereunder to the extent that such failure, delay or breach results from any cause or event beyond the control of the party being released hereby ("Force Majeure"), including, but not limited, to acts of God, war, terrorism, or acts or omissions of civil or military authorities.

(b) If either party is prevented or delayed in the performance of its obligations hereunder by Force Majeure, that party shall immediately notify the other party in writing of the reason for the delay or failure to perform, describing in as much detail as possible the event of Force Majeure causing the delay or failure and discussing the likely duration of the Force Majeure and any known prospects for overcoming or ameliorating it. Both parties agree to take any commercially reasonable measures to overcome or ameliorate the Force Majeure and its adverse effects on this Agreement, and to resume performance as completely as is reasonably possible once the Force Majeure is overcome or ameliorated.

(c) In no event shall the Contractor or its officers, agents and employees be liable to County for any loss of profits, consequential, incidental, indirect or special damages under any circumstances even if the Contractor has been advised of the possibility of same it being understood that the Contractor's liability under this Agreement shall be limited to direct damages for breach of performance under this Agreement, negligent acts, errors or omissions of the Contractor's or its officers, agents and employees.

(d) In any event, the Contractor's liability for such direct damages under any theory of liability or form of action shall not exceed the greater of: (i) the total amount paid by County to the Contractor under this Agreement; or (ii) available insurance proceeds; provided, however, that this Section shall not apply to the following: (A) the indemnification obligations of the Contractor for intellectual property infringement under Sections 14(b)(ii) and 16, (B) breach of confidentiality obligations under Section 12, (C) the ability of a party to obtain injunctive relief, or (D) or the Contractor's gross negligence or willful misconduct.

(e) The provisions of this Section shall survive the termination of this Agreement.

19. Changes in the Law. In the event that the laws of the State of New York change so as to create additional work for the Company not provided for in this Agreement, the County and Contractor shall negotiate in good faith to allow the Company a reasonable extension of the completion date and mutually agreeable additional compensation.

20. Assignment; Amendment; Waiver. This Agreement and the rights and obligations hereunder may not be in whole or part (a) assigned, transferred or disposed of, (b) amended, or (c) waived without the prior written consent of the County Executive or his or her duly designated deputy (the "County Executive"), and any purported assignment, other disposal or modification without such prior written consent shall be null and void, provided, however, that the Department Commissioner or the Department Project Manager are authorized to amend this Agreement if, and then only to the extent that, a provision of this Agreement expressly grants the Department Commissioner or the Department project manager the authority to bind the County to an amendment. The failure of a party to assert any of its rights under this Agreement, including the right to demand strict performance, shall not constitute a waiver of such rights.

21. Subcontracting.

(a) It is agreed by the parties that (i) **Akanda Solutions, LLC America, Inc.** located at 5000 Yonge St., Suite 1501, Toronto, Ontario M2N-7E9 and (ii) **Bowne Management Systems**, located at 235 East Jericho Turnpike, Mineola, New York 11501, shall act as subcontractors for the provision of certain Services under this Agreement.

(b) Notwithstanding the above provision, the Contractor shall not subcontract any portion of the work without the prior written consent of the County Executive or his or her duly designated deputy (the "County Executive"), and any purported subcontracting without such prior written consent shall be null and void.

(c) Contractor is and shall remain primarily liable for the successful completion of all work in accordance with this Agreement. The Contractor shall be primarily liable even when using subcontractors, independent contractors, consortiums or partners to perform some or all of the work contemplated by this Agreement, and even if the use of such partners or subcontractors has been approved by the County.

(d) Nothing contained in this Agreement or otherwise shall create any contractual relation between the County and any subcontractors. The Contractor agrees to be as fully responsible to the County for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by the Contractor.

(e) The Contractor's obligation to pay its subcontractors is an independent obligation from the County's obligation to make payments to the Contractor. As a result, the County shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.

(f) The Contractor shall comply with the insurance requirements as provided in the Insurance Section 15(b).

22. Termination.

(a) Generally. This Agreement may be terminated for the following reasons: (i) for "Cause" (as defined herein) immediately upon the receipt of written notice of termination; (ii) for any reason by the County upon sixty (60) days' written notice to the Contractor; (iii) upon mutual written Agreement of the County and the Contractor; and (iv) in accordance with any other provisions of this Agreement expressly addressing termination. As used in this Agreement the word "Cause" includes:

(A) a material breach of this Agreement, which has not been cured within sixty (60) days of the date such party receives written notice of such breach; provided, however, that the non-breaching party cooperates with the alleged breaching party during such 60-day time period on a good faith basis to cure such alleged breach;

(B) the failure of Contractor to obtain and maintain in full force and effect all Approvals required for the services described in this Agreement to be legally and professionally rendered;

(C) breach of Section 12 "Confidentiality";

(D) the termination or impending termination of federal or state funding for the Services to be provided under this Agreement; and

(E) if Contractor becomes insolvent or bankrupt, or is the subject of any proceedings relating to its liquidation or insolvency or for the appointment of a receiver or similar officer for it, has a receiver of its assets or property appointed or makes an assignment for the benefit of all or substantially all of its creditors, or institutes or causes to be instituted any proceeding in bankruptcy or reorganization or rearrangement of its affairs.

(b) By the Contractor. This Agreement may be terminated by the Contractor if performance becomes impracticable through no fault of the Contractor, where the impracticability relates to the Contractor's ability to perform its obligations and not to a judgment as to convenience or the desirability of continued performance. Termination under this subsection shall be effected by the Contractor delivering to the commissioner or other head of the Department (the "Commissioner"), at least sixty (60) days prior to the termination date (or a shorter period if sixty days' notice is impossible), a notice stating (i) that the Contractor is terminating this Agreement in accordance with this subsection, (ii) the date as of which this Agreement will terminate, and (iii) the facts giving rise to the Contractor's right to terminate under this subsection. A copy of the notice given to the Commissioner shall be given to the Deputy County Executive who oversees the administration of the Department (the "Applicable DCE") on the same day that notice is given to the Commissioner.

(c) Effect of Termination. In the event either party terminates this Agreement pursuant to this Section 22, each party shall return all products, documentation, confidential information, and other information disclosed or otherwise delivered to the other party prior to such termination. In addition, in the event of a termination by County for any reason other than breach by Contractor, County shall pay Contractor for all services performed by Contractor up through the date of termination.

(d) Effect of Termination by County without Cause. In the event the County terminates this Agreement without Cause pursuant to Section 22(a)(ii), County shall, in addition to Section 22(c), be obligated to pay Contractor a remedy for termination for convenience fee ("Remedy Fee"), which shall be calculated as follows:  $[(X / 30)] \times [(0.80) \times (\text{Total License Fees})]$ , or  $(X / 30) \times (\$940,000)$ , with "X" equal to the number of months from the Effective Date until the effective date of termination. To the extent the Remedy Fee is greater than the Development License Fee plus other license fees paid by the County, County shall pay Contractor the difference. During the first 18 (eighteen) months of the commencement of this Agreement, if the termination for convenience takes place no additional Remedy Fee shall be due to the Contractor. Beyond month 18 (eighteen), the following formula shall apply for calculation of the Remedy Fee:  $(X/30) \times (\$940,000)$  minus (\$587,500 OR development license fee). Payment of the net difference by the County shall be due and payable within thirty days of the effective date of termination. By way of example only, if the County terminates this Agreement for convenience effective at the end of the twenty-fourth month following the Effective Date and the only license fees paid are the Development License Fee, then the Remedy Fee shall equal  $(24/30) (\$940,000)$ , or \$752,000, and the County shall be obligated to pay Contractor the difference between the Development License Fee and \$752,000, or \$164,500, within thirty days of the effective date of termination.

(e) Contractor Assistance upon Termination. In connection with the termination or impending termination of this Agreement the Contractor, regardless of the reason for termination, Contractor shall take all actions reasonably requested by the County (including those set forth in other provisions of this Agreement) to assist the County in transitioning the Contractor's responsibilities under this Agreement, which assistance shall be at the County's expense (calculated at the hourly rate set forth in this Agreement) unless such termination is by the County for breach by Contractor. The provisions of this subsection shall survive the termination of this Agreement.

23. Accounting Procedures; Records. The Contractor shall maintain and retain, for a period of six (6) years following the later of termination of or final payment under this Agreement, complete and accurate records, documents, accounts and other evidence, whether maintained electronically or manually ("Records"), pertinent to performance under this Agreement. Records shall be maintained in accordance with Generally Accepted Accounting Principles and, if the Contractor is a non-profit entity, must comply with the accounting guidelines set forth in the federal Office of Management & Budget Circular A-122, "Cost Principles for Non-Profit Organizations." Such Records shall at all times be available for audit and inspection by the Comptroller, the Department, any other governmental authority with jurisdiction over the provision of services hereunder and/or the payment therefore, and any of their duly designated representatives. The provisions of this Section shall survive the termination of this Agreement.

24. Limitations on Actions and Special Proceedings against the County. No action or special proceeding shall lie or be prosecuted or maintained against the County upon any claims arising out of or in connection with this Agreement unless:

(a) Notice. At least thirty (30) days prior to seeking relief the Contractor shall have presented the demand or claim(s) upon which such action or special proceeding is based in writing to the Applicable DCE for adjustment and the County shall have neglected or refused to make an adjustment or payment on the demand or claim for thirty (30) days after presentation. The Contractor shall send or deliver copies of the documents presented to the Applicable DCE under this Section to each of (i) the Department and the (ii) the County Attorney (at the address specified above for the County) on the same day that documents are sent or delivered to the Applicable DCE. The complaint or necessary moving papers of the Contractor shall allege that the above-described actions and inactions preceded the Contractor's action or special proceeding against the County.

(b) Time Limitation. Such action or special proceeding is commenced within the earlier of (i) one (1) year of the final payment under or the termination of this Agreement, (ii) two years of the accrual of the cause of action, and (iii) the time specified in any other provision of this Agreement.

25. Work Performance Liability. The Contractor is and shall remain primarily liable for the successful completion of all work in accordance this Agreement irrespective of whether the Contractor is using a Contractor Agent to perform some or all of the work contemplated by this Agreement, and irrespective of whether the use of such Contractor Agent has been approved by the County.

26. Consent to Jurisdiction and Venue; Governing Law. Unless otherwise specified in this Agreement or required by Law, exclusive original jurisdiction for all claims or actions with respect to this Agreement shall be in the Supreme Court in Nassau County in New York State and

the parties expressly waive any objections to the same on any grounds, including venue and forum non conveniens. This Agreement is intended as a contract under, and shall be governed and construed in accordance with, the Laws of New York State, without regard to the conflict of laws provisions thereof.

27. Notices. Any notice, request, demand or other communication required to be given or made in connection with this Agreement shall be: (a) in writing; (b) delivered or sent: (i) by hand delivery, evidenced by a signed, dated receipt; (ii) postage prepaid via certified mail, return receipt requested; or (iii) overnight delivery via a nationally recognized courier service; (c) deemed given or made on the date the delivery receipt was signed by a County employee, three (3) business days after it is mailed or one (1) business day after it is released to a courier service, as applicable; and (d)(i) if to the Department, to the attention of the Commissioner at the address specified above for the Department, (ii) if to an Applicable DCE, to the attention of the Applicable DCE (whose name the Contractor shall obtain from the Department) at the address specified above for the County, (iii) if to the Comptroller, to the attention of the Comptroller at 240 Old Country Road, Mineola, NY 11501, and (iv) if to the Contractor, to the attention of the person who executed this Agreement on behalf of the Contractor at the address specified above for the Contractor, or in each case to such other persons or addresses as shall be designated by written notice.

28. All Legal Provisions Deemed Included; Severability; Supremacy.

(a) Every provision required by Law to be inserted into or referenced by this Agreement is intended to be a part of this Agreement. If any such provision is not inserted or referenced or is not inserted or referenced in correct form then (i) such provision shall be deemed inserted into or referenced by this Agreement for purposes of interpretation and (ii) upon the application of either party this Agreement shall be formally amended to comply strictly with the Law, without prejudice to the rights of either party.

(b) In the event that any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(c) Unless the application of this subsection will cause a provision required by Law to be excluded from this Agreement, in the event of an actual conflict between the terms and conditions set forth above the signature page to this Agreement and those contained in any schedule, exhibit, appendix, or attachment to this Agreement, the terms and conditions set forth above the signature page shall control. To the extent possible, all the terms of this Agreement should be read together as not conflicting.

(d) Each party has cooperated in the negotiation and preparation of this Agreement. Therefore, in the event that construction of this Agreement occurs, it shall not be construed against either party as drafter.

29. Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

30. Entire Agreement. This Agreement represents the full and entire understanding and agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements (whether written or oral) of the parties relating to the subject matter of this Agreement.

31. Administrative Service Charge. The Contractor agrees to pay the County an administrative service charge of Five Hundred dollars (\$500.00) for the processing of this Agreement pursuant to Ordinance Number 74-1979, as amended by Ordinance Number 201-2001. The administrative service charge shall be due and payable to the County by the Contractor upon signing this Agreement.

32. Appendices, Exhibits and Attachments. The documents listed below have been attached hereto and are incorporated herein as a part of this Agreement:

Exhibit A	Proposal
Exhibit B	Project Plan
Exhibit C	County RFP: Section Two Requirements
Exhibit D	Base System Description
Exhibit E	Contract Price; Payment Schedule
Exhibit F	Software License Agreement
Exhibit G	Maintenance and Support Agreement
Exhibit H	Project Management

Appendix EE	Equal Employment Opportunities for Minorities and Women
Appendix U	Collective Bargaining
Appendix L	Certificate of Compliance

33. Singular, Plural and Gender. When used in this Agreement, the singular includes the plural, the plural includes the singular, and gender related pronouns include the feminine, masculine and neuter.

34. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

35. Executory Clause. Notwithstanding any other provision of this Agreement:

(a) Approval and Execution. The County shall have no liability under this Agreement (including any extension or other modification of this Agreement) to any Person unless (i) all County approvals have been obtained, including, if required, approval by the County Legislature, and (ii) this Agreement has been executed by the County Executive (as defined in this Agreement).

(b) Availability of Funds. The County shall have no liability under this Agreement (including any extension or other modification of this Agreement) to any Person beyond funds appropriated or otherwise lawfully available for this Agreement, and, if any portion of the funds for this Agreement are from the state and/or federal governments, then beyond funds available to the County from the state and/or federal governments.

[remainder of page intentionally left blank]



IN WITNESS WHEREOF, the Contractor and the County have executed this Agreement as of the date first above written.

TYLER TECHNOLOGIES, INC.,

By: Benjamin S. Story III  
Name: BENJAMIN S. STORY, III  
Title: VICE PRESIDENT, OPERATIONS  
Date: 7/13/07

NASSAU COUNTY

By: Thomas W. Stokes  
Name: Thomas W. Stokes  
Title: Deputy County Executive  
Date: 8/16/07

PLEASE EXECUTE IN BLUE INK

Ohio  
STATE OF NEW YORK)  
Montgomery ss.:  
COUNTY OF NASSAU )

On the 13 day of July in the year 2007 before me personally came Bonjamin S. Story III 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 Vice President of Tyler, CIT, 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.

NOTARY PUBLIC

Karen A. Hamlett

KAREN A. HAMLETT, Notary Public  
In and for the State of Ohio  
My Commission Expires Feb. 25, 2012

STATE OF NEW YORK)  
ss.:  
COUNTY OF NASSAU )

On the 16 day of August in the year 2007 before me personally came T. Stokar to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Suffolk; 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.

James G. Collins  
NOTARY PUBLIC

JAMES G. COLLINS  
NOTARY PUBLIC, State of New York  
No. 4881903  
Qualified in Nassau County  
Commission Expires Dec. 29, 2010

**Appendix EE**  
**Equal Employment Opportunities for Minorities and Women**

The provisions of this Appendix EE are hereby made a part of the document to which it is attached.

The Contractor shall comply with all federal, State and local statutory and constitutional anti-discrimination provisions. In addition, Local Law No. 14-2002, entitled "Participation by Minority Group Members and Women in Nassau County Contracts," governs all County Contracts as defined herein and solicitations for bids or proposals for County Contracts. In accordance with Local Law 14-2002:

- (a) The Contractor shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status in recruitment, employment, job assignments, promotions, upgradings, demotions, transfers, layoffs, terminations, and rates of pay or other forms of compensation. The Contractor will undertake or continue existing programs related to recruitment, employment, job assignments, promotions, upgradings, transfers, and rates of pay or other forms of compensation to ensure that minority group members and women are afforded equal employment opportunities without discrimination.
- (b) At the request of the County contracting agency, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, union, or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability, or marital status and that such employment agency, labor union, or representative will affirmatively cooperate in the implementation of the Contractor's obligations herein.
- (c) The Contractor shall state, in all solicitations or advertisements for employees, that, in the performance of the County Contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.
- (d) The Contractor shall make best efforts to solicit active participation by certified minority or women-owned business enterprises ("Certified M/WBEs") as defined in Section 101 of Local Law No. 14-2002, for the purpose of granting of Subcontracts.
- (e) The Contractor shall, in its advertisements and solicitations for Subcontractors, indicate its interest in receiving bids from Certified M/WBEs and the requirement that Subcontractors must be equal opportunity employers.
- (f) Contractors must notify and receive approval from the respective Department Head prior to issuing any Subcontracts and, at the time of requesting such authorization, must submit a signed Best Efforts Checklist.
- (g) Contractors for projects under the supervision of the County's Department of Public Works shall also submit a utilization plan listing all proposed Subcontractors so that, to the greatest extent feasible, all Subcontractors will be approved prior to commencement of work. Any additions or changes to the list of subcontractors under the utilization plan shall be approved by the

Commissioner of the Department of Public Works when made. A copy of the utilization plan any additions or changes thereto shall be submitted by the Contractor to the Office of Minority Affairs simultaneously with the submission to the Department of Public Works.

(h) At any time after Subcontractor approval has been requested and prior to being granted, the contracting agency may require the Contractor to submit Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises. In addition, the contracting agency may require the Contractor to submit such documentation at any time after Subcontractor approval when the contracting agency has reasonable cause to believe that the existing Best Efforts Checklist may be inaccurate. Within ten working days (10) of any such request by the contracting agency, the Contractor must submit Documentation.

(i) In the case where a request is made by the contracting agency or a Deputy County Executive acting on behalf of the contracting agency, the Contractor must, within two (2) working days of such request, submit evidence to demonstrate that it employed Best Efforts to obtain Certified M/WBE participation through proper documentation.

(j) Award of a County Contract alone shall not be deemed or interpreted as approval of all Contractor's Subcontracts and Contractor's fulfillment of Best Efforts to obtain participation by Certified M/WBEs.

(k) A Contractor shall maintain Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises for a period of six (6) years. Failure to maintain such records shall be deemed failure to make Best Efforts to comply with this Appendix EE, evidence of false certification as M/WBE compliant or considered breach of the County Contract.

(l) The Contractor shall be bound by the provisions of Section 109 of Local Law No. 14-2002 providing for enforcement of violations as follows:

- a. Upon receipt by the Executive Director of a complaint from a contracting agency that a County Contractor has failed to comply with the provisions of Local Law No. 14-2002, this Appendix EE or any other contractual provisions included in furtherance of Local Law No. 14-2002, the Executive Director will try to resolve the matter.
- b. If efforts to resolve such matter to the satisfaction of all parties are unsuccessful, the Executive Director shall refer the matter, within thirty days (30) of receipt of the complaint, to the American Arbitration Association for proceeding thereon.
- c. Upon conclusion of the arbitration proceedings, the arbitrator shall submit to the Executive Director his recommendations regarding the imposition of sanctions, fines or penalties. The Executive Director shall either (i) adopt the recommendation of the arbitrator (ii) determine that no sanctions, fines or penalties should be imposed or (iii) modify the recommendation of the arbitrator, provided that such modification shall not expand upon any sanction recommended or impose any new sanction, or increase the amount of any recommended fine or penalty. The Executive Director, within ten days (10) of receipt of the arbitrators award and recommendations, shall file a determination of such matter and shall cause a copy of such determination to be served upon

the respondent by personal service or by certified mail return receipt requested. The award of the arbitrator, and the fines and penalties imposed by the Executive Director, shall be final determinations and may only be vacated or modified as provided in the civil practice law and rules ("CPLR").

(m) The contractor shall provide contracting agency with information regarding all subcontracts awarded under any County Contract, including the amount of compensation paid to each Subcontractor and shall complete all forms provided by the Executive Director or the Department Head relating to subcontractor utilization and efforts to obtain M/WBE participation.

Failure to comply with provisions (a) through (m) above, as ultimately determined by the Executive Director, shall be a material breach of the contract constituting grounds for immediate termination. Once a final determination of failure to comply has been reached by the Executive Director, the determination of whether to terminate a contract shall rest with the Deputy County Executive with oversight responsibility for the contracting agency.

Provisions (a), (b) and (c) shall not be binding upon Contractors or Subcontractors in the performance of work or the provision of services or any other activity that are unrelated, separate, or distinct from the County Contract as expressed by its terms.

The requirements of the provisions (a), (b) and (c) shall not apply to any employment or application for employment outside of this County or solicitations or advertisements therefor or any existing programs of affirmative action regarding employment outside of this County and the effect of contract provisions required by these provisions (a), (b) and (c) shall be so limited.

The Contractor shall include provisions (a), (b) and (c) in every Subcontract in such a manner that these provisions shall be binding upon each Subcontractor as to work in connection with the County Contract.

As used in this Appendix EE the term "Best Efforts Checklist" shall mean a list signed by the Contractor, listing the procedures it has undertaken to procure Subcontractors in accordance with this Appendix EE.

As used in this Appendix EE the term "County Contract" shall mean (i) a written agreement or purchase order instrument, providing for a total expenditure in excess of twenty-five thousand dollars (\$25,000), whereby a County contracting agency is committed to expend or does expend funds in return for labor, services, supplies, equipment, materials or any combination of the foregoing, to be performed for, or rendered or furnished to the County; or (ii) a written agreement in excess of one hundred thousand dollars (\$100,000), whereby a County contracting agency is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon. However, the term "County Contract" does not include agreements or orders for the following services: banking services, insurance policies or contracts, or contracts with a County contracting agency for the sale of bonds, notes or other securities.

As used in this Appendix EE the term "County Contractor" means an individual, business enterprise, including sole proprietorship, partnership, corporation, not-for-profit corporation, or any other person or entity other than the County, whether a contractor, licensor, licensee or any other party, that is (i) a party to a County Contract, (ii) a bidder in connection with the award of a County Contract, or (iii) a proposed party to a County Contract, but shall not include any Subcontractor.

As used in this Appendix EE the term "County Contractor" shall mean a person or firm who will manage and be responsible for an entire contracted project.

As used in this Appendix EE "Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises" shall include, but is not limited to the following:

- a. Proof of having advertised for bids, where appropriate, in minority publications, trade newspapers/notices and magazines, trade and union publications, and publications of general circulation in Nassau County and surrounding areas or having verbally solicited M/WBEs whom the County Contractor reasonably believed might have the qualifications to do the work. A copy of the advertisement, if used, shall be included to demonstrate that it contained language indicating that the County Contractor welcomed bids and quotes from M/WBE Subcontractors. In addition, proof of the date(s) any such advertisements appeared must be included in the Best Effort Documentation. If verbal solicitation is used, a County Contractor's affidavit with a notary's signature and stamp shall be required as part of the documentation.
- b. Proof of having provided reasonable time for M/WBE Subcontractors to respond to bid opportunities according to industry norms and standards. A chart outlining the schedule/time frame used to obtain bids from M/WBEs is suggested to be included with the Best Effort Documentation
- c. Proof or affidavit of follow-up of telephone calls with potential M/WBE subcontractors encouraging their participation. Telephone logs indicating such action can be included with the Best Effort Documentation
- d. Proof or affidavit that M/WBE Subcontractors were allowed to review bid specifications, blue prints and all other bid/RFP related items at no charge to the M/WBEs, other than reasonable documentation costs incurred by the County Contractor that are passed onto the M/WBE.
- e. Proof or affidavit that sufficient time prior to making award was allowed for M/WBEs to participate effectively, to the extent practicable given the timeframe of the County Contract.
- f. Proof or affidavit that negotiations were held in good faith with interested M/WBEs, and that M/WBEs were not rejected as unqualified or unacceptable without sound business reasons based on (1) a thorough investigation of M/WBE qualifications and capabilities reviewed against industry custom and standards and (2) cost of performance. The basis for rejecting any M/WBE deemed unqualified by the County Contractor shall be included in the Best Effort Documentation
- g. If an M/WBE is rejected based on cost, the County Contractor must submit a list of all sub-bidders for each item of work solicited and their bid prices for the work.
- h. The conditions of performance expected of Subcontractors by the County Contractor must also be included with the Best Effort Documentation
- i. County Contractors may include any other type of documentation they feel

necessary to further demonstrate their Best Efforts regarding their bid documents.

As used in this Appendix EE the term "Executive Director" shall mean the Executive Director of the Nassau County Office of Minority Affairs; provided, however, that Executive Director shall include a designee of the Executive Director except in the case of final determinations issued pursuant to Section (a) through (l) of these rules.

As used in this Appendix EE the term "Subcontract" shall mean an agreement consisting of part or parts of the contracted work of the County Contractor.

As used in this Appendix EE, the term "Subcontractor" shall mean a person or firm who performs part or parts of the contracted work of a prime contractor providing services, including construction services, to the County pursuant to a county contract. Subcontractor shall include a person or firm that provides labor, professional or other services, materials or supplies to a prime contractor that are necessary for the prime contractor to fulfill its obligations to provide services to the County pursuant to a county contract. Subcontractor shall not include a supplier of materials to a contractor who has contracted to provide goods but no services to the County, nor a supplier of incidental materials to a contractor, such as office supplies, tools and other items of nominal cost that are utilized in the performance of a service contract.

Provisions requiring contractors to retain or submit documentation of best efforts to utilize certified subcontractors and requiring Department head approval prior to subcontracting shall not apply to inter-governmental agreements. In addition, the tracking of expenditures of County dollars by not-for-profit corporations, other municipalities, States, or the federal government is not required.

Appendix U – Collective Bargaining

Title 56

COLLECTIVE BARGAINING ACTIVITIES OF UNIONS IN NASSAU COUNTY

§ 1. Legislative Intent.

This Legislature hereby finds and determines that funds appropriated by the County Legislature for the purchase of necessary goods and services should ultimately be expended solely for the purpose for which they were appropriated and should not be used to deter, or promote union organizing.

This Legislature also finds that the use of County funds and property to assist, deter or promote union organizing causes conflicts and work interruptions which waste scarce County resources on issues of secondary importance.

This Legislature further finds and determines that where the County expends significant resources for the purchase of goods or the delivery of needed human services, the County's financial interests is advanced by the promotion of non-confrontational procedures which limit the economic and social disruptions associated with collective bargaining disputes.

This Legislature also determines that the State of New York has recently enacted amendments to the New York Finance Law to restrict the use of State funds in assisting, deterring or promoting union organizing.

Therefore, the purpose of this law is to protect the County's financial interests in connection with its commitment of economic resources by prohibiting funding of certain forms of labor/management conflict and is not intended to provide an advantage to either labor or management during the conduct of union organization campaigns, nor to express any generally applicable policy regarding labor/management relations.

§2. Definitions.

As used in this law, the following terms shall have the meanings indicated:

- A. "Assist, Promote or Deter Union Organizing" shall mean any attempt by an employer to influence the decision of its employees in the County of Nassau or those of its subcontractors regarding either of the following:
  - 1.) whether to support or oppose a labor organization that represents or seeks to represent those employees; and
  - 2.) whether to become a member of any labor organization.
- B. "Binding Arbitration Agreements" shall mean a written agreement to submit any dispute



arising out of the efforts of a labor organization to represent the employees of a County contractor to final and binding arbitration.

- C. "County Contractor" shall mean any employer that receives more than Fifty Thousand (\$50,000) Dollars in County finds for supplying goods or services pursuant to a written contract with the County of Nassau or any of its agencies; pursuant to a Nassau County grant; pursuant to a Nassau County program; pursuant to a Nassau County reimbursement for services provided in any calendar year; or pursuant to a sub-contract with any of the above.
- D. "County Funds" shall mean any monies appropriated by the Nassau County Legislature.
- E. "County Property" shall mean any property or facility owned or leased to or by the County of Nassau or any Nassau County agency or authority.
- F. "Employee" shall mean any person employed by an employer other than a person employed in a supervisory, managerial or confidential position as defined by applicable law.
- G. "Employer" shall mean any individual, corporation, unincorporated association, partnership, government agency or authority, or another legal entity, whether a for profit entity, a not-for-profit entity or a public entity that employs more than one person in the County of Nassau.
- H. "Fair Communication Agreements" shall mean a written agreement requiring the parties to such agreement to refrain from providing employees with false and misleading information regarding the circumstances surrounding their employment.
- I. "Human Services Contract" shall mean a County contract, grant or reimbursement of over Fifty Thousand (\$50,000) Dollars for the provision of health, mental health, residential or day treatment services to the mentally ill and developmentally disabled, social services and other care and treatment services of the County.
- J. "Labor Disputes" shall mean any concerted action concerning wages, hours and conditions of employment or concerning the representation of person in negotiating, maintaining changing or seeking to arrange wages, hours and conditions of employment.
- K. "Labor Organization" shall mean an organization of any kind in which employees participate and which exists for the purpose, in whole or in part, or representing employees concerning wages, rates for pay, benefit, grievances, labor disputes, hours of employment, working conditions or other matters incidental to the employment relationship, and shall include the parent, national or international organization of a local labor organization.
- L. "Majority Authorization Card Agreement" shall mean a written agreement authorizing the recognition of a labor organization as the exclusive bargaining agent for a bargaining unit based on the presentation of a majority of authorizing cards.
- M. "Neutrality Agreement" shall mean a written agreement by a County contractor not to participate in or request or otherwise seek to influence, either in writing or orally, the decision of its employees as to whether or not to be represented by a labor organization.
- N. "Non-Intimidation Agreements" shall mean a written agreement prohibiting the parties from coercing or intimidating employees explicitly or implicitly in selecting or not selecting a

bargaining representative.

- O. "Reasonable Access Agreement" shall mean a written agreement granting a labor organization reasonable access to employees and information necessary to be communicated therewith.

§3. Prohibitions

- A. A County contractor shall not use any of County funds to assist, promote or deter union organizing.
- B. No County funds shall be used to reimburse a County contractor for any costs incurred to assist, promote or deter union organizing.
- C. The County of Nassau shall not use County funds to assist, promote or deter union organizing.
- D. All County contracts, grant applications, program guidelines and any other relevant documents shall contain the text of the prohibitions in this section.
- E. No employer shall use County property to hold a meeting with employees or supervisors if the purpose of such meeting is to assist, promote or deter union organizing.
- F. Prior to the award of a County contract or grant, and/or prior to authorization to participate in a County program, the potential awardee, recipient, and or program participant, as the case may be, shall provide a certification, subscribed by such awardee, recipient and or program participant and affirmed by said person as true under the penalties of perjury to the County agency or authority involved that none of the funds shall be used to assist, promote or deter union organizing.
- G. Every request for payment of County funds by a County contractor shall include a certification, subscribed to by such person seeking reimbursement and affirmed by said person as true under the penalties of perjury, that the contractor is not seeking reimbursement for costs incurred to assist, promote or deter union organizing.
- H. Every County Department, Agency, Authority or Office shall require those seeking County contracts, grants, awards, program participation and/or County reimbursement to certify and affirm as true under the penalty of perjury that such entities will take all action necessary to ensure that County funds are not used to assist, promote or deter union organizing.
- I. Any County contractor who makes expenditures or incurs costs to assist, promote or deter union organizing shall maintain records sufficient to show that no County funds were used for those expenditures and, as applicable, that no reimbursement from County funds has been sought for such costs. Such records shall be made available to the pertinent County agency or authority, the County Comptroller, or the County Attorney, upon request.

§ 4. Accounting.

Each County contractor shall account for funds spent on assisting, deterring or promoting union organizing activities as follows:

- A. County funds designated by the County for use for a specific expenditure of the recipient shall be accounted for as allocated to the expenditure.
- B. County funds that are not designated as described in paragraph (A) of this section shall be allocated on a pro rata basis to all expenditures by the recipient that support the program for which the grant is awarded.
- C. If County funds and other funds are commingled, and the contractor fails to keep records sufficient to satisfy the requirements of paragraphs (A) or (B) of this section, any expenditure to assist, promote or deter union organizing shall be allocated between the County funds and other funds on the pro rata basis derived from the interplay of paragraphs (A) and (B) of this section.
- D. Any expense, including legal and consulting fees and salaries of supervisor and employees, incurred for research for, or preparation, planning or coordination of, carrying out, an activity to assist, promote or deter union organizing shall be treated as paid or incurred for that activity.

§ 5. Applicability.

- A. This law shall apply to any contracts awarded on or after the effective date of this law.
- B. This law shall not apply to an activity performed or to an expense incurred in connection with any of the following:
  - 1. addressing a grievance or negotiating or administering a collective bargaining agreement;
  - 2. allowing a labor organization or its representative's access to the employer's facility or property;
  - 3. performing an activity required by Federal or State law or by a collective bargaining agreement; and
  - 4. negotiating, entering into or carrying out a voluntary recognition agreement with a labor organization.

§ 6. Implementation.

Every Nassau County Department, Agency; Authority or Office shall:

- 1. Include in all bid documents, County grant applications, County program guidelines and County reimbursement documents, a statement informing potential and actual County contractors that the efficient, timely and non-disruptive provision of goods and services sought by such Department, Agency, Authority or Office is a paramount financial interest of the County of Nassau and as such the County expects the potential County contractor to protect the County's financial interest by adopting non-confrontational procedures for the orderly resolution of labor disputes. The statement shall also inform the potential and actual County contractors that such non-confrontational procedures may include, but are not limited to, neutrality

agreements, majority authorization card agreements, binding arbitration agreements, fair communication agreements, non-intimidation agreements and reasonable access agreements.

2. Require County contractors and those seeking County contracts, to certify and affirm as true under the penalty of perjury:
  - a. that such contractor will not express to employees any false or misleading information that is intended to influence the determination of employee preferences regarding union representation;
  - b. that such contractor will not coerce or intimidate employees, explicitly or implicitly, in selecting or not selecting a bargaining representative;
  - c. that such contractor will not require an employee, individually or in a group, to attend a meeting or an event that is intended to influence his or her decision in selecting or not selecting a bargaining representative;
  - d. that such contractor understands its obligation to limit disruptions caused by pre-recognition labor disputes through the adoption of non-confrontational procedures for the resolution of pre-recognition labor disputes with employees engaged in the production of goods or the rendering of services for the County; and
  - e. that such contractor has and will adopt any or all of the above-referenced procedures, or their functional equivalent, to ensure the efficient, timely and quality provision of goods and services to the County. The contractor shall include a list of said procedures in such certification.
3. Ensure that every County contract for the provision of services, when such services will be performed on County property, include as a condition of award, grant receipt or reimbursement, as the case may be, a requirement that such County contractor adopt a reasonable access agreement, a neutrality agreement, fair communication agreement, non-intimidation agreement, and a majority authorization card agreement.
4. Ensure that every County contract for the provision of human services, when such services are not to be performed on County property, include as a condition of award, grant receipt or reimbursement, as the case may be, a requirement that such County contractor adopt, at the least, a neutrality agreement.

§ 7. Penalties.

- A. A County contractor who expends funds and/or obtains reimbursement for funds spent in violation in Section 3 or 4 of this law shall be liable for any funds so expended plus a civil penalty equal to twice the amount of those funds. Such penalty shall not be paid by the contractor from any other County funds. In addition, said County contractor shall be prohibited from bidding on County contracts for a period of five (5) years from the final determination of a violation, either by administrative action or judicial action.

- B. An employer that violates Section 3 of this law, shall also be liable for a civil penalty equal to One Thousand (\$1,000) Dollars per employee per meeting. Such penalty shall not be paid by the employer from any other County funds.
- C. Any public official who knowingly authorizes the use of County funds in violation of Section 3 of this law, shall be liable to the County for those funds.

Section 8. Enforcement.

- A. A civil action for a violation of this law may be brought by the County Attorney's office for injunctive relief, damages, civil penalties and other appropriate equitable relief.
- B. All damages and civil penalties collected pursuant to this law shall be paid to the general fund of the county;
- C. Any Labor Organization may file a complaint with the Nassau County Department of Labor or the Nassau County Attorney's office alleging violations of this law. Said complaint shall be promptly investigated and a written response shall be issued to the complaining Labor Organization.

§ 9. Rules and Regulations.

The Department of Labor shall promulgate such rules and regulations as it deems necessary and appropriate for the implementation and enforcement of any provision of this law.

§ 10. Severability.

If any clause, sentence, paragraph, subdivision, section or part of this law or the application thereof to any person, individual, corporation, firm, partnership, entity, or circumstance shall be adjudged by any court of competent jurisdiction to be invalid or unconstitutional, such order or judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, subdivision, section or part of this law or in its application to the person, individual, corporation, firm, partnership, entity or circumstance directly involved in the controversy in which such order or judgment shall be rendered.

§ 11. Effective Date.

This law shall take effect on the later of March 1, 2004 or upon the filing with the Office of the Secretary of State.



## Appendix L

### Certificate of Compliance

In compliance with Local Law 1-2006, as amended (the "Law"), the Contractor hereby certifies the following:

1. The chief executive officer of the Contractor is:

John S. Marr, Jr. (Name)

370 U.S. Route One, Falmouth ME 04105 (Address)

800-772-2260 (Telephone Number)

2. The Contractor agrees to either (1) comply with the requirements of the Nassau County Living Wage Law or (2) as applicable, obtain a waiver of the requirements of the Law pursuant to section 9 of the Law. In the event that the contractor does not comply with the requirements of the Law or obtain a waiver of the requirements of the Law, and such contractor establishes to the satisfaction of the Department that at the time of execution of this agreement, it had a reasonable certainty that it would receive such waiver based on the Law and Rules pertaining to waivers, the County will agree to terminate the contract without imposing costs or seeking damages against the Contractor

3. In the past five years, Contractor \_\_\_\_\_ has X has not been found by a court or a government agency to have violated federal, state, or local laws regulating payment of wages or benefits, labor relations, or occupational safety and health. If a violation has been assessed against the Contractor, describe below:

---

---

---

---

---

---

---

---

4. In the past five years, an administrative proceeding, investigation, or government body-initiated judicial action \_\_\_\_\_ has X has not been commenced against or relating to the Contractor. If such a proceeding, action, or investigation has been commenced, describe below:

---

---

---

---

---

---

---

---

5. Contractor agrees to permit access to work sites and relevant payroll records by authorized County representatives for the purpose of monitoring compliance with the Living Wage Law and investigating employee complaints of noncompliance.

I hereby certify that I have read the foregoing statement and, to the best of my knowledge and belief, it is true, correct and complete. Any statement or representation made herein shall be accurate and true as of the date stated below.

7/13/07  
Dated

Benjamin S. Story III  
Signature of Chief Executive Officer  
VICE PRESIDENT, OPERATIONS  
BENJAMIN S. STORY, III  
Name of Chief Executive Officer

Sworn to before me this

13 day of July, 2007.

Karen A. Hamlett  
Notary Public

KAREN A. HAMLETT, Notary Public  
In and for the State of Ohio  
My Commission Expires Feb. 25, 2012





# **Exhibit A**

Contract ID#: COIT07000040



Department: Information Technology

**E-56-11**  
**CF**

# **CF (Capital)** **Contract Details**

SERVICE ADAPT.

NIFS ID #: CLIT11000001

NIFS Entry Date: 01/31/11

Term: from 07/13/07 to 07/12/11

New <input type="checkbox"/> Renewal <input type="checkbox"/>
Amendment <input checked="" type="checkbox"/>
Time Extension <input type="checkbox"/>
Addl. Funds <input type="checkbox"/>
Blanket Resolution <input type="checkbox"/>
RES#

1) Mandated Program:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
2) Comptroller Approval Form Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
3) CSEA Agmt. § 32 Compliance Attached:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
5) Insurance Required:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

## **Agency Information**

Vendor	
Name Tyler Technologies	Vendor ID# 752303920-01
Address 3199 Klepinger Road Dayton, OH 45406	Contact Person: Andy Teed
	Phone 1-800-800-2581

County Department	
Department Contact Ed Eisenstein	****Please return final, completed contract to Peggy Brown
Address 240 Old Country Road Mineola, NY 11501	
Phone (516) 571-4265	

## **Routing Slip**

DATE Rec'd	DEPARTMENT	Internal Verification	DATE App'd & Fw'd	SIGNATURE	Leg. Approval Required
	Department	NIFS Entry (Dept) NIFS Appvl (Dept. Head) Contractor Registered	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
	DPW (Capital Only)	CF Capital Fund Approval	<input type="checkbox"/>		<input type="checkbox"/>
	OMB	Contractor Registered NIFS Approval	<input type="checkbox"/>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not required Blanket Res.
3/1/11	County Attorney	CA RE & Insurance Verification	<input type="checkbox"/>		<input type="checkbox"/>
2/3/11	County Attorney	CA Approval as to form	<input checked="" type="checkbox"/>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	Legislative Affairs	Fw'd Original Contract to CA	<input type="checkbox"/>		<input type="checkbox"/>
	County Attorney	NIFS Approval	<input type="checkbox"/>		<input type="checkbox"/>
	Comptroller	NIFS Approval	<input checked="" type="checkbox"/>		<input type="checkbox"/>
	County Executive	Notarization Filed with Clerk of the Leg.	<input type="checkbox"/>		<input type="checkbox"/>

Contract ID#: COIT07000040



Department: Information Technology

## Contract Summary

**Description:**

Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection & Refunds "ADAPT".

**Purpose:**

ADAPT will be used to maintain assessment, appeal, tax extension and collection records for all real property within the County, compute partial exemptions and other tax relief measures, establish tax rates, process tax appeals, support residential and commercial valuation for appeal adjudication and defense, handle delinquency and lien processes, calculate refunds, and make timely information available to Nassau County employees in the Assessment Department, Assessment Review Commission, County Treasurer's and County Attorney's Offices.

**Method of Procurement:**

Request for Proposal.

**Procurement History:**

An RFP was issued on January 5, 2006. Four vendors submitted their proposals which included Tyler Technologies, Manatron, SD Services, and ACS, Inc. Tyler Technologies and Manatron were selected as the two finalists and the award was granted to Tyler Technologies. The selection committee consisted of the representatives from Information Technology, Assessment, Assessment Review Commission, County Attorney and the Treasurer's Office.

**Description of General Provisions:**

ADAPT will interface with the County WebSphere Portal, the GIS data warehouse, the Assessment Review on the Web (AROW) system, the Tyler IAS CAMA system and the Tier FAMIS system. It will be accessible by any standard web browser and host online applications on the County WebSphere portal and ADAPT will comply with the requirements as set forth in the County's RFP.

**Impact on Funding / Price Analysis:**

Under the original contract, the amount paid to the contractor was Five Million, Five Hundred and Thirty Three Thousand, Three Hundred and Fifty Dollars (\$5,533,350). The price included license fees, service fees, and other fees and expenses. The contract is being amended to provide for necessary enhancements in Phase II of the project. These enhancements will require additional spending of One Million, Two Hundred Thousand Dollars (\$1,200,000). These funds were budgeted and planned for this type of work at the beginning of the project.

**Change in Contract from Prior Procurement:**

The contract is being amended to pay the contractor an additional One Million, Two Hundred Thousand Dollars (\$1,200,000) for necessary enhancements in Phase II of the project. These funds were budgeted and planned for at the beginning of the project.

**Recommendation:**

Approve as submitted.

## Advisement Information

BUDGET CODES	
Fund:	PW
Control:	CAP
Resp:	97121
Object:	00005
Transaction:	

RENEWAL	
% Increase	
% Decrease	

FUNDING SOURCE	AMOUNT
Revenue Contract <input type="checkbox"/>	XXXXXXX
County	\$
Federal	\$
State	\$
Capital	\$1,200,000.00
Other	\$
<b>TOTAL</b>	<b>\$1,200,000.00</b>

LINE	INDEX/OBJECT CODE	AMOUNT
6	PWCAPCAP/00005/97121	\$1,200,000.00
1		\$
2		\$
4		\$
5	INSURANCE SECTION	(\$1,200,000.00)
		\$
<b>TOTAL</b>		<b>\$1,200,000.00</b>

Document Prepared By: Steven Conkling

Date: 1/28/11

NIFS Certification		Comptroller Certification		County Executive Approval	
I certify that this document was accepted into NIFS.		I certify that an unencumbered balance sufficient to cover this contract is present in the appropriation to be charged.		Name: <i>[Signature]</i>	
Name: <i>[Signature]</i>		Name: <i>[Signature]</i>		Date: 2/22/11	
Date: 8/17/11		Date: 7/22/11		E #: (For Office Use Only)	

PRCF1205 (3/06)

E. 56 11

RULES RESOLUTION NO. 116 - 2011

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICE  
AGREEMENT BETWEEN THE COUNTY OF NASSAU ACTING ON  
BEHALF OF THE DEPARTMENT OF INFORMATION TECHNOLOGY  
and TYLER TECHNOLOGIES, INC., CLT DIVISION

Passed by the Rules Committee

Nassau County Legislature

By Voice Vote on MAY 02 2011

VOTING:

ayes 6 nays 0 abstained 0 recused 0  
Legislators present: 6

WHEREAS, the County has negotiated an Amendment to a personal  
services agreement with Tyler Technologies, Inc., CLT Division for services  
in connection with certain assessment, appeal, tax extension and collection  
records for real property within the County, a copy of which is on file with  
the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County  
Legislature authorizes the County Executive to execute the said agreement  
with Tyler Technologies, Inc., CLT Division.

RULES RESOLUTION NO.

- 2011

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICE  
AGREEMENT BETWEEN THE COUNTY OF NASSAU ACTING ON  
BEHALF OF THE DEPARTMENT OF INFORMATION TECHNOLOGY  
and TYLERTECHNOLGIES, INC.; CLT DIVISION

WHEREAS, the County has negotiated an Amendment to a personal services agreement with Tyler Technologies, Inc., CLT Division for services in connection with certain assessment, appeal, tax extension and collection records for real property within the County, a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the said agreement with Tyler Technologies, Inc., CLT Division.

FAML4010 V4.2

LINK TO:

NIES PRODUCTION SYSTEM  
DOCUMENT HEADER

01/31  
10:

DOCUMENT CATEGORY  
ENTERED BY  
DOCUMENT NUMBER  
INPUT PERIOD (MM YYYY)  
VENDOR NUMBER / SUFFIX  
VENDOR NAME  
VENDOR ADDRESS

: CL CONTRACT INCREASE /CHANGE TERMS  
: BROWN, PEGGY, 16627

: 01 2011 JANUARY

INITIATING DEPT : IT

APPROVAL TYPE :

COUNTRY  
ALPHA VENDOR  
BANK NUMBER  
DUE DATE  
DOCUMENT AMOUNT  
NUMBER OF LINES  
TRANSACTION CODE HASH  
TERMS  
POSTING/EDIT ERRORS

TREAS NO  
SINGLE CHECK  
CURRENCY CODE  
RESPONSIBLE UNIT

NOTEPAD (Y OR N) :

F1-HELP F2-SELECT  
F7-VIEW DOC F8-SUBMIT

F3-DELETE F4-PRIOR  
F9-LINK F10-SAVE

F5-NEXT

F6-DTL ENTF  
F12-ADL FCT

APPROVAL PATH FOUND AND SUCCESSFULLY BUILT FOR DOCUMENT NUMBER : CLIT11000

FAML4010 V4.2  
LINK TO:

DOCUMENT CATEGORY  
ENTERED BY  
DOCUMENT NUMBER  
INPUT PERIOD (MM YYYY)  
VENDOR NUMBER / SUFFIX  
VENDOR NAME  
VENDOR ADDRESS

COUNTRY  
ALPHA VENDOR  
BANK NUMBER  
DUE DATE  
DOCUMENT AMOUNT  
NUMBER OF LINES  
TRANSACTION CODE HASH  
TERMS  
POSTING/EDIT ERRORS  
F1-HELP F2-SELECT  
F7-VIEW DOC F8-SUBMIT  
G014 - RECORD FOUND

NIFS PRODUCTION SYSTEM  
DOCUMENT HEADER

01/3  
10

: CL CONTRACT INCREASE /CHANGE TERMS  
: BROWN, PEGGY, 16627  
: CLIT11000001  
: 01 2011 JANUARY  
: 752303920 01  
: TYLER TECHNOLOGIES, INC.  
: 200 OLD COUNTRY ROAD  
: SUITE 265  
: MINEOLA

INITIATING DEPT : IT

APPROVAL TYPE : 01

NY 11501

: USA  
: TYLER TECHNOLOGIES, INC.

TREAS NO  
SINGLE CHECK  
CURRENCY CODE  
RESPONSIBLE UNIT

: 1 1,200,000.00

NOTEPAD (Y OR N) : N

F3-DELETE  
F9-LINK

F4-PRIOR  
F10-SAVE

F5-NEXT

F6-DTL ENTH  
F12-ADL FCI



FAML4050 V4.2

LINK TO:

NIFS PRODUCTION SYSTEM  
ENCUMBRANCE / ACC RECEIVABLE DOCUMENTS

01/31/20

10:45

DOCUMENT : CLIT11000001 - 01 INPUT PER: 01 2011 AMOUNT : 1,200,000.

-----  
TRANS CODE : 109 ADD A SUFFIX TO A CONTRACT  
DOCUMENT REF : CQIT07000040 06  
TRANS DESC. : TYLER ADAPT PHASE II AMEND 7/13/07-7/12/11 1.2 MIL  
TRANS AMOUNT : 1,200,000.00  
INDEX : PWCAPCAP CAPITAL PROJECTS FUND  
SUBJECT : 00005 EQUIPMENT  
UCODE/ORD#/DRC :  
GRANT :  
GRANT DETAIL :  
PROJECT : 97121 ADAPT  
PROJECT DETAIL : 000 ADAPT  
START DATE :  
END DATE :

FINANCIAL ERRORS :

F1-HELP F2-SELECT F3-DELETE F4-PRIOR F5-NEXT  
F7-VIEW DOC F9-LINK F10-SAVE

FAML4760 V4.2  
LINK TO:

NIFS PRODUCTION SYSTEM  
DOCUMENT DISPLAY

01/3  
10

DOCUMENT : CLIT11000001

INPUT PERIOD : 01 2011

AMT :

1,200,1

S SFX T/C DOCUMENT REF

INDEX

SUBOBJ VENDOR

G/L SUBS1  
TRANS AMOUNT

PST/GST DESCRIPTION  
01 109 CQIT07000040 06

PWCAPCAP

00005

TYLER ADAPT PHASE II AMEND 7/13/07-7/12/11 1.2 MIL

1,200,0

F1-HELP F2-SELECT  
F7-PRIOR PG F8-NEXT PG F9-LINK

LINK TO:

10:37

ACTIVE

FISCAL MO/YEAR : 01 2011 JAN 2011

DOCUMENT PREFIX:

S	DOCUMENT	INDEX	SUBOBJ	VENDOR NAME	PAY/RCPT	BALAN
	CQIT07000040	01	PWCAPCAP	00005 TYLER TECHNOLO	400,000	
	CQIT07000040	02	PWCAPCAP	00005 TYLER TECHNOLO	788,147	211,8
	CQIT07000040	03	PWCAPCAP	00005 TYLER TECHNOLO	756,859	
	CQIT07000040	04	PWCAPCAP	00005 TYLER TECHNOLO	533,350	
	CQIT07000040	05	PWCAPCAP	00005 TYLER TECHNOLO	1,385,278	1,457,8
	CQIT07000041	01	ITGEN2000	DD403 SWIFTREACH NET	0	
	CQIT07000042	01	ITGEN2000	DD403 VILLAGE OF HEM	0	
	CQIT07000043	01	ITGEN2000	DD403 SUSTAINABLE LO	0	
	CQIT07000044	01	PWCAPCAP	00005 CRW SYSTEMS, I	324,500	6,0
	CQIT07000045	01	ITGEN2000	DD403 MCLEAN ASSOCIA	0	
	CQIT07000046	01	ITGEN2000	DD403 SACCARDI & SCH	0	
	CQIT07000047	01	ITGEN2000	DD403 GEOSPATIAL INN	0	
	CQIT07000048	01	ITGEN1900	DE5A5 SALMON LLC	49,000	
	CQIT07000049	01	ITGEN2000	DD403 THE MAP GROUP,	0	
	CQIT07000051	01	ITGEN2000	DD403 BOWNE MANAGEME	0	

F1-HELP

F2-SELECT

F5-NEXT

F7-PRIOR PG

F8-NEXT PG

F9-LINK

G014 - RECORD FOUND

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.  
CONTRACTOR ADDRESS: 3199 Klepinger Road, Dayton, OH 45406  
FEDERAL TAX ID #: 75-2303920

**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 \_\_\_\_\_ [newspaper advertisement, posting on website, mailing, etc.]. \_\_\_\_\_ [#] of potential proposers requested copies of the RFP. Proposals were due on \_\_\_\_\_ [date]. \_\_\_\_\_ [#] proposals were received and evaluated. The evaluation committee consisted of: \_\_\_\_\_

\_\_\_\_\_ [list members]. The proposals were scored and ranked. As a result of the scoring and ranking (attached), the highest-ranking proposer was selected.

**III. [X] This is an 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.

**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 Law Section 119-o, the department is purchasing the service required through an inter-municipal agreement.

**VI. ☐ This is a human services contract with a not-for-profit agency for which competitive process has not been initiated.** Attached is a memorandum that explains the reason 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, when 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.

***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

\_\_\_\_\_  
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. 02/04*



**Nassau County Department of Information Technology  
Inter-Departmental Memo**

**To:** Francis X. Moroney, Chief Deputy Comptroller, Comptroller's Department

**From:** Steven Conkling, ADAPT ESC Chairman

**Date:** January 28, 2011

**Subject:** Evaluation of Contractor Performance

**Tyler Technologies, COIT07000040**

**Evaluation of Contractor Performance**

Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection & Refunds "ADAPT" system

Nassau County entered into contract extension with Tyler Technologies on August 16, 2007. The contractor has performed at or above the standards set forth in the contract.

Has the Contractor operated within the timeframe set forth in the contract?

☒ Yes ☐ No

Has the Contractor operated within the budget set forth in the contract?

☒ Yes ☐ No

Has the Contractor submitted deliverables as set forth in the contract?

☒ Yes ☐ No

Has the Contractor met all obligations as set forth in the contract?

☒ Yes ☐ No

The IT Department has rated the work of Tyler Technologies as:

☐ Poor

☐ Fair

☐ Good

☒ Excellent

☐ Outstanding

The IT Department has been monitoring their performance with satisfaction and wish to extend the \$1,200,000.00 of the contract for an additional two years.

  
Project Manager or Supervisor Signature

  
Steven Conkling, ADAPT ESC Chairman  
Signature

## AMENDMENT NO. 1

AMENDMENT, dated as of January 27, 2011 (together with any appendices or exhibits hereto), 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 (IT), having its principal contact offices at 240 Old Country Road, Mineola, New York 11501 (the "Department"), and (ii) Tyler Technologies, Inc., CLT Division ("Tyler/CLT"), authorized to do business in the State of New York, having its principal office at 3199 Klepinger Road, Dayton, Ohio 45406 and its local office at 140 Old Country Road, Suite 200, Mineola, New York 11501 (the "Contractor").

### W I T N E S S E T H

WHEREAS, pursuant to County contract number CQIT07000040 between the County and the Contractor, executed on behalf of the County on or about July 13, 2007 (the "Original Agreement"), the Contractor performed and continues to perform certain services for the County in connection with certain assessment, appeal, tax extension and collection records for real property within the County, which services are more fully described in the Original Agreement, the services contemplated by the Original Agreement, the "Services"; and

WHEREAS, the term of the Original Agreement is from July 13, 2007 through July 12, 2011 (the "Original 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 Five Million, Five Hundred Thirty-Three Thousand, Three Hundred Fifty Dollars (\$5,533,350.00) (the "Maximum Amount"); and

WHEREAS, the County and the Contractor desire to increase the Maximum Amount,

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

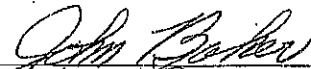
1. Maximum Amount. The Maximum Amount in the Original Agreement shall be increased by One Million Two Hundred Thousand Dollars (\$1,200,000.00), so that the maximum amount that the County shall pay the Contractor as full consideration for all Services provided under the Amended Agreement shall be Six Million, Seven Hundred Thirty-Three Thousand, Three Hundred Fifty Dollars (\$6,733,350.00), including the increase (the "Amended Maximum Amount").



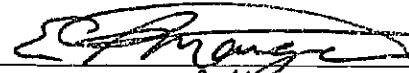
2. Services. The Services provided by the Contractor shall be amended to include the services more fully described in the Change Control Forms attached hereto collectively as Exhibit "A".
3. Payment Terms. Amounts paid by the County to the Contractor under the Amended Agreement shall be made pursuant to the procedure set forth in paragraph "Fourth" of the Original Agreement, except that the Contractor's time to submit the claims for the services covered by this Amended Agreement shall be extended for a period of three (3) months subsequent to the date that this Amended Agreement is executed.
4. Full Force and Effect. All the terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of this Amended Agreement.


IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

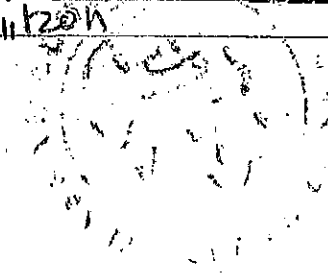
TYLER TECHNOLOGIES, INC. CLT DIVISION

By:   
Name: JOHN BAKER  
Title: DIRECTOR OF INSIDE SALES  
Date: 01/27/11

NASSAU COUNTY

By:   
Name: Edward P. Mangano  
Title: Deputy County Executive  
Date: 8/11/2011

  
DOREEN R. PENNICA  
NOTARY PUBLIC  
STATE OF NEW YORK  
COMMISSION NO. 01PE6170832  
EXPIRES 7/23/2015



2. Services. The Services provided by the Contractor shall be amended to include the services more fully described in the Change Control Forms attached hereto collectively as Exhibit "A".
3. Payment Terms. Amounts paid by the County to the Contractor under the Amended Agreement shall be made pursuant to the procedure set forth in paragraph "Fourth" of the Original Agreement, except that the Contractor's time to submit the claims for the services covered by this Amended Agreement shall be extended for a period of three (3) months subsequent to the date that this Amended Agreement is executed.
4. Full Force and Effect. All the terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of this Amended Agreement.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

TYLER TECHNOLOGIES, INC. CLT DIVISION

By: John Baker  
Name: JOHN BAKER  
Title: DIRECTOR OF INSIDE SALES  
Date: 01/27/11

Karen A. Jackson (Hamlett)

KAREN A. HAMLETT, Notary Public  
In and for the State of Ohio  
My Commission Expires Feb. 25, 2012

NASSAU COUNTY

By: E. Mangano  
Name: Edward P. Mangano  
Title: Deputy County Executive  
Date: 7/11/2011

Doreen R. Pennica  
DOREEN R. PENNICA  
NOTARY PUBLIC  
STATE OF NEW YORK  
COMMISSION NO. 01PE6170832  
EXPIRES 7/23/2015

## Exhibit A

### Phase II Summary sheet of Changes and Enhancements

Request Number	Description	Cost
1	Cage Cash Counting	10,000.00
2	iField Licensing and Implementation	110,636.00
3	iRespond Implementation and convert historical TAN data into the ADAPT database	97,554.00
4	Additional Business Process Support Hours and User Training Support	597,720.00
5	Mass Reversals of payment plans	16,500.00
6	Mass Pyramids	14,500.00
7	Repetitive Lien Redemption data	10,000.00
8	SCAR Mass Appraisal thru Modeling	50,000.00
9	Suspend Payments	10,000.00
10	View Photos in IVG , Access Landdisc thru EUN	10,680.00
11	Integrate Lease Abstract with IVG	30,500.00
12	IVG EUN GIS Mapping	10,000.00
13	Modifications to Delinquency Reports.	23,840.00
14	Modifications to Delinquency Datalets	12,530.00
15	Upgrade to WF 4.0 Conversion	120,540.00
16	Workflow Modifications	75,000.00
		1,200,000.00

## Exhibit A

---

### **Cage Cash Counting**

The RFP did not include a requirement for a Cashiering system. There is a cashiering functionality within the MONY system that was lost with the move to ADAPT. An Access system was set up to perform this function, but the Treasurer's office would like the functionality included in ADAPT so they do not have to go to multiple systems, thereby reducing the possibility of errors. This enhancement will aid the cashiers with the verification of cash received by taxpayers and calculation of change due, if any. The cash tendered is entered by denomination and the CHANGE DUE will automatically calculate the amount the taxpayer is due back.

### **iField Licensing and Implementation**

This change to the ADAPT project is to configure Tyler's iField module for use within ADAPT. iField is a module within the iasWorld suite of software that allows for scheduling and tracking of assessors appointments and field work. The Department of Assessment would like to implement this module. As of the latest contract with Tyler, the County does not have a license for iField. This change will allow the Department of Assessment to use the iField module within ADAPT for better control of workflow within the residential and commercial field units.

### **iRespond Implementation and convert historical TAN data into the ADAPT database**

This change to the ADAPT project is to configure Tyler's iRespond module for use within ADAPT and convert historical TAN data into the ADAPT database. TAN is the system currently used by the Department of Assessment to track and maintain all records related to taxpayer phone calls, emails, letters and in-person visits. The iRespond module within the Tyler Software suite will replace the TAN system. iRespond needs to be configured and set up for use within Nassau County by the four agencies using iasWorld / ADAPT. In addition, data currently stored in the system / database known as Tan by the Department of Assessment needs to be converted and loaded into the iRespond tables so it is accessible within ADAPT / iRespond. This change will allow for a seamless transition for current users of the Tan system into the ADAPT environment.

### **Additional Business Process Support Hours and User Training Support**

The ADAPT Project needs more business system support and training than anticipated. The project would be more successful with this additional support time for the users creating additional efficiency and a more positive experience for the citizenry who use these services.

The cost of this has been projected on the following basis:

- All training is priced in blocks of five days providing one day of the five used for travel.
- All Business Process Support is priced as onsite with the understanding that travel time will be billed as BPS hours.
- Travel and other out-of-pocket expenses will be billed at direct cost.

The County will be billed on a monthly basis for time used, not to exceed \$597,720.00.

### **Mass Reversals of payment plans**

The system's payment reversal is done by individual payments. When there is an extension plan there can be multiple payments that need to be reversed at once. We need the ability to reverse money in a payment plan account as a whole with one check and not by payment number. Some of these accounts have numerous payments and we cannot reverse each one individually with separate checks but as a whole in order to refund either the property owner or

## Exhibit A

---

pay the tax. The individual reversal works correctly for the other types of payments just not for payment plans.

### **Mass Pyramids**

Due to the increase in requests for pyramiding liens, we need the ability to pyramid liens on a massive scale. We need the ability to pyramid liens in mass to a single lien holder. Usually a lien holder will come in with one check and want to do a number of these pyramids. We need the ability to bring up an "on-to" lien, hit a button and then all of the liens that are associated with that parcel will come up and we would choose the liens we want to pyramid. It would not matter if the liens that come up are owned by the "on-to" lien holder or a different lien holder. We would then pick the liens we want to pyramid and go forward to the next "on-to" lien and proceed as above. At the end, when all of the "on-to" liens have been chosen with the respective pyramid liens, then the process would be completed with the total and all of the liens processed through the one check.

### **Repetitive Lien Redemption data**

When liens are redeemed very often the check number is the same for multiple liens. In order to save time and avoid data entry errors, we need a way to have the check number, date and amount repeat automatically like it did in MONY. There was a discussion of possibly having a quick data entry screen. We only want to enter the certificate number, check number, check date and amount paid to the lien holder once.

### **SCAR Mass Appraisal thru Modeling**

The number of SCAR filings has risen from roughly 28,000 for tax year 2010 to 40,000 for tax year 2011. The increase will place a tremendous burden on the Department of Assessments SCAR division. A process is needed to 'batch' SCAR filings identified as low to medium risk case so that Tax Specialists can concentrate their efforts on the high risk SCAR filings. Without this 'batch' process, the Tax Specialists will not be able to keep up with their hearing preparations. This could lead to an increase in overtime and a potential for increase refund liability. The 40,000 parcels that filed SCARs for tax year 2011 would be run through a modified market model using the ADAPT software. All work would be done in fictitious tax year 2099. Variables within IAS models would be simplified for use in this process and a separate sales extract would also be done. In the end, the SCAR division would be able to decide which of the 40,000 SCAR filings they wanted to use this batch process for. This batch process will select comparable sales, create an estimate of value and produce two reports. One report would be the comparable 'grid' similar to the grid being produced using the ADAPT RVG. The second would be the sales radius report, also similar to the report being produced using the RVG.

### **Suspend Payments**

Twice a year (June for School taxes and September for General taxes) the County Treasurer's office receives checks for tax payments before the roll from the Receivers is certified. During this time payments cannot be posted and accumulate in the office. The County wants to deposit these checks in a timelier manner to improve cash flow. The County would like a way to record the payments and deposit the checks while they are waiting for the Receivers to finish balancing.

### **View Photos in IVG, Access Landisc thru EUN**

The IVG does not show the property photos nor is there a way to access the photos by EUN. The only way to view the photos is to go out of the IVG and view each parcel individually in PRM. This also includes the GIS mapping. ARC needs to view property photos while working

## Exhibit A

---

in the IVG. The Landisc will need to be searchable by EUN. We would like a tab on the IVG where the parcels that comprise the EUN will have photos for each parcel except where there is a condominium for the EUN, the only photos for the condominium need be displayed once. There also needs to be links from the EUN to the GIS mapping.

### **Integrate Lease Abstract with IVG**

The IVG does not have a connection the Lease Abstracts. When working on a commercial case they need lease information readily available. ARC needs to access Lease Abstracts while working in the IVG. Functionality should be similar to RVG comp selection. Launch a screen where the Lease table can be searched and select the comparable leases that will be used for the income analysis and post back to a tab on the IVG.

The fields listed should include all in the lease table and the search fields will be: Primary Group, Secondary Group, Property Address, Community, Town/City, Section, Block, Lots, Gross Sq. Ft. Building Area, Land-Building Ratio, Gross Sq. Ft. Land Area, Lease Signing Date, Lease Start Date, Gross Sq. Ft. Rental Area, 1st Year's Base Rent Per Sq. Ft., 1st Year's Gross Rent Per Sq. Ft., Gross Rent Per Sq. Ft. of Land Area, Lease Start Year and Size Tier.

For apartment rental data, we should also have the following; No. of Units, Lease Term (Years), Room Count, Rent / Month, Rent / Room / Month and ETPA.

### **IVG EUN GIS Mapping**

The IVG does not have a connection to GIS on the Economic Unit number. When working on a commercial case they need to be able to see the economic unit on a map. When reviewing a commercial property may comprise several non-adjacent parcels that are all part of the grievance application – they need to be identified as part of the subject on a map. They may not file on all the parcels in a given year so the parts of the subject that are not part of the grievance process for that year also need to be identified. The comparable properties may also be part of EUN so all their components need to be identified.

### **Modifications to Delinquency Reports**

After working with the system for a month it was discovered that several reports need changes to make them more useful for the Treasurer's office. It was also discovered that there are reports that will be needed that were forgotten in the original list. There are other reports used annually (i.e. lien sale) that may need to be added to the list as they are used.

### **Modifications to Delinquency Datalets**

After working with the system for a month it was discovered that several datalets need changes to make them useful for the Treasurer's office. There are other processes used annually (i.e. lien sale) that may need to be added to the list as they are used.

### **Upgrade to WF 4.0 Conversion**

The County is running on an old version of Workflow. We want to upgrade the software to the latest release of Workflow so we can use some of the features not currently available at the County. In order to achieve this we need to convert the current work flow related data and processes to the new format.

### **Workflow Modifications**

The County requirements have changed over the past couple of years since the RFP and specifications were written. ARC, SCAR & County Attorney have had changes in their business process that need to be analyzed and addressed in the ADAPT workflow.

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant ☒  
Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

**Tyler Technologies, Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

- ☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

Empowering people who serve the public™



**tyler**  
technologies

March 31,

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Tyler Technologies, Inc. to be held on Thursday, May 13, 2010, in Dallas, Texas at the Park City Club, 5956 Sherry Lane, Suite 1700, commencing at 9:30 a.m., local time. Details of the business to be conducted at the meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date, and return the enclosed proxy or vote through the Internet at your earliest convenience. If you decide to attend the annual meeting, you will be able to vote in person, even if you have previously submitted your proxy.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of the Company.

Yours very truly,

JOHN M. YEAMAN  
*Chairman of the Board*



**TYLER TECHNOLOGIES, INC.**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held May 13, 2010**

To the Stockholders of  
TYLER TECHNOLOGIES, INC.:

The annual meeting of stockholders will be held in Dallas, Texas at the Park City Club, 5956 Sherry Lane, Suite 1700, at 9:30 a.m., local time. At the meeting, you will be asked to:

- (1) elect seven directors to serve until the next annual meeting or until their respective successors are duly elected and qualified;
- (2) consider and vote upon a proposal to adopt the Tyler Technologies, Inc. 2010 Stock Option Plan;
- (3) ratify the selection of Ernst & Young LLP as our independent auditors for fiscal year 2010; and
- (4) transact such other business as may properly come before the meeting.

Only stockholders of record on March 19, 2010 may vote at the annual meeting. A list of those stockholders will be available for examination at our corporate headquarters, 5949 Sherry Lane, Suite 1400, Dallas, Texas 75225, from May 3 through May 13, 2010.

Please date and sign the enclosed proxy card and return it promptly in the enclosed envelope or vote through the Internet as described on the enclosed proxy card. No postage is required if the proxy card is mailed in the United States. Your prompt response will reduce the time and expense of solicitation.

The enclosed 2009 Annual Report does not form any part of the proxy solicitation material.

By Order of the Board of Directors

H. Lynn Moore, Jr.  
*Executive Vice President,  
General Counsel, and Secretary*

Dallas, Texas  
March 31, 2010

## TABLE OF CONTENTS

<u>THE ANNUAL MEETING</u>	Pag
<u>General Information</u>	4
<u>Proxy Solicitation, Revocation, and Expense</u>	4
<u>PROPOSALS FOR CONSIDERATION</u>	4
<u>Proposal One — Election of Directors</u>	4
<u>Proposal Two — Adoption of the Tyler Technologies, Inc. 2010 Stock Option Plan</u>	5
<u>Proposal Three — Ratification of Ernst &amp; Young LLP as Our Independent Auditors for Fiscal Year 2010</u>	8
<u>TYLER MANAGEMENT</u>	9
<u>Directors, Nominees for Director, and Executive Officers</u>	9
<u>Business Experience of Directors, Nominees for Director, and Executive Officers</u>	9
<u>Board Diversity and Nominee Qualifications</u>	11
<u>BOARD OF DIRECTORS AND CORPORATE GOVERNANCE PRINCIPLES</u>	12
<u>General Information</u>	12
<u>Corporate Governance Guidelines</u>	12
<u>Code of Business Conduct and Ethics</u>	12
<u>Board Independence</u>	12
<u>Committees and Meetings of the Board of Directors</u>	12
<u>Board Leadership Structure</u>	12
<u>The Board's Role in Risk Oversight</u>	12
<u>Audit Committee Financial Expert</u>	12
<u>Pre-Approval Policies and Procedures for Audit and Non-Audit Services</u>	12
<u>Director Nominating Process</u>	16
<u>Communications with our Board of Directors</u>	17
<u>Director Attendance at Annual Meetings</u>	17
<u>SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	18
<u>Security Ownership of Directors and Management</u>	18
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	19
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	20
<u>Compensation Philosophy and Objectives</u>	20
<u>2009 Executive Summary Overview</u>	20
<u>Compensation Program Actions</u>	21
<u>Compensation Program Design</u>	21
<u>Company Performance Review Process for Prior Fiscal Year</u>	21
<u>Setting Compensation for the Current Fiscal Year</u>	21
<u>2009 Named Executive Officer Compensation</u>	21
<u>Role of the Chief Executive Officer</u>	21
<u>Analysis of Compensation Elements</u>	21
<u>Compensation Mix</u>	21
<u>Additional Considerations</u>	21
<u>2010 Named Executive Officer Compensation</u>	21
<u>Role of the Chief Executive Officer</u>	21
<u>2010 Compensation Committee/Board of Director Actions</u>	21
<u>Other Compensation Topics</u>	21
<u>Benefits</u>	21
<u>Severance and Change in Control Agreements</u>	21
<u>Tax Consequences of Certain Forms of Compensation</u>	21
<u>Employment Contracts</u>	21
<u>Compensation Committee Report</u>	31
<u>Compensation Committee Interlocks and Insider Participation</u>	31

Table of Contents

<u>EXECUTIVE COMPENSATION</u>	Pag
<u>Summary Compensation Table</u>	31
<u>Grants of Plan-Based Awards in 2009</u>	31
<u>Outstanding Equity Awards at Year-End</u>	32
<u>Option Exercises and Stock Vested</u>	33
<u>Potential Payments under Employment Contracts</u>	34
<u>Director Compensation</u>	34
<u>REPORT OF THE AUDIT COMMITTEE</u>	35
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	36
<u>MULTIPLE STOCKHOLDERS SHARING THE SAME ADDRESS</u>	37
<u>STOCKHOLDER PROPOSALS</u>	37
 <u>APPENDIX A — Tyler Technologies, Inc. 2010 Stock Option Plan</u>	 38

## THE ANNUAL MEETING

### General Information

The annual meeting will be held in Dallas, Texas at the Park City Club, 5956 Sherry Lane, Suite 1700, on Thursday, May 13, 2010, at 9: a.m., local time. At the annual meeting, you will be asked to consider and vote upon the following proposals:

- Proposal One — Election of seven directors to serve until the next annual meeting or until their respective successors are duly elected and qualified;
- Proposal Two — Adoption of the Tyler Technologies, Inc. 2010 Stock Option Plan; and
- Proposal Three — Ratification of the selection of Ernst & Young LLP as our independent auditors for fiscal year 2010.

Only stockholders of record on March 19, 2010 are entitled to vote at the annual meeting. On March 19, 2010, we had 35,049,570 shares of common stock issued and outstanding. Each stockholder will be entitled to one vote, in person or by proxy, for each share of common stock held in his or her name. A majority of our shares of common stock must be present, either in person or by proxy, to constitute a quorum for action at the annual meeting. Abstentions and broker non-votes are counted for purposes of determining a quorum. Abstentions are counted tabulating the votes cast on any proposal, but are not counted as votes either for or against a proposal. Broker non-votes are not counted as votes cast for purposes of determining whether a proposal has been approved.

### Proxy Solicitation, Revocation, and Expense

The accompanying proxy is being solicited on behalf of the Board of Directors. Your shares will be voted at the annual meeting as you direct in the enclosed proxy or through the Internet, provided that the proxy is completed, signed, and returned to us prior to the annual meeting. No proxy can vote for more than seven nominees for director. If you return a proxy but fail to indicate how you wish your shares to be voted, then your shares will be voted in favor of each of the nominees for director.

After you sign and return your proxy, you may revoke it prior to the meeting either by (i) filing a written notice of revocation at our corporate headquarters, (ii) attending the annual meeting and voting your shares in person, or (iii) delivering to us another duly executed proxy that is dated after the initial proxy.

We will bear the expense of preparing, printing, and mailing the proxy solicitation material and the proxy. In addition to use of the mail, we may solicit proxies by personal interview or telephone by our directors, officers, and employees. We may also engage the services of a proxy solicitation firm to assist us in the solicitation of proxies. We estimate that the fee of any such firm will not exceed \$10,000 plus reimbursement of reasonable out-of-pocket expenses. Arrangements may also be made with brokerage houses and other custodians, nominees, and fiduciaries for the forwarding of solicitation material to record stockholders, and we may reimburse them for their reasonable out-of-pocket expenses.

## PROPOSALS FOR CONSIDERATION

### Proposal One — Election of Directors

At the annual meeting, you will be asked to elect a board of seven directors. The election of directors shall be determined by plurality vote.

The nominees for director are: Donald R. Brattain, J. Luther King, Jr., John S. Marr, Jr., G. Stuart Reeves, Michael D. Richards, Dustin Womble, and John M. Yeaman. Each of the nominees currently serves on our Board of Directors. For more information regarding these nominees and their qualifications, see "Tyler Management." Each nominee has indicated that he is able and willing to serve as a director. If one of the nominees becomes unable to serve prior to the meeting, the persons named in the enclosed proxy will vote the shares covered by your executed proxy for a substitute nominee as selected by the Board of Directors. You may withhold authority to vote for any nominee by entering his name in the space provided on the proxy card.

Our Board of Directors unanimously recommends that the stockholders vote **FOR** each of the nominees for director.

**Proposal Two — Adoption of the Tyler Technologies, Inc. 2010 Stock Option Plan**

At the annual meeting, you will also be asked to consider and vote upon a proposal to adopt the Tyler Technologies, Inc. 2010 Stock Option Plan. The affirmative vote of holders of a majority of the voting power of the shares actually voted at the annual meeting is required to adopt the 2010 Stock Option Plan.

The number of shares of our common stock that are subject to the Stock Option Plan is 5,000,000. The 2010 Stock Option Plan is intended to replace our 2000 Amended and Restated Stock Option Plan, which expires on May 12, 2010. The 2000 Stock Option Plan, as amended, authorized the issuance of a total of 11,000,000 shares of our common stock. The number of our shares subject to outstanding options under the 2000 Stock Option Plan is disclosed below.

The purpose of the 2010 Stock Option Plan is to enable us to provide additional incentives to selected employees whose substantial contributions are important to our continued growth and profitability. The following summary does not contain all of the information in the 2010 Stock Option Plan. A copy of the 2010 Stock Option Plan is attached as Appendix A.

Purpose of the 2010 Stock Option Plan. Stock options are designed to strengthen the commitment of selected employees, directors, and consultants, to motivate those individuals to perform their assigned responsibilities diligently and skillfully, and to attract and retain competitive entrepreneurial-type management dedicated to our long-term growth and profitability. We believe this can best be accomplished by tying a portion of compensation to appreciation in the market value of our common stock so that the management and selected employees, non-employee directors, and consultants are rewarded only if the value of your investment in our common stock has appreciated.

Description of the 2010 Stock Option Plan. The 2010 Stock Option Plan is designed to permit the applicable administering committee to grant options to selected employees, directors, and consultants to purchase shares of our common stock. The plan requires that the purchase price under each stock option will not be less than 100% of the fair market value of our common stock at the time of the grant of the option. (Under the 2000 Stock Option Plan, the administering committee had discretion in setting the exercise price for nonqualified options.) The fair market value per share is the reported closing price of our common stock on the New York Stock Exchange on the date of the grant of the option, or if no sale has been reported on such date, on the next preceding day or the last day prior to the date of grant when the sale was reported. The option period may not be more than ten years from the date the option is granted. Except with respect to options granted to officers and directors, the Executive Committee grants options to eligible individuals, determines the purchase price and option period at the time the option is granted, and administers and interprets the plan. The Compensation Committee grants options and administers the plan with respect to officers, and our Board of Directors, as a whole, grants options and administers the plan with respect to directors. Options may be exercised in annual installments as specified by the administering committee or, if applicable, our Board of Directors. All installments that become exercisable are cumulative and may be exercised at any time after they become exercisable until expiration of the option. The Stock Option Plan contains provisions governing any "Change in Control," as defined therein, including accelerated vesting of options under certain circumstances.

The exercise price of options is paid in cash or by check at the time of exercise or, if provided for in the option agreement and elected by option holder, through one or more of the following methods: (1) a same-day sale arrangement between the option holder and a broker-dealer whereby the option holder authorizes the broker-dealer to sell a specified number of the shares of common stock to be acquired on the exercise of the option, having a then fair market value equal to the sum of the exercise price of the option, plus any transaction costs, with the remainder of the shares being delivered to the option holder; (2) a margin commitment from the option holder and a broker-dealer where the exercised shares are pledged as security for a loan from the broker-dealer in the amount of the exercise price, or (3) the tender of shares of our common stock, provided that such shares either (a) have been owned by the option holder for more than six months and have been "paid for" within the meaning of Rule 144

promulgated under the Securities Act of 1933 or (b) were obtained by the option holder in the public market ("Qualifying Shares"). If the option is exercised by tendering Qualifying Shares, the number of shares tendered shall be determined by the fair market value per share on date of the exercise, as determined by us. Shares of common stock deliverable upon exercise of the options may be transferred from treasury issued from authorized but unissued shares.

The 2010 Stock Option Plan will terminate on May 13, 2020, and no options may thereafter be granted under the plan. Our Board of Directors may amend, alter, or discontinue the plan, or any part thereof, at any time and for any reason. However, we will obtain stockholder approval for any amendment to the plan to the extent necessary and desirable to comply with applicable law. The administering committee also make appropriate adjustments in the number of shares covered by the plan, the number of shares subject to outstanding options, and the option prices to reflect any stock dividend, stock split, share combination, or other recapitalization and, with respect to outstanding options option prices, to reflect any merger, consolidation, reorganization, liquidation, or similar transaction.

Incentive stock options and nonqualified stock options may be granted under the plan to our employees. Non-employee directors, as well as consultants, are eligible for the grant of nonqualified stock options. The maximum number of shares that may be subject to options granted to any one person under the plan during any calendar year may not exceed 1,000,000. The 2000 Stock Option Plan did not have any similar restrictions, except for limitations on grants of incentive stock options, which are also included in the 2010 Stock Option Plan as discussed below.

Incentive stock options are options that meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and nonqualified stock options are options that do not meet the requirements of Section 422 of the Code. No incentive stock option, however, may be granted under the Stock Option Plan to an employee who owns more than 10% of the voting power of all classes of securities unless the option price is at least 110% of the fair market value of our common stock at the date of grant and the option is not exercisable more than five years after it is granted. There is no limit on the fair market value of incentive stock options that may be granted to an employee in any calendar year, but no employee may be granted incentive stock options that first become exercisable during a calendar year for the purchase of stock with an aggregate fair market value (determined as of the date of grant of each option) in excess of \$100,000. An incentive stock option (or an installment thereof) counts against the annual limitation only in the year it first becomes exercisable.

The applicable administering committee may provide for the termination of options in case of termination of employment, directorship, consultant relationship, dishonesty, or any other reason the administering committee determines. If an option expires or terminates before it has been exercised in full, then the shares of common stock allocable to the unexercised portion of that option may become subject to future grants of options. Upon termination of the employment, directorship, or consultant relationship of an option holder, his or her option is exercisable after termination to the extent provided in the option agreement. The option then terminates. Under the 2000 Stock Option Plan, this exercisability period was set at 30 days after termination. If an option holder dies or becomes disabled before the termination of his right to exercise his or her option, the legal representatives of the estate, or the option holder in the event of his disability, may also exercise his or her option to the extent provided in the option agreement. Under the 2000 Stock Option Plan, this exercisability period was set at the first to occur of the date of expiration of the option period or one year from the date of the option holder's death or disability. The option may be exercised only as to those shares the option holder could have purchased under the option on the date of death, disability, or other termination. Options may not be transferred other than by will or the laws of descent and distribution and, during the lifetime of the option holder, may be exercised only by him.

Tax Status of Options. An option holder has no taxable income, and we are not entitled to a deduction, at the time of the grant of an option. All stock options that qualify under the rules of Section 422 of the Code will be entitled to "incentive stock option" treatment. To receive incentive stock option treatment, an option holder must not dispose of the acquired stock within two years after the option is granted and within one year after the exercise. In addition, the individual must have been an employee for the entire time from the date of granting the option to three months (one year if the employee is disabled) before the date of the exercise. The requirements that the individual be an employee during the two-year and one-year holding periods are waived in the case of death of the employee. If all such requirements are met, then any gain upon sale of the stock will be entitled to capital gain treatment. The employee's gain on exercise (the excess of the fair market value at the time of exercise over the exercise price) of an incentive stock option is a tax preference item and, accordingly, is included in the computation

## Table of Contents

of alternative minimum taxable income, even though it is not included in taxable income for purposes of determining regular tax liability of employee. Consequently, an option holder may be obligated to pay alternative minimum tax in the year he or she exercises an incentive stock option.

If an employee does not meet the two-year and one-year holding requirements (a "disqualifying disposition"), then tax will be imposed at the time of sale of the stock. In such event, the employee's gain on exercise of the incentive stock option will be compensation to him taxed as ordinary income rather than capital gain to the extent the fair market value of the acquired common stock on the date of exercise of the incentive stock option exceeds the aggregate exercise price paid for that common stock, and we will be entitled to a corresponding deduction at the time of sale. If the amount realized on the disqualifying disposition is less than the fair market value of the common stock on the date of exercise of the incentive stock option, the total amount includable in the option holder's gross income, and the amount deductible by us, will equal the excess of the amount realized on the disqualifying disposition over the exercise price.

An option holder, upon exercise of a nonqualified stock option that does not qualify as an incentive stock option, recognizes ordinary income in an amount equal to the gain on exercise. The exercise of a nonqualified stock option entitles us to a tax deduction in the same amount as is includable in the income of the option holder for the year in which the exercise occurred. Any gain or loss realized by an option holder on subsequent disposition of shares generally is a capital gain or loss and does not result in any tax deduction to us.

Different tax consequences may result from stock-for-stock exercises of options.

THE FOREGOING SUMMARY OF THE EFFECT OF THE FEDERAL INCOME TAX UPON PARTICIPANTS IN THE 2010 STOCK OPTION PLAN DOES NOT PURPORT TO BE COMPLETE, AND IT IS RECOMMENDED THAT THE PARTICIPANTS CONSULT THEIR OWN TAX ADVISORS FOR COUNSELING. MOREOVER, THE FOREGOING SUMMARY IS BASED UPON PRESENT FEDERAL INCOME TAX LAWS AND IS SUBJECT TO CHANGE. THE TAX TREATMENT UNDER FOREIGN, STATE, OR LOCAL LAW IS NOT COVERED IN THIS SUMMARY.

**Other Equity Compensation Plans.** The following table summarizes certain information related to our 2000 Stock Option Plan and our Employee Stock Purchase Plan ("ESPP"). There are no warrants or rights related to our equity compensation plans as of December 31, 2009.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2009	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, 2009)
Equity compensation plans approved by security shareholders:			
Stock options	5,703,430	\$ 11.12	176,300
ESPP	25,072	16.92	341,300
Equity compensation plans not approved by security shareholders:			
	<u>5,728,502</u>	\$ 11.15	<u>517,600</u>

Our Board of Directors unanimously recommends that the stockholders vote **FOR** the amendment to the 2010 Stock Option Plan.

### Proposal Three — Ratification of Ernst & Young LLP as Our Independent Auditors for Fiscal Year 2010

The Audit Committee has selected Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for fiscal year 2010, subject to ratification by the stockholders. The affirmative vote of holders of a majority of the voting power of the shares actually voted at the annual meeting is required to ratify Ernst & Young LLP as our independent auditors for fiscal year 2010.

Ernst & Young LLP served as our independent auditors for fiscal years 2009 and 2008. A representative of Ernst & Young LLP is expected to be present at the annual meeting. That representative will have an opportunity to make a statement, if desired, and will be available to respond to appropriate questions.

Ernst & Young's fees for all professional services during each of the last two fiscal years were as follows :

	2009	2008
Audit Fees	\$ 1,129,000	\$ 1,095,0
Audit Related Fees	18,000	63,0
Tax Fees	29,000	19,0
Total	\$ 1,176,000	\$ 1,177,0

Audit Fees . Fees for audit services include fees associated with the annual audit, the review of our interim financial statements, and the auditor's opinions related to internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act.

Audit-Related Fees . Fees for audit-related services generally include fees for accounting consultations and Securities and Exchange Commission ("SEC") filings.

Tax Fees . Fees for tax services include fees for tax consulting and tax compliance.

All Other Fees . We did not engage Ernst & Young LLP for any other services in 2009 or 2008.

The Audit Committee approved all of the independent auditor engagements and fees presented above. Our Audit Committee Charter requires that the Audit Committee pre-approve all audit and non-audit services provided to us by our independent auditors. All such service performed in 2009 were pre-approved by the Audit Committee. For more information on these policies and procedures, see "Board of Directors and Corporate Governance Principles — Pre-Approval Policies and Procedures for Audit and Non-Audit Services."

Our Board of Directors unanimously recommends that the stockholders vote **FOR** the ratification of Ernst & Young LLP as our independent auditors for fiscal year 2010.



## TYLER MANAGEMENT

### Directors, Nominees for Director, and Executive Officers

Below is a brief description of our directors, nominees for director, and executive officers. Each director holds office until our next annual meeting or until his successor is elected and qualified. Executive officers are elected annually by the Board of Directors and hold office until the next annual board meeting or until their successors are elected and qualified.

Name / Age	Present Position	Serv Sin
John M. Yeaman, 69	Chairman of the Board	20
	Director	19
John S. Marr, Jr., 50	President and Chief Executive Officer	20
	Director	20
Donald R. Brattain, 69	Director	20
Luther King, Jr., 70	Director	20
G. Stuart Reeves, 70	Director	20
Michael D. Richards, 59	Director	20
Dustin R. Womble, 50	Executive Vice President	20
	Director	20
Brian K. Miller, 51	Executive Vice President	20
	Chief Financial Officer	20
	Treasurer	19
H. Lynn Moore, Jr., 42	Executive Vice President	20
	Secretary	20
	General Counsel	19

### Business Experience of Directors, Nominees for Director, and Executive Officers

*John M. Yeaman* has served as Chairman of the Board since July 2004. From April 2002 until July 2004, Mr. Yeaman served as President and Chief Executive Officer; from March 2000 until April 2002, he served as President and Co-Chief Executive Officer; and from December 1998 until March 2000, he was President and Chief Executive Officer. Mr. Yeaman was elected to our Board of Directors in February 1999. Mr. Yeaman also serves as Chairman of the Executive Committee. From 1980 until 1998, Mr. Yeaman was associated with Electronic Data Systems Corporation ("EDS"). Mr. Yeaman began his career with Eastman Kodak Company. Mr. Yeaman also serves on the Board of Directors of Park Cities Bank in Dallas, Texas.

*John S. Marr, Jr.* has served as President and Chief Executive Officer since July 2004. From July 2003 until July 2004, Mr. Marr served as Chief Operating Officer. Mr. Marr has served on our Board of Directors since May 2002 and is currently a member of the Executive Committee. Mr. Marr also served as President of MUNIS, Inc. ("MUNIS") from 1994 until July 2004. Mr. Marr began his career in 1983 with MUNIS, a provider of a wide range of software products and related services for county and city governments, schools, and not-for-profit organizations, with a focus on integrated financial systems. We acquired MUNIS in 1999. Mr. Marr also serves on the Board of Directors of Mercy Hospital in Portland, Maine.

*Donald R. Brattain* has served as a director since 2004. Mr. Brattain also serves as Chairman of the Audit Committee and is a member of the Nominating and Governance Committee. Since 1985, Mr. Brattain has served as President of Brattain & Associates, LLC, a private investment company founded by Mr. Brattain in 1985 and located in Minneapolis, Minnesota. From 1981 until 1988, Mr. Brattain purchased and operated Barefoot Grass Lawn Service Company, a company that grew from \$3.2 million in sales to over \$100 million in sales and was sold to ServiceMaster, Ltd. in 1998.

*J. Luther King, Jr.* has served as a director since 2004. Mr. King also serves on the Audit Committee and the Compensation Committee. Mr. King is the Chief Executive Officer and President of Luther King Capital Management ("LKCM"), a registered investment advisory firm that he founded in 1979. Mr. King also serves as a director and a member of the Audit Committee of Encore Energy Partners GP, LLC. In addition, Mr. King serves as

a director on various private and non-profit entities and foundations, including Chairman of the Board of Trustees of Texas Christian University, Advisory Committee of the Employees Retirement System of Texas, Trustee of LKCM Funds and director of Hunt Forest Products Inc. Mr. King has a Bachelor of Science degree and a Masters of Business Administration from Texas Christian University, and he is also a Chartered Financial Analyst.

*G. Stuart Reeves* has served on our Board of Directors since June 2001. Mr. Reeves also serves as Chairman of the Nominating and Governance Committee and is a member of the Audit Committee and the Compensation Committee. From 1967 to 1999, Mr. Reeves worked for EDS, a professional services company that offers its clients a portfolio of related systems worldwide within the broad categories of systems and technology services, business process management, management consulting, and electronic business. During his 32 years of service with EDS, Mr. Reeves held a variety of positions, including Executive Vice President, North and South America, from 1996 to 1999; Senior Vice President, Europe, Middle East, and Africa, from 1990 to 1996; Senior Vice President, Government Services Group, from 1988 to 1990; Corporate Vice President, Human Resources, from 1984 to 1988; Corporate Vice President, Financial Services Division, from 1979 to 1984; Project Sales Team Manager, from 1974 to 1979; and Systems Engineer and Sales Executive, from 1967 to 1974. Mr. Reeves also served on the EDS Board of Directors from 1988 until 1996. Mr. Reeves retired from EDS in 1999. Mr. Reeves serves on the Board of Directors of PNC Financial Services Group, Inc. in Dallas, Texas. Mr. Reeves has Bachelor of Science and Master of Science degrees in Mathematics from Oklahoma State University.

*Michael D. Richards* has served on our Board of Directors since May 2002. Mr. Richards also serves as Chairman of the Compensation Committee and is a member of the Nominating and Governance Committee. Mr. Richards is Executive Vice President of Republic Title of Texas, Inc. From September 2000 until September 2005, Mr. Richards served as Chairman and Chief Executive Officer of Suburban Title, LLC d/b/a Reunion Title, an independent title insurance agency founded by Mr. Richards in September 2000 and which he sold to Republic Title in September 2005. From 1989 until September 2000, Mr. Richards served as President and Chief Executive Officer of American Title Company, Dallas, Texas, an affiliate of American Title Group, Inc., one of the largest title insurance underwriters in Texas during that time. From 1982 until 1989, Mr. Richards held various management positions with Hexter-Fair Title Company, Dallas, Texas, including President from 1988 until 1989. From 1974 until 1982, Mr. Richards worked for Stewart Title Guaranty Company, Dallas, Texas, during which time he held several key management positions including serving on its Board of Directors. Mr. Richards holds several positions with various associations, some of which include: Greater Dallas Chamber of Commerce, member of the Economic Development Advisory Council; Leukemia Society of America, Advisory Board Member; Greater Dallas Association of Realtors, Board Member; Home Builders Association of Dallas, Board Member; and member of the executive committee of the Texas Stampede.

*Dustin R. Womble* has been Executive Vice President in charge of corporate-wide product strategy, Chief Executive Officer of both our Courts and Justice division and our Local Government division since July 2006 and is currently a member of the Executive Committee. From July 2003 to June 2006, Mr. Womble was Executive Vice President in charge of corporate-wide product strategy and President of our Local Government division. Mr. Womble previously served as President of our Local Government (formerly INCODE) division from 1998, when he acquired the Local Government division, to July 2003.

*Brian K. Miller* has been Executive Vice President — Chief Financial Officer and Treasurer since February 2008. From May 2005 until February 2008, Mr. Miller served as Senior Vice President — Chief Financial Officer and Treasurer. He previously served as Vice President Finance and Treasurer from May 1999 to April 2005 and was Vice President — Chief Accounting Officer and Treasurer from December 1997 to April 1999. From June 1986 through December 1997, Mr. Miller held various senior financial management positions at Metro Airlines, Inc. ("Metro"), a publicly-held regional airline holding company operating as American Eagle. Mr. Miller was Chief Financial Officer of Metro from May 1991 to December 1997 and also held the office of President of Metro from January 1993 to December 1997. Mr. Miller is a certified public accountant.

*H. Lynn Moore, Jr.* has been General Counsel since September 1998 and has been Secretary since October 2000 and Executive Vice President since February 2008. He previously served as Vice President from October 2000 until February 2008. From August 1992 to August 1998, Mr. Moore was associated with the law firm of Hughes & Luce, L.L.P. in Dallas, Texas where he represented numerous publicly-held and privately-owned entities in various corporate and securities, finance, litigation, and other legal related matters. Mr. Moore is a member of the State Bar of Texas.

## **Board Diversity and Nominee Qualifications**

Our Corporate Governance Guidelines include the criteria our Board of Directors believes are important in the selection of director nominees, which includes the following qualifications:

- sound personal and professional integrity;
- an inquiring and independent mind;
- practical wisdom and mature judgment;
- broad training and experience at the policy-making level of business, finance and accounting, government, education, or technology;
- expertise that is useful to Tyler and complementary to the background and experience of other board members, so that an optimal balance of board members can be achieved and maintained;
- willingness to devote the required time to carrying out the duties and responsibilities of board membership;
- commitment to serve on the board for several years to develop knowledge about our business;
- willingness to represent the best interests of all stockholders and objectively appraise management performance; and
- involvement only in activities or interests that do not conflict with the director's responsibilities to Tyler or our stockholders.

In identifying nominees for director, the Board focuses on ensuring that it reflects a diversity of experiences and backgrounds that will complement our business and enhance the function of the Board. The Board prefers a mix of background and experience among its member. The Board has not adopted a formal policy with respect to its consideration of diversity and does not follow any ratio or formula to determine the appropriate mix; rather, it uses its judgment to identify nominees whose backgrounds, attributes and experiences, taken as a whole, will contribute to the high standards of board service. Our Board of Directors is composed of seven individuals, consisting of four independent directors and three employee directors. We believe the mix of outside experience from our independent directors coupled with the specific industry experience of our employee directors provides an appropriate diversity of experience to effectively manage our business. In addition, each independent director has extensive chief executive officer experience with businesses of varying size in various industries. Some independent directors have direct public company experience, while others have smaller, private company experience. Each director has valuable experience in building and sustaining a successful business enterprise.

The Nominating and Governance Committee believes that the above-mentioned attributes, along with the leadership skills and other experiences of its board members described below, provide us with the perspectives and judgment necessary to guide our strategies and monitor their execution:

Donald R. Brattain:	<ul style="list-style-type: none"><li>— Private investment management experience as President of Brattain &amp; Associates, LLC</li><li>— Executive and entrepreneurial experience in growth of a small business enterprise from \$3.2 million in sales to over \$100 million in sales</li></ul>
J. Luther King, Jr.:	<ul style="list-style-type: none"><li>— Executive equity management experience as founder of Luther King Capital Management, a registered investment advisory firm</li><li>— Outside board experience as a director of Encore Energy Partners GP, LLC and other institutions</li><li>— Experience as a university trustee</li></ul>
G. Stuart Reeves	<ul style="list-style-type: none"><li>— Extensive public company leadership experience with 32 years of service at EDS in various senior level capacities</li><li>— Outside board experience as a former director of EDS and current director of Park Cities Bank</li></ul>
Michael D. Richards	<ul style="list-style-type: none"><li>— Executive and entrepreneurial experience as founder of Suburban Title LLC</li><li>— Outside board and advisory council service with various entities, including the Greater Dallas Chamber of Commerce</li></ul>

## Table of Contents

John S. Marr, Jr.	<ul style="list-style-type: none"><li>— Chief Executive Officer of Tyler since 2004</li><li>— Over 27 years of specific industry experience, including chief executive experience, with MUNIS, Inc., which Tyler acquired in 1999</li><li>— Outside board experience as a director of Mercy Hospital in Portland, Maine</li></ul>
Dustin R. Wornble	<ul style="list-style-type: none"><li>— Senior-level executive experience at Tyler since 2003</li><li>— Over 29 years of specific industry experience as founder of INCODE, Inc., which Tyler acquired in 1998</li></ul>
John M. Yeaman	<ul style="list-style-type: none"><li>— President of Tyler from 1998 through 2004</li><li>— Over 18 years of public company executive experience at EDS</li></ul>

## **BOARD OF DIRECTORS AND CORPORATE GOVERNANCE PRINCIPLES**

### **General Information**

Our Board of Directors is responsible for supervision of the overall affairs of Tyler. To assist it in carrying out its duties, the Board has delegated certain authority to several committees. See "Board of Directors and Corporate Governance Principles — Committees and Meetings of the Board of Directors." Following the Annual Meeting in 2010, the Board will consist of seven directors, including four independent directors.

### **Corporate Governance Guidelines**

Our Board of Directors has adopted a number of corporate governance guidelines, including the following:

- Independence Standards, which determine the independence of our non-employee directors. These standards are consistent with the independence standards set forth in Rule 303A.02(b) of the New York Stock Exchange Listed Company Manual. The Independence Standards are included as an exhibit to our Audit Committee Charter.
- Corporate Governance Guidelines, which include, among other things:
  - annual submission of independent auditors to stockholders for approval;
  - formation of a Nominating and Governance Committee to be comprised solely of independent directors;
  - prohibition of stock option re-pricing;
  - formalization of the ability of independent directors to retain outside advisors;
  - performance of periodic formal board evaluation; and
  - limitation on the number of additional public company boards on which a director may serve to a maximum of four.

A copy of our Corporate Governance Guidelines may be found on our Website, [www.tylertech.com](http://www.tylertech.com).

- An Audit Committee Charter, which requires, among other things, that the committee be comprised solely of independent director (as set forth in the Independence Standards), at least one of whom will qualify as an "audit committee financial expert" as set forth in Item 401(h) of the SEC's Regulation S-K. A copy of our Audit Committee Charter may be found on our Website, [www.tylertech.com](http://www.tylertech.com).
- A Compensation Committee Charter, which requires, among other things, that the committee be comprised solely of independent directors and sets forth the guidelines for determining executive compensation. A copy of our Compensation Committee Charter may be found on our Website, [www.tylertech.com](http://www.tylertech.com).

A Nominating and Governance Committee Charter, which requires, among other things, that the committee be comprised of at least three independent directors who are responsible for recommending candidates for election to the Board of Directors. A copy of our Nominating and Governance Committee Charter may be found on our Website, [www.tylertech.com](http://www.tylertech.com).

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

Our Board of Directors has adopted a Code of Business Conduct and Ethics, which applies to all of our directors, executive officers (including, without limitation, the chief executive officer, chief financial officer, principal accounting officer, and controller), and employee. The purpose of the Code of Business Conduct and Ethics is to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in our public communications and reports filed with the SEC;
- compliance with applicable governmental laws, rules, and regulations;
- prompt internal reporting of violations of the policy to the appropriate persons designated therein, including anonymous "whistleblower" provisions; and
- accountability for adherence to the policy.

A copy of our Code of Business Conduct and Ethics may be found on our Website, [www.tylertech.com](http://www.tylertech.com), or will be furnished, without charge, upon written request at our principal executive offices. Any future amendments or waivers related to our Code of Business Conduct and Ethics will be promptly posted on our Website.

#### **Board Independence**

Our Board of Directors has determined, after considering all of the relevant facts and circumstances, that each of the non-employee directors standing for re-election as director (Messrs. Brattain, King, Reeves, and Richards) has no material relationship with us (either directly or as partner, shareholder, or officer of an organization that has a relationship with us) and is "independent" within the meaning of our Independence Standards described above and the New York Stock Exchange director independence standards, as currently in effect and as may be changed from time to time. As a result, if each of the nominees for director is elected at the annual meeting, our Board of Directors will be comprised of a majority of "independent" directors as required by the New York Stock Exchange. Furthermore, our Board of Directors has determined that each of the members of the Audit Committee, Compensation Committee, and Nominating and Governance Committee has no material relationship with us (either directly or as a partner, shareholder, or officer of an organization that has a relationship with us) and is "independent" within the meaning of our Independence Standards.

#### **Committees and Meetings of the Board of Directors**

Our Board of Directors has the following four standing committees: Audit Committee; Compensation Committee; Nominating and Governance Committee; and Executive Committee. Each committee (other than the Executive Committee) has a written charter, which can be found at our Website, [www.tylertech.com](http://www.tylertech.com). Each board member participated in at least 75% of all board and committee meetings held during the portion of 2009 that he served as a director and/or committee member.

During 2009, our Board of Directors held four meetings. In addition, our Board of Directors has established a policy under which our non-management members will meet at regularly scheduled (and in any event at least twice per fiscal year) executive sessions without management present and with Mr. Reeves presiding over such meetings.

## Table of Contents

The table below provides current membership and 2009 meeting information for each of the committees:

Name	Audit	Compensation	Nominating and Governance	Executive
Mr. Brattain	Chair		X	
Mr. King, Jr.	X	X		
Mr. Reeves	X	X	Chairman	
Mr. Richards		Chairman	X	
Mr. Marr, Jr.				X
Mr. Womble				X
Mr. Yeaman				Chairman
Total Meetings in 2009	five	two	one	Periodically

Below is a description of each committee. Each committee has authority to engage legal counsel or other advisors or consultants as it deems appropriate to carry out its responsibilities.

**Audit Committee.** The Audit Committee assists the Board of Directors in its oversight of the quality and integrity of our accounting, auditing, and reporting practices. The Audit Committee's role includes:

- considering the independence of our independent auditors before we engage them;
- reviewing with the independent auditors the fee, scope, and timing of the audit;
- reviewing the completed audit with the independent auditors regarding any significant accounting adjustments, recommendations for improving internal controls, appropriateness of accounting policies, appropriateness of accounting and disclosure decisions with respect to significant unusual transactions or material obligations, and significant findings during the audit;
- performing of periodic formal committee evaluations;
- reviewing our financial statements and related regulatory filings with management and the independent auditors; and
- meeting periodically with management and/or internal audit to discuss internal accounting and financial controls.

The Audit Committee is responsible for the appointment, compensation, retention, and oversight of the independent auditor engaged to prepare or issue audit reports on our financial statements and internal control over financial reporting. The Committee relies on the expertise and knowledge of management and the independent auditor in carrying out its oversight responsibilities. The Board of Directors has determined that each Audit Committee member is a non-management director who satisfies our Independence Standards and has sufficient knowledge in financial and auditing matters to serve on the Audit Committee. In addition, the Board of Directors has determined that Mr. Brattain and Mr. King are "audit committee financial experts" as defined by SEC rules.

**Compensation Committee.** The Compensation Committee has responsibility for defining and articulating our overall compensation philosophy and administering and approving all elements of compensation for elected corporate officers, including base salary, annual cash incentive compensation, and long-term equity incentive compensation. The Compensation Committee reports to stockholders as required by SEC. See "Compensation Discussion and Analysis — Compensation Committee Report." Members of the Compensation Committee are non-management directors who, in the opinion of the Board of Directors, satisfy our Independence Standards. For more information about the work of the Compensation Committee, see "Compensation Discussion and Analysis."

**Nominating and Governance Committee.** The Nominating and Governance Committee's duties include:

- identifying and recommending candidates for election to our Board of Directors;
- identifying and recommending candidates to fill vacancies occurring between annual stockholder meetings;
- reviewing the composition of board committees;
- periodically reviewing the appropriate skills and characteristics required of board members in the context of the current make-up of our Board of Directors; and
- monitoring adherence to our "Corporate Governance Guidelines."



**Executive Committee.** The Executive Committee has the authority to act for the entire Board of Directors, but may not commit to an expenditure in excess of \$5,000,000 without full board approval.

### **Board Leadership Structure**

The roles of Chairman of the Board and Chief Executive Officer are separate with Mr. Yeaman serving as Chairman of the Board and Mr. Marr serving as President and Chief Executive Officer. We believe it is beneficial to separate the roles of Chief Executive Officer and Chairman of the Board to facilitate their differing roles in the leadership of Tyler. The role of the Chairman is to set the agenda for, and preside over, board meetings, as well as providing advice and assistance to the Chief Executive Officer. In contrast, the Chief Executive Officer is responsible for handling the day-to-day management direction of Tyler, serving as a leader to the management team, and formulating overall corporate strategy. Mr. Yeaman, as our Chairman and former Chief Executive Officer, brings over 10 years of experience within our industry as well as extensive expertise from outside Tyler, while Mr. Marr, as a director and our Chief Executive Officer, brings over 27 years of company-specific experience and expertise. We believe that this structure allows for a balanced corporate vision and an ability to effectively execute our strategy. The Board of Directors has concluded at this time that it is not necessary to establish a lead director.

### **The Board's Role in Risk Oversight**

Senior management is responsible for assessing and managing our various exposures to risk on a day-to-day basis, including the creation of appropriate risk management policies and programs. The Board of Directors is responsible for overseeing management in the execution of its responsibilities and for assessing our overall approach to risk management. The Board of Directors exercises these responsibilities periodically as part of its meetings and also through its three committees, each of which examines various components of enterprise risk as part of their responsibilities. The Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. The Audit Committee oversees management of financial risks, as well as our policies with respect to risk assessment and risk management. The Nominating and Governance Committee manages risks associated with board independence and potential conflicts of interest. In addition, an overall review of risk is inherent in the Board's consideration of our long-term strategies and in the transactions and other matters presented to the Board, including capital expenditures, acquisitions and divestitures, and financial matters. The Board of Directors' role in risk oversight is consistent with our leadership structure, with the Chief Executive Officer and other members of senior management having responsibility for assessing and managing our risk exposure, and the Board and its committees providing oversight in connection with these efforts.

### **Audit Committee Financial Expert**

Our Board of Directors determined that each of Donald R. Brattain and J. Luther King, Jr., current chairman and member of the Audit Committee, respectively, possesses the attributes necessary to qualify as an "audit committee financial expert" as set forth in Item 401(h) of SEC's Regulation S-K.

### **Pre-Approval Policies and Procedures for Audit and Non-Audit Services**

The Audit Committee Charter requires that the Audit Committee pre-approve all of the audit and non-audit services performed by our independent auditors. The purpose of these pre-approval procedures is to ensure that the provision of services by our independent auditors does not impair their independence. Each year, the Audit Committee receives fee estimates from our independent auditors for each category of services to be performed by the independent auditors during the upcoming fiscal reporting year. These categories of services include Audit Services, Audit-Related Services, Tax Services, and All Other Services. Upon review of the types of services to be performed and the estimated fees related thereto, the Audit Committee will determine which services and fees should be pre-approved, which pre-approval will be in effect for a period of twelve months. The Audit Committee may periodically review the list of pre-approved services based on subsequent determinations. Unless a type of service to be provided by the independent auditor has received general pre-approval, it will require specific pre-approval by the Audit Committee (or delegated member of the Audit Committee) prior to the performance of such service. Any proposed services exceeding the pre-approved cost levels will also require specific pre-approval by the Audit Committee (or delegated member of the Audit Committee).



## **Director Nominating Process**

The Nominating and Governance Committee is responsible for reviewing and interviewing qualified candidates to serve on our Board of Directors and to select both "independent" as well as management nominees for director to be elected by our stockholders at each annual meeting. The Nominating and Governance Committee is comprised solely of independent directors and operates under a Charter for the Nominating and Governance Committee. Our Corporate Governance Guidelines include the criteria our Board of Directors believes are important in the selection of director nominees. For more information about director nominee criteria and qualifications, see "Tyler Management — Board Diversity and Nominee Qualifications."

The Nominating and Governance Committee may, in the exercise of its discretion, actively solicit nominee candidates; however, nominee recommendations submitted by other directors or stockholders will also be considered as described below.

The Nominating and Governance Committee will consider qualified nominees recommended by stockholders who may submit recommendations to the committee in care of our Corporate Secretary at our corporate headquarters, 5949 Sherry Lane, Suite 1400, Dallas, Texas 75225. To be considered by the Nominating and Governance Committee, stockholder nominations must be submitted in accordance with our bylaws and must be accompanied by a description of the qualifications of the proposed candidate and a written statement from the proposed candidate that he or she is willing to be nominated and desires to serve, if elected. Nominees for director who are recommended by our stockholders will be evaluated in the same manner as any other nominee for director.

Nominations by stockholders may also be made at an annual meeting of stockholders in the manner provided in our bylaws. Our bylaws require that a stockholder entitled to vote for the election of directors may make nominations of persons for election to our board at a meeting of stockholders by complying with required notice procedures. Nominations must be received at our corporate headquarters not less than 75 days or more than 85 days before any annual meeting of stockholders. If, however, notice or prior public disclosure of an annual meeting given or made less than 75 days before the date of the annual meeting, the notice must be received no later than the 10<sup>th</sup> day following the date of mailing of the notice of annual meeting or the date of public disclosure of the date of the annual meeting, whichever is earlier. The notice must specify the following:

- as to each person the stockholder proposes to nominate for election or re-election as a director:
  - the name, age, business address, and residence address of the person;
  - the principal occupation or employment of the person;
  - the class and number of shares of our capital stock that are beneficially owned by the person; and
  - any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors under Regulation 14A of the Exchange Act; and
- as to the stockholder giving notice:
  - the name and record address of the stockholder and any other stockholder known to be supporting the nominee; and
  - the class and number of shares of our capital stock that are beneficially owned by the stockholder making the nomination and by any other supporting stockholders.

We may require that the proposed nominee furnish us with other information as we may reasonably request to assist us in determining the eligibility of the proposed nominee to serve as a director. At any meeting of stockholders, the presiding officer may disregard the purported nomination of any person not made in compliance with these procedures.

## **Communications with Our Board of Directors**

Any stockholder or interested party who wishes to communicate with our Board of Directors or any specific directors, including non-management directors may write to:

Board of Directors  
Tyler Technologies, Inc.  
5949 Sherry Lane, Suite 1400  
Dallas, Texas 75225

Depending on the subject matter, management will:

- forward the communication to the director or directors to whom it is addressed (for example, if the communication received deals with our "whistleblower policy" found on our Website, [www.tylertech.com](http://www.tylertech.com), including questions, concerns, or complaints regarding accounting, internal accounting controls, and auditing matters, it will be forwarded by management to the Chairman of the Audit Committee for review);
- attempt to handle the inquiry directly (for example, if the communication is a request for information about us or our operations or is a stock-related matter that does not appear to require direct attention by our Board of Directors); or
- not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

At each meeting of our Board of Directors, our Chairman will present a summary of all communications received since the last meeting of the Board of Directors that were not forwarded and will make those communications available to any director on request.

## **Director Attendance at Annual Meetings**

Directors are not required to attend our annual meetings of stockholders. However, our Board of Directors typically holds a meeting immediately following the annual meeting of stockholders. Therefore, in most cases, all of our directors will be present at the annual meeting. All of our directors were present at the 2009 annual meeting of stockholders.

# SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the beneficial ownership of our common stock as of March 19, 2010 by (i) each beneficial owner of more than 5% of our common stock, (ii) each director and nominee, (iii) each "Named Executive Officer" (as defined in the SEC's Regulation S-K), and (iv) all of our executive officers and directors as a group.

## Security Ownership of Directors and Management

Name and Address of Beneficial Owner (1)	Direct (2)	Options Exercisable Within 60 Days (3)	Other (4)	Total	Percent of Class
MSD Capital, L.P. 645 Fifth Avenue, 21st Floor New York, NY 10022	—	—	4,049,923 (6)	4,049,923	11.
Brown Brothers Harriman and Company 140 Broadway New York City, NY 10005	—	—	3,535,013 (7)	3,535,013	10.
Brown Capital Management, Inc. 1201 N. Calvert Street Baltimore, MD 21202	2,384,562 (8)	—	—	2,384,562	6.
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	2,266,565 (9)	—	—	2,266,565	6.

## Directors and Nominees

Donald R. Brattain	28,500	40,000	—	68,500	
J. Luther King, Jr.	32,000	40,000	187,300 (10)	259,300	
G. Stuart Reeves	65,000	110,000	—	175,000	
Michael D. Richards	40,000	50,000	—	90,000	
John M. Yeaman	270,800	443,000	7,300 (11)	721,100	2.

## Named Executive Officers

John S. Marr, Jr.	772,092	794,000	192,277 (12)	1,758,369	4.
Dustin R. Womble	186,092	428,628	—	614,720	1.
Brian K. Miller	27,865	142,188	7,300 (13)	177,353	
H. Lynn Moore, Jr.	70,000	153,000	—	223,000	

All directors, nominees and  
executive officers as a group  
(9 persons)

1,492,349	2,200,816	394,177	4,087,342	11.
-----------	-----------	---------	-----------	-----

\* Less than one percent of our outstanding common stock

(1) Unless otherwise noted, the address of each beneficial owner is our corporate headquarters: 5949 Sherry Lane, Suite 1400, Dallas, Texas 75225.

(2) "Direct" represents shares as to which each named individual has sole voting or dispositive power.

## Table of Contents

- (3) "Options Exercisable within 60 Days" reflects the number of shares that could be purchased by-exerc of options at March 19, 2010 or within 60 days thereafter.
- (4) "Other" represents the number of shares of common stock as to which the named entity or individual share voting and dispositive power with another entity or individual(s).
- (5) Based on 35,049,570 shares of our common stock issued and outstanding at March 19, 2010. Each stockholder's percentage is calculated by dividing (a) the number of shares beneficially owned by (b) sum of (i) 35,049,570 plus (ii) the number of shares such owner has the right to acquire within 60 day
- (6) Based on information reported by MSD Capital, L.P. on a Schedule 13G that was filed with the SEC or about February 3, 2006. MSD Capital, L.P. is deemed to have beneficial ownership of these shares which includes shared voting and investment power for all 4,049,923 shares.
- (7) Based on information reported by Brown Brothers Harriman and Company on a Schedule 13G that w filed with the SEC on or about February 12, 2010. Brown Brothers Harriman and Company is deeme have beneficial ownership of these shares, which includes shared voting and investment power for all 3,535,013 shares.
- (8) Based on information reported by Brown Capital Management, Inc. on a Schedule 13G that was filed with the SEC on or about January 27, 2010. Brown Capital Management, Inc. is deemed to have beneficial ownership of these shares, which includes sole voting power of 1,188,418 shares and sole investment power for all 2,384,562 shares.
- (9) Based on information reported by BlackRock, Inc. on a Schedule 13G that was filed on or about January 29, 2010. BlackRock, Inc. is deemed to have beneficial ownership of these shares, which includes sole voting and sole investment power for all 2,266,565 shares.
- (10) Includes the beneficial ownership of 180,000 shares of common stock held in an entity controlled by Mr. King in which he is deemed to have voting and investment power, and 7,300 shares of common stock owned by a foundation in which Mr. King is deemed to have shared voting power.
- (11) Common stock owned by a foundation in which Mr. Yeaman is deemed to have shared voting power
- (12) Common stock held by a partnership in which Mr. Marr is the general partner and has sole voting and investment power.
- (13) Common stock owned by a foundation in which Mr. Miller is deemed to have shared voting power.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act requires that our directors, executive officers, and 10% or more stockholders file with the S and New York Stock Exchange initial reports of ownership and reports of changes in ownership of our common stock. These persons are required to furnish us with copies of all Section 16(a) reports they file with the SEC. To our knowledge, based solely upon (i) our review of copies of the forms we received during 2009 and (ii) written representations from our directors and executive officers we believe that all of directors, officers, and 10% or more stockholders complied with all Section 16(a) filing requirements during 2009, except for one transactio subsequently reported on an amended Form 4. Mr. Yeaman inadvertently did not file a Form 4 in a timely manner with respect to a stock option grant of 5,000 shares of our common stock.

## COMPENSATION DISCUSSION AND ANALYSIS

In this Compensation Discussion and Analysis, we describe our compensation objectives, policies, and practices generally and the specific fiscal year 2009 total compensation for our Chief Executive Officer, Chief Financial Officer, and the two other executive officers who were most highly compensated in fiscal year 2009 (collectively, the "Named Executive Officers"), and we summarize the approved compensation for the Named Executive Officers for fiscal year 2010.

### Compensation Philosophy and Objectives

Our Compensation Committee is responsible for reviewing and approving the design and administration of the executive compensation program. Our Compensation Committee believes that an effective compensation program should reward achievement of specific corporate goals and align our executives' interests with those of our stockholders by rewarding performance that meets or exceeds established goals. Our compensation philosophy is designed to attract, motivate, and retain the key executives who drive our success and industry leadership and to motivate those executives to deliver stockholder value by achieving the following overall objectives:

- *Compensation Should Align the Interests of our Executives with our Stockholders* – compensation should link the interests of management with those of stockholders by making a substantial portion of executive compensation depend upon our long-term financial and stock performance;
- *Compensation Should be Competitive* – compensation levels should be sufficiently competitive to attract and retain superior executives by providing them with the opportunity to earn total compensation packages that are competitive in the industry;
- *Compensation Should Be Based on Company Performance* – compensation should reward corporate performance through annual cash incentives;
- *Compensation Should Reflect Responsibility and Accountability* – compensation should be based on the level of skill, knowledge, effort, and responsibility needed to perform the job successfully; and
- *Compensation Should Not Incentivize Excessive Risk Taking* – the mix of compensation elements should be appropriately balanced between fixed pay, short-term annual incentive cash compensation, and long-term incentive equity compensation to minimize incentive for excessive risk taking.

To achieve these objectives, the Compensation Committee, has designed a compensation program for our Named Executive Officers that balances the three primary elements of our executive compensation: annual base pay; annual incentive cash compensation; and long-term incentive equity compensation (stock options). The Compensation Committee believes that this structure encourages our executives to think and act in both the near-term and long-term interests of our stockholders without promoting excessive risk taking.

Regarding base pay and annual cash incentive compensation, the same compensation philosophy applied by the Compensation Committee to our Named Executive Officers is also utilized by management and applied throughout the entire employee base so that all employees' incentive compensation is tied to similar goals, the difference being the amount of base pay compensation and percentage incentive compensation award in relation to base pay. Regarding long-term incentive compensation in the form of stock options, management also applies the same compensation philosophy as applied by the Compensation Committee to our Named Executive Officers to senior divisional employees. We believe that the application of this consistent philosophy regarding compensation further strengthens the alignment of employees' interests with those of the stockholders.

### 2009 Executive Summary Overview

2009 was a year of strong financial performance, particularly in light of the overall challenging economic environment. Total revenues grew from \$265 million to \$290 million. Earnings per share grew from \$0.38 in 2008 to \$0.74 in 2009. In 2008 we settled outstanding litigation related to stock purchase warrants owned by Bank of America, N. A. and recorded a non-cash legal settlement related to warrants charge of \$9.0 million, which was not tax deductible. This non-cash legal settlement reduced earnings per share by \$0.23 in 2008. Free cash flow (excluding \$9.4 million of office facility investments) remained strong at \$40 million.

## Compensation Program Actions

Our compensation program for our Named Executive Officers falls into three categories:

- Compensation Program Design – actions related to the overall design and governance of our executive compensation program
- Company Performance Review Process for Prior Fiscal Year – actions approving actual incentive cash compensation awards for the just completed fiscal year; and
- Setting Compensation for Current Fiscal Year – actions that set future base pay and incentive compensation targets for the upcoming fiscal year.

**Compensation Program Design.** Each year, our Chief Executive Officer, in conjunction with the Human Resources Department, review the market competitiveness of our executive compensation relative to technology and broad industry peers, which is described in detail below. If the review shows that our executive compensation is not competitive, our Chief Executive Officer will recommend changes to the Compensation Committee. He may also recommend changes to the executive compensation program based on changes in the business environment in which we operate. The Compensation Committee periodically reviews the overall objectives of our executive compensation program and the elements of the program, including the mix of cash and stock-based compensation and the mix of short-term and long-term compensation, to determine whether they are appropriate, properly coordinated, and achieve their intended purposes.

**Peer Group and Surveys.** Prior to February 2010, the Compensation Committee considered comparative market data from a broad set of companies in the Culpepper Executive Compensation Surveys (the “Culpepper Surveys”). Over 1,500 technology and biomedical companies use Culpepper Surveys to benchmark their compensation practices for all levels within their organizations and management has historically utilized the Culpepper Surveys in determining the reasonableness of compensation for various levels of employees, including executives.

In order to provide the Compensation Committee with more detailed and specific information about executive compensation levels and practices, we established a peer group of 20 companies of similar size in the software industry (the “Peer Group”) in February 2010 to assist in determining 2010 compensation. The Peer Group companies provide perspective and reflect the external market’s valuation of key executive compensation. External information is considered with internal factors such as an executive’s position, experience, and responsibilities. The Peer Group will be reviewed annually and adjusted as required by changes in the market. The companies in the Peer Group used to assist in setting 2010 compensation were:

Ariba, Inc.  
Aspen Technology, Inc.  
Blackbaud, Inc.  
Blackboard, Inc.  
Concur Technologies, Inc.  
DealerTrack Holdings, Inc.  
Deltek, Inc.  
Eclipsys Corp.  
Epicor Software Corp.  
Epiq Systems, Inc.

Jack Henry & Associates, Inc.  
JDA Software Group, Inc.  
Kenexa Corp.  
Lawson Software, Inc.  
Manhattan Associates, Inc.  
Netscout Systems, Inc.  
Quest Software, Inc.  
Radiant Systems, Inc.  
SI Corp.  
Taleo Corp.

In determining the appropriateness of the Peer Group, the Compensation Committee compared our performance against six key metrics of the Peer Group, including revenues, market capitalization, net income, total assets, one-year stockholder return, and three-year stockholder return. The Compensation Committee determined that based on these metrics the Peer Group was appropriate for comparative purposes. The Compensation Committee continues to utilize the Culpepper Surveys in addition to the Peer Group. The Compensation Committee uses market survey data like the Peer Group and Culpepper Surveys not as a benchmark per se, but rather as a reasonableness check. This flexibility is important in designing compensation arrangements to attract new executives in the highly-competitive, rapidly changing market in which we compete.

*Positioning of Pay*. The Compensation Committee determines target total compensation for our Named Executive Officers after considering the Chief Executive Officer's recommendations and a variety of data sources, including analysis of the Peer Group (beginning in 2010) and Culpepper Surveys. We do not apply a formula that ties our total compensation levels to specific market percentiles.

*Mix of Pay Elements*. As described above, our philosophy is to provide a significant portion of total compensation linked to performance that we believe will create long-term stockholder value. To achieve these objectives, the executive compensation program relies on the following three elements of total compensation:

Element	Form of Compensation	Purpose	Metric
Base salary	Cash	Provide competitive, fixed compensation to attract and retain exceptional executive talent	Salaries are set each year based on executive's position, responsibilities, experience, and retention risk. Base salary is a fixed component and is independent of achieving goals
Incentive cash compensation under the annual bonus plan	Cash	Create a strong financial incentive for achieving or exceeding annual financial goals	Achieving earnings per share goals which are recommended by the CEO and approved by the Compensation Committee
Equity-based compensation	Stock options	Create a strong financial incentive for creating stockholder value, encourage a significant equity stake in Tyler, and provide a direct incentive for future performance	Discretionary, but set each year based on the executive's position, experience, responsibilities, and retention risk

Our executive compensation program is designed to provide an incentive and reward for the achievement of both short-term and long-term objectives. We believe that sustained achievement of measurable financial objectives leads to increased stockholder value. To achieve these objectives we use a mix of short-term compensation (base salaries and annual cash bonuses) and long-term incentives (stock options) to provide a total compensation structure that is designed to reward sustained strong performance while providing cash compensation that remains competitive for our industry. In setting the mix between the different elements of compensation, we do not target specific allocations, but generally weigh the incentive compensation elements (cash and equity) more heavily. For more information, see "Compensation Discussion and Analysis – 2009 Named Executive Officer Compensation – Compensation Mix."

Base salary and annual incentives are intended to reward the achievement of short-term objectives. Our incentive compensation plan is based on annual earnings per share performance metrics, with graduated benefits for overachievement and consequences for underachievement of objectives. We believe that growth in earnings per share most aligns management and stockholder interests and is a more meaningful short-term measure than growth in stock price because of the effect of outside factors (e.g., general economic conditions) on the price of our stock. While our annual incentive compensation plan is based on the earnings per share performance in a given year, the initial establishment of the criteria for full achievement of the target bonus from year to year is based on a longer term view of appropriate growth. In other words, performance that meets our internal plan in a given year will not necessarily correspond with our executives earning 100% of the target bonus if the internal plan does not meet the goal of overall year-over-year growth.

Equity incentives, comprised of stock options, are intended to reward sustained achievement of long-term objectives through time-based vesting periods. Stock options to our executive officers have a ten-year life and have historically vested over a period of five years, thereby providing a long-term incentive. Our allocations reflect our philosophy that a significant portion of our executive officers' compensation should be performance-based and therefore at risk depending on Tyler's performance. Through the use of stock options, a significant portion of potential compensation is tied directly to stock price appreciation, further aligning the interest of our executive officers with those of our stockholders. We have considered other forms of equity compensation, such as restricted

stock, but believe that stock options are the best form of equity based compensation as stock options only reward executives if the value of the stock increases. Restricted stock can provide additional compensation even if the stock value is stagnant.

All stock option awards are granted in two semi-annual tranches (on or about June 15 and December 15). Stock option awards are made at the market price at the time of the award and are subject to time-based vesting as determined by the Compensation Committee. Beginning in 2010, the Compensation Committee has changed the vesting schedule of options granted to the Named Executive Officers, which further emphasizes the long-term nature of this compensation component. See "Compensation Discussion and Analysis – 2010 Named Executive Officer Compensation."

Our philosophy with regard to granting stock options is to:

- Strive to ensure that the overall number and value of stock option awards is reasonable;
- focus stock option awards on a relatively small number of key employees determined to have a direct impact on our ability to achieve our long-term goals with the largest stock option grants awarded to our top performers and individuals with the greatest responsibilities and the potential to drive long-term share price appreciation; and
- manage the overall net stock dilution (i.e., manage the total number of shares outstanding by balancing the dilutive effect of granting stock options with repurchases of our common stock which reduce our shares outstanding).

*Assessment of Risk*. Our compensation program is designed not to incentivize excessive risk taking by allocating an appropriate balance between the three compensation elements. The base salary component of compensation is a fixed amount and is therefore not subject to or influenced by risk taking. Our incentive compensation is balanced between short-term earnings per share growth through the payment of annual cash incentives and long-term stock price growth through the grant of stock options. Our annual cash incentive compensation plans are graduated scale plans rather than based on "all or nothing" performance, which reduces the incentive for short-term excessive risk taking. Moreover, our stock option grants occur in fixed amounts on a semi-annual basis (on or about June 15 and December 15), which reduces or eliminates the ability of executive officers to time the grant of options around short-term, market events. Further, beginning in 2010, the Compensation Committee has changed the vesting schedule of options to be awarded to the Named Executive Officers. Prior to 2010, option grants vested at 20% per year on the first through fifth anniversary of the date of grant. Effective in 2010, option grants will vest at 25% per year on the third through sixth anniversary of the date of grant, which further emphasizes the long-term nature of this compensation component and reduces the incentive for risk taking. Finally, the Board of Directors adopted the Executive Compensation Recovery Policy effective January 1, 2010, which provides that the independent directors can direct Tyler to recover all or a portion of any bonus or incentive compensation paid to an executive if, in the opinion of the independent directors, an executive engages in fraud or intentional misconduct that causes a material restatement of our financial statements. See "Compensation Discussion and Analysis – 2010 Named Executive Officer Compensation."

*Company Performance Review Process for Prior Fiscal Year*. Each year, the Compensation Committee approves the size of incentive compensation for the prior fiscal year based on the achievement of defined incentive compensation plans that were approved by the Compensation Committee at the beginning of the year. Annual bonuses are reviewed by the Compensation Committee and paid shortly after the fiscal year's financial results are approved by the Audit Committee.

While the payment of annual incentive compensation is based solely on the achievement of pre-defined and pre-approved earnings per share metrics, the Compensation Committee, using its judgment, may exercise discretion in granting additional bonus amounts and stock option awards as it deems appropriate. These adjustments may be based on subjective factors such as the Compensation Committee's assessment of external factors, including general economic and market conditions, the executive's assumption of additional responsibilities, the degree of difficulty of a particular assignment, and the executive's experience, tenure, and future prospects with Tyler.

*Setting Compensation for Current Fiscal Year*. Each year, the Compensation Committee approves base salary, annual incentive compensation earnings per share plans and the amount of stock options to be granted to the Named Executive Officers as part of our semi-annual option grants. In so doing, the Committee reviews recommendations



by the Chief Executive Officer and analyzes the Peer Group (beginning in 2010) and Culpepper Surveys, internal business plans and general economic conditions. For more information on the establishment of 2009 Named Executive Officer Compensation, see "Compensation Discussion and Analysis – 2009 Named Executive Officer Compensation."

## 2009 Named Executive Officer Compensation

In February 2009, the Compensation Committee approved the total compensation packages for each of the Named Executive Officers, including the Chief Executive Officer. The total compensation packages included base salary, an annual cash incentive compensation plan, and proposed stock option grants. The Compensation Committee re-affirmed the appropriateness and amount of stock option grants prior to the June 15 and December 15 awards. In February 2010, the Compensation Committee conducted a company performance review to determine attainment of earnings per share targets, relating to the payment of cash incentive bonus under the incentive compensation plan.

**Role of the Chief Executive Officer.** In February 2009, our Chief Executive Officer, John S. Marr, Jr., provided the Compensation Committee with recommendations for 2009 base salary increases, annual bonus performance targets with related minimum and maximum bonus payout potentials, and long-term incentives (stock option awards) for each Named Executive Officer, including himself. His recommendations were based on his review of internal pay relationships and consistency, the executive's performance and experience, level responsibility, changes in responsibilities, retention risk, and market compensation survey data consisting of the Culpepper Surveys provided by our Human Resources Department. Cash bonus payout potentials were based on the level of earnings per share achieved compared to earnings per share goals developed in connection with our annual operating plan at the beginning of 2009. Payouts were graduated for above and below target performance levels. The Chairman of the Board attended the Compensation Committee meeting in February 2009 and presented Mr. Marr's recommendations for 2009 compensation packages to the Compensation Committee and participated in the Committee discussion of executive compensation. Mr. Marr did not attend any Compensation Committee meetings in 2009.

**Analysis of Compensation Elements.** The principal elements of our executive compensation program in 2009 were (1) base salary, (2) annual cash bonus, and (3) stock options, each of which is described in more detail below:

**Base Salary.** Base salary represents the single, fixed component of the three principal elements of our executive compensation program and is intended to provide a baseline minimum amount of annual compensation for our executives. In February 2009, the Compensation Committee approved a 3% increase for each of the Named Executive Officer's annual base salary as set forth below:

Name	Increase	2008 Salary	2009 Salary
John S. Marr, Jr.	3%	\$ 395,000	\$ 407,000
Dustin R. Womble	3%	\$ 333,000	\$ 343,000
Brian K. Miller	3%	\$ 250,000	\$ 257,500
H. Lynn Moore, Jr.	3%	\$ 250,000	\$ 257,500

The 3% increase in base salary was recommended to the Compensation Committee by the Chief Executive Officer. His recommendations were based on two things. First, he referenced nationwide market survey information consisting of the Culpepper Surveys. This information included comparisons to similar sized companies that were public companies in the technology and biomedical industries with annual revenue between \$250 million and \$500 million. These surveys indicated that the base salary for our Named Executive Officers was slightly under the median and total targeted cash compensation (base salary and bonus) was slightly above the median. Second, and most important, he believed that it was appropriate to treat executive management on a consistent basis with the overall employee base, which received an average 3% merit increase in 2009.

The Compensation Committee reviewed the nationwide market survey information in a summary report and considered current economic conditions and the Chief Executive Officer's recommendations in independently determining the 2009 salary adjustments. As noted above, the Compensation Committee does not adhere to strict formulas or rely to any significant extent on market survey data to determine total compensation or the mix of

## Table of Contents

compensation elements. Market survey data is not used as a benchmark per se, but rather is referred to by the Compensation Committee as a reasonableness check.

*Annual Cash Bonus*. A significant portion of each executive's annual compensation is in the form of a cash bonus. We believe that some meaningful portion of the executive's compensation should be contingent upon the successful achievement of our corporate objectives. Our 2009 annual cash bonuses for executives were based on the level of attainment of earnings per share objectives and did not include any individual performance goals. In February 2009, the Compensation Committee approved the 2009 Incentive Compensation Plan recommended by the Chief Executive Officer, which was based on the achievement of fully diluted earnings per share goals established in connection with our annual operating plan and consistent with our long-term growth strategy. The Board of Directors also reviews the annual operating plan. The 2009 Incentive Compensation Plan for the Named Executive Officers was similar to other corporate employees' incentive compensation plans and tied to similar goals, the main difference being the size of the target incentive award in relation to base salary. We believe that the percentage of compensation that is based on our performance should increase with an employee's level within Tyler up to and including executive management. Target incentives are determined based on experience, level of responsibility, and retention risk. The 2009 Incentive Compensation Plan provided the opportunity for the executive officers as well as our corporate employees to earn incentive compensation at the following levels:

- 180% of target based on achieving 134% of earnings per share goal
- 170% of target based on achieving 130% of earnings per share goal
- 160% of target based on achieving 126% of earnings per share goal
- 150% of target based on achieving 121% of earnings per share goal
- 140% of target based on achieving 117% of earnings per share goal
- 130% of target based on achieving 113% of earnings per share goal
- 120% of target based on achieving 109% of earnings per share goal
- 110% of target based on achieving 104% of earnings per share goal
- 100% of target based on achieving 100% of earnings per share goal
- 90% of target based on achieving 96% of earnings per share goal
- 80% of target based on achieving 91% of earnings per share goal
- 70% of target based on achieving 87% of earnings per share goal
- 60% of target based on achieving 83% of earnings per share goal
- 50% of target based on achieving 79% of earnings per share goal
- 40% of target based on achieving 74% of earnings per share goal
- 0% of target based on achieving less than 74% of earnings per share goal

In order to earn 100% of the target bonus for 2009, we had to achieve the earnings per share goal of \$0.70 to \$0.729, which was based on our operating plan that formed the basis of our published earnings guidance and was generally in a range consistent with our long-term growth strategy. In order to achieve the threshold bonus of 40% of target, we had to achieve 74% of the earnings per share goal, a range of \$0.52 to \$0.549. The operating plan is developed from the "bottom-up" and considers a wide range of factors that impact our results including the general economic environment, our market, competitive landscape, initiatives and investments, and various other risks and opportunities. At the beginning of the plan year we believe achievement of the plan is generally considered to be challenging but reasonably possible when all such factors are considered.

The Compensation Committee approved target incentive awards for 2009 at 100% of base salary for Mr. Marr and Mr. Womble, and 75% of base salary for Mr. Miller and Mr. Moore. The difference is primarily based on the executives' level of responsibility and retention risk. For 2009, we achieved earnings per share of \$0.74. Accordingly, in February 2010, the Compensation Committee approved an annual cash bonus

110% of the target incentive award, which was consistent with the 2009 Incentive Compensation Plan approved by the Compensation Committee in February 2009. The Compensation Committee did not grant any additional bonus compensation to any of the Named Executive Officers for 2009.

*Stock Options*. A third component to our Named Executive Officers' 2009 compensation is stock options. As discussed above, stock options promote long-term performance and serve as a means of attracting, motivating, and retaining executive officers. Stock options also provide a vital link between the long-term results achieved for our stockholders and the rewards provided to executive officers and other key employees. Option holders only

realize value on stock options if our stock price increases and only if they remain employed with us beyond the date their options vest. When our stock price does not grow, our executives realize little value from this component of their compensation. We believe this is appropriate because our stockholders also would not have benefited significantly from owning our stock.

In February 2009, our Chief Executive Officer recommended stock option grants for our Named Executive Officers. He recommended the grants be made in two equal tranches on June 15 and December 15, which was consistent with our semi-annual grant policy. The 2009 option grants vest at 20% on the first through fifth anniversary of the date of grant and have an exercise price equal to fair market value of our common stock on the grant date. The ten-year option term and five-year vesting period for stock option grants was consistent with stock option grants made to all our employees.

In February 2009, the Compensation Committee preliminarily approved the size of option grants to our Named Executive Officers. In so doing, the Compensation Committee considered many factors, including the recommendation of our Chief Executive Officer, our potential future financial performance, each Named Executive Officer's experience and level of responsibility, and our retention risk for each Named Executive Officer. The Compensation Committee does not have a set formula by which it determines which of these factors is more or less important, and the specific factors used and their weighting may vary among individual executives. The Compensation Committee also periodically reviews Risk Metrics Group guidelines as to the appropriate level of stock option awards granted for companies of similar characteristics. Prior to June 15 and December 15, 2009, the Compensation Committee approved the actual grants of stock options to each Named Executive Officer as set forth below, the size of which (in number of shares) remained the same as the option grants made to these executives in 2008 (excluding stock options granted in connection with employment agreement renewals in 2008).

Name	2008	2009
John S. Marr, Jr.	60,000	60,000
Dustin R. Womble	50,000	50,000
Brian K. Miller	40,000	40,000
H. Lynn Moore, Jr.	40,000	40,000

Stock option awards are made annually to approximately 2-4% of all employees. The Named Executive Officers were awarded approximately 29% of the total stock options granted to employees in 2009 as part of our annual recurring stock option grant program. In 2008, the percentage of total stock option awards for our annually recurring grants to Named Executive Officers was as follows:

Name	Percentage total annually recurring stock option awards
John S. Marr, Jr.	9%
Dustin R. Womble	8%
Brian K. Miller	6%
H. Lynn Moore, Jr.	6%

**Compensation Mix.** The mix of the three key elements of 2009 Named Executive Officer compensation is designed with the objective of putting a substantial portion of executive pay at risk. While salaries are intended to be assured, the other two elements only have value if earnings per share goals are met and if the value of our common stock increases. We believe that having a larger measure of key pay element at risk motivates and challenges our Named Executive Officers to achieve positive returns for our stockholders. For 2009, the proportion of pay at risk for our Named Executive Officers was as follows:

Name	Base Salary	Compensation at risk	
		Bonus	Stock Option
John S. Marr, Jr.	31%	34%	35%
Dustin R. Womble	31%	34%	35%
Brian K. Miller	33%	28%	39%
H. Lynn Moore, Jr.	33%	28%	39%

## Table of Contents

The table above depicts the relative mix of pay elements for 2009, made up of base salary earned, annual bonus cash incentive earned in 2009 (paid in 2010), and the aggregate grant date fair value of stock option grants made to the executive officers. See "Executive Compensation – Summary Compensation Table" for more detail.

**Additional Considerations** . In addition to the general philosophies and specific considerations discussed above, the Compensation Committee discussed in detail the following in determining total compensation for the Named Executive Officers:

- our 2009 financial performance;
- terms of employment agreements; and
- each Named Executive Officer's annual incentive compensation plan that had been previously approved.

With respect to our Chief Executive Officer's 2009 total compensation package, the Compensation Committee also considered the following:

- management's goal of year-over-year improved earnings per share growth;
- management's focus on strengthening our balance sheet;
- management's strategic mission to increase profitability through sustained internal growth, including software-related revenues;
- management's directive to develop and deploy premier technology through continued investment;
- Mr. Marr's contribution to the achievement of each of these strategic initiatives; and
- reference to levels of compensation of other chief executive officers of similar sized, publicly held companies and in similar industries.

After considering all of the factors outlined in this Compensation Discussion and Analysis, the Compensation Committee considered the overall compensation paid to our Named Executive Officers for 2009 to be appropriate and reasonable.

### **2010 Named Executive Officer Compensation**

In February 2010, the Compensation Committee approved the total compensation packages for each of the Named Executive Officers for 2010, including our Chief Executive Officer. The 2010 total compensation packages will include the same components as 2009 with the adjustments as set forth below.

**Role of the Chief Executive Officer** . In February 2010, our Chief Executive Officer, at the request of the Chairman of the Compensation Committee, attended the Compensation Committee meeting. Mr. Marr was asked to provide senior management's philosophy regarding executive compensation and short- and long-term objectives for the purpose of assisting the Compensation Committee in establishing 2010 total compensation for the Named Executive Officers. In addition, Mr. Marr was asked to present the results of the analysis of the Peer Group and Culppepper Surveys as well as the financial outlook for 2010. Mr. Marr noted that the Named Executive Officers' 2009 total compensation was below the median and mean as represented by the Peer Group. Mr. Marr made recommendations regarding 2010 base salary increases, annual bonus performance targets and related minimum and maximum bonus payout potentials, and long-term incentives (stock option awards) for each Named Executive Officer, including himself. Mr. Marr also recommended increasing annual stock option grants to the Named Executive Officers by 15-20% per year to compensate for the fact that total annual cash compensation was below the median and mean of the Peer Group, and also recommended changing the vesting schedule for future stock option grants to extend the total vesting period from five years to six years and delay initial vesting by two years, the purpose of which is to more reflect the long-term nature of this component of executive compensation and to further align the interests of the Named Executive Officers with those of the stockholders. Mr. Marr also recommended the adoption of an Executive Compensation Recovery Policy to promote further accountability among senior management as well as to discourage any excessive risk taking. Mr. Marr was excused from the meeting after his presentation and did not participate in the Compensation Committee's discussion of executive compensation for 2010. The Compensation Committee has the authority to accept, reject or modify the Chief Executive Officer's recommendations.

2010 Compensation Committee / Board of Director Actions . In February 2010, the Compensation Committee approved the following 2010 total compensation for the Named Executive Officers and other measures:

*Base Salary* . For 2010, the Compensation Committee approved a 3% increase for each of the Named Executive Officer's annual base salary.

*Annual Cash Bonus* . For 2010, the Compensation Committee elected to leave target bonus awards unchanged at 100% of base salary for Mr. Marr and Mr. Womble, and 75% of base salary for Mr. Miller and Mr. Moore. The Compensation Committee further approved the 2010 Incentive Compensation Plan for the Named Executive Officers as well as all employees at graduated scale levels similar to the 2009 Incentive Compensation Plan. Under the 2010 Incentive Compensation Plan to earn 100% of the target bonus for 2010, the Company must achieve the earnings per share goal of \$0.84 to \$0.869, which was based on our operating plan that formed the basis of our published 2010 earnings guidance and was reviewed by our Board of Directors. In order to achieve the threshold bonus of 40% of target, the Company must achieve 79% of the earnings per share goal, a range of \$0.66 to \$0.689.

*Stock Options* . For 2010, the Compensation Committee preliminarily approved a 20% increase in the stock option grants to the Named Executive Officers from the 2009 stock option grants, which will be issued on or about June 15 and December 15, 2010, subject to final approval by the Compensation Committee. In addition, the Compensation Committee approved a change in the vesting of options granted in 2010 and thereafter. Prior to 2010, all stock options granted to the Named Executive Officers vested at 20% per year on the first through the fifth anniversary of the date of grant. Options granted to the Named Executive Officers beginning in 2010 shall vest at 25% per year on the third through the sixth anniversary of the date of grant. The Compensation Committee believes that the delayed and extended vesting schedule emphasizes the long-term nature of this compensation component, thereby further aligning the interests of the Named Executive Officers with those of the stockholders.

*Executive Compensation Recovery Policy* . Accountability is a fundamental value to Tyler Technologies. To reinforce this value through our executive compensation program, the Board of Directors adopted an Executive Compensation Recovery Policy in February 2010. The policy applies to our Named Executive Officers, division presidents, senior financial management and division controllers and is included in the executive compensation plans for each such individual beginning January 1, 2010.

Under this policy, if, in the opinion of the independent directors of the Board, an executive engages in fraud or intentional misconduct that causes a material restatement of our financial statements, then the independent directors shall have the discretion to use their best efforts to remedy the misconduct and prevent its recurrence. Based upon the facts and circumstances surrounding the restatement, the independent directors may direct us to recover all or a portion of any bonus or incentive compensation paid, adjust the future compensation of the executive and dismiss, or take legal action against, the executive, in each case as the independent directors determines is in our best interests. The remedies that may be sought by the independent directors are subject to a number of conditions, including, that: (1) the bonus or incentive compensation to be recouped was calculated based upon the financial results that were restated; (2) the executive in question engaged in fraud or intentional misconduct; and (3) the bonus or incentive compensation calculated under the restated financial results is less than the amount actually paid or awarded.

#### **Other Compensation Topics**

Benefits . Our Named Executive Officers are eligible for the same benefits made available to other full-time employees generally, including our 401(k) Savings Plan, Employee Stock Purchase Plan, health and dental care plans, life insurance plans, disability plans, and other welfare benefit programs.

Severance and Change in Control Agreements . Our Named Executive Officers have employment contracts that provide for a severance payment equal to each executive's base salary and target bonus and a non-compete payment equal to his base salary and target bonus upon the executive's termination of employment without cause, or upon the executives' termination of employment upon a change in control. In addition, upon a change in control all unvested options previously granted to each Named Executive Officer would immediately become vested and exercisable. For more information, see "Compensation Discussion and Analysis – Employment Contracts."

**Tax Consequences of Certain Forms of Compensation** . The following is a summary of principal federal income tax consequences of certain transactions under our compensation plan. It does not describe all federal tax consequences of our compensation plan, nor does it describe state and local tax consequences.

**Incentive Options** . No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then upon sale of such shares, any amount realized in excess of the incentive option price will be taxed to the optionee as a long-term capital gain, any loss sustained will be a long-term capital loss, and we will not be entitled to any deduction for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum liability for the optionee.

If shares acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above, generally the optionee will realize ordinary income in the year of disposition in an amount equal to the excess, if any, of the fair market value of the shares at exercise over the option price and we will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the stock option is paid by tendering shares.

**Non-Qualified Options** . We also grant to executives non-qualified stock options that do not qualify for the tax treatment described above. No income is realized by the optionee at the time the option is granted. Generally, at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares on the date of exercise, and we receive a tax deduction for the same amount. At disposition, appreciation or depreciation after the date of exercise is treated as either short- or long-term capital gain or loss depending on how long the shares have been held. Special rules apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares. Upon exercise, the optionee will also be subject to Social Security taxes on the excess of the fair market value over the exercise price of the option.

#### **Employment Contracts**

In February 2008, we entered into five-year employment agreements with John S. Marr, Jr., Dustin R. Womble, Brian K. Miller, and H. Lynn Moore, Jr. Under the terms of the agreements, Messrs. Marr, Womble, Miller and Moore will receive minimum base salaries of \$395,000, \$333,000, \$250,000, and \$250,000, respectively. They also participate in performance bonus or incentive compensation plans made available to our comparable-level employees and receive all employee benefits and perquisites normally offered to our executive employees. Each agreement provides for a severance payment equal to each executive's base salary and target bonus and a non-compete payment equal to his base salary and target bonus upon the executive's termination of employment without cause, or upon the executives' termination of employment upon a change in control. A change in control is defined as our merger or consolidation into an unaffiliated entity, our dissolution or liquidation, the sale of all or substantially all of our assets, the acquisition by any person, entity or group of more than 50% of our voting stock, or a change in the majority of our Board of Directors that was not approved by the then existing directors. In addition to the severance payment and the non-compete payment, each agreement also provides that we will continue to provide medical benefits for twelve months after the date of termination. In the event of a change in control, all unvested options previously granted to Messrs. Marr, Womble, Miller, and Moore would immediately become vested and exercisable.

In addition, the employment agreements provided that Messrs. Marr, Womble, Miller, and Moore be granted options to purchase respectively 400,000, 250,000, 150,000, and 150,000 shares of Tyler's common stock. The options were granted at an exercise price equal to the closing market price of Tyler's common stock as reported by the New York Stock Exchange as of the effective date of the grant (May 1, 2008). The options vest in equal installments on the first, second, third, fourth, and fifth anniversary of the date of grant and are subject to the terms and conditions of the 2000 Stock Option Plan and our standard option agreement under that plan.

We developed a standard severance package for our Named Executive Officers, because we believe it is necessary to attract and retain qualified executive officers and to minimize the distraction caused by a potential transaction and reduce the risk that an executive officer departs Tyler before an acquisition is consummated. We believe that a pre-existing plan allows our executive officers to focus on continuing normal business operations and on the success of a potential business combination, rather than on seeking alternative employment. We further

believe that our employment agreements ensure stability and will enable our executive officers to maintain a balanced perspective in making overall business decisions during a potentially uncertain period. The Compensation Committee applied its best judgment in developing the severance package after considering each executive's overall compensation package, the rapidly changing environment for technology-based companies, the average time required to obtain employment for equivalent job duties, and the amount of payment made to executives in the event of termination without cause or upon a change in control.

#### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Compensation Discussion and Analysis be included in this proxy statement.

This report is submitted by the Compensation Committee.

Michael D. Richards, Chairman

J. Luther King, Jr.

G. Stuart Reeves

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

In 2009, the Compensation Committee consisted of Michael D. Richards (Chairman), J. Luther King, Jr., and G. Stuart Reeves. No member of the Compensation Committee was an officer or employee of Tyler. None of our executive officers served on the Compensation Committee of any other entity.



## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table sets forth certain information regarding the compensation paid to our Named Executive Officers for all of the service they rendered to us during 2009, 2008, and 2007.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(3)	Total (\$)
John S. Marr, Jr.	2009	\$ 407,000			\$ 457,551	\$ 447,700		\$ 9,901	\$ 1,322,
Chief Executive Officer and President	2008	\$ 395,000			\$ 3,208,500	\$ 671,500		\$ 8,301	\$ 4,283,
	2007	\$ 380,000			\$ 605,652	\$ 430,000		\$ 8,176	\$ 1,423,
Dustin R. Womble	2009	\$ 343,000			\$ 381,293	\$ 377,300		\$ 16,471 (3)	\$ 1,118,
Executive Vice President; Chief Executive Officer of both the Courts and Justice division and Local Government division	2008	\$ 333,000			\$ 2,083,750	\$ 566,100		\$ 14,131 (3)	\$ 2,996,
	2007	\$ 320,000			\$ 504,710	\$ 320,000		\$ 19,170 (3)	\$ 1,163,
Brian K. Miller	2009	\$ 257,500			\$ 305,034	\$ 212,438		\$ 2,776	\$ 777,
Executive Vice President, Chief Financial Officer and Treasurer	2008	\$ 250,000			\$ 1,313,000	\$ 318,750		\$ 5,940	\$ 1,887,
	2007	\$ 235,000			\$ 302,826	\$ 117,500		\$ 4,668	\$ 659,
H. Lynn Moore, Jr.	2009	\$ 257,500			\$ 305,034	\$ 212,438		\$ 3,856	\$ 778,
Executive Vice President, General Counsel and Secretary	2008	\$ 250,000			\$ 1,313,000	\$ 318,750		\$ 2,376	\$ 1,884,
	2007	\$ 235,000			\$ 302,826	\$ 117,500		\$ 2,224	\$ 657,

- (1) Represents aggregate grant date fair value of awards granted and calculated in accordance with Accounting Standards Codification Topic 718, Stock Compensation. Such grants provide our executive officers the opportunity to purchase shares of Tyler common stock at some future date at the fair market value of the stock on the date of grant. For additional information on the valuation assumptions refer to note 10 of the Tyler Technologies' financial statements in the Form 10-K for the year ended December 31, 2009, as filed with the SEC. This fair value does not represent cash received by the executive in 2009, but potential earnings contingent on Tyler's future performance. Stock option grants are designed to provide long-term (up to ten years) incentives and rewards linked directly to the price of our common stock. Stock options have value to the recipient only when stockholders benefit from stock price appreciation and, as such, further align management's interest with those of our stockholders.

Option awards in 2008 include stock options granted in connection with employment agreement renewal well as normal recurring annual stock options grants.

- (2) These amounts consist of amounts earned under Tyler's bonus plan for each respective year and paid in the following year.
- (3) All other compensation includes amounts contributed or accrued by Tyler under our 401(k) Savings Plan; tickets to sporting events, a charitable donation made on behalf of Mr. Womble, and disability insurance premiums paid on behalf of Mr. Womble.

Grants of Plan-Based Awards in 2009

The following table sets forth certain information relating to grants of plan-based awards to the Named Executive Officers during 2009.

Name	Grant Date	Estimated Future Payouts Under Non-Equity			Estimated Future Payouts Under Equity			All Other Stock Awards: Number of	All Other Option Awards: Number of	Exercise or Base Price of	Grant 1 Fair Value of Stock Option Awards (1)
		Incentive Plan Awards (1)			Incentive Plan Awards			Shares of	Securities	Option	
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Stock or Units (#)	Underlying Options (#) (2)	Awards (\$/Sh)	
John S. Marr, Jr.	2/25/2009	\$ —	\$ 407,000	\$ 732,600							
	6/15/2009								30,000	\$ 16.33	\$ 216,
	12/15/2009								30,000	\$ 19.20	\$ 241,
Dustin R. Womble	2/25/2009	\$ —	\$ 343,000	\$ 617,400							
	6/15/2009								25,000	\$ 16.33	\$ 180,
	12/15/2009								25,000	\$ 19.20	\$ 201,
Brian K. Miller	2/25/2009	\$ —	\$ 193,125	\$ 347,625							
	6/15/2009								20,000	\$ 16.33	\$ 144,
	12/15/2009								20,000	\$ 19.20	\$ 160,
H. Lynn Moore, Jr.	2/25/2009	\$ —	\$ 193,125	\$ 347,625							
	6/15/2009								20,000	\$ 16.33	\$ 144,
	12/15/2009								20,000	\$ 19.20	\$ 160,

- (1) The target and maximum plan award amounts reported in these columns are derived from our 2009 Bonus Plan. The actual payout amounts for 2009 are set forth in the Non-Equity Incentive Plan Compensation column of our Summary Compensation Table above.
- (2) The options awarded on June 15, 2009 and December 15, 2009 were granted as part of Tyler's broad-based annual stock option grant. The options vest and become exercisable in five equal annual installments from the date of grant and have a contractual term of ten years. The option terms are the same for all the options granted to employees on June 15, 2009 and December 15, 2009.
- (3) The aggregate grant date fair value is determined in accordance with Accounting Standards Codification Topic 718, Stock Compensation, and does not represent cash received by the Named Executive Officers in 2009. The grant date fair value represents potential earnings contingent on Tyler's future performance. Stock option grants are designed to provide long-term (up to ten years) incentives and rewards linked directly to the price of our common stock. Stock options add value to the recipient only when stockholders benefit from stock price appreciation and, as such, further align management's interest with those of our stockholders.

## Outstanding Equity Awards at Year-End

The following table shows outstanding equity awards for each of the Named Executive Officers at December 31, 2009:

Name	Option Awards					Stock Awards			
	Equity Incentive Plan Awards:					Market			
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Option	Option	Number of Shares or Units of Stock That Have	Value of Shares or Units of Stock That Have	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have	Equity Incentive Plan Awards: Unearned Shares, Units or Rights That Have
	(#)	(#)	(#)	Exercise Price (\$)	Expiration Date	Not Vested (#)	Not Vested (\$)	Not Vested (#)	Not Vested (\$)
	Exercisable	Unexercisable	Options						
John S. Marr, Jr.	500,000	—	—	\$ 4.58	7/1/2013				
	80,000	20,000	—	\$ 7.52	7/26/2015				
	12,000	18,000	—	\$ 13.29	3/2/2017				
	12,000	18,000	—	\$ 12.26	6/15/2017				
	12,000	18,000	—	\$ 14.93	12/14/2017				
	80,000	320,000	—	\$ 15.00	5/15/2018				
	6,000	24,000	—	\$ 14.98	6/13/2018				
	6,000	24,000	—	\$ 12.14	12/15/2018				
	—	30,000	—	\$ 16.33	6/15/2019				
	—	30,000	—	\$ 19.20	12/15/2019				
Dustin R. Womble	22,014	—	—	\$ 3.60	3/4/2013				
	121,614	—	—	\$ 4.58	7/1/2013				
	80,000	20,000	—	\$ 7.52	7/26/2015				
	60,000	40,000	—	\$ 11.02	7/26/2016				
	10,000	15,000	—	\$ 13.29	3/2/2017				
	10,000	15,000	—	\$ 12.26	6/15/2017				
	10,000	15,000	—	\$ 14.93	12/14/2017				
	50,000	200,000	—	\$ 15.00	5/15/2018				
	5,000	20,000	—	\$ 14.98	6/13/2018				
	5,000	20,000	—	\$ 12.14	12/15/2018				
	—	25,000	—	\$ 16.33	6/15/2019				
	—	25,000	—	\$ 19.20	12/15/2019				
Brian K. Miller	53,188	16,000	—	\$ 7.52	7/26/2015				
	6,000	9,000	—	\$ 13.29	3/2/2017				
	6,000	9,000	—	\$ 12.26	6/15/2017				
	6,000	9,000	—	\$ 14.93	12/14/2017				
	30,000	120,000	—	\$ 15.00	5/15/2018				
	4,000	16,000	—	\$ 14.98	6/13/2018				
	4,000	16,000	—	\$ 12.14	12/15/2018				
	—	20,000	—	\$ 16.33	6/15/2019				
	—	20,000	—	\$ 19.20	12/15/2019				
H. Lynn Moore, Jr.	64,000	16,000	—	\$ 7.52	7/26/2015				
	6,000	9,000	—	\$ 13.29	3/2/2017				
	6,000	9,000	—	\$ 12.26	6/15/2017				
	6,000	9,000	—	\$ 14.93	12/14/2017				
	30,000	120,000	—	\$ 15.00	5/15/2018				
	4,000	16,000	—	\$ 14.98	6/13/2018				
	4,000	16,000	—	\$ 12.14	12/15/2018				
	—	20,000	—	\$ 16.33	6/15/2019				
	—	20,000	—	\$ 19.20	12/15/2019				

Table of Contents

**Option Exercises and Stock Vested**

The following table shows stock option exercises during 2009 by each of the Named Executive Officers:

Name	Option Awards		Stock Awards	
	Number of Shares		Number of Shares	
	Acquired on Exercise (#)	Value Realized on Exercise (\$)	Acquired on Vesting (#)	Value Realized on Vest (\$)
John S. Marr, Jr.	—	\$ —	—	\$ —
Dustin R. Womble	30,000	\$ 394,100	—	—
Brian K. Miller	25,812	\$ 301,965	—	—
H. Lynn Moore, Jr.	20,000	\$ 298,860	—	—

**Potential Payments under Employment Contracts**

The Named Executive Officers would have been eligible to receive the payments set forth in the table below had their employment been terminated on December 31, 2009, including if a change in control had occurred during 2009.

Name	Termination Without Cause		Upon a Change in Control		
	Lump Sum Severance and Non-Compete Payment	Continuation of Health Care Benefit	Lump Sum Severance and Non-Compete Payment	Continuation of Insurance Benefit	Accelerated Vesting of Stock Options
John S. Marr, Jr.	\$ 1,628,000	\$ 12,420	\$ 1,628,000	\$ 12,420	\$ 2,910,30
Dustin R. Womble	\$ 1,372,000	\$ 11,461	\$ 1,372,000	\$ 11,461	\$ 2,177,96
Brian K. Miller	\$ 901,250	\$ 12,516	\$ 901,250	\$ 12,516	\$ 1,323,29
H. Lynn Moore, Jr.	\$ 901,250	\$ 12,420	\$ 901,250	\$ 12,420	\$ 1,323,29

## Table of Contents

### Director Compensation

The following table sets forth a summary of the compensation paid to our non-employee directors in 2009.

Name	Fees Earned or Paid in	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	Cash (\$)(1)	(\$)(2)	(\$)(3)	(\$)(4)	(\$)(5)	(\$)(6)	(\$)(7)
Donald R. Brattain	\$ 47,500		\$ 31,400 (3)				\$ 78,900
J. Luther King, Jr.	\$ 38,000		\$ 31,400 (4)				\$ 69,400
G. Stuart Reeves	\$ 38,750		\$ 31,400 (5)				\$ 70,150
Michael D. Richards	\$ 27,500		\$ 31,400 (6)				\$ 58,900

(1) Non-employee directors receive the following compensation:

- An annual retainer of \$25,000 for the chairman of the Audit Committee and \$15,000 for the other non-employee directors.
- A fee of \$2,500 for each Board meeting attended in person and \$1,250 for each Board meeting attended via telephone.
- A fee of \$2,500 for each Audit Committee meeting attended in person and \$1,250 for each Audit Committee meeting attended via telephone.
- A fee of \$1,000 for each Compensation Committee meeting attended in person and \$500 for each Compensation Committee meeting attended via telephone.
- A fee of \$1,000 for each Nominating and Governance Committee meeting attended in person and \$500 for each Nominating Governance Committee meeting attended via telephone.
- Reimbursement for reasonable out-of-pocket expenses incurred in connection with travel to and from, and attendance at, meetings of the Board of Directors or its committees and related activities.

(2) Represents aggregate grant date fair value of awards granted in 2009 and calculated in accordance with Accounting Standards Codification Topic 718, Stock Compensation. Such grants provide our directors the opportunity to purchase shares of Tyler common stock at some future date at the fair market value of the stock on the date of grant. In May 2009, our directors were each granted options to purchase 5,000 shares of Tyler common stock at \$15.69 per share. The fair value for the options granted to our non-employee directors was actuarially determined to be \$6.28 per option share. This value does not represent cash received by our directors in 2009, but potential earnings contingent on Tyler's future performance. Stock option grants are designed to provide long-term (up to ten years) incentives and rewards linked directly to the price of our common stock. Stock options add value to the recipient only when stockholders benefit from stock price appreciation and, as such, further align our director's interest with those of our stockholders.

(3) Total aggregate shares underlying outstanding stock options as of December 31, 2009 were 45,000.

(4) Total aggregate shares underlying outstanding stock options as of December 31, 2009 were 45,000.

- (5) Total aggregate shares underlying outstanding stock options as of December 31, 2009 were 115,000.
- (6) Total aggregate shares underlying outstanding stock options as of December 31, 2009 were 55,000.

#### REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in fulfilling its responsibilities for general oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, the performance of our independent auditors, the effectiveness of our disclosure controls and of our internal control over financial reporting, and risk assessment and risk management. The Audit Committee manages the relationship with our independent auditors (who report directly to the Audit Committee). The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as the Audit Committee deems necessary to carry out its duties and to receive appropriate funding, as determined by the Audit Committee, from us for such advice and assistance.

Management has the primary responsibility for our reporting process, including our systems of internal controls, and for preparing our financial statements. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management the audited financial statements contained in the Annual Report, including a detailed discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of the significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee meets with the independent auditors, with and without management present, to discuss the overall scope and plans of the audits and the results of their examinations. The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, their judgments as to the quality, not just the acceptability, of the accounting principles and such other matters as are required to be discussed under Statement of Auditing Standards No. 61, Communications with Audit Committees (SAS 61), as amended and as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. The Audit Committee also reviewed management's report on internal control over financial reporting and the independent registered public accounting firm's related opinions. In addition, the Audit Committee received from the independent auditors written disclosures regarding the auditors' independence required by PCAOB Ethics and Independence Rule 3526, Communications with Audit Committees Concerning Independence, and has discussed with the independent auditors the independent auditors' independence. The Audit Committee met five times during 2009.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the SEC.

This report is submitted by the Audit Committee.

Donald R. Brattain, Chairman  
J. Luther King, Jr.  
G. Stuart Reeves

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Our directors and executive officers seek approval from the Board of Directors prior to entering into a business arrangement that may be deemed a conflict of interest as described in our Code of Business Conduct and Ethics. Examples of transactions that may be considered a conflict of interest include:

- to receive or give more than a token value to anyone that has a business relationship with us;
- to lend to or borrow from individuals or concerns that do business with or compete with us, except banks and other financial institutions;
- to serve as an officer, director, employee, or consultant or receive income from any enterprise doing business with or compete with us;
- to own an interest in or engage in the management of an organization providing services or products to us, or to which we compete, except when such interest (a) comprises publicly traded securities listed on a national securities exchange or the OTC margin list and (b) is not in excess of 5% of the securities of such company; and
- to knowingly cause, either directly or indirectly, us to enter into a business transaction with a close relative of the director or executive officer or a business enterprise of such relative.

In addition, we review, on an annual basis, our financial records to ensure all related party transactions are identified, quantified, and adequately disclosed. Also, each director and executive officer must disclose in writing any known related party transactions associated with completion of the annual director and officer questionnaire.

In 2009, we made lease payments of \$2.0 million for certain office space in Falmouth, Maine, to an entity in which Mr. Marr's father and brother have a 100% ownership interest. The lease is at current prevailing fair market rates for the area. John S. Marr, Jr. does not have an interest in the entity that leases property to us and the lease arrangement existed at the time we acquired the division that occupies this property. We employ Dane L. Womble, a brother of Dustin R. Womble. Dane L. Womble received \$227,000 in salary and bonus compensation in 2009 in exchange for services rendered.

### **MULTIPLE STOCKHOLDERS SHARING THE SAME ADDRESS**

If you and other residents at your mailing address own shares of common stock in street name, your broker or bank may have sent you a notice that your household will receive only one annual report and proxy statement. This practice is known as "householding," designed to reduce our printing and postage costs. However, if any stockholder residing at such an address wishes to receive a separate annual report or proxy statement, he or she may telephone the Investor Relations Department at 972-713-3714 or write to it at Tyler Technologies, Inc., 594 Sherry Lane, Suite 1400, Dallas, Texas 75225.

### **STOCKHOLDER PROPOSALS**

Any proposal that a stockholder desires to present at the 2011 annual meeting must be received by us at our corporate headquarters no later than December 1, 2010.

By Order of the Board of Directors,

H. Lynn Moore, Jr.  
*Executive Vice President,  
General Counsel, and Secretary*

Dallas, Texas  
March 31, 2010

APPENDIX A  
TYLER TECHNOLOGIES, INC.  
2010 STOCK OPTION PLAN

1. **ESTABLISHMENT OF PLAN**. Tyler Technologies, Inc. establishes the "Tyler Technologies, Inc. 2010 Stock Option Plan," effective as of May 13, 2010 (the "Effective Date"). Options granted under the Plan shall be subject to the terms of the Plan as set forth here as it may be amended from time to time.

2. **PURPOSE**. The purposes of the Plan are to (i) offer selected Employees, Directors and Consultants an equity ownership interest opportunity to participate in the growth and financial success of the Company, (ii) provide the Company an opportunity to attract and retain best available personnel for positions of substantial responsibility, (iii) create long-term value and to provide incentives to such Employees, Directors and Consultants by means of market-driven and performance-related stock-based Options to achieve long-term performance goal and (iv) to promote the growth and success of the Company's business by aligning the financial interests of selected Employees, Directors, Consultants with that of the other shareholders of the Company. Toward these objectives, the Plan provides for the grant of Options.

3. **DEFINITIONS**. As used herein, unless the context requires otherwise, the following terms shall have the meanings indicated below:

(a) "Affiliate" means (i) any corporation, partnership or other entity which owns, directly or indirectly, a majority of the voting equity securities of the Company, (ii) any corporation, partnership or other entity of which a majority of the voting equity securities or equity interest is owned, directly or indirectly, by the Company, and (iii) with respect to an Option that is intended to be an Incentive Stock Option, (A) a "parent corporation" of the Company, as defined in Section 424(e) of the Code or (B) any "subsidiary corporation" of the Company as defined in Section 424(f) of the Code; provided, that in each case, an Affiliate must be a "recipient corporation" as described in Treasury Regulations issued under Section 409A of the Code.

(b) "Board" means the Board of Directors of the Company.

(c) "Change in Control" of the Company means the occurrence of any of the following events: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50 percent or more of the combined voting power of the Company's then outstanding securities; (ii) as a result of, or in connection with, any tender offer or exchange offer, merger, or other business combination (a "Transaction"), the persons who were directors of the Company immediately before the Transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company; (iii) the Company is merged or consolidated with another corporation and as a result of the merger or consolidation less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall then be owned in the aggregate by the former stockholders of the Company; (iv) a tender offer or exchange offer is made and consummated for the ownership of securities of the Company representing 50 percent or more of the combined voting power of the Company's then outstanding voting securities; or (v) the Company transfers substantially all of its assets to another corporation which is not controlled by the Company.



## Table of Contents

(d) "Code" means the Internal Revenue Code of 1986, as amended, and any successor statute. Reference in the Plan to any section of Code shall be deemed to include any amendments or successor provisions to such section and any Treasury regulations promulgated under section.

(e) "Committee" means the committee, as constituted from time to time, of the Board that is appointed by the Board to administer the Plan; provided, however, that while the Common Stock is publicly traded, the Committee shall be a committee of the Board consisting solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3, as necessary in each case to satisfy such requirements with respect to Options granted under the Plan. Within the scope of such authority, the Committee may (i) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Options to eligible persons who are either (A) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Options or (B) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (ii) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Options to eligible persons who are not then subject to Section 16 of the Exchange Act.

(f) "Common Stock" means the Common Stock, \$0.01 par value per share, of the Company or the common stock that the Company may in the future be authorized to issue (as long as the common stock varies from that currently authorized, if at all, only in amount of par value).

(g) "Company" means Tyler Technologies, Inc., a Delaware corporation.

(h) "Consultant" means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a Director) who is engaged by the Company or any Affiliate to render consulting or advisory services to the Company or such Affiliate and who is a "consultant or advisor" within the meaning of Rule 701 promulgated under the Securities Act or Form S-8 promulgated under the Securities Act.

(i) "Continuous Service" means that the provision of services to the Company or an Affiliate in any capacity of Employee, Director or Consultant is not interrupted or terminated. Except as otherwise provided in a particular Option Agreement, service shall not be considered interrupted or terminated for this purpose in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Affiliate, any successor, in any capacity of Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or an Affiliate in any capacity of Employee, Director or Consultant. An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave. For purposes of each Incentive Stock Option, if such leave exceeds ninety (90) days, re-employment upon expiration of such leave is not guaranteed by statute or contract, then the Incentive Stock Option shall be treated as a Non-Qualified Stock Option on the day that is three (3) months and one (1) day following the expiration of such ninety (90)-day period.

(j) "Covered Employee" means the Chief Executive Officer and the four other most highly compensated officers of the Company for whom total compensation is required to be reported to shareholders under Regulation S-K, as determined for purposes of Section 162(m) of the Code.

(k) "Director" means a member of the Board.

(l) "Disability" means the "disability" of a person as defined in a then effective long-term disability plan maintained by the Company covering such person, or if such a plan does not exist at any relevant time, "Disability" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. For purposes of determining the time during which an Incentive Stock

## Table of Contents

Option may be exercised under the terms of an Option Agreement, "Disability" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. Section 22(e)(3) of the Code provides that an individual is totally and permanently disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

(m) "Employee" means any person, including an Officer or Director, who is employed within the meaning of Section 3401 of the Code by the Company or an Affiliate. The provision of compensation by the Company or an Affiliate to a Director solely with respect to such individual rendering services in the capacity of a Director, however, shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor statute. Reference in the Plan to any section of the Exchange Act shall be deemed to include any amendments or successor provisions to such section and any rules and regulations relating to such section.

(o) "Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq Small Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such a share of Common Stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the day of determination (or if no such price or bid is reported on that day, on last market trading date prior to the day of determination), as reported in *The Wall Street Journal* or such other source as the Committee deems reliable.

(ii) In the absence of any such established markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee in a manner consistent with Section 409A of the Code.

(p) "Incentive Stock Option" means an Option granted to an Employee under the Plan that meets the requirements of Section 422 of the Code.

(q) "Non-Employee Director" means a Director of the Company who either (i) is not an Employee or Officer, does not receive compensation (directly or indirectly) from the Company or an Affiliate in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(r) "Non-Qualified Stock Option" means an Option granted under the Plan that is not intended to be an Incentive Stock Option.

(s) "Officer" means a person who is an "officer" of the Company or any Affiliate within the meaning of Section 16 of the Exchange Act (whether or not the Company is subject to the requirements of the Exchange Act).

## Table of Contents

(t) "Option" means a stock option granted pursuant to the Plan to purchase a specified number of shares of Common Stock, whether granted as an Incentive Stock Option or as a Non-Qualified Stock Option.

(u) "Option Agreement" means the written agreement evidencing the grant of an Option executed by the Company and the Optionee, including any amendments thereto.

(v) "Optionee" means an individual to whom an Option has been granted under the Plan.

(w) "Outside Director" means a Director of the Company who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of the Treasury regulations promulgated under Section 162(m) of the Code), is not a former employee of Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), has not been an officer of the Company or an "affiliated corporation" at any time and is not currently receiving (within the meaning of the Treasury regulations promulgated under Section 162(m) of the Code) direct or indirect remuneration from the Company or an "affiliated corporation" in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(x) "Plan" means this Tyler Technologies, Inc. 2010 Stock Option Plan, as set forth herein and as it may be amended from time to time.

(y) "Qualifying Shares" means shares of Common Stock which either (i) have been owned by the Optionee for more than six (6) months and have been "paid for" within the meaning of Rule 144 promulgated under the Securities Act, or (ii) were obtained by the Optionee in the public market.

(z) "Regulation S-K" means Regulation S-K promulgated under the Securities Act, as it may be amended from time to time, and successor to Regulation S-K. Reference in the Plan to any item of Regulation S-K shall be deemed to include any amendments or successor provisions to such item.

(aa) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act, as it may be amended from time to time, and any successor Rule 16b-3.

(bb) "Section" means a section of the Plan unless otherwise stated or the context otherwise requires.

(cc) "Securities Act" means the Securities Act of 1933, as amended, and any successor statute. Reference in the Plan to any section of Securities Act shall be deemed to include any amendments or successor provisions to such section and any rules and regulations relating to such section.

(dd) "Ten Percent Shareholder" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) at the time an Option is granted stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Affiliates.

**4. STOCK OPTION GRANTS AVAILABLE UNDER THE PLAN** . Options granted under this Plan may be (a) Incentive Stock Options and (b) Non-Qualified Stock Options.

**5. SHARES SUBJECT TO PLAN** . Subject to adjustment pursuant to Section (a) hereof, the total amount of Common Stock with respect to which Options may be granted under the Plan shall not exceed 5,000,000 shares of Common Stock. Any shares of Common Stock covered by an Option (or a

portion of an Option) that is forfeited or canceled, or that expires shall be deemed not to have been issued for purposes of determining the maximum aggregate number of shares of Common Stock which may be issued under the Plan and shall again be available for Options under the Plan. At all times during the term of the Plan, the Company shall reserve and keep available such number of shares of Common Stock as will be required to satisfy the requirements of outstanding Options under the Plan. Nothing in this Section 5 shall impair the right of the Company to reduce the number of outstanding shares of Common Stock pursuant to repurchases, redemptions, or otherwise; provided, however, that no reduction in the number of outstanding shares of Common Stock shall (i) impair the validity of any outstanding Option, whether or not that Option is fully exercisable, or (ii) impair the status of any shares of Common Stock previously issued pursuant to an Option as duly authorized, validly issued, fully paid, and nonassessable. The shares to be delivered under the Plan shall be made available from (i) authorized but unissued shares of Common Stock or (ii) Common Stock held in the treasury of the Company, in each case as the Committee may determine from time to time in its sole discretion.

**6. ELIGIBILITY.** Options other than Incentive Stock Options may be granted to Employees, Officers, Directors, and Consultants. Incentive Stock Options may be granted only to Employees (including Officers and Directors who are also Employees), as limited by clause (iii) of Section (a). The Committee in its sole discretion shall select the recipients of Options. An Optionee may be granted more than one Option under the Plan, and Options may be granted at any time or times during the term of the Plan. The grant of an Option to an Employee, Officer, Director or Consultant shall not be deemed either to entitle that individual to, or to disqualify that individual from, participation in other grant of Options under the Plan.

**7. LIMITATION ON INDIVIDUAL OPTIONS.** Subject to the provisions of Section (a), the maximum number of shares of Common Stock that may be subject to Options granted to any one person under the Plan during any calendar year shall not exceed 1,000,000 shares of Common Stock. The limitation set forth in the preceding sentence shall be applied in a manner which will permit compensation generated under the Plan to constitute "performance-based" compensation for purposes of Section 162(m) of the Code, including counting against such maximum number of shares, to the extent required under Section 162(m) of the Code and applicable interpretive authority thereunder, any shares of Common Stock subject to Options that are canceled or repriced.

**8. TERMS AND CONDITIONS OF OPTIONS.** The Committee shall determine (i) whether each Option shall be granted as an Incentive Stock Option or a Non-Qualified Stock Option and (ii) the provisions, terms and conditions of each Option including, but not limited to, the vesting schedule, the number of shares of Common Stock subject to the Option, the exercise price of the Option, the period during which the Option may be exercised, repurchase provisions, forfeiture provisions, methods of payment, and all other terms and conditions of the Option, subject to the following:

(a) **Form of Option Grant.** Each Option granted under the Plan shall be evidenced by a written Option Agreement in such form (which need not be the same for each Optionee) as the Committee, or if applicable the Chief Executive Officer, from time to time approves, but which is inconsistent with the Plan, including any provisions that may be necessary to assure that any Option that is intended to be an Incentive Stock Option will comply with Section 422 of the Code.

(b) **Date of Grant.** The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option unless otherwise specified by the Committee. The Option Agreement evidencing the Option will be delivered to the Optionee with a copy of the Plan and other relevant Option documents, within a reasonable time after the date of grant.

## Table of Contents

(c) Exercise Price. The exercise price of an Option shall be not less than 100% of the Fair Market Value of the shares of Common Stock on the date of grant of the Option. The exercise price of any Incentive Stock Option granted to a Ten Percent Shareholder shall not be less than 110% of the Fair Market Value of the shares of Common Stock on the date of grant of the Option.

(d) Exercise Period. Options shall be exercisable within the time or times or upon the event or events determined by the Committee and set forth in the Option Agreement; provided, however, that no Option shall be exercisable later than the expiration of ten (10) years from the date of grant of the Option, and provided further, that no Incentive Stock Option granted to a Ten Percent Shareholder shall be exercisable after the expiration of five (5) years from the date of grant of the Option.

(e) Limitations on Incentive Stock Options. The aggregate Fair Market Value (determined as of the date of grant of an Option) of Common Stock which any Employee is first eligible to purchase during any calendar year by exercise of Incentive Stock Options granted under the Plan and by exercise of incentive stock options (within the meaning of Section 422 of the Code) granted under any other incentive stock option plan of the Company or an Affiliate shall not exceed \$100,000. If the Fair Market Value of stock with respect to which all incentive stock options described in the preceding sentence held by any one Optionee are exercisable for the first time by such Optionee during any calendar year exceeds \$100,000, the Options (that are intended to be Incentive Stock Options on the date of grant thereof) for the first \$100,000 worth of shares of Common Stock to become exercisable in such year shall be deemed to constitute incentive stock options within the meaning of Section 422 of the Code and the Options (that are intended to be Incentive Stock Options on the date of grant thereof) for the shares of Common Stock in the amount in excess of \$100,000 that become exercisable in that calendar year shall be treated as Non-Qualified Stock Options. If the Code or the Treasury regulations promulgated thereunder are amended after the effective date of the Plan to provide for a different limit than the one described in this (e), such different limit shall be incorporated herein and shall apply to any Options granted after the effective date of such amendment.

(f) Transferability of Options. Options granted under the Plan, and any interest therein, shall not be transferable or assignable by the Optionee, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the Optionee only by the Optionee; provided, that the Optionee may, however, designate persons who or which may exercise his Options following his death.

(g) Acquisitions and Other Transactions. The Committee may, from time to time, assume outstanding options granted by another entity, whether in connection with an acquisition of such other entity or otherwise, by either (i) granting an Option under the Plan in replacement or in substitution for the option assumed by the Company, or (ii) treating the assumed option as if it had been granted under the Plan if the terms of such assumed option could be applied to an Option granted under the Plan. Such assumption shall be permissible if the holder of the assumed option would have been eligible to be granted an Option hereunder if the other entity had applied the rules of this Plan to such grant. The Committee also may grant Options under the Plan in settlement of or substitution for, outstanding options or obligations to grant future options in connection with the Company or an Affiliate acquiring another entity, an interest in another entity or an additional interest in an Affiliate whether by merger, stock purchase, asset

purchase or other form of transaction. Notwithstanding the foregoing provisions of this Section 8, in the case of an Option issued or assumed pursuant to this Section (g), the exercise price for the Option shall be determined in accordance with the principles of Section 424(a) of the Code and the Treasury regulations promulgated thereunder.

**9. EXERCISE OF OPTIONS.**

a) Notice. Options may be exercised only by delivery to the Company of a written exercise notice approved by the Committee (which need not be the same for each Optionee), stating the number of shares of Common Stock being purchased, the method of payment, and such other matters as may be deemed appropriate by the Company in connection with the issuance of shares of Common Stock upon exercise of Option, together with payment in full of the exercise price for the number of shares of Common Stock being purchased. Such exercise notice may be part of an Optionee's Option Agreement.

b) Payment. Payment for the shares of Common Stock to be purchased upon exercise of an Option may be made in cash (by check) or elected by the Optionee and in one or more of the following methods stated in the Option Agreement (at the date of grant with respect to an Option granted as an Incentive Stock Option) and where permitted by law: (i) if a public market for the Common Stock exists, through a "s day sale" arrangement between the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers, Inc. (a "NASD Dealer") whereby the Optionee elects to exercise the Option and to sell a portion of the shares of Common Stock so purchased to pay for the exercise price and whereby the NASD Dealer commits upon receipt of such shares of Common Stock to forward the exercise price directly to the Company; (ii) if a public market for the Common Stock exists, through a "margin" commitment from the Optionee and an NASD Dealer whereby the Optionee elects to exercise the Option and to pledge the shares of Common Stock so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer commits upon receipt of such shares of Common Stock to forward the exercise price directly to the Company; or (iii) by surrender for cancellation of Qualifying Shares at the Fair Market Value per share at the time of exercise (provided that such surrender does not result in an accounting charge for the Company). No shares of Common Stock may be issued until full payment of the purchase price therefor has been made.

c) Withholding Taxes. The Committee may establish such rules and procedures as it considers desirable in order to satisfy any obligation of the Company to withhold the statutory prescribed minimum amount of federal or state income taxes or other taxes with respect to the exercise of any Option granted under the Plan. Prior to issuance of the shares of Common Stock upon exercise of an Option, the Optionee shall pay or make adequate provision acceptable to the Committee for the satisfaction of the statutory minimum prescribed amount of any federal, state income or other tax withholding obligations of the Company, if applicable. Upon exercise of an Option, the Company shall withhold and collect from the Optionee an amount sufficient to satisfy such tax withholding obligations.

d) Exercise of Option Following Termination of Continuous Service.

i) An Option may not be exercised after the expiration date of such Option set forth in the Option Agreement and may be exercised following the termination of an Optionee's Continuous Service only to the extent provided in the Option Agreement.

ii) Where the Option Agreement permits an Optionee to exercise an Option following the termination of the Optionee's Continuous Service for a specified period, the Option shall terminate to the extent not exercised on the last day of the specified period or the last day of original term of the Option, whichever occurs first.

## Table of Contents

iii) Any Option designated as an Incentive Stock Option, to the extent not exercised within the time permitted by law for the exercise of Incentive Stock Options following the termination of an Optionee's Continuous Service, shall convert automatically to a Non-Qualified Stock Option and thereafter shall be exercisable as such to the extent exercisable by its terms for the period specified in the Option Agreement.

iv) The Committee shall have discretion to determine whether the Continuous Service of an Optionee has terminated and the effective date on which such Continuous Service terminates and whether the Optionee's Continuous Service terminated as a result of the Disability of the Optionee.

### e) Limitations on Exercise.

i) The Committee may specify a reasonable minimum number of shares of Common Stock or a percentage of the shares subject to an Option that may be purchased on any exercise of an Option; provided, that such minimum number will not prevent Optionee from exercising the full number of shares of Common Stock as to which the Option is then exercisable.

ii) The obligation of the Company to issue any shares of Common Stock pursuant to the exercise of any Option shall be subject to the condition that such exercise and the issuance and delivery of such shares pursuant thereto comply with the Securities Act, all applicable state securities laws and the requirements of any stock exchange or national market system upon which the shares of Common Stock may then be listed or quoted, as in effect on the date of exercise. The Company shall be under no obligation to register the shares of Common Stock with the Securities and Exchange Commission or to effect compliance with the registration, qualification or listing requirements of any state securities laws or stock exchange or national market system, and the Company shall have no liability for any inability or failure to do so.

iii) As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the shares of Common Stock are being purchased only for investment and without any present intention to sell or distribute such shares of Common Stock if, in the opinion of counsel for the Company, such a representation is required by any securities or other applicable laws.

f) Modification, Extension And Renewal of Options. The Committee shall have the power to modify, cancel, extend or renew outstanding Options and to authorize the grant of new Options in substitution therefor (regardless of whether any such action would be treated as a repricing for financial accounting or other purposes), provided that (except as permitted by Section 0 of this Plan) any such action may not, without the written consent of any Optionee, (i) impair any rights under any Option previously granted to such Optionee or (ii) cause the Option to become subject to Section 409A of the Code. Any outstanding Incentive Stock Option that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code.

g) Privileges of Stock Ownership. No Optionee will have any of the rights of a shareholder with respect to any shares of Common Stock subject to an Option until such Option is properly exercised and the purchased shares are issued and delivered to the Optionee, as evidenced by an appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to such date of issuance and delivery, except as provided in the Plan.

**10. ADJUSTMENT UPON CHANGES IN CAPITALIZATION AND CORPORATE EVENTS.**

(a) Capital Adjustments . The number of shares of Common Stock (i) covered by each outstanding Option granted under the Plan, the exercise or purchase price of such outstanding Option, and any other terms of the Option that the Committee determines requires adjustment and (ii) available for issuance under Sections 5 and 7 shall be adjusted to reflect, as deemed appropriate by the Committee, any increase or decrease in the number of shares of Common Stock resulting from a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the capital structure of the Company without receipt of consideration, subject to any required action by the Board or the shareholders of the Company and compliance with applicable securities laws; provided, however, that a fractional share will not be issued upon exercise of any Option, and either (i) any fraction of a share of Common Stock that would have resulted will be cashed out at Fair Market Value or (ii) the number of shares of Common Stock issuable under the Option will be rounded down to the nearest whole number, as determined by the Committee. Except as the Committee determines, no issuance by the Company of shares of capital stock of any class, or securities convertible into shares of capital stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) Dissolution or Liquidation . The Committee shall notify the Optionee at least twenty (20) days prior to any proposed dissolution or liquidation of the Company. Unless provided otherwise in an individual Option Agreement or in a then-effective written employment agreement between the Optionee and the Company or an Affiliate, to the extent that an Option has not been previously exercised, any such Option shall expire immediately prior to consummation of such dissolution or liquidation.

(c) Change in Control . Unless specifically provided otherwise with respect to Change in Control events in an individual Option Agreement or in a then-effective written employment agreement between the Optionee and the Company or an Affiliate, if, during the effectiveness of the Plan, a Change in Control occurs, then the Options outstanding immediately before the Change of Control will be assumed by the surviving corporation or the acquiring corporation or will be converted into options or rights of at least equal value; except that if the surviving corporation or the acquiring corporation refuses to so assume or to so convert the outstanding Options, then the Options shall become fully vested and exercisable, and the Company shall notify each Participant, not later than 20 days prior to the effective date of such Change of Control (except that in the case of a Change of Control described in clause (iii) above in this paragraph, notice shall be given as soon as practicable after that Change of Control), that all his Options have become fully vested and exercisable, whether or not such Options would otherwise then be exercisable under the terms of his Option Agreement. Any such arrangement relating to Incentive Options shall comply with the requirements of Section 422 of the Code and the regulations thereunder. To the extent that the Participants exercise the Options before or on the effective date of the Change of Control, the Company shall issue all Common Stock purchased by exercise of those Options (subject to Optionee's satisfaction of the requirements of Section 9(c)), and those shares of Common Stock shall be treated as issued and outstanding for purposes of the Change of Control. Upon a Change of Control, where the outstanding Options are not assumed by the surviving corporation or the acquiring corporation, the Plan shall terminate, and any unexercised Options outstanding under the Plan at that date shall terminate.

**11. STOCKHOLDER APPROVAL** . The Company shall obtain the approval of the Plan by the Company's stockholders to the extent required to satisfy Section 162(m) of the Code or to satisfy or comply with any applicable laws or the rules of any stock exchange or national market system on which the Common Stock may be listed or quoted. No Option that is issued as a result of any increase in the number of shares of Common Stock authorized to be issued under the Plan may be exercised prior to



## Table of Contents

the time such increase has been approved by the stockholders of the Company, and all such Options granted pursuant to such increase will similarly terminate if such shareholder approval is not obtained.

12. **ADMINISTRATION**. This Plan shall be administered by the Committee. The Committee shall interpret the Plan and any Options granted pursuant to the Plan and shall prescribe such rules and regulations in connection with the operation of the Plan as it determines to be advisable for the administration of the Plan. The Committee may rescind and amend its rules and regulations from time to time. The interpretation by the Committee of any of the provisions of this Plan or any Option granted under this Plan shall be final and binding upon the Company and all persons having an interest in any Option or any shares of Common Stock acquired pursuant to an Option.

13. **EFFECT OF PLAN**. Neither the adoption of the Plan nor any action of the Board or the Committee shall be deemed to give any Employee, Director or Consultant any right to be granted an Option or any other rights except as may be evidenced by the Option Agreement, or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and on the terms and conditions expressly set forth therein. The existence of the Plan and the Options granted hereunder shall not affect in any way the right of the Board, the Committee or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation or other transaction involving the Company, any issue of bonds, debentures, or shares of preferred stock ahead of or affecting the Common Stock or the rights thereof, the dissolution or liquidation of the Company or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding by or for the Company. Nothing contained in the Plan or in any Option Agreement or in other related documents shall confer upon any Employee, Director or Consultant any right with respect to such person's Continuous Service or interfere or affect in any way with the right of the Company or an Affiliate to terminate such person's Continuous Service at any time, with or without cause.

14. **NO EFFECT ON RETIREMENT AND OTHER BENEFIT PLANS**. Except as specifically provided in a retirement or other benefit plan of the Company or an Affiliate, Options shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or an Affiliate, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

15. **AMENDMENT OR TERMINATION OF PLAN**. The Board in its discretion may, at any time or from time to time after the date of adoption of the Plan, terminate or amend the Plan in any respect, including amendment of any form of Option Agreement, exercise agreement or instrument to be executed pursuant to the Plan; provided, however, to the extent necessary to comply with the Code, including Sections 162(m) and 422 of the Code, other applicable laws, or the applicable requirements of any stock exchange or national market system, the Company shall obtain stockholder approval of any Plan amendment in such manner and to such a degree as required. No Option may be granted after termination of the Plan. Any amendment or termination of the Plan shall not affect Options previously granted, and such Options shall remain in full force and effect as if the Plan had not been amended or terminated, unless mutually agreed otherwise in a writing (including an Option Agreement) signed by the Optionee and the Company.

16. **TERM OF PLAN**. Unless sooner terminated by action of the Board, the Plan shall terminate on the earlier of (i) the tenth (10th) anniversary of the Effective Date or (ii) the date on which no shares of Common Stock subject to the Plan remain available to be granted as Options under the Plan according to its provisions.

• • 17. **SEVERABILITY AND REFORMATION** . The Company intends all provisions of the Plan to be enforced to the fullest extent permitted by law. Accordingly, should a court of competent jurisdiction determine that the scope of any provision of the Plan is too broad to be enforced as written, the court should reform the provision to such narrower scope as it determines to be enforceable. If, however, any provision of the Plan is held to be wholly illegal, invalid, or unenforceable under present or future law, such provision shall be fully severable and severed, and the Plan shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part hereof, and the remaining provisions of the Plan shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance.

18. **GOVERNING LAW** . The Plan shall be construed and interpreted in accordance with the laws of the State of Texas.

19. **INTERPRETIVE MATTERS** . Whenever required by the context, pronouns and any variation thereof shall be deemed to refer to the masculine, feminine, or neuter, and the singular shall include the plural, and vice versa. The term "include" or "including" does not denote or imply any limitation. The captions and headings used in the Plan are inserted for convenience and shall not be deemed a part of the Plan for construction or interpretation.

ANNUAL MEETING OF STOCKHOLDERS OF  
**TYLER TECHNOLOGIES, INC.**

May 13, 2010

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL :

The Notice of Meeting, proxy statement and proxy card  
are available at [www.tylertech.com](http://www.tylertech.com)

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

↓ Please detach along perforated line and mail in the envelope provided. ↓

20733000000000000000 2

051310

THIS PROXY WILL BE VOTED AS SPECIFIED BELOW. IF NO SPECIFICATION IS MADE,  
THIS PROXY WILL BE VOTED FOR THE MATTERS SPECIFICALLY REFERRED TO BELOW.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ☒

1. Election of Directors:

- ☐ FOR ALL NOMINEES
- ☐ WITHHOLD AUTHORITY  
FOR ALL NOMINEES
- ☐ FOR ALL EXCEPT  
(See instructions below)

NOMINEES:

- ☐ Donald R. Brattain
- ☐ J. Luther King, Jr.
- ☐ John S. Marr, Jr.
- ☐ G. Stuart Reeves
- ☐ Micheal D. Richards
- ☐ Dustin R. Womble
- ☐ John M. Yeaman

**INSTRUCTIONS** To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT"  
and fill in the circle next to each nominee you wish to withhold, as shown here: ●

To change the address on your account, please check the box at right and  
indicate your new address in the address space above. Please note that  
changes to the registered name(s) on the account may not be submitted via this  
method.

☐

- |  | FOR                      | AGAINST                  | ABSTAIN                  |
|--|--------------------------|--------------------------|--------------------------|
| 2. Adoption of the Tyler Technologies, Inc. 2010 Stock Option Plan.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Ratification of Ernst & Young LLP as independent auditors.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or adjournments thereof. |                          |                          |                          |

Signature of  
Stockholder

Date:

Signature of  
Stockholder

Date:

**Note:**

Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

ANNUAL MEETING OF STOCKHOLDERS OF  
**TYLER TECHNOLOGIES, INC.**

May 13, 2010


**PROXY VOTING INSTRUCTIONS**

**INTERNET** - Access " [www.voteproxy.com](http://www.voteproxy.com) " and follow the on-screen instructions. Have your proxy card available when you access the web page, and use the Company Number and Account Number shown on your proxy card.

Vote online until 11:59 PM EST the day before the meeting.

**MAIL** - Sign, date and mail your proxy card in the envelope provided as soon as possible.

**IN PERSON** - You may vote your shares in person by attending the Annual Meeting.

<b>COMPANY NUMBER</b>	
<b>ACCOUNT NUMBER</b>	
	

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL** : The Notice of Meeting, proxy statement and proxy card are available at [www.tylertech.com](http://www.tylertech.com)

↓ Please detach along perforated line and mail in the envelope provided IF you are not voting via the Internet. ↓

 20733000000000000000 2

051310

THIS PROXY WILL BE VOTED AS SPECIFIED BELOW. IF NO SPECIFICATION IS MADE,  
THIS PROXY WILL BE VOTED FOR THE MATTERS SPECIFICALLY REFERRED TO BELOW.  
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ☒

1. Election of Directors;

☐ FOR ALL NOMINEES

**NOMINEES:**

- ☐ Donald R. Brattain  
☐ J. Luther King, Jr.

☐ WITHHOLD AUTHORITY  
FOR ALL NOMINEES

☐ FOR ALL EXCEPT  
(See instructions below)

- ☐ John S. Marr, Jr.
- ☐ G. Stuart Reeves
- ☐ Michael D. Richards
- ☐ Dustin R. Womble
- ☐ John M. Yeaman

**INSTRUCTIONS** To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT"  
and fill in the circle next to each nominee you wish to withhold, as shown here: ●

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

☐

- |  | FOR                      | AGAINST                  | ABSTAIN                  |
|--|--------------------------|--------------------------|--------------------------|
| 2. Adoption of the Tyler Technologies, Inc. 2010 Stock Option Plan.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Ratification of Ernst & Young LLP as independent auditors.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or adjournments thereof. |                          |                          |                          |

Signature of  
Stockholder

Date:

Signature of  
Stockholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

**PROXY**

**TYLER TECHNOLOGIES, INC.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY**

As an alternative to completing this form, you may enter your vote instruction via the Internet at [WWW.VOTEPROXY.COM](http://WWW.VOTEPROXY.COM) and follow the simple instructions. Use the Company Number and Account Number shown on your proxy card.

The undersigned hereby (1) acknowledges receipt of the Notice dated March 31, 2010 of the annual meeting of stockholders of Tyler Technologies, Inc. (the "Company") to be held at the Park City Club, 5956 Sherry Lane, Suite 1700, Dallas, Texas, on Thursday, May 13, 2010 at 9:30 a.m. local time, and the proxy statement in connection therewith, and (2) appoints John S. Marr, Jr. and John M. Yeaman, and each of them, his proxies with full power of substitution and revocation, for and in the name, place and stead of the undersigned to vote upon and act with respect to, all of the shares of Common Stock of the Company standing in the name of the undersigned, or with respect to which the undersigned is entitled to vote and act at said meeting and at any adjournment thereof, and the undersigned directs that his proxy be voted as indicated on the reverse side hereof. If only one of the above proxies shall be present in person, or by substitute, at such meeting or any adjournment thereof, that proxy, so present and voting, either in person or by substitute, shall exercise all of the powers hereby given.

The undersigned hereby revokes any proxy or proxies heretofore given to vote upon or act with respect to such stock and hereby ratifies and confirms all that said proxies, their substitute or any of them may lawfully do by virtue hereof.

**(Continued and to be signed on the reverse side)**

Contract ID#: COIT07000040Department: Information Technology**CF (Capital)****CF****Contract Details**SERVICE: ADAPTNIFS ID #: CLIT12000010NIFS Entry Date: 05/30/12Term: from 08/16/11 to 08/13/13

New <input type="checkbox"/> Renewal <input type="checkbox"/>	1) Mandated Program:	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Amendment #2 <input checked="" type="checkbox"/>	2) Comptroller Approval Form Attached:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Time Extension <input checked="" type="checkbox"/>	3) CSEA Agmt. § 32 Compliance Attached:	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Addl. Funds <input type="checkbox"/>	4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Blanket Resolution <input type="checkbox"/>	5) Insurance Required	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
RES#		

**Agency Information**

Vendor		County Department	
Name Tyler Technologies, Inc., CLT Division	Vendor ID# 752303920-01	Department Contact Ed Eisenstein	****Please return final, completed contract to Peggy Brown
Address 3199 Klepinger Road Dayton, OH 45406	Contact Person: John Baker	Address 240 Old Country Road Mineola, NY 11501	
	Phone 1-800-800-2581 ext. 1172	Phone (516) 571-4265	

**Routing Slip**

DATE Rec'd	DEPARTMENT	Internal Verification	DATE Approved Fw'd	SIGNATURE	Leg. Approval Required
	Department	NIFS Entry (Dept) NIFS Appvl (Dept. Head) Contractor Registered	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>		
	DPW (Capital Only)	CF Capital Fund Approval	<input checked="" type="checkbox"/>	6/6/12	
	OMB	Contractor Registered NIFS Approval	<input type="checkbox"/>	6/8/12	Yes <input type="checkbox"/> No <input type="checkbox"/> Not required if Blanket Res.
6/13/12	County Attorney	CA RE & Insurance Verification	<input checked="" type="checkbox"/>	6/13/12	
	County Attorney	CA Approval as to form	<input type="checkbox"/>	6/15/12	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
	Legislative Affairs	Fw'd Original Contract to CA	<input type="checkbox"/>		
	County Attorney	NIFS Approval	<input type="checkbox"/>	6/15/12	
	Comptroller	NIFS Approval	<input checked="" type="checkbox"/>	7/5/12	
	County Executive	Notarization Filed with Clerk of the Leg.	<input type="checkbox"/> <input type="checkbox"/>	7/12/12	





## Contract Summary

**Description:**

Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection & Refunds "ADAPT".

**Purpose:**

ADAPT will be used to maintain assessment, appeal, tax extension and collection records for all real property within the County, compute partial exemptions and other tax relief measures, establish tax rates, process tax appeals, support residential and commercial valuation for appeal adjudication and defense, handle delinquency and lien processes, calculate refunds, and make timely information available to Nassau County employees in the Assessment Department, Assessment Review Commission, County Treasurer's and County Attorney's Offices. The contract is being extended for time in order to complete the required services and the services are being amended to include the changes to the Scope of Work that are set forth in "Exhibit A".

**Method of Procurement:**

Request for Proposal.

**Procurement History:**

An RFP was issued on January 5, 2006. Four vendors submitted their proposals which included Tyler Technologies, Manatron, SD Services, and ACS, Inc. Tyler Technologies and Manatron were selected as the two finalists and the award was granted to Tyler Technologies. The selection committee consisted of the representatives from Information Technology, Assessment, Assessment Review Commission, County Attorney and the Treasurer's Office.

**Description of General Provisions:**

ADAPT will interface with the County WebSphere Portal, the GIS data warehouse, the Assessment Review on the Web (AROW) system, the Tyler IAS CAMA system and the Tier FAMIS system. It will be accessible by any standard web browser and host online applications on the County WebSphere portal and ADAPT will comply with the requirements as set forth in the County's RFP. The term of the contract is being extended from 08/16/11 to 08/15/13 and the services being amended are set forth in "Exhibit A".

**Impact on Funding / Price Analysis:**

None.

**Change in Contract from Prior Procurement:**

N/A.

**Recommendation:**

Approve as submitted.

## Advisement Information

BUDGET CODES	
Fund:	PW
Control:	CAP
Resp:	97121
Object:	00005
Transaction:	

RENEWAL	
% Increase	
% Decrease	

FUNDING SOURCE	AMOUNT
Revenue Contract <input type="checkbox"/>	XXXXXX
County	\$
Federal	\$
State	\$
Capital	\$0.02
Other	\$
<b>TOTAL</b>	<b>\$0.02</b>

LINE	INDEX/OBJECT CODE	AMOUNT
1		\$
2		\$
3		\$
4		\$
5	PWCAPCAP/00005/97121	\$0.01
6	PWCAPCAP/00005/97121	\$0.01
<b>TOTAL</b>		<b>\$0.02</b>

Document Prepared By: \_\_\_\_\_

Date: \_\_\_\_\_

NYS Certification		Comptroller Certification	County Executive Approval
I certify that this document was accepted into NYS.		I certify that an unencumbered balance sufficient to cover this contract is present in the appropriation to be charged.	Name _____
Name _____		Name _____	Date _____
Date _____		Date _____	
		E #:	



## Nassau County Interim Finance Authority

### Contract Approval Request Form

(All contracts submitted on or after April 9, 2012)

1. Vendor: Tyler Technologies, Inc., CLT Division

2. Dollar amount requiring NIFA approval: \$ 0.02

Amount to be encumbered: \$ 0.02

This is a        New contract        Advisement   X   Amendment

If new contract - \$ amount should be full amount of contract

If advisement - NIFA only needs to review if it is increasing funds above the amount previously approved by NIFA

If amendment - \$ amount should be full amount of amendment only

3. Contract Term: 08/16/11-08/13/13

Has work or services on this contract commenced?   X   Yes        No

If yes, please explain: Continuing work on ADAPT project.

4. Funding Source:

       General Fund (GEN)  
       Police District Fund (PDD)  
       Police Headquarters Fund (PDH)  
       Fire Commission Fund (FCF)  
       Sewer & Storm Water Fund (SSW)

  X   Capital Improvement Fund (CAP)  
       Red Light Camera Fund (RLC)  
       Public Utility Authority (PUA)  
       Grant Fund (GRT)

Federal %         
State %         
County %       

5. Provide a brief description (4 to 5 sentences) of the item for which this approval is requested:

Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection & Refunds "ADAPT". The contract is being extended for time (08/16/11 to 08/15/13) in order to complete the required services and the services are being amended to include the changes to the Scope of Work that are set forth in "Exhibit A". ADAPT will interface with the County WebSphere Portal, the GIS data warehouse, the Assessment Review on the Web (AROW) system, the Tyler IAS CAMA system and the Tier FAMIS system. It will be accessible by any standard web browser and host online applications on the County WebSphere portal and ADAPT will comply with the requirements as set forth in the County's RFP.

6. Has the item requested herein followed all proper procedures and thereby approved by the:

Nassau County Attorney as to form        Yes        No        N/A  
Nassau County Committee and/or Legislature        Yes        No        N/A

Date of approval(s) and citation to the resolution where approval for this item was provided:

7. Identify all contracts (with dollar amounts) with this or an affiliated party within the prior 12 months:

See Attached

NOTE:

At a minimum, all submissions must include current NIFS printouts for all relevant accounts and relevant Nassau County Legislature communication documents and relevant supplemental information pertaining to the item requested herein. NIFA reserves the right to request additional information as needed.

---

---

## AUTHORIZATION

To the best of my knowledge, I hereby certify that the information contained in this Contract Approval Request Form and any additional information submitted in connection with this request is true and accurate and that all expenditures that will be made in reliance on this authorization are in conformance with the Nassau County Approved Budget and not in conflict with the Nassau County Multi-Year Financial Plan. I understand that NIFA will rely upon this information in its official deliberations.

Signature

Title

Date

  
Eric C. Naughton  
Budget Director  
Print Name

6/18/12  
6/12/12

## COMPTROLLER'S OFFICE

To the best of my knowledge, I hereby certify that the information listed is true and accurate and is in conformance with the Nassau County Approved Budget and not in conflict with the Nassau County Multi-Year Financial Plan.

Furthermore, I certify that the funds are available to be encumbered pending NIFA approval of this contract.

If this is a capital project, I certify that the bonding for this contract has been approved by NIFA.

Signature

Title

Date

Print Name

## NIFA

Amount being approved by NIFA: \_\_\_\_\_

Signature

Title

Date

Print Name

**All contract submissions MUST include the County's own routing slip.**

**NIFA Contract Approval Request Form MUST be filled out in its entirety before being submitted to NIFA for review.**

FAML6200 V4.2

LINK TO:

ACTIVE

NIFS PRODUCTION SYSTEM  
PROJECT SUMMARY INQUIRY06/07/2012  
3:39 PM

BALANCE (Y,M,Q,A) : A FUNDING PERIOD : CURRENCY CODE :  
FISCAL MO/YEAR : 06 2012 JUNE 2012 PROJECT END DATE:  
PROJECT : 97121 ADAPT  
PROJECT DETAIL :  
CHARACTER :  
OBJECT : X  
FUND TYPE :  
FUND :  
SUBFUND :

S	OBJECT	DESCRIPTION	BUDGET	ACTUAL	ENCUMBERED	BALANCE
	0A	CAPITAL PROCEEDS	7,000,000	6,296,324		-703,676
		REVENUE TOTAL	7,000,000	6,296,324		-703,676
	00	CAPITAL PROJECTS	7,000,000	4,195,143	2,101,181	703,676
		EXPENDITURE TOTAL	7,000,000	4,195,143	2,101,181	703,676
		REVENUE LESS EXPE		2,101,181	-2,101,181	

F1-HELP F2-SELECT F4-PRIOR F5-NEXT  
F7-PRIOR PG F8-NEXT PG F9-LINK  
G014 - RECORD FOUND



FAML6161 V4.2

NIFS PRODUCTION SYSTEM  
VENDOR DETAIL

06/07/2012  
3:40 PM

LINK TO:

ACTIVE

FISCAL MO/YEAR : 08 2011 AUG 2011

BALANCE TYPE : 01 ENCUMBRANC

VENDOR : 752303920

TYLER TECHNOLOGIES INC

S	POST DATE	T/C	DOCUMENT	INDEX	SUBOBJ BANK	CHECK NO	PERIOD
	DUE DATE		DESCRIPTION				AMOUNT
	08/02/2011	176F	XINC11045197 01 ITGEN1900		DE5A5		08 2011
			ADPICS PURCHASE ORDER LIQUIDATION->		VCNC11019492		-312,840.00
	08/17/2011	109	CLIT11000001 01/PWCAPCAP		00005		08 2011
			TYLER ADAPT PHASE II AMEND 7/13/07-7/12/11 1.2 M				1,200,000.00

F1-HELP

F2-SELECT

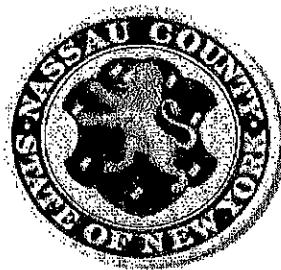
F7-PRIOR PG

F8-NEXT PG

F9-LINK

G014 - RECORD FOUND

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.

CONTRACTOR ADDRESS: 3199 Klepinger Road, Dayton, Ohio 45406

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 \_\_\_\_\_ [newspaper advertisement, posting on website, mailing, etc.], \_\_\_\_\_ [#] of potential proposers requested copies of the RFP. Proposals were due on \_\_\_\_\_ [date]. \_\_\_\_\_ [#] proposals were received and evaluated. The evaluation committee consisted of: \_\_\_\_\_

\_\_\_\_\_ [list members]. The proposals were scored and ranked. As a result of the scoring and ranking (attached), the highest-ranking proposer was selected.



**III. [X] This is an 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/mailling. 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.

**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 Law Section 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.

***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.

---

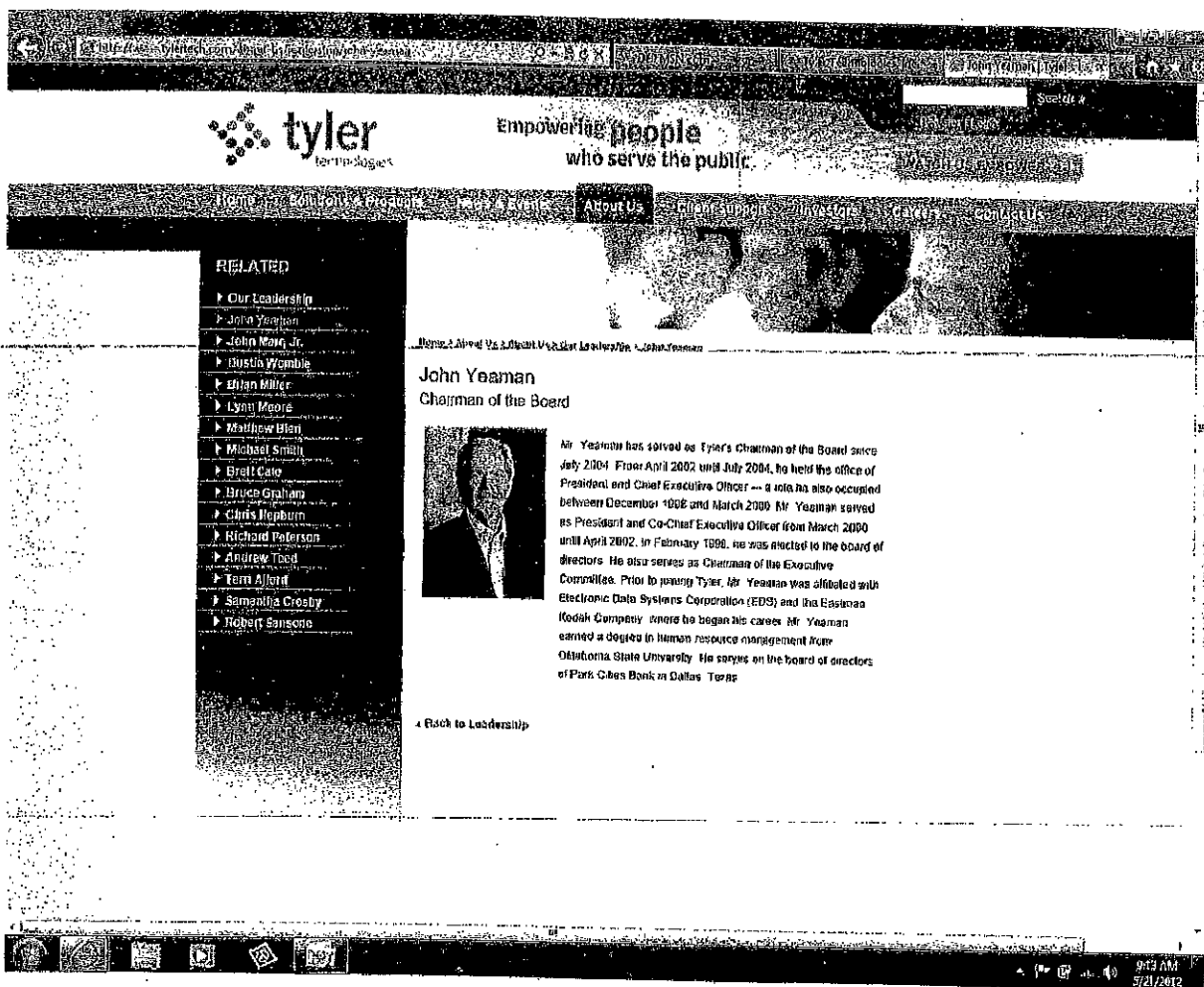
Department Head Signature

---

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. 02/04*



John M. Yeaman  
Inside Director

Chairman of the Board

Age: 71

Director Since: 1999

Tyler Technologies, Inc. Ownership: 331,647

Tyler Technologies, Inc. Committee Membership:  
Executive Committee

Other Directorships: Park Cities Bank, Dallas


John M. Yeaman has served as Chairman of the Board since July 2004. From April 2002 until July 2004, Mr. Yeaman served as President and Chief Executive Officer; from March 2000 until April 2002, he served as President and Co-Chief Executive Officer; and from December 1998 until March 2000, he was President and Chief Executive Officer. Mr. Yeaman was elected to our Board of Directors in February 1999. Mr. Yeaman also serves as Chairman of the Executive Committee. From 1980 until 1998, Mr. Yeaman was associated with Electronic Data Systems Corporation ("EDS"). Mr. Yeaman began his career with Eastman Kodak Company.

http://www.tyler.com/about-us/leadership/john-marr-jr/

tyler Empowering people who serve the public

Home > About Us > Our Leadership > John Marr, Jr.

**John S. Marr, Jr.**  
President and Chief Executive Officer



Mr. Marr has served as President and Chief Executive Officer of Tyler since July 2004 and has worked in the local government software industry since 1983. From July 2003 through July 2004, he served as Chief Operating Officer. Mr. Marr joined Tyler through its 1999 acquisition of Munis, and was elected to Tyler's board of directors in May 2002. He was President of Munis from 1994 through July 2003 during which he developed and executed a strategy that transformed Munis from a 35-person local provider of municipal information systems to a 250+ employee leader in its market. Mr. Marr is a graduate of the University of Massachusetts, Amherst, and serves on the board of directors for Mercy Hospital in Portland, Maine.

RELATED

- Our Leadership
- John Yemanian
- John Marr, Jr.
- Dustin Womble
- Dan Miller
- John Marr
- Michael Smith
- David Galt
- Bruce Graham
- Chris Hapburn
- Michael Peterson
- Andrew Tassi
- Tara Alford
- Samantha Crosby
- Robert Sandberg

Back to Leadership

6:15 AM 5/21/2012

John S. Marr, Jr.  
President and Chief Executive Officer; Director

Age: 52

Tyler Technologies, Inc. Ownership: 838,369

John S. Marr, Jr. has served as President and Chief Executive Officer since July 2004. From July 2003 until July 2004, Mr. Marr served as Chief Operating Officer. Mr. Marr has served on our Board of Directors since May 2002 and is currently a member of the Executive Committee. Mr. Marr also served as President of MUNIS, Inc. ("MUNIS") from 1994 until July 2004. Mr. Marr began his career in 1983 with MUNIS, a provider of a wide range of software products and related services for county and city governments, schools, and not-for-profit organizations, with a focus on integrated financial systems. We acquired MUNIS in 1999. Mr. Marr also serves on the Board of Directors of Mercy Hospital in Portland, Maine.

FAML4010 V4.2  
LINK TO:

NIFS PRODUCTION SYSTEM  
DOCUMENT HEADER

05/30/2012  
3:24 PM

DOCUMENT CATEGORY : CL CONTRACT INCREASE /CHANGE TERMS  
ENTERED BY : BROWN, PEGGY, 16627  
DOCUMENT NUMBER :  
INPUT PERIOD (MM YYYY) : 05 2012 MAY  
VENDOR NUMBER / SUFFIX :  
VENDOR NAME :  
VENDOR ADDRESS :  
INITIATING DEPT : IT  
APPROVAL TYPE :

COUNTRY :

ALPHA VENDOR :

BANK NUMBER :

DUE DATE :

DOCUMENT AMOUNT :

NUMBER OF LINES :

TRANSACTION CODE HASH :

TERMS :

POSTING/EDIT ERRORS :

F1-HELP

F2-SELECT

F3-DELETE

F4-PRIOR

F5-NEXT

F6-DTL ENTRY

F7-VIEW DOC

F8-SUBMIT

F9-LINK

F10-SAVE

F12-ADL FCTNS

APPROVAL PATH FOUND AND SUCCESSFULLY BUILT FOR DOCUMENT NUMBER : CLIT12000010

TREAS NO :

SINGLE CHECK :

CURRENCY CODE :

RESPONSIBLE UNIT :

NOTEPAD (Y OR N) :

LINK TO:

DOCUMENT CATEGORY : CL CONTRACT INCREASE /CHANGE TERMS  
ENTERED BY : BROWN, PEGGY, 16627  
DOCUMENT NUMBER : CLIT12000010 INITIATING DEPT : IT  
INPUT PERIOD (MM YYYY) : 05 2012 MAY  
VENDOR NUMBER / SUFFIX : 752303920 01 APPROVAL TYPE : 09  
VENDOR NAME : TYLER TECHNOLOGIES INC  
VENDOR ADDRESS : PO BOX 203551

COUNTRY : DALLAS TX 75320  
ALPHA VENDOR : USA  
BANK NUMBER : TYLER TECHNOLOGIES INC  
DUE DATE :  
DOCUMENT AMOUNT : .02  
NUMBER OF LINES : 2  
TRANSACTION CODE HASH :  
TERMS :  
POSTING/EDIT ERRORS :  
F1-HELP F2-SELECT F3-DELETE F4-PRIOR F5-NEXT F6-DTL ENTRY  
F7-VIEW DOC F8-SUBMIT F9-LINK F10-SAVE F12-ADL FCTNS  
G014 - RECORD FOUND

DOCUMENT : CLIT12000010 - 01 INPUT PER: 05 2012 AMOUNT :

.02

-----  
TRANS CODE : 107 CONTRACT ENCUMBRANCE INCREASE  
DOCUMENT REF : CQIT07000040 05  
TRANS DESC. : TYLER ADAPT TIME EXT TO 8/15/13 & AMEND SCOPE  
TRANS AMOUNT :  
INDEX : .01  
SUBJECT :  
UCODE/ORD#/DRC :  
GRANT :  
GRANT-DETAIL :  
PROJECT :  
PROJECT DETAIL :  
START DATE :  
END DATE :

## FINANCIAL ERRORS :

F1-HELP      F2-SELECT      F3-DELETE      F4-PRIOR      F5-NEXT  
F7-VIEW DOC      F9-LINK      F10-SAVE

LINK TO:

DOCUMENT : CLIT12000010 - 02 INPUT PER: 05 2012 AMOUNT : .02

-----  
TRANS CODE : 107 CONTRACT ENCUMBRANCE INCREASE  
DOCUMENT REF : CQIT07000040 06  
TRANS DESC. : TYLER ADAPT TIME EXT TO 8/15/13 & AMEND SCOPE  
TRANS AMOUNT : .01  
INDEX :  
SUBOBJECT :  
UCODE/ORD#/DRC :  
GRANT :  
GRANT-DETAIL :  
PROJECT :  
PROJECT DETAIL :  
START DATE :  
END DATE :

## FINANCIAL ERRORS :

F1-HELP      F2-SELECT      F3-DELETE      F4-PRIOR      F5-NEXT  
F7-VIEW DOC      F9-LINK      F10-SAVE  
G014 - RECORD FOUND



FAML4760 V4.2  
LINK TO:

NIFS PRODUCTION SYSTEM  
DOCUMENT DISPLAY

05/30/2012  
3:23 PM

DOCUMENT : CLIT12000010    INPUT PERIOD : 05 2012    AMT : .02

S	SFX	T/C	DOCUMENT REF	INDEX	SUBOBJ	VENDOR	G/L	SUBSID	ERR
PST/GST DESCRIPTION							TRANS	AMOUNT	
01	107		CQIT07000040	05					N
			TYLER ADAPT TIME EXT TO 8/15/13 & AMEND SCOPE						.01
02	107		CQIT07000040	06					N
			TYLER ADAPT TIME EXT TO 8/15/13 & AMEND SCOPE						.01

F1-HELP      F2-SELECT  
F7-PRIOR PG   F8-NEXT PG   F9-LINK

LINK TO:

ACTIVE

FISCAL MO/YEAR : 05 2012 MAY 2012

DOCUMENT PREFIX:

S	DOCUMENT	INDEX	SUBOBJ	VENDOR NAME	PAY/RCPT	BALANCE
	CQIT07000040	01	PWCAPCAP	00005 TYLER TECHNOLO	400,000	0
	CQIT07000040	02	PWCAPCAP	00005 TYLER TECHNOLO	1,000,000	0
	CQIT07000040	03	PWCAPCAP	00005 TYLER TECHNOLO	756,859	0
	CQIT07000040	04	PWCAPCAP	00005 TYLER TECHNOLO	533,350	0
	CQIT07000040	05	PWCAPCAP	00005 TYLER TECHNOLO	1,738,342	1,104,799
	CQIT07000040	06	PWCAPCAP	00005 TYLER TECHNOLO	203,618	996,382
	CQIT07000044	01	PWCAPCAP	00005 CRW SYSTEMS, I	324,500	0
	CQIT07000048	01	ITGEN1900	DE5A5 SALMON LLC	49,000	0
	CQIT08000019	01	ITGEN1100	DE5A5 COGSDALE HOLDI	230,538	0
	CQIT08000025	01	ITGRTSMOONYS	DE505 BOWNE MANAGEME	90,545	0
	CQIT08000025	02	ITGEN2000	DE500 BOWNE MANAGEME	225,000	0
	CQIT08000025	03	PWCAPCAP	00003 BOWNE MANAGEME	17,337	0
	CQIT08000025	04	ITGEN1750	DE505 BOWNE MANAGEME	349,727	0
	CQIT08000025	05	PLGRT8098FED	DE505 BOWNE MANAGEME	47,174	0
	CQIT08000025	06	ITGEN1750	DE505 BOWNE MANAGEME	265,363	1,636

F1-HELP

F2-SELECT

F5-NEXT

F7-PRIOR PG F8-NEXT PG F9-LINK

G014 - RECORD FOUND

## Amendment #2

THIS AMENDMENT dated as of May 29, 2012 (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"), authorized to do business in the State of New York, having its principal office at 3199 Klepinger Road, Dayton, Ohio 45406 and its local office at 140 Old Country Road, Suite 200, Mineola, New York 11501 (the "Contractor").

### WITNESSETH:

WHEREAS, pursuant to County contract number CQIT07000040 between the County and the Contractor, executed on behalf of the County on August 16, 2007, and as amended thereafter on August 11, 2011 (the "Original Agreement"), the Contractor performs certain services for the County in connection with the integrated system for real property assessment administration, appeals, tax billing, collection and refunds ("ADAPT"), which services are more fully described in the Original Agreement, as amended (the services contemplated by the Original Agreement, as amended, the "Services"); and

WHEREAS, the parties desire to modify the Original Agreement;

WHEREAS, the term of the Original Agreement was from August 16, 2007 through August 15, 2011, unless sooner terminated; provided, however, if the services to be provided are not completed within this period the parties may extend the term upon a mutual written agreement (the "Original Term"); and

WHEREAS, the County and the Contractor desire to extend the Original Agreement in accordance with the terms and conditions set forth therein; 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. Services. The Services provided by the Contractor shall be amended to include those changes to the Scope of Work that are set forth in "Exhibit A" attached hereto and incorporated herein by reference.

2. Term. The Original Agreement shall be extended for a two (2) year period in order for the Contractor to complete the services contemplated in the Original Agreement, so that the termination date of the Original Agreement, as amended by this Amendment (the "Amended Agreement"), shall be August 15, 2013, unless sooner terminated as provided for in the Original Agreement. Notwithstanding the foregoing, the County may renew the Amended Agreement for one (1) additional one (1) year term under the same terms and conditions at the County's sole discretion.

3. Full Force and Effect. All the terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

The Remainder of this Page Intentionally Left Blank

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: John Baker  
Name: John Baker  
Title: DIRECTOR of INSIDE SALES  
Date: MAY 25, 2012

NASSAU COUNTY

By: [Signature]  
Name: RICHARD R. WALKER  
Title: Deputy County Executive  
Date: 7/12/12

PLEASE EXECUTE IN BLUE INK

STATE OF OHIO                    )  
  ) ss.:  
COUNTY OF                        )

On the 25<sup>th</sup> day of May in the year 2012 before me personally came  
John R. Baker 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 Director of Inside Sales  
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.

Karvui R. Sears  
NOTARY PUBLIC                    Exp. 11/30/13

STATE OF NEW YORK)  
  ) ss.:  
COUNTY OF NASSAU )

On the 12 day of July in the year 2012 before me personally came  
Richard R. Walker 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

Concetta A. Petrucci  
CONCETTA A PETRUCCI  
Notary Public, State of New York  
No. 01PE6269026  
Qualified in Nassau County  
Commission Expires April 02, 2016

## Exhibit A

It has become clear to the Executive Steering Committee (ESC) and the CORE Team of the ADAPT Project that the items listed in the table below are no longer feasible based on the policy or legislative changes that have occurred. It is the desire of the ESC and the CORE Team of the ADAPT Project that these items be removed from Phase II and the amounts budgeted be added to the **Additional Business Process Support Hours and User Training Support in Phase II**.

### Phase II Deliverables to be Reallocated

<i>Deliverable</i>	<i>Cost</i>
Cage Cash Counting	\$ 10,000.00
iField Licensing and Implementation	\$ 110,636.00
Upgrade to WF 4.0 Conversion	\$ 120,540.00
Workflow Modifications	\$ 75,000.00
<b>Total</b>	<b>\$ 316,176.00</b>

\$316,176 dollars will be added to the **Additional Business Process Support Hours and User Training Support** deliverable so the cost for the deliverable will be revised from \$597,720 to \$913,896 dollars.

Contract ID#: COIT07000040Department: Information Technology**CF (Capital)****CF****Contract Details**SERVICE: ADAPTNIFS ID #: CLIT13000014NIFS Entry Date: 07/17/13Term: from 08/14/13 to 08/15/14

New <input type="checkbox"/> Renewal <input type="checkbox"/>	1) Mandated Program:	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Amendment #3 <input checked="" type="checkbox"/>	2) Comptroller Approval Form Attached:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Time Extension <input checked="" type="checkbox"/>	3) CSEA Agmt. § 32 Compliance Attached:	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Addl. Funds <input type="checkbox"/>	4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Blanket Resolution <input type="checkbox"/> RES#	5) Insurance Required	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

**Agency Information**

Vendor	
Name Tyler Technologies, Inc., CLT Division	Vendor ID# 752303920-01
Address P.O. Box 203551 Dallas, TX 75320	Contact Person: John Baker
	Phone 1-800-800-2581 ext. 1172

County Department	
Department Contact Ed Eisenstein	****Please return final, completed contract to Peggy Brown
Address 240 Old Country Road Millsola, NY 11501	
Phone (516) 571-4265	

**Routing Slip**

DATE Rec'd	DEPARTMENT	Internal Verification	DATE App'd	SIGNATURE	Let. Approval Required
	Department	NIFS Entry (Dept) <input checked="" type="checkbox"/> NIFS Appvl (Dept. Head) <input checked="" type="checkbox"/> Contractor Registered <input checked="" type="checkbox"/>		<i>[Signature]</i>	
7/29	DPW (Capital Only)	CF Capital Fund Approval <input checked="" type="checkbox"/>	7/31/13	<i>[Signature]</i>	
7/29	OMB	Contractor Registered <input type="checkbox"/> NIFS Approval <input type="checkbox"/>	7/29	<i>[Signature]</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Not required if Blanket Res
7/31/13	County Attorney	CA RE & Insurance Verification <input checked="" type="checkbox"/>	7/31/13	<i>[Signature]</i>	
8/1/13	County Attorney	CA Approval as to form <input checked="" type="checkbox"/>	8/1/13	<i>[Signature]</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>
	Legislative Affairs	Fw'd Original Contract to CA <input type="checkbox"/>			
8/1/13	County Attorney	NIFS Approval <input checked="" type="checkbox"/>	8/1/13	<i>[Signature]</i>	
	Comptroller	NIFS Approval <input checked="" type="checkbox"/>	8/13/13	<i>[Signature]</i> CCL 8/13/13	
	County Executive	Notarization <input type="checkbox"/> Filed with Clerk of the Leg. <input type="checkbox"/>	8/26/13	<i>[Signature]</i>	





## Contract Summary

**Description:**

Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection & Refunds "ADAPT". This amendment will extend the term for an additional year 08/14/13-08/15/14.

**Purpose:**

ADAPT will be used to maintain assessment, appeal, tax extension and collection records for all real property within the County, compute partial exemptions and other tax relief measures, establish tax rates, process tax appeals, support residential and commercial valuation for appeal adjudication and defense, handle delinquency and lien processes, calculate refunds, and make timely information available to Nassau County employees in the Assessment Department, Assessment Review Commission, County Treasurer's and County Attorney's Offices. The contract is being extended for time in order to complete the required services 08/14/13-08/15/14.

**Method of Procurement:**

Request for Proposal.

**Procurement History:**

An RFP was issued on January 5, 2006. Four vendors submitted their proposals which included Tyler Technologies, Manatron, SD Services, and ACS, Inc. Tyler Technologies and Manatron were selected as the two finalists and the award was granted to Tyler Technologies. The selection committee consisted of the representatives from Information Technology, Assessment, Assessment Review Commission, County Attorney and the Treasurer's Office.

**Description of General Provisions:**

ADAPT will interface with the County WebSphere Portal, the GIS data warehouse, the Assessment Review on the Web (AROW) system, the Tyler IAS CAMA system and the Tier FAMIS system. It will be accessible by any standard web browser and host online applications on the County WebSphere portal and ADAPT will comply with the requirements as set forth in the County's RFP. The term of the contract is being extended from 08/15/13 to 08/15/14.

**Impact on Funding / Price Analysis:**

None.

**Change in Contract from Prior Procurement:**

N/A.

**Recommendation:**

Approve as submitted.

## Advisement Information

BUDGET CODES	
Fund:	PW
Control:	CAP
Resp:	97121
Object:	00005
Transaction:	

RENEWAL	
% Increase	
% Decrease	

FUNDING SOURCE	AMOUNT
Revenue Contract <input type="checkbox"/>	XXXXXXXX
County	\$
Federal	\$
State	\$
Capital	\$0.01
Other	\$
<b>TOTAL</b>	<b>\$0.01</b>

LINE	INDEX/OBJECT CODE	AMOUNT
6	PWCAPCAP/00005/97121	\$0.01
2		\$
3		\$
4		\$
5		\$
1		\$
<b>TOTAL</b>		<b>\$0.01</b>

Document Prepared By: \_\_\_\_\_

Date: \_\_\_\_\_

NIFS Certification	Comptroller Certification	County Executive Approval
I certify that this document was accepted into NIFS.	I certify that an unencumbered balance sufficient to cover this contract is present in the appropriation to be charged.	Name _____
Name <u>Michael Chen</u>	Name <u>John J. L. L...</u>	Date <u>8/26/13</u>
Date <u>8/13/2013</u>	Date <u>8/13/13</u>	(For Office Use Only)
		E #:

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.

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 \_\_\_\_\_ [newspaper advertisement, posting on website, mailing, etc.]. \_\_\_\_\_ [#] of potential proposers requested copies of the RFP. Proposals were due on \_\_\_\_\_ [date]. \_\_\_\_\_ [#] proposals were received and evaluated. The evaluation committee consisted of: \_\_\_\_\_

\_\_\_\_\_. [list members]. The proposals were scored and ranked. As a result of the scoring and ranking (attached), the highest-ranking proposer was selected.

**III. [X] This is an 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.

**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 Law Section 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.

***In addition, if this is a contract with an individual or with an entity that has only one or two employees:***

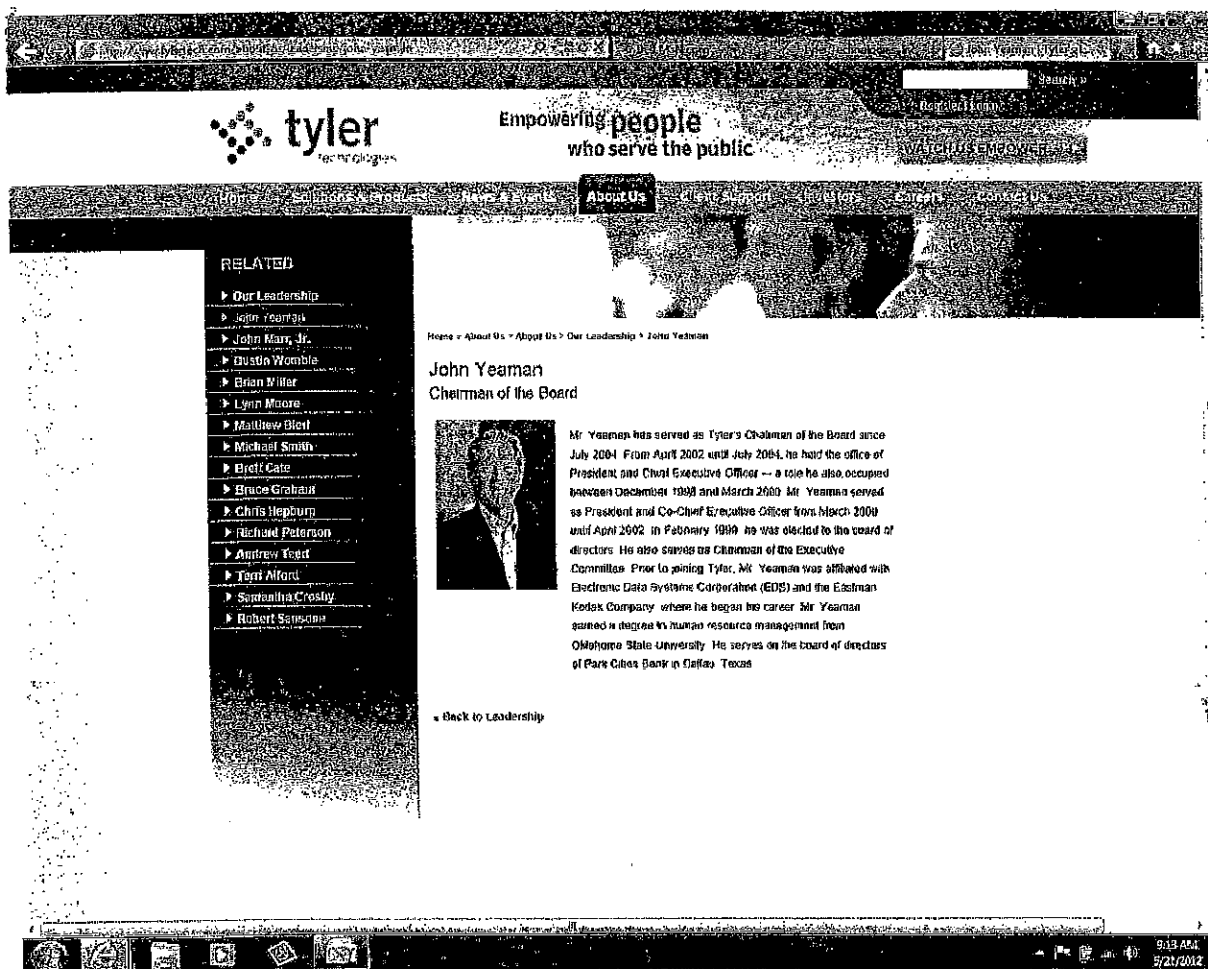
☐ a review of the criteria set forth by the Internal Revenue Service, *Revenue Ruling No. 87-41, 1987-1 C.B. 296*, attached as Appendix A to the Comptroller's Memorandum, dated February 13, 2004, concerning independent contractors and employees indicates that the contractor would not be considered an employee for federal tax purposes.

  
\_\_\_\_\_  
Department Head Signature

\_\_\_\_\_  
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. 02/04*



John M. Yeaman  
Inside Director

Chairman of the Board

Age: 71

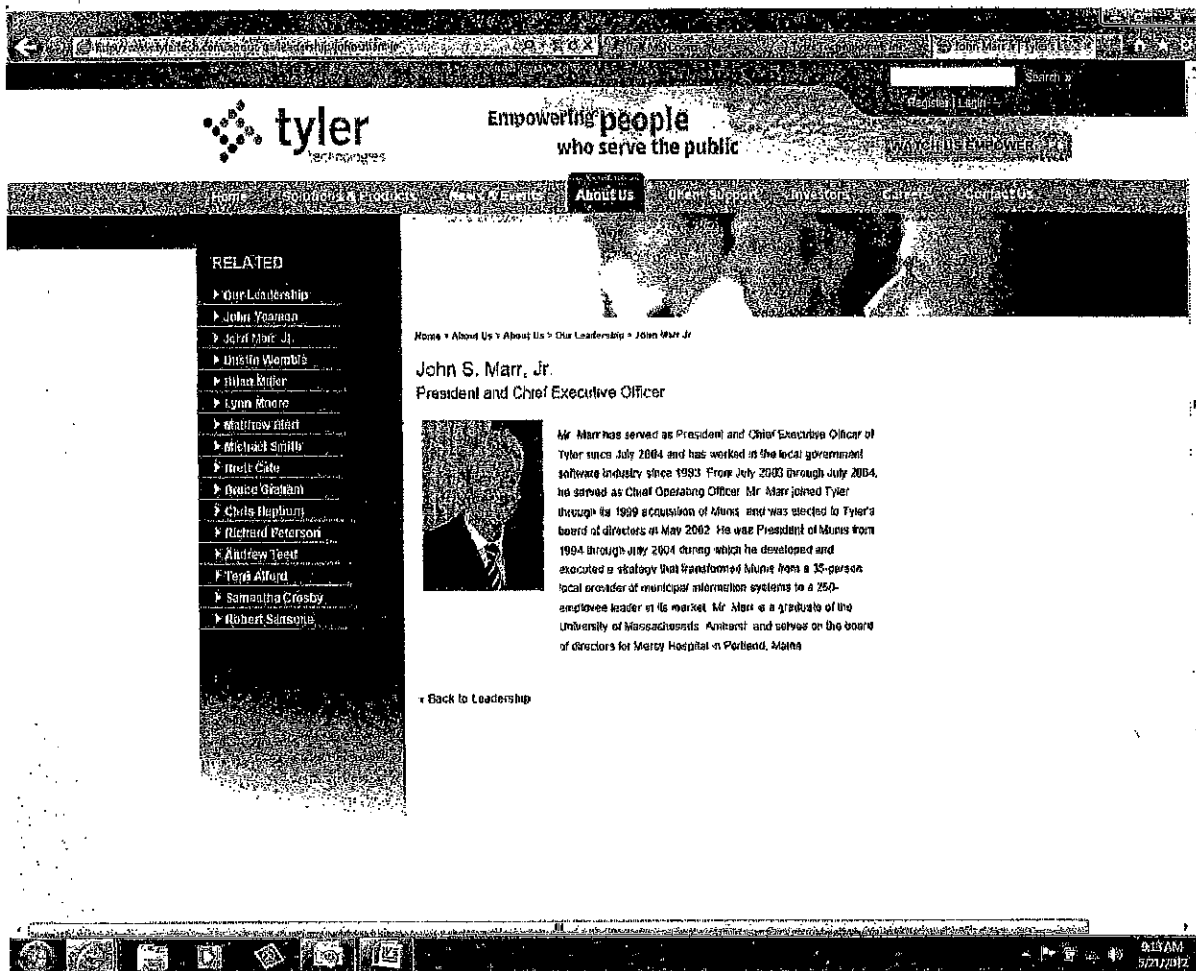
Director Since: 1999

Tyler Technologies, Inc. Ownership: 331,647

Tyler Technologies, Inc. Committee Membership:  
Executive Committee

Other Directorships: Park Cities Bank, Dallas

John M. Yeaman has served as Chairman of the Board since July 2004. From April 2002 until July 2004, Mr. Yeaman served as President and Chief Executive Officer; from March 2000 until April 2002, he served as President and Co-Chief Executive Officer; and from December 1998 until March 2000, he was President and Chief Executive Officer. Mr. Yeaman was elected to our Board of Directors in February 1999. Mr. Yeaman also serves as Chairman of the Executive Committee. From 1980 until 1998, Mr. Yeaman was associated with Electronic Data Systems Corporation ("EDS"). Mr. Yeaman began his career with Eastman Kodak Company.

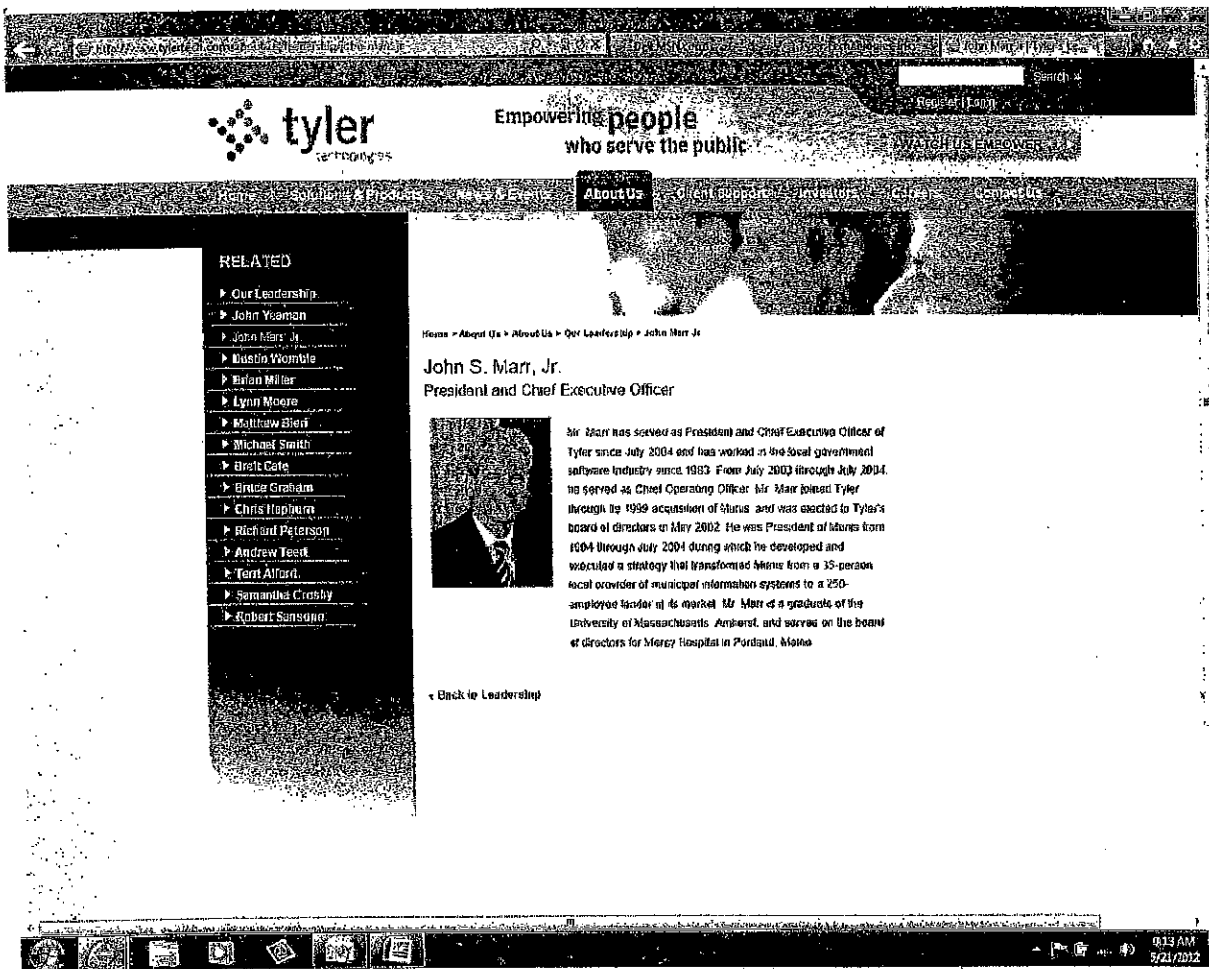


John S. Marr, Jr.  
President and Chief Executive Officer; Director

Age: 52

Tyler Technologies, Inc. Ownership: 838,369

John S. Marr, Jr. has served as President and Chief Executive Officer since July 2004. From July 2003 until July 2004, Mr. Marr served as Chief Operating Officer. Mr. Marr has served on our Board of Directors since May 2002 and is currently a member of the Executive Committee. Mr. Marr also served as President of MUNIS, Inc. ("MUNIS") from 1994 until July 2004. Mr. Marr began his career in 1983 with MUNIS, a provider of a wide range of software products and related services for county and city governments, schools, and not-for-profit organizations, with a focus on integrated financial systems. We acquired MUNIS in 1999. Mr. Marr also serves on the Board of Directors of Mercy Hospital in Portland, Maine.



John S. Marr, Jr.  
President and Chief Executive Officer; Director

Age: 52

Tyler Technologies, Inc. Ownership: 838,369

John S. Marr, Jr. has served as President and Chief Executive Officer since July 2004. From July 2003 until July 2004, Mr. Marr served as Chief Operating Officer. Mr. Marr has served on our Board of Directors since May 2002 and is currently a member of the Executive Committee. Mr. Marr also served as President of MUNIS, Inc. ("MUNIS") from 1994 until July 2004. Mr. Marr began his career in 1983 with MUNIS, a provider of a wide range of software products and related services for county and city governments, schools, and not-for-profit organizations, with a focus on integrated financial systems. We acquired MUNIS in 1999. Mr. Marr also serves on the Board of Directors of Mercy Hospital in Portland, Maine.

### Amendment #3

THIS AMENDMENT dated as of June 20, 2013 (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 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 3199 Klepinger Road, Dayton, Ohio 45406 and its local office at 140 Old Country Road, Suite 200, Mineola, New York 11501 (the "Contractor").

#### WITNESSETH:

WHEREAS, pursuant to County contract number CQIT07000040 between the County and the Contractor, executed on behalf of the County on August 16, 2007, and as amended thereafter on August 11, 2011 and July 12, 2012 (the "Original Agreement"), the Contractor performs certain services for the County in connection with the integrated system for real property assessment administration, appeals, tax billing, collection and refunds ("ADAPT"), which services are more fully described in the Original Agreement, (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement, as amended, is from August 16, 2007 through August 15, 2013, with an option to renew the contract at the County's sole discretion for one (1) additional one (1) year period (the "Original Term"); and

WHEREAS, the Services contemplated by the Original Agreement have not been completed; and

WHEREAS, the County and the Contractor desire to extend the Original Agreement in accordance with the terms and conditions set forth herein; 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. Term Renewal. The Original Agreement shall be renewed under the same terms and conditions for one (1) additional one (1) year period, so that the termination date of the Original Agreement, as amended by this Amendment shall be August 15, 2014 (the "Amended Agreement"), unless sooner terminated as provided for in the Original Agreement.

2. Full Force and Effect. All the terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

The Remainder of this Page Intentionally Left Blank



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: Sr. Account Rep., Inside Sales

Date: July 17, 2013

NASSAU COUNTY

By: Richard R. Walker

Name: Richard R. Walker

Title: Deputy County Executive

Date: 8/20/13

PLEASE EXECUTE IN BLUE INK

STATE OF OHIO

)  
) ss.:

COUNTY OF MONTGOMERY)

On the 17th day of July in the year 2013 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 Sr. Account Rep.  
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, 2017

STATE OF NEW YORK)

) ss.:

COUNTY OF NASSAU)

On the 26 day of August in the year 2013 before me personally came  
Richard R. Walker 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.

*Concetta A. Petrucci*  
NOTARY PUBLIC

CONCETTA A PETRUCCI  
Notary Public, State of New York  
No. 01PE0259025  
Qualified in Nassau County  
Commission Expires April 02, 2016

\*THIS DOCUMENT IS DOUBLE-SIDED\*

Contract ID#: CQIT07000040

Department: Information Technology

**CF (Capital)**  
**Contract Details**



**E-233-14 CF**  
SERVICE: ADAPT

NIFS ID #: CLIT14000014

NIFS Entry Date: 08/13/14

Term: from 8/16/07 to 08/15/15

New <input type="checkbox"/> Renewal <input checked="" type="checkbox"/>
Amendment #4 <input checked="" type="checkbox"/>
Time Extension <input checked="" type="checkbox"/>
Addl. Funds <input type="checkbox"/>
Blanket Resolution <input type="checkbox"/>
RES#

1) Mandated Program:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
2) Comptroller Approval Form Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
3) CSEA Agmt. § 32 Compliance Attached:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
5) Insurance Required	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

**Agency Information**

Vendor	
Name Tyler Technologies, Inc., CLT Division	Vendor ID# 752303920-01
Address P.O. Box 203551 Dallas, TX 75320	Contact Person: John Baker
	Phone 1-800-800-2581 ext. 1172

County Department	
Department Contact Ed Eisenstein	****Please return final, completed contract to Peggy Brown
Address 240 Old Country Road Minacola, NY 11501	
Phone (516) 571-4263	

**Routing Slip**

DATE Rec'd.	DEPARTMENT	Internal Verification	DATE App'd. Fw'd.	SIGNATURE	Leg. Approval Required
	Department	NIFS Entry (Dept) <input checked="" type="checkbox"/> NIFS Appvl (Dept. Head) <input checked="" type="checkbox"/> Contractor Registered <input checked="" type="checkbox"/>		<i>[Signature]</i>	
	DPW (Capital Only)	CF Capital Fund Approval <input type="checkbox"/> Contractor Registered <input checked="" type="checkbox"/> NIFS Approval <input type="checkbox"/>	9/16/14	<i>[Signature]</i>	
	OMB	CA RE & Insurance Verification <input type="checkbox"/> CA Approval as to form <input type="checkbox"/>	9/17/14	<i>[Signature]</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Not required if Blanket RES
9/23/14	County Attorney	CA RE & Insurance Verification <input checked="" type="checkbox"/>	9/23/14	<i>[Signature]</i>	
9/23/14	County Attorney	CA Approval as to form <input checked="" type="checkbox"/>	9/23/14	<i>[Signature]</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	Legislative Affairs	Fw'd Original Contract to CA <input type="checkbox"/>	9/24/14	<i>[Signature]</i>	
	County Attorney	NIFS Approval <input type="checkbox"/>	10/15/14	<i>[Signature]</i>	
	Comptroller	NIFS Approval <input checked="" type="checkbox"/>	9/23/14	<i>[Signature]</i>	
	County Executive	Notarization Filed with Clerk of the Leg. <input type="checkbox"/>	11/5/14	<i>[Signature]</i>	

Contract ID#: CQIT07000040Department: Information Technology

## Contract Summary

**Description:**  
Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection & Refunds "ADAPT". This amendment will extend the term for an additional year 08/14/14-08/15/15.

**Purpose:**  
ADAPT will be used to maintain assessment, appeal, tax extension and collection records for all real property within the County, compute partial exemptions and other tax relief measures, establish tax rates, process tax appeals, support residential and commercial valuation for appeal adjudication and defense, handle delinquency and lien processes, calculate refunds, and make timely information available to Nassau County employees in the Assessment Department, Assessment Review Commission, County Treasurer's and County Attorney's Offices. The contract is being extended for time in order to complete the required services 08/14/14-08/15/15.

**Method of Procurement:**  
Request for Proposal.

**Procurement History:**  
An RFP was issued on January 5, 2006. Four vendors submitted their proposals which included Tyler Technologies, Manatron, SD Services, and ACS, Inc. Tyler Technologies and Manatron were selected as the two finalists and the award was granted to Tyler Technologies. The selection committee consisted of the representatives from Information Technology, Assessment, Assessment Review Commission, County Attorney and the Treasurer's Office.

**Description of General Provisions:**  
ADAPT will interface with the County WebSphere Portal, the GIS data warehouse, the Assessment Review on the Web (AROW) system, the Tyler IAS CAMA system and the Tier FAMIS system. It will be accessible by any standard web browser and host online applications on the County WebSphere portal and ADAPT will comply with the requirements as set forth in the County's RFP. The term of the contract is being extended from 08/15/14 to 08/15/15.

**Impact on Funding / Price Analysis:**  
None.

**Change in Contract from Prior Procurement:**  
N/A.

**Recommendation:**  
Approve as submitted.

## Advisement Information

BUDGET CODES	
Fund:	PW
Control:	CAP
Resp:	97121
Object:	00005
Transaction:	

FUNDING SOURCE	AMOUNT
Revenue Contract <input type="checkbox"/>	XXXXXXXX
County	\$
Federal	\$
State	\$
Capital	\$0.01
Other	\$
<b>TOTAL</b>	<b>\$0.01</b>

LINE	INDEX/OBJECT CODE	AMOUNT
6	PWCAPCAP/00005/97121	\$0.01
2		\$
3		\$
4		\$
5		\$
1		\$
<b>TOTAL</b>		<b>\$0.01</b>

RENEWAL	
% Increase	
% Decrease	

Document Prepared By: \_\_\_\_\_

Date: \_\_\_\_\_

NIFS Certification	Comptroller Certification	County Executive Approval
I certify that this document was accepted into NIFS.	I certify that an unencumbered balance sufficient to cover this contract is present in the appropriation to be charged.	Name <i>[Signature]</i>
Name <i>[Signature]</i>	Name <i>[Signature]</i>	Date <i>11/5/14</i>
Date <i>11/3/14</i>	Date <i>10/31/14</i>	(For Office Use Only)
		E #:

RULES RESOLUTION NO. 242 - 2014

E-233-14

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES  
AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON  
BEHALF OF THE DEPARTMENT OF INFORMATION TECHNOLOGY,  
AND TYLER TECHNOLOGIES, INC.

Passed by the Rules Committee  
Nassau County Legislature  
By Voice Vote on 10-6-14  
VOTING:  
ayes 7 nays 0 abstained 0 excused 0  
Legislators present: 7

WHEREAS, the County has negotiated an amendment to a personal services agreement with Tyler Technologies, Inc. ("Tyler") for services in connection with the integrated system for real property assessment administration, appeals, tax billing, collection and refunds ("ADAPT"), a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the said amendment with Tyler.

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES  
AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON  
BEHALF OF THE DEPARTMENT OF INFORMATION TECHNOLOGY,  
AND TYLER TECHNOLOGIES, INC.

WHEREAS, the County has negotiated an amendment to a personal services agreement with Tyler Technologies, Inc. ("Tyler") for services in connection with the integrated system for real property assessment administration, appeals, tax billing, collection and refunds ("ADAPT"), a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the said amendment with Tyler.

#### Amendment #4

THIS AMENDMENT dated as of July 1, 2014 (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 3199 Klepinger Road, Dayton, Ohio 45406 and its local office at 140 Old Country Road, Suite 200, Mineola, New York 11501 (the "Contractor").

#### WITNESSETH:

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 and August 26, 2013 (the "Original Agreement"), the Contractor performs certain services for the County in connection with the integrated system for real property assessment administration, appeals, tax billing, collection and refunds ("ADAPT"), which services are more fully described in the Original Agreement, (the "Services"); and

WHEREAS, the term of the Original Agreement, as amended, was from August 16, 2007 through August 15, 2014 (the "Original Term"); and

WHEREAS, the Services contemplated by the Original Agreement have not been completed; and

WHEREAS, the County and the Contractor desire to extend the Original Agreement in accordance with the terms and conditions set forth herein; 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. Term Extension. The Original Agreement shall be extended under the same terms and conditions for one (1) additional one (1) year period, so that the termination date of the Original Agreement, as amended herein shall be August 15, 2015 (the "Amended Agreement"), unless sooner terminated under the terms of the Original Agreement.
2. Full Force and Effect. All the terms and conditions of the Original 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: July 25 2014

NASSAU COUNTY

By: Richard P. Walcott

Name: Richard P. Walcott

Title: Deputy County Executive

Date: 11/5/14

PLEASE EXECUTE IN BLUE INK



STATE OF OHIO )

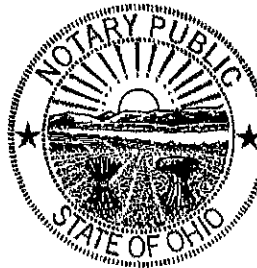
) ss.:

COUNTY OF MONTGOMERY)

On the 25 day of July in the year 2014 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.

*Karrie R. Sears*

NOTARY PUBLIC



KARRIE R. SEARS, Notary Public  
In and for the State of Ohio  
My Commission Expires Nov. 30, 2018

STATE OF NEW YORK)

) ss.:

COUNTY OF NASSAU )

On the 5 day of November in the year 2014 before me personally came Richard R. Walker 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

*Cecilia A. Petrucci*  
CORNELIA A. PETRUCCI  
Notary Public, State of New York  
No. 8761120025  
Qualified in Nassau County  
Commission Expires April 02, 2014 14

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.

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 \_\_\_\_\_ [newspaper advertisement, posting on website, mailing, etc.]. \_\_\_\_\_ [#] of potential proposers requested copies of the RFP. Proposals were due on \_\_\_\_\_ [date]. \_\_\_\_\_ [#] proposals were received and evaluated. The evaluation committee consisted of: \_\_\_\_\_

\_\_\_\_\_ [list members]. The proposals were scored and ranked. As a result of the scoring and ranking (attached), the highest-ranking proposer was selected.

**III. [X] This is an 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/mailling. 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.

**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 Law Section 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.

**In addition, if this is a contract with an individual or with an entity that has only one or two employees:**

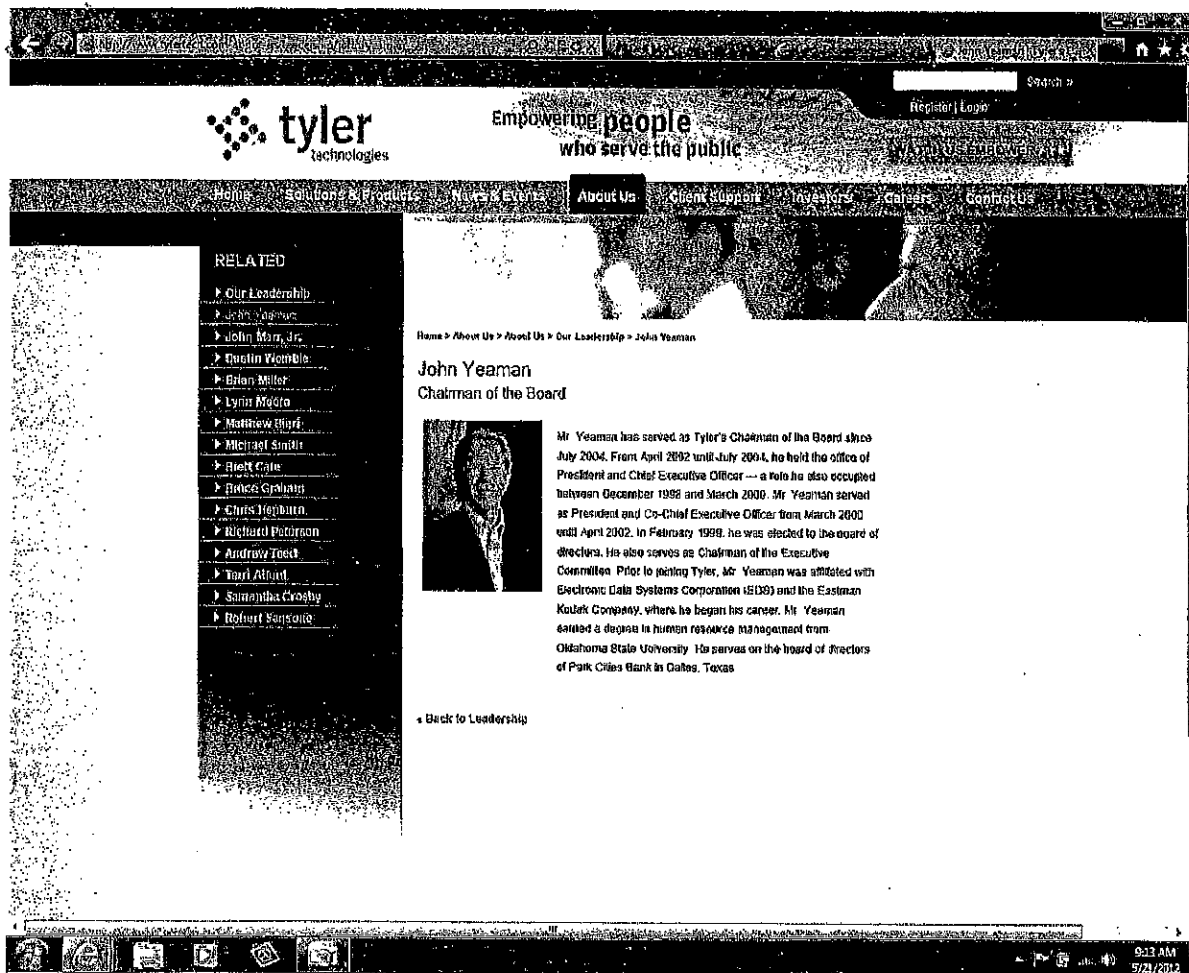
☐ a review of the criteria set forth by the Internal Revenue Service, *Revenue Ruling No. 87-41, 1987-1 C.B. 296*, attached as Appendix A to the Comptroller's Memorandum, dated February 13, 2004, concerning independent contractors and employees indicates that the contractor would not be considered an employee for federal tax purposes.

  
\_\_\_\_\_  
Department Head Signature

\_\_\_\_\_  
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. 02/04*



John M. Yeaman

Inside Director

Chairman of the Board

Age: 71

Director Since: 1999

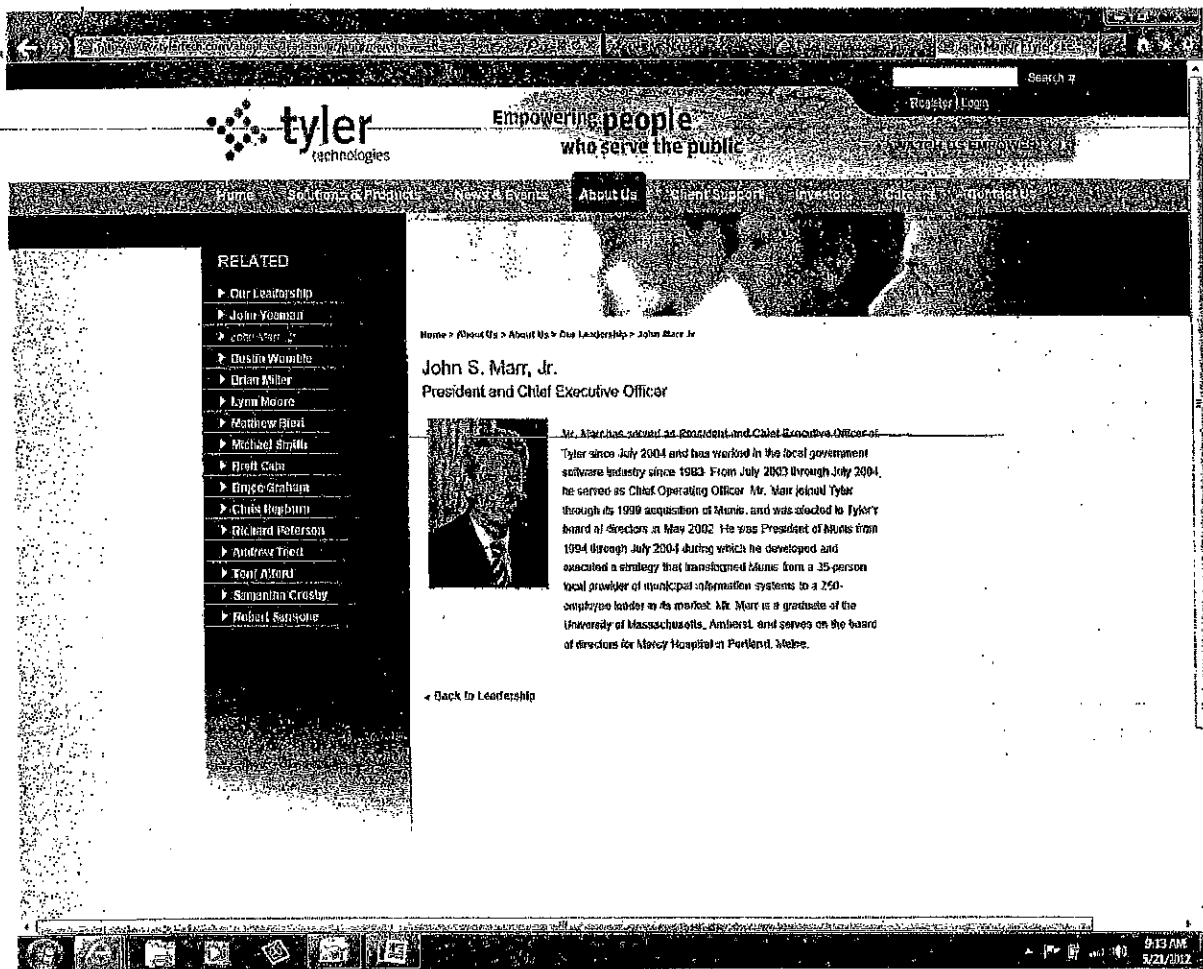
Tyler Technologies, Inc. Ownership: 331,647

Tyler Technologies, Inc. Committee Membership:

Executive Committee

Other Directorships: Park Cities Bank, Dallas

John M. Yeaman has served as Chairman of the Board since July 2004. From April 2002 until July 2004, Mr. Yeaman served as President and Chief Executive Officer; from March 2000 until April 2002, he served as President and Co-Chief Executive Officer; and from December 1998 until March 2000, he was President and Chief Executive Officer. Mr. Yeaman was elected to our Board of Directors in February 1999. Mr. Yeaman also serves as Chairman of the Executive Committee. From 1980 until 1998, Mr. Yeaman was associated with Electronic Data Systems Corporation ("EDS"). Mr. Yeaman began his career with Eastman Kodak Company.



John S. Marr, Jr.  
President and Chief Executive Officer; Director

Age: 52

Tyler Technologies, Inc. Ownership: 838,369

John S. Marr, Jr. has served as President and Chief Executive Officer since July 2004. From July 2003 until July 2004, Mr. Marr served as Chief Operating Officer. Mr. Marr has served on our Board of Directors since May 2002 and is currently a member of the Executive Committee. Mr. Marr also served as President of MUNIS, Inc. ("MUNIS") from 1994 until July 2004. Mr. Marr began his career in 1983 with MUNIS, a provider of a wide range of software products and related services for county and city governments, schools, and not-for-profit organizations, with a focus on integrated financial systems. We acquired MUNIS in 1999. Mr. Marr also serves on the Board of Directors of Mercy Hospital in Portland, Maine.

Contract ID#: COIT07000040Department: Information Technology

# **CF (Capital)** **Contract Details**

**CF E-107-15**  
 SERVICE ADAPT
NIFS ID #: CLIT15000009NIFS Entry Date: 05/07/2015 Term: from 8/16/15 to 8/15/16

New <input type="checkbox"/> Renewal <input checked="" type="checkbox"/>	1) Mandated Program:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Amendment #5 <input checked="" type="checkbox"/>	2) Comptroller Approval Form Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Time Extension <input checked="" type="checkbox"/>	3) CSEA Agmt. § 32 Compliance Attached:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Addl. Funds <input type="checkbox"/>	4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Blanket Resolution <input type="checkbox"/>	5) Insurance Required	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
RES#			

## Agency Information

Vendor	
Name Tyler Technologies Inc. CLT Division	Vendor ID# 752303920-01
Address P O Box 203551 Dallas, TX 75330	Contact Person Gus Tenhundfeld
	Phone 1-800-809-3581 Ext 1172

County Department	
Department Contact Ed Eisenstein	**** Please return final Completed contract to Vandana Manucha
Address 241 Old Country Road, Mineola, NY 11578	
Phone (516) 571-4265	

## Routing Slip

DATE Rec'd.	DEPARTMENT	Internal Verification	DATE App'd & Fwd.	SIGNATURE	Leg. Approval Required
	Department	NIFS Entry (Dept) <input checked="" type="checkbox"/> NIFS Appvl (Dept. Head) <input checked="" type="checkbox"/> Contractor Registered <input checked="" type="checkbox"/>			
	DPW (Capital Only)	CF Capital Fund Approval <input type="checkbox"/>	5/11/15		
	OMB	Contractor Registered <input type="checkbox"/> NIFS Approval <input type="checkbox"/>	5/13/15		Yes <input type="checkbox"/> No <input type="checkbox"/> Not required if Blanket Res
5/13/15	County Attorney	CA RE & Insurance Verification <input checked="" type="checkbox"/>	5/13/15		
5/13/15	County Attorney	CA Approval as to form <input checked="" type="checkbox"/>	5/13/15		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	Legislative Affairs	Fwd'd Original Contract to CA <input type="checkbox"/>	5/20/15		
	County Attorney	NIFS Approval <input type="checkbox"/>	5/20/15		
	Comptroller	NIFS Approval <input checked="" type="checkbox"/>	5/23/15		
5/23/15	County Executive	Notarization Filed with Clerk of the Leg <input type="checkbox"/>	5/23/15		

## Contract Summary

**Description:**

Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection and Refunds "ADAPT". This amendment will extend the term for an additional Year 8/16/15-8/15/16, and \$86,584 of the \$97,554 originally allocated for the iRespond Implementation and convert historical TAN data into the ADAPT database deliverable will be reallocated to the Additional Business Process Support Hours and User Training Support deliverable so the cost for the deliverable will be revised from \$913,896 to \$1,000,480.

**Purpose:**

ADAPT will be used to maintain assessment, appeal, tax extension and collection records for all real property within the County, compute partial exemptions and other tax relief measures, establish tax rates, process tax appeals, support residential and commercial valuation for appeal adjudication and defense, handle delinquency and lien processes, calculate refunds, and make timely information available to Nassau County employees in the Assessment Department, Assessment Review Commission, County Treasurer's and County Attorney's Offices. The contract is being extended for time in order to complete the required services, and the services are being amended to include the changes to the scope set forth in Exhibit A.

### Method of Procurement:

## Request for Proposal

### Procurement History:

An RFP was issued on January 5, 2006. Four vendors submitted their proposals which included Tyler Technologies, Manatron, SD Services, and ACS, Inc. Tyler Technologies and Manatron were selected as the two finalists and the award was granted to Tyler Technologies. The selection committee consisted of the representatives from Information Technology, Assessment, Assessment Review commission, County Attorney and the Treasurer's Office.

### Description of General Provisions:

ADAPT will interface with the County WebSphere Portal, the GIS data warehouse, the Assessment Review on the Web (AROW) system, the Tyler LAS CAMA system and the Tier FAMIS system. It will be accessible by any standard web browser and host online applications on the County WebSphere portal and ADAPT will comply with the requirements as set forth in the County's RFP. The term of the contract is being extended from 3/16/15 to 8/15/16, and the services are being amended as set forth in Exhibit A.

### Impact on Funding / Price Analysis:

None

**Change in Contract from Prior Procurement:**

54

### Recommendations:

**Approve as submitted**

## Advisement Information

BUDGET CODES	
Fund:	PW
Control:	CAP
Resp:	97121
Object:	00005
Transaction:	000

RENEWAL	
% Increase	
% Decrease	

FUNDING SOURCE	AMOUNT
Revenue Contract <input type="checkbox"/>	XXXXXXXX
County	\$
Federal	\$
State	\$
Capital	\$0.01
Other	\$
<b>TOTAL</b>	<b>\$0.01</b>

LINE	INDEX/OBJECT CODE	AMOUNT
6	PWC-AFCAP 97/21 DUCS GOC	\$0.01
		5
		5
		5
	<i>98 transfer 5/17/95</i>	5
		5
	TOTAL	\$0.01

Document Prepared By:

NIFS Certification	Comptroller Certification	County Executive Approval
I certify that this document was accessioned into NIFS.	I certify that an amount of \$100,000.00 is sufficient to cover the contract and present in the appropriate fund to be charged.	Name: <i>[Signature]</i>
Name: <i>[Signature]</i>	Name: <i>[Signature]</i>	Date: <i>[Signature]</i>
Date: <i>7/16/15</i>	Date: <i>7/3/15</i>	Date: <i>7/3/15</i>



E-107-15

RULES RESOLUTION NO. 123 - 2015

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES  
AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON  
BEHALF OF THE DEPARTMENT OF INFORMATION TECHNOLOGY,  
AND TYLER TECHNOLOGIES, INC.

Passed by the Rules Committee  
Nassau County Legislature  
By Voice Vote on 6-1-15  
VOTING:  
ayes 4 nays 3 abstained 0 recused 0  
Legislators present: 7

WHEREAS, the County has negotiated an amendment to a personal services agreement with Tyler Technologies, Inc. ("Tyler") for services in connection with the integrated system for real property assessment administration, appeals, tax billing, collection and refunds ("ADAPT"), a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the said amendment with Tyler.

RULES RESOLUTION NO.                    – 2015

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES  
AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON  
BEHALF OF THE DEPARTMENT OF INFORMATION TECHNOLOGY,  
AND TYLER TECHNOLOGIES, INC.

WHEREAS, the County has negotiated an amendment to a personal services agreement with Tyler Technologies, Inc. (“Tyler”) for services in connection with the integrated system for real property assessment administration, appeals, tax billing, collection and refunds (“ADAPT”), a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the said amendment with Tyler.



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
03/03/2015

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).

<b>PRODUCER</b> Kays Companies of New England 133 Federal Street 2nd Floor Boston, MA 02110 Thomas Ronan <b>INSURED</b> Tyler Technologies, Inc. Cole-Layer-Trumble Company 5101 Tennyson Parkway Plano, TX 75024	1-617-723-7775 <b>CONTACT NAME:</b> Seamus King <b>PHONE:</b> <b>FAX:</b> <b>AVG. No. Ext.:</b> <b>E-MAIL:</b> sking@kayscompanies.com <b>ADDRESS:</b> <b>INSURER(S) AFFORDING COVERAGE:</b> <b>INSURER A:</b> ATLANTIC SPECIALTY INS CO 27154 <b>INSURER B:</b> TRUMBULL INS CO 27120 <b>INSURER C:</b> Barbican Technology Group - Lloyds #9380 <b>INSURER D:</b> <b>INSURER E:</b> <b>INSURER F:</b>
---	--

COVERAGES CERTIFICATE NUMBER: 43182680 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. SUBR. INSR WVD	POLICY NUMBER	POLICY EFF. (MM/DD/YYYY)	POLICY EXP. (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY		711013784-0002	03/01/15	03/01/15	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
X	COMMERCIAL GENERAL LIABILITY					
	CLAIMS-MADE X OCCUR					
	GEN'L AGGREGATE LIMIT APPLIES PER:					
	POLICY PRO-CC- X LOC					
A	AUTOMOBILE LIABILITY		711013784-0002	03/01/15	03/01/15	COMBINED SINGLE LIMIT \$1,000,000 BODILY INJURY-Per person \$ BODILY INJURY-Per accident \$ PROPERTY DAMAGE \$ MEDICAL \$
X	ANY AUTO					
	ALL OWNED AUTOS	SCHEDULED AUTOS				
X	HIRED AUTOS	X NON-OWNED AUTOS				
X	COMP/COLL					
A	X UMBRELLA LIAB	X OCCUR	711013784-0002	03/01/15	03/01/15	EACH OCCURRENCE \$15,000,000 AGGREGATE \$15,000,000
	EXCESS LIAB	CLAIMS-MADE				
	DED RETENTION \$					
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY		08NECS5885	12/01/13	12/31/16	X WORKERS COMPENSATION BODILY INJURY-Per person \$3,000,000 BODILY INJURY-Per accident \$1,000,000 BODILY INJURY-Per policy limit \$1,000,000
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	Y/N N N/A				
	If yes, describe under DESCRIPTION OF OPERATIONS below					
C	PROFESSIONAL LIABILITY		8090111414036000	11/07/14	11/07/15	AGGREGATE \$20,000,000
C	PROFESSIONAL LIABILITY		8090111414036000	11/07/14	11/07/15	OCCURRENCES \$20,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Form, if more than 2 pages is required)  
 Re: Tyler Technologies, Inc. - Cole-Layer-Trumble Co. Division 1099 Klepinger Rd., Dayton OH 45426. 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

Honorable Harvey B. Levinson  
 240 Old County Road

Mineola, NY 11501

USA

## 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

© 1988-2013 ACORD CORPORATION. All rights reserved.

ACORD 25 (2010/05)  
 SeamusK  
 43182680

The ACORD name and logo are registered marks of ACORD

## Amendment #5

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 4100 Miller Valentine Court, Moraine, Ohio 45439 (the "Contractor").

### WITNESSETH:

WHEREAS, the Contractor is a sole source provider of the Services pursuant to N.Y. G.M.L. § 104-b; 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 and November 5, 2014 (the "Original Agreement"), the Contractor performs certain services for the County in connection with the integrated system for real property assessment administration, appeals, tax billing, collection and refunds ("ADAPT"), which services are more fully described in the Original Agreement, (the "Services"); and

WHEREAS, the term of the Original Agreement, as amended, was from August 16, 2007 through August 15, 2015 (the "Original Term"); and

WHEREAS, the Services contemplated by the Original Agreement have not been completed; and

WHEREAS, the County and the Contractor desire to extend the Original Agreement in accordance with the terms and conditions set forth herein; 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. Term Extension and Renewal Option. The Original Term shall be extended for one (1) additional one (1) year period, so that the termination date of the Original Agreement, as amended herein (the "Amended Agreement"), shall be August 15, 2016. The County may renew the Amended Agreement for one (1) additional one (1) year term at the County's sole discretion.
2. Services. The Services provided by the Contractor shall be amended to incorporate the changes to the Scope of Work set forth in "Exhibit A" attached hereto and incorporated herein by reference.
3. Full Force and Effect. All the terms and conditions of the Original 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: April 13, 2015

NASSAU COUNTY

By: Charles E. ...

Name: Charles E. ...

Title: Deputy County Executive

Date: July 8 2015

PLEASE EXECUTE IN BLUE INK

STATE OF OHIO )  
 ) ss.:  
COUNTY OF MONTGOMERY)

On the 13<sup>th</sup> day of April in the year 2015 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.

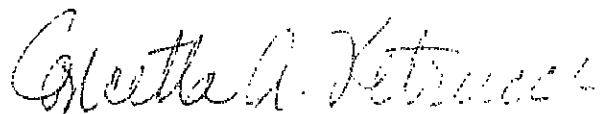
  
NOTARY PUBLIC

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 8<sup>th</sup> day of July in the year 2015 before me personally came Charles R. Harris 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



CONCETTA A. PETRUCCI  
Notary Public, State of New York  
No. 0166266026  
Qualified in Nassau County  
Commission Expires April 24, 2017

## Exhibit A

It has become clear to the Executive Steering Committee (ESC) and the CORE Team of the ADAPT Project that a portion of the deliverable originally allocated in Phase II and listed in the table below is no longer feasible based on the policy or legislative changes that have occurred. It is the desire of the ESC and the CORE Team of the ADAPT Project that a portion of this deliverable be removed from Phase II and a portion of the original amount budgeted for the deliverable be added to the **Additional Business Process Support Hours and User Training Support** deliverable in Phase II.

### Phase II Deliverables to be Reallocated

<b>Deliverable</b>	<b>Cost</b>
iRespond Implementation and convert historical TAN data into the ADAPT database.	\$ 86,584.00
<b>Total</b>	<b>\$ 86,584.00</b>

\$86,584 of the \$97,554 dollars originally allocated for the **iRespond Implementation and convert historical TAN data into the ADAPT database** deliverable will be added to the **Additional Business Process Support Hours and User Training Support** deliverable so the cost for the deliverable will be revised from \$913,896 to \$1,000,480 dollars.

Additional business process support hours may include, but are not limited to, changes required by government mandate, changes required due to modification of the law and/or any other changes/updates deemed necessary by the Department of Assessment, Assessment Review Commission, Treasurer's Office or County Attorney's Office to ensure the ongoing functionality of the ADAPT System.

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 \_\_\_\_\_ [newspaper advertisement, posting on website, mailing, etc.]. \_\_\_\_\_ [#] of potential proposers requested copies of the RFP. Proposals were due on \_\_\_\_\_ [date]. \_\_\_\_\_ [#] proposals were received and evaluated. The evaluation committee consisted of: \_\_\_\_\_

\_\_\_\_\_ [list members]. The proposals were \_\_\_\_\_ [ranked]. As a result of the scoring and ranking (attached), 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/mailling. 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.

**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 Law Section 119-o, the department is purchasing the services required through an inter-municipal agreement.

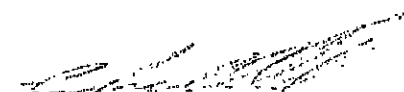
**VI. This is a human services contract with a not-for-profit agency for which a competitive process has not been initiated.** Attached is a memorandum that explains the reasons for entering into this contract without conducting a competitive process, and details when the department intends to initiate 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.

***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

\_\_\_\_\_  
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. 02/04*

Double Sided

Contract ID#: CQIT07000040



Department: Information Technology

# CF (Capital) Contract Details

CFE-284-16

SERVICE ADAPT

NIFS ID #: CLIT16000008

NIFS Entry Date: 09/02/2016 Term: from 8/16/16 to 8/15/18

New <input type="checkbox"/> Renewal <input checked="" type="checkbox"/>
Amendment # <u>56</u> <input checked="" type="checkbox"/>
Time Extension <input checked="" type="checkbox"/>
Addl. Funds <input type="checkbox"/>
Blanket Resolution <input type="checkbox"/>
RES#

1) Mandated Program:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
2) Comptroller Approval Form Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
3) CSEA Agmt. § 32 Compliance Attached:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
5) Insurance Required	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

## Agency Information

Vendor	
Name Tyler Technologies Inc. CLT Division	Vendor ID# 752303920-01
Address P.O. Box 203551 Dallas, TX 75320	Contact Person Gus Tenhundfeld
	Phone 1-800-800-2581 Ext 1172

County Department	
Department Contact Ed Eisenstein	**** Please return final Completed contract to Vandana Manuoha
Address 240 Old Country Road, Mineola, NY 11501	
Phone (516) 571-4265	

## Routing Slip

DATE Rec'd	DEPARTMENT	Internal Verification	DATE App'd or Fwd.	SIGNATURE	Leg. Approval Required
	Department	NIFS Entry (Dept) <input checked="" type="checkbox"/> NIFS Appvl (Dept. Head) <input checked="" type="checkbox"/> Contractor Registered <input checked="" type="checkbox"/>		<i>[Signature]</i>	
	DPW (Capital Only)	CF Capital Fund Approval <input type="checkbox"/>		<i>[Signature]</i>	
9/21/16	OMB	Contractor Registered <input checked="" type="checkbox"/> NIFS Approval <input checked="" type="checkbox"/>	9/21/16	<i>[Signature]</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not required if Blanket Res
9/28/16	County Attorney	CA RE & Insurance Verification <input checked="" type="checkbox"/>	9/28/16	<i>[Signature]</i>	
10/7/16	County Attorney	CA Approval as to form <input checked="" type="checkbox"/>	10/6/16	<i>[Signature]</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
10/27/16	Legislative Affairs	Fwd Original Contract to CA <input type="checkbox"/>	10/27/16	<i>[Signature]</i>	
	County Attorney	NIFS Approval <input checked="" type="checkbox"/>	11/3/17	<i>[Signature]</i>	
	Comptroller	NIFS Approval <input checked="" type="checkbox"/>	11/3/17	<i>[Signature]</i>	
1/31/17	County Executive	Notarization <input checked="" type="checkbox"/> Filed with Clerk of the Leg. <input checked="" type="checkbox"/>	1/31/17	<i>[Signature]</i>	

<p><b>Description:</b>  Integrated System for Real Property Assessment Administration, Appeals, Tax Billing, Collection and Refunds "ADAPT". This amendment will extend the term for two additional Years 8/16/16-8/15/18, and clarify the term of the license for the software.</p>
<p><b>Purpose:</b>  ADAPT will be used to maintain assessment, appeal, tax extension and collection records for all real property within the County, compute partial exemptions and other tax relief measures, establish tax rates, process tax appeals, support residential and commercial valuation for appeal adjudication and defense, handle delinquency and lien processes, calculate refunds, and make timely information available to Nassau County employees in the Assessment Department, Assessment Review Commission, County Treasurer's and County Attorney's Offices. The contract is being extended for time in order to complete the required services.</p>
<p><b>Method of Procurement:</b>  Request for Proposal</p>
<p><b>Procurement History:</b>  An RFP was issued on January 5, 2006. Four vendors submitted their proposals which included Tyler Technologies, Manatron, SD Services, and ACS, Inc. Tyler Technologies and Manatron were selected as the two finalists and the award was granted to Tyler Technologies. The selection committee consisted of the representatives from Information Technology, Assessment, Assessment Review commission, County Attorney and the Treasurer's Office.</p>
<p><b>Description of General Provisions:</b>  ADAPT will interface with the County WebSphere Portal, the GIS data warehouse, the Assessment Review on the Web(AROW) system, the Tyler IAS CAMA system and the Tier FAMIS system. It will be accessible by any standard web browser and host online applications on the County WebSphere portal and ADAPT will comply with the requirements as set forth in the County's RFP. The term of the contract is being extended from 8/16/16 to 8/15/18, and the term of license for software is being clarified.</p>
<p><b>Impact on Funding / Price Analysis:</b>  None</p>
<p><b>Change in Contract from Prior Procurement:</b>  N/A</p>
<p><b>Recommendation:</b>  Approve as submitted</p>



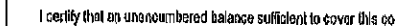

BUDGET CODES	
Fund:	PW
Control:	CAP
Resp:	97121
Object:	00005
Transaction:	000

FUNDING SOURCE	AMOUNT
Revenue Contract <input type="checkbox"/>	XXXXXXXX
County	\$
Federal	\$
State	\$
Capital	\$0.01
Other	\$
<b>TOTAL</b>	<b>\$0.01</b>

LINE	INDEX/OBJECT CODE	AMOUNT
6	PWCAPCAP/97121/00005/000	\$0.01
		\$
		\$
	J. Smith 12/6/10	\$
		\$
	TOTAL	\$0.01

RENEWAL	
% Increase	
% Decrease	

Date:

NIFS Certification		Comptroller Certification		County Executive Approval	
I certify that this document was accepted into NIFS.		I certify that an unnumbered balance sufficient to cover this contract is present in the appropriation to be charged.		Name 	
Name 		Name 		Date 	
Date 2/14/17		Date 2/14/2017		Date 1/21/17 (For Office Use Only)	
				E #:	

E-284-14

RULES RESOLUTION NO. 7-2017

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES  
AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON  
BEHALF OF THE NASSAU COUNTY DEPARTMENT OF  
INFORMATION TECHNOLOGY AND TYLER TECHNOLOGIES, INC.  
CLT DIVISION

Passed by the Rules Committee  
Nassau County Legislature  
By Voice Vote on 1-23-17  
VOTING:  
ayes 4 nays 3 abstained 0 recused 0  
Legislators present: 7

WHEREAS, the County has negotiated an amendment to a personal services agreement with Tyler Technologies, Inc. CLT Division to extend the term of the Agreement and clarify terms of the software license for the Department in auditing the County Microsoft software, a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorize the County Executive to execute the said amended agreement with Tyler Technologies, Inc. CLT Division.

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/mailling. 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.

**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 Law Section 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. ☒ 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

9/2/16  
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





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.

Vendor: Tyler Technologies, Inc.

Dated: 11/15/2016

Signed: Gus Tenhundfeld

Print Name: Gus Tenhundfeld

Title: Inside Sales Manager

## 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 Aaron Hawkins  
Date of birth 7 / 23 / 75  
Home address 2617 Old Stables Drive  
City/state/zip Colina, 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.

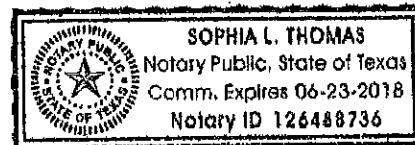
**CERTIFICATION**

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 1<sup>st</sup> day of December 2016

Sophia L. Thomas  
Notary Public



Tyler Technologies

Name of submitting business

Mark Hawkins

Print name

[Signature]

Signature

Sr. Vice President of Operations

Title

12, 1, 2016

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: 12/6/2016

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): \_\_\_\_\_

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 ☒ Other (Describe) \_\_\_\_\_

7) Does this business share office space, staff, or equipment expenses with any other business?  
Yes ☐ No ☒ If Yes, please provide details: \_\_\_\_\_

8) Does this business control one or more other businesses? Yes ☐ No ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒ If Yes, provide details for each such charge. \_\_\_\_\_
- b) Any misdemeanor charge pending? Yes ☐ No ☒ 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 ☒

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 ☒ 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 ☒ 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 ☒; 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 ☒ 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 also can be found at

Rev. 3-2016

[http://investors.tylertech.com/Profiles/Investor/](http://investors.tylertech.com/Profiles/Investor/Investor.asp?BzID=499&from=90&ID=3794myID=1424L=I+Valdate)

[Investor.asp?BzID=499&from=90&ID=3794myID=1424L=I+Valdate](http://investors.tylertech.com/Profiles/Investor/Investor.asp?BzID=499&from=90&ID=3794myID=1424L=I+Valdate)

=30T



- 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 printout 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 11 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

Address Department of Tax Administration, 1200 Government  
Fairfax, VA 22035 <sup>Division</sup>  
Center Parkway,  
357

Telephone 703-324-4803

Fax # 703-324-4935

E-Mail Address howard.goodie@fairfaxcounty.gov

Company Clermont County, OH  
Contact Person Ms. Linda Fratey, Auditor  
Address 101 East Main Street  
City/State Batavia, OH 45103  
Telephone 513-732-7150  
Fax # 513-732-7226  
E-Mail Address lfratey@clermontcountyohio.gov

---

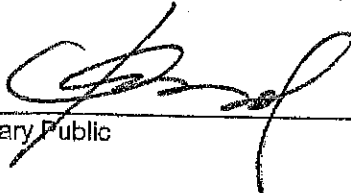
Company Leon County, FL  
Contact Person Ms. Kathy Doolin, Assistant Property Appraiser  
Address Courthouse Annex, 315 S. Calhoun Street  
City/State Tallahassee, FL 32301  
Telephone 850-488-6102  
Fax # 850-922-7238  
E-Mail Address Kdoolin@leonpa.org

# 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, Andrea L. Fravert, 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 7<sup>th</sup> day of December 2016

  
Notary Public

JOEL P. LLOYD  
Notary Public, State of Maine  
My Commission Expires Nov. 2, 2018

Name of submitting business: Tyler Technologies, Inc.

By: Andrea L. Fravert  
Print name  
Andrea Fravert  
Signature

Corporate Attorney  
Title

12 / 7 / 2016  
Date

## CORPORATE OFFICERS

John M. Yeaman

Chairman of the Board

John S. Marr Jr.

President & Chief Executive Officer

Brian K. Miller

Executive Vice President,

Chief Financial Officer and Treasurer

H. Lynn Moore Jr.

Executive Vice President,

Business Development & General Counsel

Matthew B. Bieri

Chief Information Officer

Samantha B. Crosby

Chief Marketing Officer

Bruce Graham

Chief Strategy Officer

Robert J. Sansone

Chief Human Resources Officer

W. Michael Smith

Chief Accounting Officer

Terri Alford

Controller

## OPERATIONAL LEADERSHIP

### *Enterprise Group*

Andrew D. Teed

President, Enterprise Group and Appraisal & Tax Division

Christopher P. Hepburn

President, ERP & School Division

Dane Womble

President, Local Government Division

### *Justice Group*

Bret Dixon

President, Justice Group

Jeff Puckett

President, Courts & Justice Division

Greg Sebastian

President, Public Safety Division

# TYLER TECHNOLOGIES INC

## FORM 10-K (Annual Report)

Filed 02/24/16 for the Period Ending 12/31/15

Address	5101 TENNYSON PKWY PLANO, TX 75024
Telephone	9727133700
CIK	0000860731
Symbol	TYL
SIC Code	7372 - Prepackaged Software
Industry	Software & Programming
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, 2015

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  
(State or other jurisdiction of incorporation  
or organization)

5101 Tennyson Parkway  
Plano, Texas

(Address of principal executive offices)

75-2303920  
(I.R.S. employer  
identification no.)

75024

(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  
COMMON STOCK, \$0.01 PAR VALUE

Name of each exchange  
on which registered  
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 \$4,228,484,000 based on the reported last sale price of common stock on June 30, 2015, 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 22, 2016 was 36,572,000.

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 11, 2016.

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

		<u>PAGE</u>
	<u>PART I</u>	
Item 1.	<u>Business</u>	3
Item 1A.	<u>Risk Factors</u>	11
Item 1B.	<u>Unresolved Staff Comments</u>	17
Item 2.	<u>Properties</u>	17
Item 3.	<u>Legal Proceedings</u>	17
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	17
	<u>PART II</u>	
Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	18
Item 6.	<u>Selected Financial Data</u>	21
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	37
Item 8.	<u>Financial Statements and Supplementary Data</u>	37
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	37
Item 9A.	<u>Controls and Procedures</u>	37
Item 9B.	<u>Other Information</u>	38
	<u>PART III</u>	
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	38
Item 11.	<u>Executive Compensation</u>	38
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	38
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	38
Item 14.	<u>Principal Accounting Fees and Services</u>	39
	<u>PART IV</u>	
Item 15.	<u>Exhibits, Financial Statement Schedules</u>	40
	<u>Signatures</u>	42

## 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 related 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 \$11.6 billion in 2016 to \$14.0 billion in 2019. The professional services and support segments of the market are expected to expand from \$32.4 billion in 2016 to \$35.6 billion in 2019. Application and vertical



specific software sales in the primary and secondary education segments of the market is expected to expand from \$2.1 billion in 2016 to \$2.6 billion in 2019 while professional services and support are expected to grow from \$2.3 billion in 2016 to \$2.6 billion in 2019.

#### 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; and
- 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; and
- 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, we deliver our software using the SaaS model — 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 judge's 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 can have 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, working off of 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 three 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, an installation team travels to the client's facility to ensure the smooth transfer of data to the new system. Installation 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; and
- 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 \$357.5 million, or 60% of total revenues, in 2015. We have historically experienced very low customer turnover (approximately 3% annually) and recurring revenues continue to grow as the installed customer base increases. In addition, subscription-based revenues have been our fastest growing revenue category over the past five years, increasing from \$31.2 million in 2011 to \$111.9 million in 2015.

• Maximize economies of scale and take advantage of financial leverage in our business. We seek to build and maintain a large 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; and
- 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 of the solutions co-developed under this multi-year term relationship.

Our contractual research and development commitment to develop public sector functionality for Microsoft Dynamics AX expires with the release of Dynamics AX 7, which is expected to occur in the first quarter of 2016. We are currently discussing with Microsoft Corporation the possibility of additional research and development beyond Dynamics AX 7. If we cannot agree to terms of any future

commitments, 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.

## 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. Contracts for appraisal outsourcing services are generally one to three years in duration. During 2015, approximately 42% of our revenue was attributable to ongoing support and maintenance agreements.

## 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 Lawson, 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, 2015, our estimated revenue backlog was approximately \$844.5 million, compared to \$702.0 million at December 31, 2014. The backlog represents signed contracts under which the revenue has not been recognized as of year-end. Approximately \$476.3 million, or 56%, of the backlog is expected to be recognized during 2016.

## 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, 2015, we had 3,586 employees. Appraisal outsourcing projects are cyclical in nature and can be widely dispersed geographically. We often hire temporary employees to assist in these projects whose term of employment generally ends with the project's completion. 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.tylartech.com](http://www.tylartech.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 cannot 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 local government's authority to contract with third-parties;
- varying bid procedures and internal processes for bid acceptance; and
- 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; and
- 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; and
- 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 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 whether:

- 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 acceptance criteria;
- the transaction involves contingent payment terms or fees;
- we are required to accept a fixed-fee services contract; or
- 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; and
- 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; and
- 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 871,000 square feet of office space, of which 541,000 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.

## PART II

### 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, 2015, we had approximately 1,585 stockholders of record. Most of our stockholders hold their shares in street name; therefore, there are substantially more than 1,585 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
2014: First Quarter	\$ 107.99	\$ 81.54
Second Quarter	91.69	74.37
Third Quarter	97.53	84.70
Fourth Quarter	115.37	86.05
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 (through February 22, 2016)	\$ 172.50	\$ 120.16

We did not pay any cash dividends in 2015 or 2014. 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, 2015.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2015	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, 2015)
Equity compensation plans approved by security shareholders:			
Stock option plan	5,163,593	\$ 64.43	3,722,321
Employee stock purchase plan	8,354	148.17	898,564
Equity compensation plans not approved by security shareholders			
	<u>5,171,947</u>	<u>\$ 64.57</u>	<u>4,620,885</u>

As of December 31, 2015, we had authorization to repurchase up to 1.4 million additional shares of Tyler common stock. During 2015, we purchased approximately 5,400 shares of our common stock for an aggregate purchase price of \$645,000. A summary of the repurchase activity during 2015 is as follows:

Period	Total number of shares repurchased	Average price paid per share	Maximum number of shares that may be repurchased under current authorization
Three months ended March 31	—	\$ —	1,400,000
Three months ended June 30	5,400	119.50	1,400,600
Three months ended September 30	—	—	1,400,600
Three months ended December 31	—	—	1,400,600
	<u>5,400</u>		

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 2011. There is no expiration date specified for the authorization and we intend to repurchase stock under the plan from time to time.

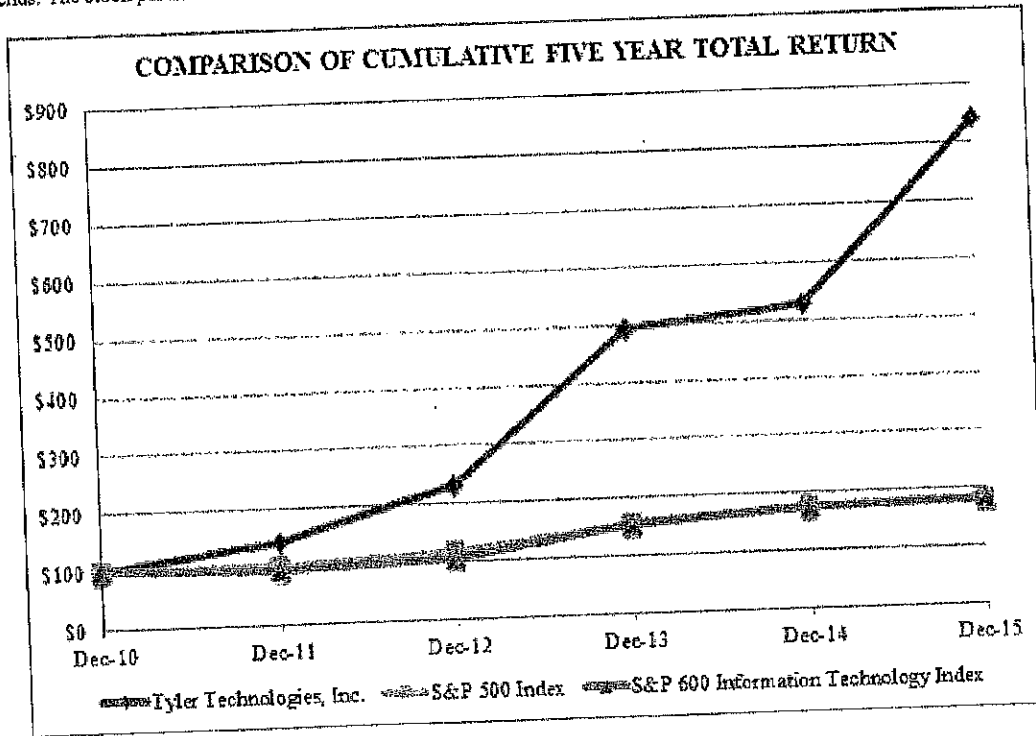
Subsequent to December 31, 2015 and through February 22, 2016, we purchased approximately 241,000 shares of our common stock for an aggregate cash purchase price of \$31.3 million.



### 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, 2010. 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	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
Tyler Technologies, Inc.	100	145.04	233.33	491.96	527.17	839.62
S&P 500 Stock Index	100	102.11	118.45	156.82	178.29	180.75
S&P 600 Information Technology Index	100	95.98	107.52	155.80	176.51	184.72

ITEM 6. SELECTED FINANCIAL DATA.  
(In thousands, except per share data)

	FOR THE YEARS ENDED DECEMBER 31,				
	2015	2014	2013	2012	2011
<b>STATEMENT OF OPERATIONS DATA:</b>					
Revenues	\$ 591,022	\$ 493,101	\$ 416,643	\$ 363,304	\$ 309,391
Cost and expenses:					
Cost of revenues (a)	313,835	259,730	223,440	195,602	167,479
Selling, general and administrative expenses (a)	133,317	108,260	98,289	86,706	73,650
Research and development expense	29,922	25,743	23,269	20,140	16,414
Amortization of customer and trade name (a) intangibles	5,905	4,546	4,517	4,279	3,331
Operating income	108,043	94,822	67,128	56,577	46,517
Other income (expenses), net	381	(355)	(1,309)	(2,709)	(2,404)
Income before income taxes	108,424	94,467	65,819	53,868	44,113
Income tax provision	43,555	35,527	26,718	20,874	16,556
Net income	64,869	58,940	39,101	32,994	27,557
Net earnings per diluted share	\$ 1.77	\$ 1.66	\$ 1.13	\$ 1.00	\$ 0.83
Weighted average diluted shares	36,552	35,401	34,590	32,916	33,154
<b>STATEMENT OF CASH FLOWS DATA:</b>					
Cash flows provided by operating activities	\$ 89,013	\$ 123,437	\$ 66,090	\$ 58,668	\$ 56,435
Cash flows used by investing activities	(398,459)	(11,555)	(25,658)	(34,736)	(28,809)
Cash flows provided (used) by financing activities	136,366	15,409	32,038	(18,852)	(28,414)
<b>BALANCE SHEET DATA:</b>					
Total assets	\$ 1,356,570	\$ 569,812	\$ 444,488	\$ 338,666	\$ 295,391
Revolving line of credit	66,000			18,000	60,700
Shareholders' equity	858,857	336,973	246,319	145,299	78,110

(a) On November 16, 2015, we completed the acquisition of NWS. Our operating results include the results of NWS from the date of acquisition and include expenses of approximately \$5.9 million for financial advisory, legal, accounting, due diligence, valuation and other services necessary to complete the acquisition, as well as \$3.5 million of 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 successfully 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 Solutions ("ESS") 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 Software Solutions and Services ("ATSS") 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 17% in 2015 compared to 2014.

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 Solutions 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 60% of our revenue in 2015. 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 2015, based on our number of customers, turnover was approximately 3%.
- **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, 2015, our total employee count increased to 3,586 from 2,856 at December 31, 2014. This increase includes 513 employees added as a result of acquisitions completed in 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

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 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 prices to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies the performance obligations. The guidance in the ASU supersedes existing revenue recognition guidance and is effective for annual reporting periods beginning after December 15, 2016 with early application not permitted. 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.

On August 12, 2015, the FASB voted for a one-year deferral of the effective date of the new standard and now requires application of the new standard no later than annual reporting periods beginning after December 15, 2017, including interim reporting periods therein. However, under the proposal, public entities would be permitted to elect to early adopt the new standard as of the original effective date. We currently expect to adopt the new standard in fiscal year 2018 in accordance with the revised effective date.

#### Outlook

Activity in the local government software market continues to be good, and with the inclusion of NWS, our backlog at December 31, 2015 reached \$844.5 million, a 20% increase from last year. With our strong financial position and cash flow, we plan to accelerate our investment in product development with expected research and development expense of approximately \$47.0 million. We believe that increasing the investment in our products will 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 of revenue recognition 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 has 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 2015, did not result in an impairment charge. During 2015, 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. 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, 2015, 2014 and 2013.

	Percentage of Total Revenues		
	Years ended December 31,		
	2015	2014	2013
<b>Revenues:</b>			
Software licenses and royalties	10.0 %	10.0 %	9.8 %
Subscriptions	18.9	17.8	14.8
Software services	23.7	23.1	22.4
Maintenance	41.6	43.1	46.0
Appraisal services	4.2	4.4	5.0
Hardware and other	1.6	1.6	2.0
Total revenues	100.0	100.0	100.0
<b>Operating Expenses:</b>			
Cost of software licenses, royalties and acquired software	1.0	0.8	1.1
Cost of software services, maintenance and subscriptions	48.2	47.9	47.9
Cost of appraisal services	2.7	2.9	3.3
Cost of hardware and other	1.1	1.1	1.3
Selling, general and administrative expenses	22.6	22.0	23.6
Research and development expense	5.1	5.2	5.6
Amortization of customer and trade name intangibles	1.0	0.9	1.1
Operating income	18.3	19.2	16.1
Other income (expense), net	0.1	(0.1)	(0.3)
Income before income taxes	18.4	19.1	15.8
Income tax provision	7.4	7.2	6.4
Net income	11.0 %	11.9 %	9.4 %

### 2015 Compared to 2014

#### Revenues

On November 16, 2015, we acquired NWS, which provides public safety and financial solutions for local governments and its operating results are included with the operating results of the ESS segment since the date of acquisition. The following table details revenue for NWS for the period from November 16, 2015 to December 31, 2015, which is included in our consolidated statement of comprehensive income:

	2015
<b>Revenues:</b>	
Software licenses	\$ 1,507
Subscriptions	632
Software services	2,062
Maintenance	5,624
Hardware and other	259
Total revenues	\$ 10,084

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. In August 2014, we acquired a company which provides civil process management, typically to county sheriff departments. The impact of these acquisitions on our operating results are not considered

material and are not included in the table above. The results of their operations are included in our ESS segment from their respective dates of acquisition.

#### *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	
			\$	%
ESS	\$ 54,376	\$ 46,047	\$ 8,329	18 %
ATSS	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.

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 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	
			\$	%
ESS	\$ 107,090	\$ 84,322	\$ 22,768	27 %
ATSS	4,843	3,526	1,317	37
Total subscriptions revenue	\$ 111,933	\$ 87,848	\$ 24,085	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.

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	
			\$	%
ESS	\$ 129,068	\$ 104,146	\$ 24,922	24 %
ATSS	10,784	9,675	1,109	11
Total software services revenue	\$ 139,852	\$ 113,821	\$ 26,031	23 %



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 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	
			\$	%
BSS	\$ 227,586	\$ 195,881	\$ 31,705	16 %
ATSS	17,951	16,815	1,136	7
Total maintenance revenue	\$ 245,537	\$ 212,696	\$ 32,841	15 %

We provide maintenance and support services for our software products and certain third-party software. 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	
			\$	%
BSS	\$ 25,065	\$ 21,802	\$ 3,263	15 %
ATSS	25,065	21,802	3,263	15 %
Total appraisal services revenue	\$ 25,065	\$ 21,802	\$ 3,263	15 %

The appraisal services business is somewhat cyclical and driven in part by statutory revaluation cycles in various states. Appraisal services revenue benefitted 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 mid-2014. In mid-2015, Franklin County, Ohio began a full reappraisal cycle, which also contributed to appraisal services revenue.

#### *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)	2015	2014	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* . Costs of software licenses, royalties and acquired software are primarily comprised of third-party software costs and amortization expense for acquired software. We do not have any direct costs associated with royalties. 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* . 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 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

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)	2015	2014	Change	
			\$	%
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

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

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. In February 2015, we announced that our contractual research and development commitment to develop public sector functionality for Microsoft Dynamics AX expires with the release of Dynamics AX 7, which is expected to occur in the first quarter of 2016. We are currently discussing with Microsoft Corporation the possibility of additional research and development beyond Dynamics AX 7. If we cannot agree to terms of any future commitments, 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 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

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)	2015	2014	Change	
			\$	%
Amortization of customer and trade name intangibles	\$ 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.

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 is as follows (in thousands):

2016	\$ 13,448
2017	13,448
2018	13,299
2019	11,944
2020	10,795

Amortization expense relating to acquired leases will be recorded as a reduction to other income and is expected to be \$444,000 in 2016, \$444,000 in 2017, \$426,000 in 2018, \$372,000 in 2019, \$313,000 in 2020 and \$1.7 million thereafter.

#### Other

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

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

Other income (expense) is comprised of interest income from invested cash, as well as interest expense and non-usage and other fees associated with our revolving credit agreement. 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	
			\$	%
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. 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 2015 and 2014 that generated excess tax benefits of \$45.3 million and \$19.4 million, respectively.

#### 2014 Compared to 2013

##### 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)	2014	2013	Change	
			\$	%
ESS	\$ 46,047	\$ 38,774	\$ 7,273	19 %
ATSS	3,018	2,067	951	46
Total software licenses and royalties revenue	\$ 49,065	\$ 40,841	\$ 8,224	20 %

Software license and royalties revenue growth was mainly 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 increased investments in product development over the past few years. An increase in the number of larger contracts, in particular in the courts and justice market, also contributed to the growth in license revenue.

Software license revenue was reduced somewhat because of a growing number of clients choosing our subscription based options, rather than purchasing the software under a traditional perpetual software license arrangement. 138 new clients entered into subscription-based software arrangements in 2014 compared to 100 new clients in 2013.

#### Subscriptions.

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

(\$ in thousands)	2014	2013	Change	
			\$	%
BSS	\$ 84,322	\$ 59,070	\$ 25,252	43 %
ATSS	3,526	2,794	732	26
Total subscriptions revenue	\$ 87,848	\$ 61,864	\$ 25,984	42 %

Subscription-based services revenue increased 42% compared to 2013. E-filing services contributed approximately \$13.3 million of the subscriptions revenue increase in 2014. Most of the e-filing revenue increase related to higher revenue from a contract with the Texas Office of Court Administration for our Odyssey File and Serve e-filing system for Texas courts ("eFileTexas.gov") for civil court filings, which was implemented in September 2013. The state of Texas mandated all counties use eFileTexas.gov. This contract provided a recurring revenue stream that totaled \$17.0 million in 2014. New SaaS clients as well as existing clients who converted to our SaaS model provided the remainder of the subscriptions revenue increase. In 2014, we added 138 new SaaS clients and 59 existing clients elected to convert to our SaaS model.

#### Software services.

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

(\$ in thousands)	2014	2013	Change	
			\$	%
BSS	\$ 104,146	\$ 85,459	\$ 18,687	22 %
ATSS	9,675	7,808	1,867	24
Total software services revenue	\$ 113,821	\$ 93,267	\$ 20,554	22 %

Software services grew 22% in 2014 mainly due to much higher revenue from new proprietary software arrangements, slightly higher rates on certain services and additions to our professional services 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)	2014	2013	Change	
			\$	%
BSS	\$ 195,881	\$ 175,180	\$ 20,701	12 %
ATSS	16,815	16,540	275	2
Total maintenance revenue	\$ 212,696	\$ 191,720	\$ 20,976	11 %

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)	2014	2013	Change	
			\$	%
BSS	\$ 21,802	\$ 20,825	\$ 977	5 %
ATSS	21,802	20,825	977	5 %
Total appraisal services revenue	\$ 21,802	\$ 20,825	\$ 977	5 %

Appraisal services 2014 revenue benefitted by the mid-year addition of several new revaluation contracts in New York and the recent appraisal cycle in Indiana.

#### 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)	2014	2013	Change	
			\$	%
Software licenses and royalties	\$ 1,900	\$ 2,377	\$ (477)	(20) %
Acquired software	1,858	2,078	(220)	(11)
Software services, maintenance and subscriptions	236,363	199,617	36,746	18
Appraisal services	14,284	13,809	475	3
Hardware and other	5,325	5,559	(234)	(4)
Total cost of revenues	\$ 259,730	\$ 223,440	\$ 36,290	16 %

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

Gross margin percentage	2014	2013	Change
Software licenses, royalties and acquired software	92.3 %	89.1 %	3.2 %
Software services, maintenance and subscriptions	43.0	42.4	0.6
Appraisal services	34.5	33.7	0.8
Hardware and other	32.3	31.6	0.7
Overall gross margin	47.3 %	46.4 %	0.9 %

*Software licenses, royalties and acquired software* . In 2014, our software licenses, royalties and acquired software gross margin percentage increased compared to 2013 mainly due to higher revenues from proprietary software revenues, which have a higher gross margin than third-party software.

*Software services, maintenance and subscription-based services* . The software services, maintenance and subscriptions gross margin percentage increased mainly due to revenue from a contract with the Texas Office of Court Administration for eFileTexas.gov to manage e-filing of court documents. This contract began in September 2013, but we incurred initial startup costs in 2013 for which there were very limited related revenues. The addition of revenue from this contract since 2013 accounted for most of the gross margin increase. The gross margin increase was offset somewhat by costs related to accelerated hiring to ensure that we are well-positioned to deliver our current backlog and anticipated new business. Our implementation, development and support staff has increased in 2014 by 215 employees since 2013.

*Appraisal services* . The appraisal services gross margin increased slightly compared to 2013. 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 blended gross margin for 2014 increased 0.9% from 2013. The gross margin increase was mainly due to a revenue mix that included more software license revenue and subscription revenue and in particular, increased revenue from e-filing in Texas. This improvement in gross margin was offset somewhat by expenses associated with increased hiring of implementation, development and support 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:

(\$ in thousands)	2014	2013	Change	
			\$	%
Selling, general and administrative expenses	\$ 108,260	\$ 98,289	\$ 9,971	10 %

SG&A as a percentage of revenue was 22.0% in 2014 compared to 23.6% in 2013. Approximately one-third of the SG&A expense increase was from higher commission expense due to sales growth. Stock compensation expense contributed approximately one-

quarter of the increase primarily due to increases in our stock price. The remaining increase consisted of higher bonuses related to operating results, annual wage adjustments and increased travel expenses.

#### Research and Development Expense

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

(\$ in thousands)	2014	2013	Change	
			\$	%
Research and development expense	\$ 25,743	\$ 23,269	\$ 2,474	11 %

In 2014, research and development expense increased 11% compared to 2013 due to annual wage adjustments and increased staffing to maintain and enhance our competitive position.

#### 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:

(\$ in thousands)	2014	2013	Change	
			\$	%
Amortization of customer and trade name intangibles	\$ 4,546	\$ 4,517	\$ 29	1 %

In 2014, we completed one acquisition that increased amortizable customer and trade name intangibles by approximately \$1.0 million. This amount is being amortized over a weighted average period of 12 years.

#### Other

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

(\$ in thousands)	2014	2013	Change	
			\$	%
Other expense, net	\$ (355)	\$ (1,309)	\$ 954	(73) %

Other expense, net was primarily comprised of interest expense, non-usage and other fees associated with a revolving line of credit agreement that matured in August 2014, offset somewhat by interest income associated with invested cash balances. Interest expense declined compared to the prior year because we repaid all borrowings under the revolving credit agreement in early 2013, and had no debt outstanding during 2014.

#### Income Tax Provision

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

(\$ in thousands)	2014	2013	Change	
			\$	%
Income tax provision	\$ 35,527	\$ 26,718	\$ 8,809	33 %
Effective income tax rate	37.6 %	40.6 %		

The effective income tax rates were different from the statutory United States federal income tax rate of 35% due to state income taxes, non-deductible share-based compensation expense, the qualified manufacturing activities deduction, disqualifying incentive stock option dispositions and non-deductible meals and entertainment costs. The qualified manufacturing activities deduction increased in 2014, which contributed to a lower effective tax rate.

We experienced significant stock option exercise activity in 2014 and 2013 that generated excess tax benefits of \$19.4 million and \$28.2 million, respectively. Excess tax benefits reduce tax payments but do not significantly reduce the effective tax rate and can result in limitations on other deductions. In 2013, limitations resulting from excess tax benefits eliminated the qualified manufacturing activities deduction, which negatively impacted our effective tax rate.

## FINANCIAL CONDITION AND LIQUIDITY

As of December 31, 2015, we had cash and cash equivalents of \$33.1 million compared to \$206.2 million at December 31, 2014. We also had \$30.9 million invested in investment grade corporate and municipal bonds as of December 31, 2015. These investments mature between 2016 and mid-2017 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, 2015, we had \$66.0 million in outstanding borrowings and an outstanding letter of credit totaling \$1.5 million in connection with one contract. We do not believe this letter of credit will be required to be drawn upon. This letter of credit expires in mid-2016. We believe our revolving line of credit, cash from operating activities, cash on hand and access to the credit 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 years ended December 31:

(\$ in thousands)	2015	2014	2013
Cash flows provided (used) by:			
Operating activities	\$ 89,013	\$ 123,437	\$ 66,090
Investing activities	(398,459)	(11,555)	(25,638)
Financing activities	136,366	15,409	32,038
Net (decrease) increase in cash and cash equivalents	\$ (173,080)	\$ 127,291	\$ 72,470

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 2015, operating activities provided cash of \$89.0 million. Operating activities that provided cash were primarily comprised of net income of \$64.9 million, non-cash depreciation and amortization charges of \$19.6 million and non-cash share-based compensation expense of \$20.2 million. Cash provided by operating activities was negatively impacted in 2015 by tax payments that were \$17.1 million higher than the prior year partly due to more taxable income and partly due to timing of stock option exercises and our ability to utilize related excess tax credits to determine estimated tax payments during the year. Our excess tax credit in 2015 was \$45.3 million of which, over 70% was generated in the fourth quarter and as a result we recorded a \$21.1 million income tax receivable at December 31, 2015. Accounts receivable also increased due to timing of annual maintenance and subscription billings due to growth in our customer base as well as normal maintenance billings of approximately \$15.0 million associated with NWS. These negative impacts on operating cash were offset somewhat by growth in deferred maintenance revenue. 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 heaviest renewal cycles occur in the second and fourth quarters. In addition, deferred revenue included one unusually large customer deposit of \$7.5 million at December 31, 2015.

Days sales outstanding in accounts receivable were 100 days at December 31, 2015, compared to 80 days at December 31, 2014, mainly due to the impact on the DSO calculation of having approximately seven weeks of post-acquisition revenues from NWS but included all of their outstanding accounts receivable at December 31, 2015. DSOs are calculated based on accounts receivable (excluding long-term receivables, but including unbilled receivables) divided by the quotient of annualized quarterly revenues divided by 360 days. Excluding NWS, DSOs were 79 days at December 31, 2015.

Investing activities used cash of \$398.5 million in 2015 compared to \$11.6 million in 2014. On November 16, 2015, we acquired all of the capital stock of 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, 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. 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 maturing between 2016 and mid-2017. 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. These expenditures were funded from cash generated from operations, cash on hand and bank borrowings.



In 2014, we completed the acquisition of SoftCode, Inc. for a purchase price of \$3.5 million in cash, of which \$325,000 was accrued at December 31, 2014, and 16,540 shares of Tyler common stock valued at \$1.5 million. The remaining use of cash in 2014 was comprised primarily of capital expenditures related to computer equipment, furniture and fixtures in support of internal growth. Investing activities in 2013 included \$20.3 million paid in connection with the construction of an office building in Plano, Texas.

Financing activities provided cash of \$136.4 million in 2015 compared to \$15.4 million in 2014. Financing activities were comprised of net borrowings of \$66.0 million, collections of \$27.8 million from stock option exercises and employee stock purchase plan activity and \$45.3 million excess tax benefit from exercises of share-based arrangements. 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. Financing activities in 2014 were comprised of collections of \$18.8 million from stock option exercises and contributions from the employee stock purchase plan and \$19.4 million excess tax benefit from exercises of share-based arrangements. These increases were offset somewhat by purchases of 294,000 shares of our common stock for an aggregate purchase price of \$22.8 million. Financing activities in 2013 were comprised of collections of \$21.8 million from stock option exercises and employee stock purchase plan activity and \$28.2 million excess tax benefit from exercises of share-based arrangements, offset partially by \$18.0 million in net payments on our revolving line of credit.

The share repurchase program, which was approved by our board of directors, was announced in October 2002, and was amended at various times from 2003 through 2011. As of December 31, 2015, we had remaining authorization to repurchase up to 1.4 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, 2015 and through February 22, 2016, we purchased approximately 241,000 shares of our common stock for an aggregate cash purchase price of \$31.3 million.

On November 16, 2015 we entered into a \$300.0 million Credit Agreement (the "Credit Facility") with various lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent. The Credit Facility provides for a revolving credit line of \$300.0 million with 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. In 2015, we paid \$2.1 million in related debt issuance costs, which are included with other assets on the accompanying balance sheet.

Borrowings under the Credit Facility bear interest at a 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 2015, our effective average interest rate for borrowings was 1.8%. As of December 31, 2015 our interest rate was 1.6%. 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, 2015, we were in compliance with those covenants.

At December 31, 2015, we had \$66.0 million in outstanding borrowings and unused borrowing capacity of \$234.0 million under the Credit Facility.

We paid income taxes, net of refunds received, of \$27.3 million in 2015, \$10.2 million in 2014, and \$9.3 million in 2013. We experienced significant stock option exercise activity in 2015 that generated \$45.3 million excess tax benefits. Excess tax benefits reduce tax payments but do not significantly reduce the effective tax rate and can result in limitations on other deductions. However, more than 70% of our 2015 excess tax benefit was generated in the fourth quarter of 2015 and as a result we recorded an income tax receivable of \$21.1 million, which will reduce income tax payments in 2016. In 2014 and 2013, excess tax benefits were \$19.4 million and \$28.2 million, respectively.

Excluding acquisitions, we anticipate that 2016 capital spending will be between \$31.0 million and \$33.0 million. We expect the majority of this capital spending will consist of computer equipment and software for infrastructure replacements and expansion. We also expect to purchase a leased office building in Falmouth, Maine for approximately \$10.0 million. We currently do not expect to capitalize significant amounts related to software development in 2016, 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 2022. 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, 2015 (in thousands):

	2016	2017	2018	2019	2020	Thereafter	Total
Revolving line of credit	\$ —	\$ —	\$ —	\$ —	\$ 66,000	\$ —	\$ 66,000
Lease obligations	5,912	6,250	3,845	3,204	3,050	2,223	24,484
Total future payment obligations	\$ 5,912	\$ 6,250	\$ 3,845	\$ 3,204	\$ 69,050	\$ 2,223	\$ 90,484

As of December 31, 2015, 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, 2015, our capitalization consisted of \$66.0 million of outstanding borrowings and \$358.9 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, 2015, we had \$66.0 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 2015, our effective average interest rate for borrowings was 1.8%. As of December 31, 2015 our interest rate was 1.6%. The Credit Facility is secured by substantially all of our assets.

Assuming borrowings of \$66.0 million, a hypothetical 10% increase in our interest rate at December 31, 2015 for a one year period would result in approximately \$106,000 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 I-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, 2015. 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, 2015.

*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, 2015. 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, 2015, Tyler's internal control over financial reporting was effective based on those criteria.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of NWS, which is included in our 2015 consolidated financial statements and constituted 57% of total assets as of December 31, 2015 and 2% of revenues for the year then ended.

Tyler's internal control over financial reporting as of December 31, 2015 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, 2015, 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 2016" 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.

	<u>Page</u>
<u>Reports of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013</u>	F-3
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	F-4
<u>Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013</u>	F-5
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-7

- (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:

<u>Exhibit Number</u>	<u>Description</u>
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 24, 2016

By: /s/ John S. Marr  
John S. Marr  
Chief Executive Officer and President  
(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 24, 2016

By: /s/ John S. Marr  
John S. Marr  
Chief Executive Officer and President  
Director  
(principal executive officer)

Date: February 24, 2016

By: /s/ John M. Yeaman  
John M. Yeaman  
Chairman of the Board

Date: February 24, 2016

By: /s/ Brian K. Miller  
Brian K. Miller  
Executive Vice President and Chief  
Financial Officer  
(principal financial officer)

Date: February 24, 2016

By: /s/ W. Michael Smith  
W. Michael Smith  
Vice President and Chief Accounting Officer  
(principal accounting officer)

Date: February 24, 2016

By: /s/ Donald R. Brattain  
Donald R. Brattain  
Director

Date: February 24, 2016

By: /s/ Glenn A. Carter  
Glenn A. Carter  
Director

Date: February 24, 2016

By: /s/ Brenda A. Cline  
Brenda A. Cline  
Director

Date: February 24, 2016

By: /s/ J. Luther King  
J. Luther King  
Director

Date: February 24, 2016

By: /s/ Larry D. Leinweber  
Larry D. Leinweber  
Director

Date: February 24, 2016

By: /s/ Dustin R. Womble  
Dustin R. Womble  
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, 2015, 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.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of New World Systems Corporation, which is included in the 2015 consolidated financial statements of Tyler Technologies, Inc. and constituted 57% of total assets as of December 31, 2015 and 2% of revenues for the year then ended. Our audit of internal control over financial reporting of Tyler Technologies, Inc. also did not include an evaluation of the internal control over financial reporting of New World Systems Corporation.

In our opinion, Tyler Technologies, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, 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, 2015 and 2014, 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, 2015 and our report dated February 24, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas  
February 24, 2016

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, 2015 and 2014, 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, 2015. 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, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company has adopted ASU 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.

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, 2015, 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 24, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas

February 24, 2016

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

	2015	2014	2013
<b>Revenues:</b>			
Software licenses and royalties	\$ 59,008	\$ 49,065	\$ 40,841
Subscriptions	111,933	87,848	61,864
Software services	139,852	113,821	93,267
Maintenance	245,537	212,698	191,720
Appraisal services	25,065	21,802	20,825
Hardware and other	9,627	7,869	8,126
<b>Total revenues</b>	<b>591,022</b>	<b>493,101</b>	<b>416,643</b>
<b>Cost of revenues:</b>			
Software licenses and royalties	1,632	1,900	2,377
Acquired software	4,440	1,858	2,078
Software services, maintenance and subscriptions	285,340	236,363	199,617
Appraisal services	15,922	14,284	13,809
Hardware and other	6,501	5,325	5,559
<b>Total cost of revenues</b>	<b>313,835</b>	<b>259,730</b>	<b>223,440</b>
<b>Gross profit</b>	<b>277,187</b>	<b>233,371</b>	<b>193,203</b>
Selling, general and administrative expenses	133,317	108,260	98,289
Research and development expense	29,922	25,743	23,266
Amortization of customer and trade name intangibles	5,905	4,546	4,517
<b>Operating income</b>	<b>108,043</b>	<b>94,822</b>	<b>67,128</b>
Other income (expense), net	381	(355)	(1,309)
<b>Income before income taxes</b>	<b>108,424</b>	<b>94,467</b>	<b>65,819</b>
Income tax provision	43,555	35,527	26,718
<b>Net income</b>	<b>\$ 64,869</b>	<b>\$ 58,940</b>	<b>\$ 39,101</b>
<b>Earnings per common share:</b>			
Basic	\$ 1.90	\$ 1.79	\$ 1.23
Diluted	\$ 1.77	\$ 1.66	\$ 1.13
Unrealized gains on investment securities available-for-sale	\$ —	\$ —	\$ 341
Income tax benefit related to components of other comprehensive income	—	—	119
<b>Other comprehensive income, net of tax</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 222</b>
<b>Comprehensive income</b>	<b>\$ 64,869</b>	<b>\$ 58,940</b>	<b>\$ 39,323</b>

See accompanying notes.

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

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 33,087	\$ 206,167
Accounts receivable (less allowance for losses of \$1,640 in 2015 and \$1,725 in 2014)	176,360	112,660
Short-term investments	13,423	—
Prepaid expenses	22,334	17,851
Income tax receivable	21,080	19
Other current assets	1,931	339
Total current assets	268,215	337,036
Accounts receivable, long-term	2,777	1,761
Property and equipment, net	101,112	65,910
Deferred income taxes	—	5,504
Other assets:		
Goodwill	653,666	124,142
Other intangibles, net	295,378	34,722
Cost method investment	15,000	—
Non-current investments and other assets	20,422	737
	<u>\$ 1,356,570</u>	<u>\$ 569,812</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,789	\$ 4,119
Accrued liabilities	49,156	39,508
Deferred revenue	281,627	189,212
Total current liabilities	337,572	232,839
Revolving line of credit	66,000	—
Deferred revenue, long-term	3,115	—
Deferred income taxes	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 2015 and 2014	481	481
Additional paid-in capital	607,755	201,389
Accumulated other comprehensive loss, net of tax	(46)	(46)
Retained earnings	326,019	261,150
Treasury stock, at cost; 11,373,666 and 14,678,782 shares in 2015 and 2014, respectively	(75,352)	(126,001)
Total shareholders' equity	<u>858,857</u>	<u>336,973</u>
	<u>\$ 1,356,570</u>	<u>\$ 569,812</u>

See accompanying notes.

Tyler Technologies, Inc.  
Consolidated Statements of Shareholders' Equity  
For the years ended December 31, 2015, 2014 and 2013  
(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, 2012	48,148	\$ 481	\$ 154,018	\$ (268)	\$ 163,109	(16,817)	\$ (172,041)	\$ 145,299
Net income	—	—	—	—	39,101	—	—	39,101
Unrealized gain on investment securities, net of tax	—	—	—	222	—	—	—	222
Issuance of shares pursuant to stock compensation plan	—	—	(13,742)	—	—	1,443	32,031	18,289
Stock compensation	—	—	11,653	—	—	—	—	11,653
Issuance of shares pursuant to employee stock purchase plan	—	—	2,034	—	—	64	1,508	3,542
Federal income tax benefit related to exercise of stock options	—	—	28,213	—	—	—	—	28,213
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 acquisitions	—	—	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

See accompanying notes.

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

	2015	2014	2013
Cash flows from operating activities:			
Net income	\$ 64,869	\$ 58,940	\$ 39,101
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	19,574	14,605	13,786
Share-based compensation expense	20,182	14,819	11,653
Provision for losses - accounts receivable	1,756	1,897	729
Excess tax benefit from exercises of share-based arrangements	(45,314)	(19,402)	(28,207)
Deferred income tax benefit	(7,956)	(3,804)	(1,497)
Changes in operating assets and liabilities, exclusive of effects of acquired companies:			
Accounts receivable	(28,172)	(8,912)	(7,488)
Income tax receivable	24,253	29,117	18,898
Prepaid expenses and other current assets	(3,054)	(3,696)	(4,154)
Accounts payable	652	1,586	(574)
Accrued liabilities	490	6,326	7,655
Deferred revenue	41,731	31,961	16,188
Net cash provided by operating activities	89,013	123,437	66,090
Cash flows from investing activities:			
Cost of acquisitions, net of cash acquired	(339,961)	(3,242)	(181)
Purchase of cost method investment	(15,000)	—	—
Purchase of marketable security investments	(31,907)	—	—
Proceeds from marketable security investments	900	808	1,090
Additions to property and equipment	(12,501)	(9,343)	(26,858)
Decrease in other	10	222	291
Net cash used by investing activities	(398,459)	(11,555)	(25,658)
Cash flows from financing activities:			
Increase (decrease) in net borrowings on revolving line of credit	66,000	—	(18,000)
Purchase of treasury shares	(645)	(22,817)	—
Contributions from employee stock purchase plan	4,671	4,144	3,542
Proceeds from exercise of stock options	23,160	14,680	18,289
Debt issuance costs	(2,134)	—	—
Excess tax benefit from exercises of share-based arrangements	45,314	19,402	28,207
Net cash provided by financing activities	136,366	15,409	32,038
Net (decrease) increase in cash and cash equivalents	(173,080)	127,291	72,470
Cash and cash equivalents at beginning of period	206,167	78,876	6,406
Cash and cash equivalents at end of period	\$ 33,087	\$ 206,167	\$ 78,876

See accompanying notes.

Tyler Technologies, Inc.  
Notes to Consolidated Financial Statements  
(Tables in thousands, except per share data)

(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.

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:

- i. persuasive evidence of an arrangement exists;
- ii. delivery has occurred;
- iii. our fee is fixed or determinable; and
- iv. 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, Multiple Elements Arrangements. 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 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 revenues 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 quarter immediately 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 three 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 support and 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 \$29.9 million during 2015, \$25.7 million during 2014, and \$23.3 million during 2013.

#### 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.

On November 20, 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The standard amends the current requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, entities will now be required to classify all deferred tax assets and liabilities as noncurrent. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We early adopted this standard during fourth quarter 2015, utilizing the retrospective application as permitted. As such, certain prior period amounts have been reclassified to conform to the current presentation.

#### 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.

#### 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 2015, 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, 2015, because our interest rates reset approximately every 30 days or less. See Note 6 -- "Revolving Line of Credit" for further discussion.

As of December 2015, we have \$30.9 million in investment grade corporate and municipal bonds with maturity dates ranging from 2016 through mid-2017. 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.

On January 30, 2015, we made 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 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, 2015 we had cash and cash equivalents of \$33.1 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, 2015.

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,		
	2015	2014	2013
Balance at beginning of year	\$ 1,725	\$ 1,113	\$ 1,621
Provisions for losses - accounts receivable	1,756	1,897	729
Collection of accounts previously written off	153	—	—
Deductions for accounts charged off or credits issued	(1,994)	(1,285)	(1,237)
Balance at end of year	\$ 1,640	\$ 1,725	\$ 1,113

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 \$29.7 million and \$14.8 million at December 31, 2015 and 2014, respectively. We also have recorded retention receivables of \$4.7 million at December 31, 2015 and 2014, 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

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 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 prices to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies the performance obligations. The guidance in the ASU supersedes existing revenue recognition guidance and is effective for annual reporting periods beginning after December 15, 2016 with early application not permitted. 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.

On August 12, 2015, the FASB voted for a one-year deferral of the effective date of the new standard and now requires application of the new standard no later than annual reporting periods beginning after December 15, 2017, including interim reporting periods therein. However, under the proposal, public entities would be permitted to elect to early adopt the new standard as of the original effective date. We currently expect to adopt the new standard in fiscal year 2018 in accordance with the revised effective date.

## (2) ACQUISITIONS

### 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, 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.

Tyler has performed a preliminary valuation analysis of the fair market value of NWS' assets and liabilities. The following table summarizes the allocation of the preliminary purchase price as of the acquisition date.

Cash	\$ 22,486
Accounts receivable	37,098
Other current assets	2,371
Property and equipment	30,672
Identifiable intangible assets	264,814
Goodwill	527,618
Accounts payable	(1,382)
Accrued expenses	(7,282)
Deferred revenue	(53,098)
Deferred tax liabilities, net	(104,484)
Total consideration	\$ 718,813

In connection with this transaction we acquired total tangible assets of \$70.1 million and assumed liabilities of approximately \$61.8 million. We recorded goodwill of \$527.6 million, none of which is expected to be deductible for tax purposes, and other intangible assets of approximately \$264.8 million. Approximately \$261.1 million of intangible assets is attributable to customer relationships, acquired software and trade name and will be amortized over a weighted average period of approximately 11 years. Also included in other intangibles is an asset for approximately \$3.7 million to reflect the fair value of existing lease agreements, and this intangible will be amortized over the weighted average life of these lease agreements of approximately 9 years and reduces other income. In

addition, we recorded deferred tax liabilities of \$104.5 million related to estimated fair value allocations. We believe this transaction will broaden our courts and justice software solutions and will create a unique end-to-end enterprise criminal justice solution. We believe that likely market participants for this transaction would be entities with a presence in the judicial and public safety markets. Therefore, the goodwill of \$527.6 million arising from this acquisition is primarily attributed to our ability to integrate NWS solutions with our existing portfolio and generate increased revenues, earnings and cash flow. As of December 31, 2015, the purchase price allocation for NWS is not yet complete. The preliminary estimates of fair value assumed at the acquisition date for intangible assets, receivables and deferred revenue and related deferred taxes are subject to change as valuations are finalized.

The following unaudited pro forma information of the consolidated results of operations have been prepared as if the NWS acquisition had occurred at January 1, 2014, after giving effect to certain adjustments, including amortization of intangibles, interest, transaction costs and tax effects. The pro forma results of operations include compensation costs of \$16.2 million and \$16.0 million in 2015 and 2014, respectively, for certain NWS executives whose employment terminated at the date of acquisition.

Pro forma information does not include acquisitions that are not considered material to our results of operations. The pro forma information does not purport to represent what our results of operations actually would have been had such transaction or event occurred on the dates specified, or to project our results of operations for any future period.

	2015	2014
Revenues	\$ 691,711	\$ 590,071
Net income	\$5,164	44,436
Basic earnings per common share	1.62	1.26
Diluted earnings per common share	1.51	1.18

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. As a result, we acquired total tangible assets of approximately \$2.1 million and assumed liabilities of approximately \$2.6 million. We have recorded total goodwill of approximately \$1.9 million, all of which is expected to be deductible for tax purposes, and other intangible assets of approximately \$6.2 million. The \$6.2 million of intangible assets is attributable to customer relationships, acquired software and trade name and will be amortized over a weighted average period of approximately ten years.

The operating results of NWS and Brazos are included with the operating results of the Enterprise Software Solutions segment since their dates of acquisition. Revenues from NWS included in 2015 results of operations totaled approximately \$10.0 million and net income was not significant. Our balance sheet as of December 31, 2015, reflects the allocation of the purchase price to the assets acquired based on their fair value at the date 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.

#### 2014

On August 29, 2014, we acquired all of the capital stock of SoftCode, Inc. ("SoftCode"), which develops and sells civil process management software, typically to county sheriff departments. The purchase price, net of cash acquired of \$71,000, was \$3.5 million in cash, of which \$325,000 was accrued at December 31, 2014, and 16,540 shares of Tyler common stock valued at \$1.5 million, based on the stock price on the acquisition date.

(3) PROPERTY AND EQUIPMENT, NET

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

	Useful Lives (years)	2015	2014
Land		\$ 8,146	\$ 7,736
Building and leasehold improvements	5-39	77,020	51,309
Computer equipment and purchased software	3-5	42,245	34,058
Furniture and fixtures	5	16,661	11,812
Transportation equipment	5	252	238
		144,324	105,153
Accumulated depreciation and amortization		(43,212)	(39,243)
Property and equipment, net		\$ 101,112	\$ 65,910

Depreciation expense was \$9.1 million during 2015, \$7.9 million during 2014, and \$6.4 million during 2013.

We own office buildings in Bangor 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 2016 and 2025 and are expected to provide rental income of approximately \$1.7 million during 2016, \$1.6 million during 2017, \$1.6 million during 2018, \$1.5 million during 2019, \$1.3 million during 2020, and \$6.6 million thereafter. Rental income from third-party tenants was \$913,000 in 2015, \$945,000 in 2014, and \$704,000 in 2013.

(4) GOODWILL AND OTHER INTANGIBLE ASSETS

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

	2015	2014
Gross carrying amount of acquisition intangibles:		
Customer related intangibles	\$ 181,671	\$ 61,325
Acquired software	172,666	33,103
Trade name	10,765	3,331
Leases acquired	3,694	—
	368,796	97,759
Accumulated amortization	(73,418)	(63,037)
Total intangibles, net	\$ 295,378	\$ 34,722

Total amortization expense for intangibles was \$10.3 million in 2015, \$6.4 million in 2014, and \$6.8 million during 2013.

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

	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization
Non-amortizable intangibles:						
Goodwill	\$ 653,666	—	\$ —	\$ 124,142	—	\$ —
Amortizable intangibles:						
Customer related intangibles	181,671	15 years	38,754	61,325	15 years	33,194
Acquired software	172,666	7 years	32,880	33,103	5 years	28,441
Trade name	10,765	12 years	1,747	3,331	15 years	1,402
Leases acquired	3,694	9 years	37	—	—	—

The changes in the carrying amount of goodwill for the two years ended December 31, 2015 are as follows:

	Enterprise Software Solutions	Appraisal and Tax Software Solutions and Services	Total
Balance as of December 31, 2013	\$ 114,454	\$ 6,557	\$ 121,011
Goodwill acquired during 2014 related to the purchase of SoftCode	3,131	—	3,131
Balance as of December 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 December 31, 2015	\$ 647,109	\$ 6,557	\$ 653,666

Estimated annual amortization expense relating to acquired leases will be recorded as a reduction to other income and is expected to be \$444,000 in 2016, \$444,000 in 2017, \$426,000 in 2018, \$372,000 in 2019, \$313,000 in 2020 and \$1.7 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:

2016	\$ 35,182
2017	34,204
2018	33,528
2019	32,100
2020	30,804

#### (5) ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	2015	2014
Accrued wages, bonuses and commissions	\$ 32,006	\$ 30,977
Other accrued liabilities	17,150	8,531
	\$ 49,156	\$ 39,508

#### (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 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, 2015, our interest rate was 1.6%. 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, 2015, we were in compliance with those covenants.

As of December 31, 2015, we had \$66.0 million in outstanding borrowings and unused borrowing capacity of \$234.0 million under the Credit Facility. In addition, as of December 31, 2015, we had an outstanding \$1.5 million letter of credit in favor of one of our clients. The letter of credit guarantees our performance under a software contract and expires in 2016.

We paid interest of \$223,000 in 2015.



(7) INCOME TAX

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

	Years ended December 31,		
	2015	2014	2013
Current:			
Federal	\$ 44,841	\$ 34,504	\$ 25,625
State	6,670	4,827	2,590
	51,511	39,331	28,215
Deferred	(7,956)	(3,804)	(1,497)
	<u>\$ 43,555</u>	<u>\$ 35,527</u>	<u>\$ 26,718</u>

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

	Years ended December 31,		
	2015	2014	2013
Federal income tax expense at statutory rate	\$ 37,949	\$ 33,064	\$ 23,037
State income tax, net of federal income tax benefit	3,715	2,867	2,371
Non-deductible business expenses	2,414	1,485	1,110
Qualified manufacturing activities	(466)	(1,720)	—
Other, net	(57)	(169)	(200)
	<u>\$ 43,555</u>	<u>\$ 35,527</u>	<u>\$ 26,718</u>

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

	2015	2014
Deferred income tax assets:		
Operating expenses not currently deductible	\$ 9,953	\$ 9,093
Stock option and other employee benefit plans	13,504	9,815
Capital loss and credit carryforward	179	177
Property and equipment	—	46
Total deferred income tax assets	23,636	19,131
Deferred income tax liabilities:		
Intangible assets	(111,653)	(13,424)
Property and equipment	(2,781)	—
Other	(228)	(203)
Total deferred income tax liabilities	(114,662)	(13,627)
Net deferred income tax (liability) asset	<u>\$ (91,026)</u>	<u>\$ 5,504</u>

In 2014, we utilized approximately \$650,000 of net operating loss carryforwards for federal income tax reporting purposes. The full amount of the net operating loss utilized was attributable to excess tax benefits related to share-based arrangements for which authoritative guidance prohibited the recognition of a deferred tax asset in 2013. In 2014, this tax benefit was accounted for as an increase to shareholders' equity and a reduction in income tax payable. In total, we recognized approximately \$45.3 million and \$19.4 million of excess tax benefits related to share-based arrangements in 2015 and 2014, respectively, as a credit to shareholders' equity and a reduction in income taxes payable.

Although realization is not assured, we believe it is more likely than not that all the deferred tax assets at December 31, 2015 and 2014 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.

The Internal Revenue Service ("IRS") is examining our U.S. income tax return for the year 2012. In addition, there is one open state audit for the year 2011. As of February 22, 2016, no significant adjustments have been proposed by the IRS. 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 examinations for years before 2012. We are no longer subject to state and local income tax examinations by tax authorities for the years before 2011.

We paid income taxes, net of refunds received, of \$27.3 million in 2015, \$10.2 million in 2014, and \$9.3 million in 2013.

#### (8) SHAREHOLDERS' EQUITY

The following table details activity in our common stock:

	Years ended December 31,					
	2015		2014		2013	
	Shares	Amount	Shares	Amount	Shares	Amount
Stock option exercises	1,118	\$ 23,160	855	\$ 14,680	1,443	\$ 18,289
Purchases of common stock	(5)	(645)	(294)	(22,817)	—	—
Employee stock plan purchases	43	4,671	53	4,144	64	3,542
Shares issued for acquisitions	2,149	364,333	17	1,473	—	—

Subsequent to December 31, 2015 and through February 22, 2016, we repurchased 241,000 shares for an aggregate purchase price of \$31.3 million. As of February 22, 2016, we had authorization from our board of directors to repurchase up to 1.2 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.

As of December 31, 2015, there were 3.7 million shares available for future grants under the plan from the 20.0 million shares previously approved by the stockholders.

##### 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,		
	2015	2014	2013
Expected life (in years)	6.0	6.0	6.4
Expected volatility	28.3 %	30.9 %	32.4 %
Risk-free interest rate	1.7 %	1.8 %	1.4 %
Expected forfeiture rate	1.7 %	3.0 %	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,		
	2015	2014	2013
Cost of software services, maintenance and subscriptions	\$ 3,380	\$ 2,177	\$ 1,509
Selling, general and administrative expenses	16,802	12,642	10,144
Total share-based compensation expenses	20,182	14,819	11,653
Tax benefit	(5,986)	(4,237)	(3,363)
Net decrease in net income	\$ 14,196	\$ 10,582	\$ 8,290

#### 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, 2012	5,711	\$ 20.86		
Granted	1,453	67.08		
Exercised	(1,443)	12.68		
Forfeited	(1)	68.17		
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	7	\$ 568,239
Exercisable at December 31, 2015	1,940	40.69	6	\$ 259,257

We had unvested options to purchase 3.1 million shares with a weighted average grant date exercise price of \$78.86 as of December 31, 2015 and unvested options to purchase 3.3 million shares with a weighted average grant date exercise price of \$55.61 as of December 31, 2014. As of December 31, 2015, we had \$69.8 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 3.4 years.

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

	2015	2014	2013
Weighted average grant-date fair value of stock options granted	\$ 45.17	\$ 31.32	\$ 23.27
Total intrinsic value of stock options exercised	149,542	69,768	99,393

#### 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, 2015, there were 899,000 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,		
	2015	2014	2013
Numerator for basic and diluted earnings per share:			
Net income	\$ 64,869	\$ 53,940	\$ 39,101
Denominator:			
Weighted-average basic common shares outstanding	34,137	33,011	31,891
Assumed conversion of dilutive securities:			
Stock options	2,415	2,390	2,699
Denominator for diluted earnings per share			
Adjusted weighted-average shares	36,552	35,401	34,590
Earnings per common share:			
Basic	\$ 1.90	\$ 1.59	\$ 1.23
Diluted	\$ 1.77	\$ 1.66	\$ 1.13

Stock options representing the right to purchase common stock of 417,000 shares in 2015, 481,000 shares in 2014, and 62,000 shares in 2013 were not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

#### (11) LEASES

We lease office facilities for use in our operations, as well as transportation, computer and other equipment. We also have an office facility lease agreement with an entity owned by an executive's father and brother. The executive does not have an interest in the entity that leases the property to us and the lease arrangement existed at the time we acquired the business unit that occupies this property. Most of our leases are non-cancelable operating lease agreements and they expire at various dates through 2022. In addition to rent, the leases generally require us to pay taxes, maintenance, insurance and certain other operating expenses.

Rent expense was approximately \$7.2 million in 2015, \$6.7 million in 2014, and \$7.5 million in 2013, which included rent expense associated with related party lease agreements of \$1.8 million in 2015, \$1.7 million in 2014, and \$1.7 million in 2013.

Future minimum lease payments under all non-cancelable leases at December 31, 2015 are as follows:

Years ending December 31,	
2016	\$ 5,912
2017	6,250
2018	5,845
2019	3,204
2020	3,050
Thereafter	2,223
	<u>\$ 24,484</u>

Included in future minimum lease payments are non-cancelable payments due to related parties of \$1.9 million in 2016, \$1.9 million in 2017 and \$14,000 in 2018.

#### (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 \$5.3 million during 2015, \$4.3 million during 2014, and \$3.8 million during 2013.

#### (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 Solutions ("ESS"). The ESS 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 Software Solutions and Services ("ATSS") 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.

ESS segment capital expenditures 2013 included \$19.6 million for the construction of a new building and purchase of an existing building and land.

As of the year ended December 31, 2015

	Enterprise Software Solutions	Appraisal and Tax Software Solutions and Services	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 Solutions	Appraisal and Tax Software Solutions and Services	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

As of the year ended December 31, 2013

	Enterprise Software Solutions	Appraisal and Tax Software Solutions and Services	Corporate	Totals
Revenues				
Software licenses and royalties	\$ 38,774	\$ 2,067	\$ —	\$ 40,841
Subscriptions	59,070	2,794	—	61,864
Software services	85,459	7,808	—	93,267
Maintenance	175,180	16,540	—	191,720
Appraisal services	—	20,825	—	20,825
Hardware and other	6,342	—	1,784	8,126
Intercompany	2,899	—	(2,899)	—
Total revenues	\$ 367,724	\$ 50,034	\$ (1,115)	\$ 416,643
Depreciation and amortization expense	10,569	1,028	2,189	13,786
Segment operating income	85,045	9,428	(20,750)	73,723
Capital expenditures	22,457	250	3,438	26,145
Segment assets	\$ 161,923	\$ 16,244	\$ 266,321	\$ 444,488

Reconciliation of reportable segment operating  
income to the Company's consolidated totals:

	Years Ended December 31,		
	2015	2014	2013
Total segment operating income	\$ 118,388	\$ 101,226	\$ 73,723
Amortization of acquired software	(4,440)	(1,858)	(2,078)
Amortization of customer and trade name intangibles	(5,905)	(4,545)	(4,517)
Other income (expense), net	381	(355)	(1,309)
Income before income taxes	\$ 108,424	\$ 94,467	\$ 65,819

#### (15) QUARTERLY FINANCIAL INFORMATION (unaudited)

The following table contains selected financial information from unaudited statements of income for each quarter of 2015 and 2014.

	2015				2014			
	Dec. 31 (a)	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues	\$ 158,916	\$ 150,845	\$ 146,295	\$ 134,966	\$ 127,440	\$ 128,664	\$ 124,371	\$ 112,626
Gross profit	73,222	71,833	68,253	63,879	60,491	61,792	58,558	52,530
Income before income taxes	19,540	31,744	29,781	27,359	24,760	26,698	23,406	19,503
Net income	8,618	20,142	18,836	17,273	15,317	17,000	14,740	11,883
Earnings per diluted share	0.23	0.55	0.52	0.48	0.43	0.48	0.42	0.33
Shares used in computing diluted earnings per share	37,864	36,349	36,097	35,895	35,661	35,284	35,161	35,500

(a) Operating results for the three months ended December 31, 2015, include \$5.5 million for financial advisory, legal, accounting, due diligence, valuation and other services necessary to complete the NWS acquisition as well as \$3.5 million amortization expense related to NWS acquisition intangibles.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Amendment No. 2 to the Registration Statement (Form S-8 No. 333-205983) pertaining to the Tyler Technologies, Inc. 2010 Stock Option Plan (Form S-8 No. 333-168499) and the Registration Statement (Form S-8 No. 333-182318) pertaining to the Tyler Technologies, Inc. Employee Stock Purchase Plan of our reports dated February 24, 2016, 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) for the year ended December 31, 2015.

/s/ ERNST & YOUNG LLP

Dallas, Texas  
February 24, 2016



## 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.

Dated: February 24, 2016

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

John S. Marr, Jr.

President and Chief Executive Officer

## 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 registrants, 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 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.

Dated: February 24, 2016

By: /s/ Brian K. Miller

Brian K. Miller

Executive Vice President and Chief Financial Officer

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

John S. Marr, Jr., President and Chief Executive Officer 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.

Dated: February 24, 2016

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

John S. Marr, Jr.

President and Chief Executive Officer

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.

A) viii

# **NYS Department of State**

## **Division of Corporations**

### **Entity Information**

The information contained in this database is current through December 12, 2016.

**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](#)

[Services/Programs](#) | [Privacy Policy](#) | [Accessibility Policy](#) | [Disclaimer](#) | [Return to DOS](#)  
[Homepage](#) | [Contact Us](#)

Aii)

S&P 500  
2,270.10  
13.14 (0.58 %)

Dow 30  
18,867.52  
30.29 (0.16 %)

Nasdaq  
5,478.40  
53.36 (1.22 %)

(p) US Markets open in 4 hrs and 10 mins



TYL is  
0.78%  
up

Stocks To Watch: BUD sells more brands, SEAS gets upgraded, SWHC to change name

**Tyler Technologies, Inc. (TYL)**  
NYSE - NYSE Real Time Price. Currency in USD

☆ Add to watchlist

Choose looker



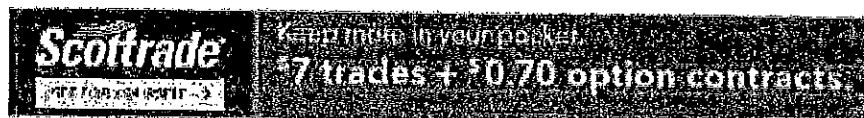
**146.38** +1.10 (+0.76 %)

As of 11:50 AM EST. Market open.

People also watch:  
ULTI MANH MMS SSNC BLKS

Summary Conversations Statistics Profile Financials Options Holders Historical Data Analysts

Investment opportunities



Major Holders Insider Transactions Insider Roster

#### Major Holders

Currency in USD.

##### Breakdown

4.24%	Shares Held by All Insider and 5% Owners
93.40%	% of Shares Held by Institutional & Mutual Fund Owners
97.64%	% of Float Held by Institutional & Mutual Fund Owners
271	Number of Institutions Holding Shares

##### Direct Holders (Forms 3 and 4)

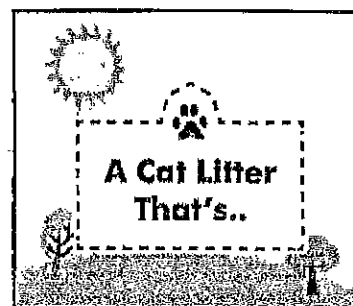
Name	Shares	Date Reported
MARR JOHN S JR	371,437	Sep 2, 2015
YEAMAN JOHN M	307,915	Sep 30, 2015
KING LUTHER JR	68,366	Jun 2, 2015
WOMBLE GUSTIN R	215,950	Sep 16, 2015
MOORE H LYNN JR	62,752	Sep 30, 2015
MILLER BRIAN K	52,775	Sep 16, 2015
BRATTAIN DONALD R	14,570	Nov 17, 2015
GRAHAM BRUCE	307	Jul 22, 2015

##### Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	2,434,533	Sep 20, 2016	8.85%	418,885,075
Brown Capital Management, Inc.	2,069,986	Sep 29, 2016	5.85%	354,445,408
Neuberger Berman Group, LLC	1,888,855	Sep 29, 2016	4.63%	290,569,697
BlackRock Fund Advisors	1,295,968	Sep 29, 2016	3.54%	221,908,883
FMR, LLC	1,027,940	Sep 29, 2016	2.81%	178,014,182
BlackRock Institutional Trust Company, N.A.	970,780	Sep 29, 2016	2.85%	163,223,230
Franklin Resources, Inc	910,377	Sep 29, 2016	2.49%	165,883,950
Wells Fargo & Company	887,778	Sep 29, 2016	2.42%	152,013,880
State Street Corporation	875,768	Sep 28, 2016	2.38%	149,967,408
JANUS CAPITAL MANAGEMENT, LLC	832,822	Sep 29, 2016	2.27%	142,569,981

**Top Mutual Fund Holders**

Holder	Shares	Date Reported	% Out	Value
Neuberger & Berman Genesix Fund	1,220,732	Jun 29, 2016	8.33%	203,608,240
Brown Capital Management Small Company Fund	1,009,951	Jun 29, 2016	2.78%	188,388,938
Federated Kaufmann Fund	730,000	Jul 30, 2016	1.98%	119,004,802
Vanguard Small-Cap Index Fund	676,833	Jun 29, 2016	1.85%	112,801,482
Vanguard Total Stock Market Index Fund	649,588	Jun 29, 2016	1.77%	108,262,820
iShares Core S&P Midcap ETF	633,663	Aug 30, 2016	1.73%	103,880,046
Vanguard Small-Cap Growth Index Fund	596,136	Jun 29, 2016	1.68%	88,039,835
American Century Heritage Fund	383,890	Jun 29, 2016	1.05%	63,998,304
Vanguard Extended Market Index Fund	373,289	Jun 29, 2016	1.02%	62,227,677
SPDR S&P Mid Cap 400 ETF Trust	364,328	Aug 30, 2016	0.99%	59,731,246


[Compare Stock Brokers](#)
[Data Disclaimer](#) [Help](#) [Suggestions](#)
[Privacy](#) [About Our Ads](#) [Terms](#)
[Follow Yahoo Finance](#)


Question A.III:

### **Tyler Technologies, Inc. Directors as of 12/13/16**

<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
- John M. Yeaman – 5101 Tennyson Parkway, Plano TX 75024

### **Tyler Technologies, Inc. Officers as of 12/13/16**

<http://www.tylertech.com/about-us/our-leadership>

- John M. Yeaman – 5101 Tennyson Parkway, Plano TX 75024  
**Chairman of the Board**
- John S. Marr Jr. – One Tyler Drive, Yarmouth, ME 04096  
**President & Chief Executive Officer**
- 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  
**Executive Vice President,  
Business Development & General Counsel**
- Matthew B. Bieri – 5101 Tennyson Parkway, Plano TX 75024  
**Vice President, Chief Information Officer**
- Samantha B. Crosby – 5101 Tennyson Parkway, Plano TX 75024  
**Vice President, Chief Marketing Officer**
- Bruce Graham – 5101 Tennyson Parkway, Plano TX 75024  
**Chief Strategy Officer**
- Robert J. Sansone – One Tyler Drive, Yarmouth, ME 04096  
**Vice President, Human Resources**
- W. Michael Smith – 5101 Tennyson Parkway, Plano TX 75024  
**Vice President, Chief Accounting Officer**



- Terri Alford – 5101 Tennyson Parkway, Plano TX 75024  
Controller

**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.



*For Answers Arri) & C.*

Our  
Numbers  
Tell A  
Bigger  
Story



Consistent strategic growth has enabled Tyler Technologies to expand our presence as the premier provider of end-to-end information management offerings and services for the public sector. With the recent acquisition of New World Systems, Tyler significantly increased both the breadth and depth of our public safety and financial software offerings. By continuously extending our reach and evolving our products, Tyler offers an industry-leading portfolio of solutions that empower clients into the future.

#### Monroe Fire District #3

50 police and fire agencies

and two 911 call centers

share an integrated 911 emergency dispatch system using Tyler's New World Systems software offerings

They strive to improve the flow of information and operations

save lives, preserve property

and maintain the security and safety of the community

When our clients serve their constituents more efficiently, transparently and responsively, that's our success story.

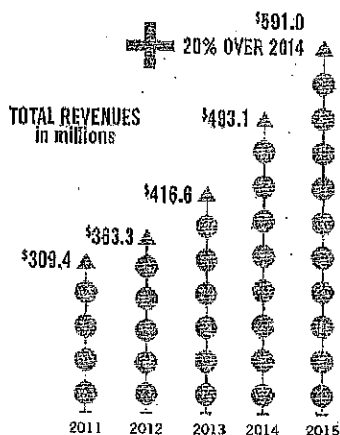
Photo: District #3, 2011, provided by Tyler

## We put our numbers to good use in 2015.

As the largest software company in North America focused solely on the public sector, Tyler Technologies has built and shaped a business characterized by consistent revenue and earnings growth, and a strong level of recurring revenues. Tyler pursues a sharply focused strategy of steady and significant investment in organic growth, adding further value through targeted acquisitions. Our future prospects are exciting and provide opportunities to deliver meaningful rewards for our shareholders, clients and colleagues.

**30M**  
MILLION  
PAGES SAVED  
BY GOING PAPERLESS  
State of Texas Judiciary

Tyler solutions deliver valuable services for the public sector, including recording marriage and birth certificates, equipping jurisdictions to take 911 calls, improving access to justice with paperless courts, increasing public access to appraisal and tax documents, supporting local municipalities in planning and infrastructure, improving bus routes and student information systems, and streamlining payroll processes for public sector employees. Our solutions do more than make good financial sense – they add up to stronger communities.



### QUARTERLY GROWTH



20 consecutive quarters of revenue growth  
17 consecutive quarters of double-digit revenue growth

### ANNUAL EARNINGS per share (NON-GAAP)



## AN EMPLOYEE PARTNERSHIP IN SUCCESS

One key to our competitive performance is our wealth in human capital. Many Tyler employees have served in the public sector and are deeply knowledgeable about the needs of state and local governments and schools. They embrace the challenging initiatives that help our clients succeed, and they take great pride in providing quality solutions and excellent service to help our clients serve the public effectively.

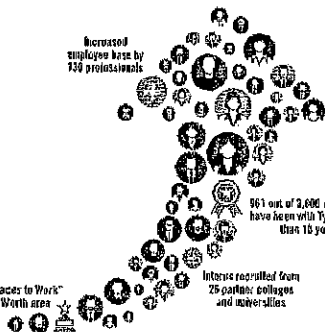
We encourage and support our employees through personal and professional development opportunities and a commitment to work/life balance. Tyler consistently ranks among the top places to work in its communities, which reflects our ongoing dedication to employee satisfaction.

To recruit the next generation of technology professionals, we've nurtured close relationships with colleges and universities near our locations. We provide internships that offer students opportunities to perform meaningful, substantive work during summers that can lead to permanent positions. We also sponsor the annual Make App Challenge, which encourages high school students to design, develop and demonstrate a mobile app for a chance to win a scholarship. It is our hope that the challenge ignites each student's imagination and turns a casual interest in software development into a career path.

Across the entire company, our talented and engaged employees and our clients' supportive corporate culture help us meet and exceed our business goals, making Tyler Technologies a great place to work.



Increased employee base by 330 professionals

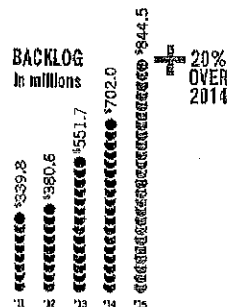


no. 11 of "Top 100 Places to Work" in the Dallas/Fort Worth area

## FINANCIAL HIGHLIGHTS

Our numbers speak for themselves.

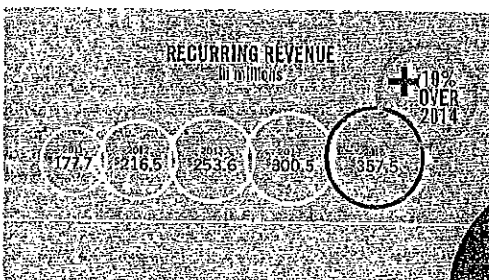
BACKLOG  
in millions



CASH & INVESTMENTS  
AT YEAR END  
**\$64 million**  
DEBT AT YEAR END  
**\$66 million**



RECURRING REVENUE  
in millions



GAAP NET INCOME  
**\$64.9 million**  
or \$1.77 per diluted share  
**+10.1%** from 2014

NON-GAAP NET INCOME  
**\$92.7 million**  
or \$2.54 per diluted share  
**+25.5%** from 2014

## We don't just measure success by growing numbers.

We're also proud of certain numbers that have moved down over the years. Our solutions have led to reductions in:

### ERROR

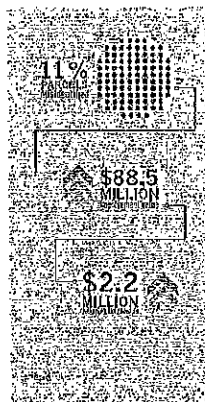
By reducing waste and errors, we help our clients improve quality. Through "Paper Match," Williams-Sonnet Capital Group in Texas discovered 81 percent of papers were not classified, generating costs to add 100,000 copies to keep records and to the records and reduce 12.2 million in storage space.

### BUREAUCRACY

"Paper Connect" helped the Family School Board of Texas County, Texas, reduce the paperwork required to manage the purchasing process of 41 schools and 70 departments. The program reduced the number of papers while making financial data more precise.



© 2004 Williams-Sonnet



### STORAGE SPACE

In Clark County, Nevada, our "Paper Match" program helped reduce the cost of storing 35 million pages of court records, which allowed them to convert the space previously used to store the records into other budgeted categories.

### PAPER

Thanks to "Paper Connect," many courts across the state of Texas were able to eliminate a combined total of 35 million pages of paper waste in just one year.

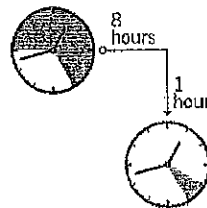
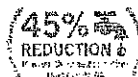
### TIME

Thanks to "Paper Match," the Nevada Department of Corrections (NDOC) was able to reduce the number of papers that were not needed for processing, which allowed them to focus on other tasks.

### UTILITY DISCONNECTION RATES

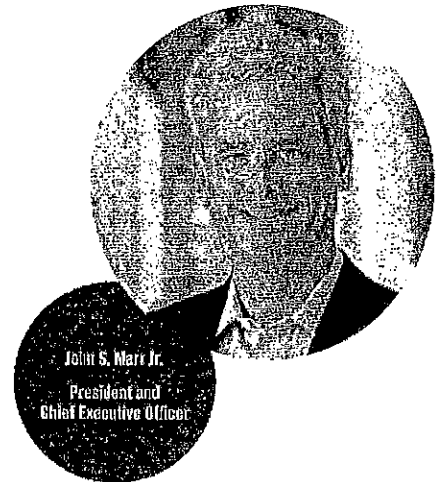
In the North, "Paper Connect" helped the Nevada Department of Corrections (NDOC) reduce the number of papers that were not needed for processing, which allowed them to focus on other tasks.

© 2004 Williams-Sonnet



# Our clients' success is Tyler's success

"Our financial success enables us to support our clients with solutions that allow them to do their jobs more efficiently and serve their constituents more transparently, effectively and responsively. This has a positive impact not only on our business, but on the quality of life in the thousands of communities where Tyler Technologies has a presence."

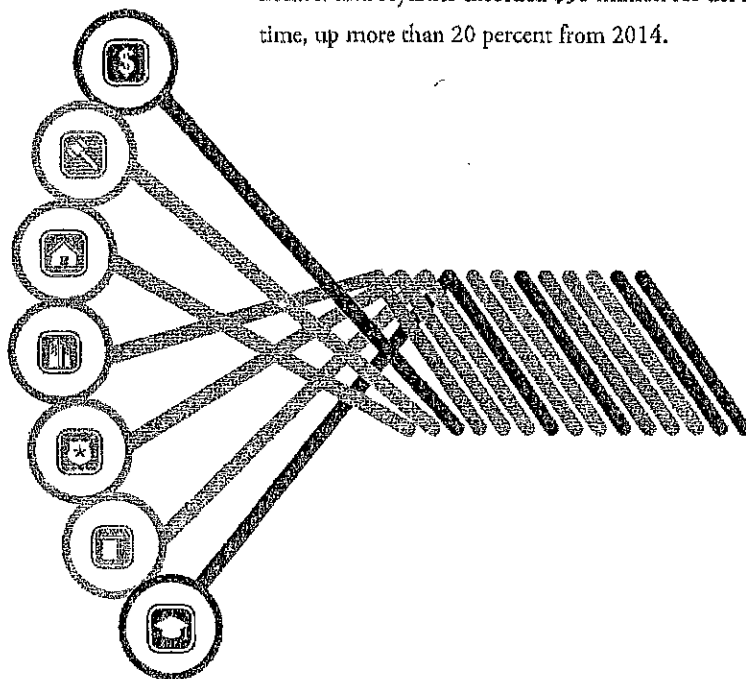
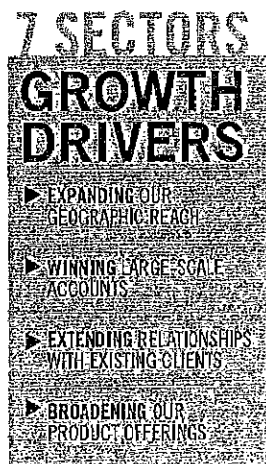


## To Our Shareholders:

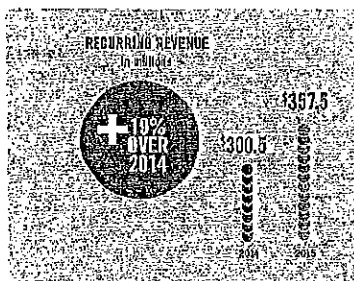
2015 was an eventful year for Tyler Technologies. We achieved exceptional results across our business units from both operational and financial perspectives, as we continued to outperform our competition in a solid market. By virtually every meaningful measure, Tyler's financial results reached record levels. In addition, we continued to execute on our strategy of expanding our platform for long-term growth with key acquisitions and investments in our products.

## Financial Strength

Tyler's revenues grew nearly 20 percent (almost 17 percent organic) to \$591.0 million, exceeding our long-term growth targets in part due to significant gains in revenue from our e-filing solutions and rapid expansion of courts and justice revenues in California. That said, our growth reflects balance across the entire Tyler portfolio, and we ended the year with our 17th straight quarter of double-digit revenue growth. Subscription revenues grew more than 27 percent to \$111.9 million as our cloud-based offerings continue to gain momentum. Annual revenue from software licenses and royalties exceeded \$50 million for the first time, up more than 20 percent from 2014.



With our strong competitive positions and an active marketplace, bookings for the year were solid and we ended 2015 with backlog at an all-time high of \$444.5 million, up 20.3 percent. Interest in our cloud solutions continues to grow, and the total value of new SaaS contracts signed in 2015 increased 38.3 percent over 2014. With growth in both the volume and average term of our SaaS agreements, 44 percent of our backlog is expected to be recognized beyond the next 12 months, providing us with greater long-term visibility. Our balance sheet is strong, with \$66.0 million in cash and investments and \$66.6 million of debt at the end of 2015. In November 2015 we put in place a new five-year, \$300.6 million credit facility, giving us increased flexibility to take advantage of opportunities to create shareholder value and drive growth.

19. 1. *Eligibility* 2024 Award Recipient

2015 was an active year for Tyler with respect to acquisitions and investments. On November 16, we acquired New World Systems Corporation in a deal valued at \$700.3-million in cash and stock, the largest acquisition in Tyler's history. New World is a leading provider of public safety and financial management software for the public sector. New World's public safety solutions complement our industry-leading courts and justice solutions, and the employees and clients of both companies are excited about our vision for the market's first-and-to-come integrated solution for public safety and courts.

Our May acquisition of Brazos Technology Corporation for \$7.6 million also enhances our public safety portfolio. Brazos' law enforcement products include mobile handheld solutions for electronic citations and field accident reporting. In January 2015, we made a \$15.0 million convertible preferred stock investment for a 20 percent stake in Record Holdings, an Australian company specializing in digitizing the spoken word in courts around the world.

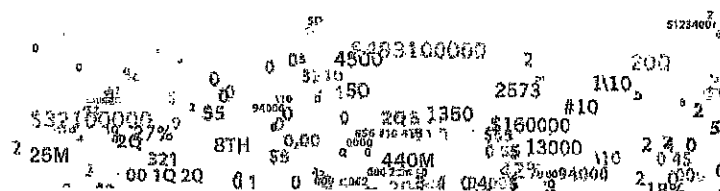
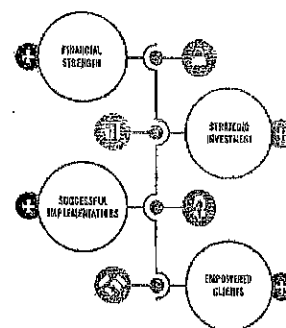
**UNDER 5 MINUTES**  
RESPONSE TIME  
City of Beesim, TX Police Dept.

At the core of Tyler's success is our longstanding history of excelling at a high level. Our growing team of dedicated professionals, from sales through development and implementation, have a deep domain expertise in the public sector. Through their efforts, we've established an unparalleled record of completing often complex implementations on time and on budget, cementing long-lasting client relationships. In 2015, we achieved more than 500 go-lives across the nation, including 11 California court systems.

2015 was certainly a year of robust growth for Tyler. Looking forward, while we expect that from time to time there will be catalysts for higher growth, we continue to believe that a growth rate in the low to mid-teens is sustainable. Tyler's financial success in 2015 is the result of a focused long-term strategy of investment that has driven growth and shareholder value. We will continue to invest in Tyler at a high level in 2016 in order to broaden our product offerings and strengthen our competitive position for the future.

As remarkable as our financial performance was in 2015, we believe those numbers tell a bigger story. Our financial success enables us to support our clients with solutions that allow them to do their jobs more efficiently and serve their constituents more transparently, effectively and responsibly. This has a positive impact not only on our business, but on the quality of life in the thousands of communities where Tyler Technologies has a presence. That's the story we're proud to tell.

John S. Mart Jr.  
President & Chief Executive Officer  
March 18, 2016





## The Driving Forces Behind Our Growth

### Expanding Our Geographic Reach

Tyler Technologies is the leading provider of integrated end-to-end management solutions and services for local governments, supplying software and services to more than 14,000 local government offices throughout the United States, Canada and other locations. Our solutions address a wide variety of public sector needs, including financial and public safety solutions for local municipalities, incident management solutions for school districts, massive recordable implementations of digital workflows and much more. These solutions help public sector clients operate with more efficiency, transparency and responsiveness, and we continue to expand our reach to serve clients and constituents in new markets.



An illustration of geographic expansion as a major driver of growth is the successful implementation of our Odyssey® courts and justice solutions in more than 30 jurisdictions in 2015. Tyler's experience, reputation and capacity to successfully manage numerous concurrent implementations—including the rollout of eFileTakes to all 254 of the state's counties nine months ahead of schedule and on budget—have contributed to extraordinary growth in the courts and justice sector.

### GEOGRAPHIC SAMPLING OF NEW CONTRACTS IN 2015



Yavapai County School District, AZ  
Odyssey® RPS  
\$147K

Seals (Hera County), CA  
eFile® Records™  
\$1,481

Tulare County, CA  
Vanguard®  
\$122K

Madison, CO  
eFile®  
\$1,011

Brazos County, TX  
Odyssey®  
\$3,371K

Jackson, MS  
Vanguard®  
\$178K

Orlando, FL  
Info Public Safety™ & Records®  
\$490K

City of Dallas  
Odyssey® RPS  
\$201K

Tipton County, OH  
eFile® Records™  
\$12,538

Knoxville, OH  
Vanguard®  
\$1,431K

Winston-Salem, NC  
New World™ Public Safety  
\$151K

St. John County Sheriff, FL  
eFile® & eRecords™  
\$254K

Stafford County Schools, VA  
Vanguard®  
\$3,381K

Lawton, OK  
eFile® & eRecords™  
\$145K annually

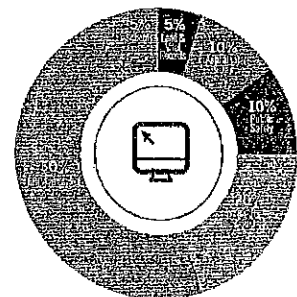
In addition to expanding our position in the United States through new wins and organic growth, Tyler is selectively exploring international strategic partnerships and targeted sales opportunities where Tyler's expertise, leadership and solutions are a natural fit. By investing in Record Holdings Pty Limited, an Australian company, and its U.S. subsidiary, For The Record, Tyler gained a strategic relationship in the Australian market, as well as access to a diverse suite of products that can serve as an extension of Tyler's Odyssey court case management system.

Tyler's strategic alliance with Microsoft to jointly develop Microsoft Dynamics® AX, an enterprise resource planning (ERP) system for the public sector, provides the long-term potential to generate royalty revenues from outside our traditional markets.

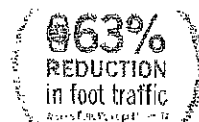
### Winning Big

Tyler's 2015 win with Cook County, Illinois, is a prime example of a second growth driver: growing our presence with larger governments. Tyler was well-positioned to address the need to replace the 40-year-old property tax system used by the second most populous county in the United States. After a rigorous competitive review process, Cook County selected Tyler's iFileWorld® appraisal and case administration software solution to serve as the central database for the county's 1.8 million real estate parcels. This \$30 million contract, which represents Tyler's biggest Appraisal & Tax software solution deal in history, includes software licenses, implementation, maintenance and support.

### REVENUE MIX



Another significant win that underscores the growth potential in e-filing solutions is the four-year, \$20 million contract with the Indiana Supreme Court. Tyler was chosen to implement the Odyssey File & Serve™ platform for the state of Indiana to handle an estimated 1.5 million filings annually for nearly 400 Indiana courts. This also represents the power of building on existing client relationships, as the court had already chosen Tyler's Odyssey® court case management software for Indiana trial and appellate courts.

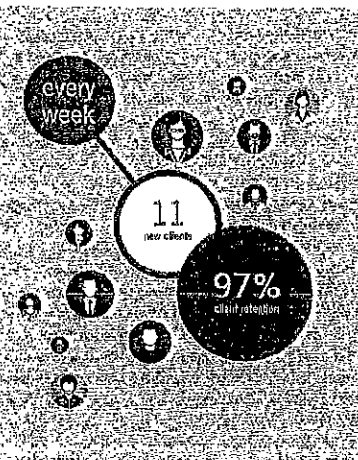


### Building on Relationships

A third driver of growth is expansion of our strong client relationships, which give us the credibility to broaden existing relationships and cross-sell solutions – adding additional applications within a suite of products, as well as additional product suites. Given Tyler's base of more than 14,000 local government offices, this ability represents a significant long-term growth opportunity.

The city of Newport News, Virginia, which already uses Tyler's Muris® ERP software suite and InWorld® appraisal and tax solution, announced an agreement for Tyler's EngGov™ planning and regulatory management suite. EngGov's web-enabled applications and self-service kiosks will expand the city's public access and its mobile applications will provide staff real-time access to data in the field, substantially reducing labor-intensive and redundant procedures.

The Superior Court of California, San Bernardino County, an existing client of our Odyssey® court case management software solution for traffic and criminal cases, signed a follow-on agreement to implement this solution for all of its remaining case types, including civil, family, juvenile and probate. Kern County, California, signed a \$5 million contract for the Odyssey integrated criminal justice solutions to be implemented in four Kern County criminal justice departments. In doing so, the county will join with Kern County Superior Court and other county justice agencies to operate on a single platform that



will streamline criminal justice processes and allow agencies to more efficiently share information with one another. Kern County also selected the New World public safety solution for its ability to provide mission-critical data in first responders in the sheriff's office. It also provides a streamlined system for submitting case reports by deputies.

Another cross-selling opportunity includes integrated solutions that help local governments across multiple departments. The town of Addison, Texas, signed a multi-solution agreement with Tyler that includes Tyler's Muris® ERP system, InWorld® court case management solution and EngGov™ planning, regulatory and maintenance platform. Contracts such as these not only help fulfill one of Tyler's strategies for organic growth, but also allow our clients to better serve their constituents with the support of innovative technology.



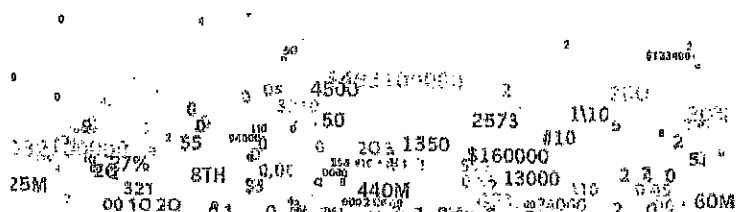
With a view toward cementing long-term relationships through outstanding support, Tyler has implemented a continuous improvement initiative that helps our clients maximize and protect their investment. everGuide® is a natural extension of Tyler's evergreen philosophy that ensures our clients have up-to-date product releases, as well as training and consulting services that help them take full advantage of their investments in our products. By equipping our clients to be responsive to their constituents, Tyler continues to support their success as we strengthen our business.

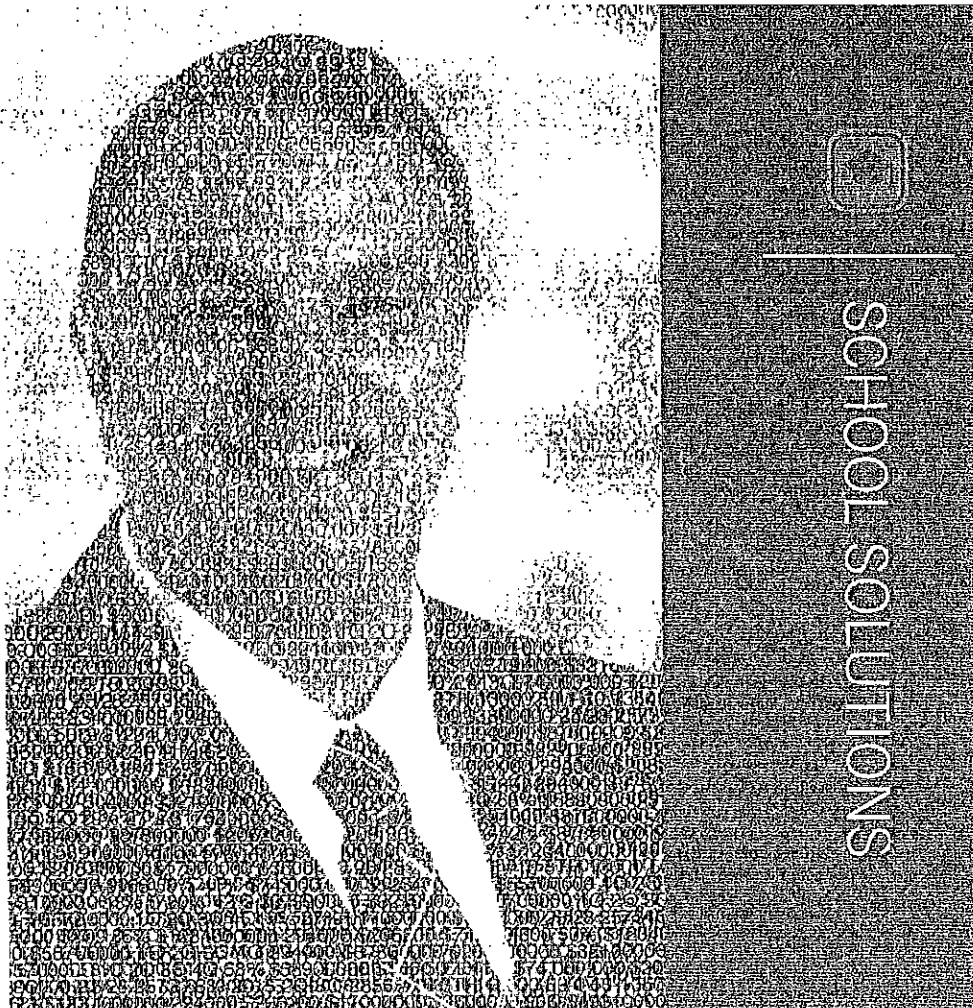
### Investing in Opportunity

Tyler also drives growth by broadening our product offerings through both acquisitions and internal product development. The most significant example of this is the November 2015 acquisition of New World Systems Corporation, a leading provider of public safety and financial solutions for local governments. While this acquisition, valued at \$700.3 million, is the largest in our history, New World's core competencies and culture are closely aligned with those of Tyler. In addition to expanding our industry-leading position in the public sector ERP market, acquiring New World launches Tyler into a leadership position in the public

safety market. Our Odyssey courts and justice solutions and New World public safety offerings are highly complementary, creating tremendous long-term opportunities for cross-selling and leveraging product development. With our vision of integrating Tyler's courts and justice products with New World's public safety products, Tyler is positioned to develop the first fully integrated end-to-end solution spanning public safety through all phases of criminal justice.

Internal development projects that expanded our product offerings include the launch of Tyler SIS™ mobile applications for smart phones and tablets that give school staff real-time, on-the-go access to student information. Tyler also launched Traveca's Token Server for the Traveca product, a comprehensive solution for bus routing, fleet maintenance, activity trips and many other transportation functions. The advancement standardizes user authentication, enabling streamlined access for the entire suite, including tablets and apps.





Tyler's integrated school management software offers student information, school financial and transportation solutions that help educators and administrators manage the needs of their constituents and put students first. From integrated financial solutions that take into account the unique budgeting, procurement and payroll needs of education clients to transportation offerings that enable efficient and safe transportation routing and management, Tyler's school solutions empower schools to focus on doing what they do best — educating students.

Tyler's key accomplishments included launching the new telematics group with Verstranta®, plus successful start-of-school-year go-lives including Tyler SIS® v9 (in 15 school districts) and v10 (in 12 school districts, spread across four new states). We also kicked off development for the Tyler SIS smartphone app for iOS® and Android™, and the Student 360 mobile app was made available for download at Apple® and Google® app stores. 2015 also saw the installation of our 10,000th Tyler Telematics™ GPS unit, a solution that, in addition to using global positioning system (GPS) to track vehicle position, provides real-time insight into driver behavior and vehicle data such as fuel consumption and oil pressure.

© 2015 Tyler Technologies, Inc. All rights reserved. Tyler Technologies is a registered trademark of Tyler Technologies, Inc.

37,253 citizens  
in Prince George County, Virginia

When Director of Technology John Brockwell  
helped implement Tyler SIS and Tyler Probe,

in Prince George County Public Schools,

~474 teachers

can track performance of 6,310 students

Identify at-risk students and make informed decisions  
that empower young learners to succeed

and reach their potential.

Nearly 5,000 government entities count on Tyler's financial solutions for efficient management of accounting, budgeting, payroll and human resources and for generating utility bills and collecting revenues.

Tyler continues to innovate with its enterprise resource planning (ERP) solutions to meet changing client needs. One notable advance was going live on multiple early-adoption sites with Muni v11, an HTML5 version that improves user and mobile experiences. Furthermore, Muni user group meetings were conducted for hundreds of clients across the country, which provided the opportunity for training, product updates and peer networking.

Notable contracts include the city of Bristol, Tennessee, which signed a seven-year software as a service (SaaS) agreement for an integrated suite of software solutions that included both our Muni ERP and Incode court case management solutions; and the city of Waco, Texas, who also selected multiple solutions, including Muni ERP, the EnerGov™ planning, regulatory and maintenance and Incode court solutions. The Gerald R. Ford International Airport in Grand Rapids, Michigan, chose Tyler's New World™ ERP solution.

Notable contracts for Tyler's Infinite Visions® financial and personnel management solutions include Alaska's Kodiak Island Borough School District and West Valley School District #208 in Yakima, Washington, which became the fourth client in Washington to leave the state's cooperative for school business software in favor of Infinite Visions.

201,560 citizens  
of Fannin County, Ga.

Shelby Adams ERP software helps  
Linda Fraley, County Auditor

account for a \$235 million budget

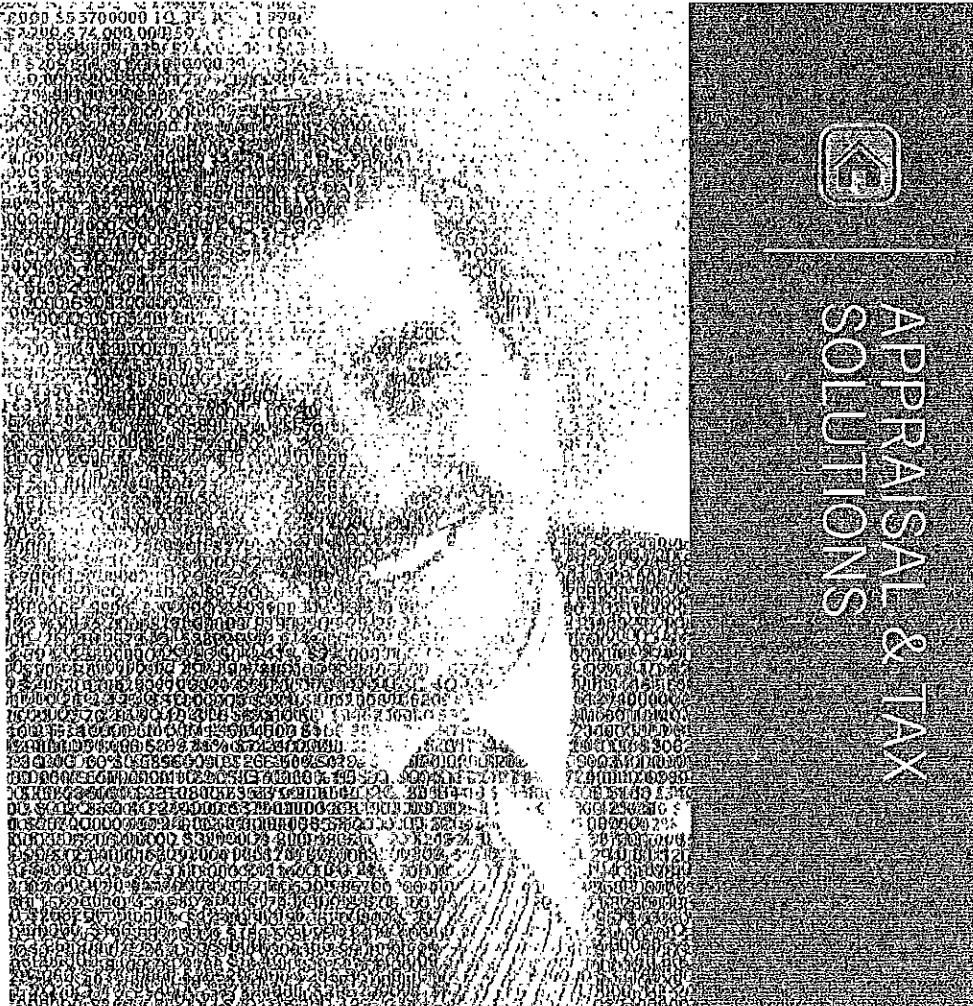
manages 1,500 county employees

and prepares year-end reports in the fall

and contributes to the state's ranking of top government

and her department was named "New York's Best" for the first time in 42 years.





## APPRAISAL & TAX SOLUTIONS

Tyler has served more than 1,000 taxing authorities throughout the United States and Canada with computer-assisted mass appraisal (CAAM) solutions, billing and collections software, and reassessment and revocation services.

One milestone for the Appraisal & Tax Division included completion of the firm's iWorld® Field Mobile pilot program with Greene County, Missouri, for testing and evaluation of features that allow appraisers to access, review and edit parcel-level data from the field. Another milestone was the Orion™ software rollout with the Texas Comptroller of Public Accounts.

Notable contracts included a \$6.8 million multiyear SaaS agreement with Lake County, Illinois, which includes the iWorld® appraisal and tax administration system, and a \$5.5 million agreement with Cobb County, Georgia, to provide commercial privatization of the county's commercial/industrial tax division using CLT Appraisal Services™.

536,433 citizens  
in Morgan County, Ohio  
where Tyler's CLT Appraisal Services and iWorld  
helped Auditor Karl Keith  
conduct a reappraisal of 250,932 properties  
including 473 blighted structures  
targeted for strategic demolition  
including those in Dayton, Ross's neighborhood where  
30 new high-quality, low-income homes  
are revitalizing the neighborhood  
for the 765 residents who live there

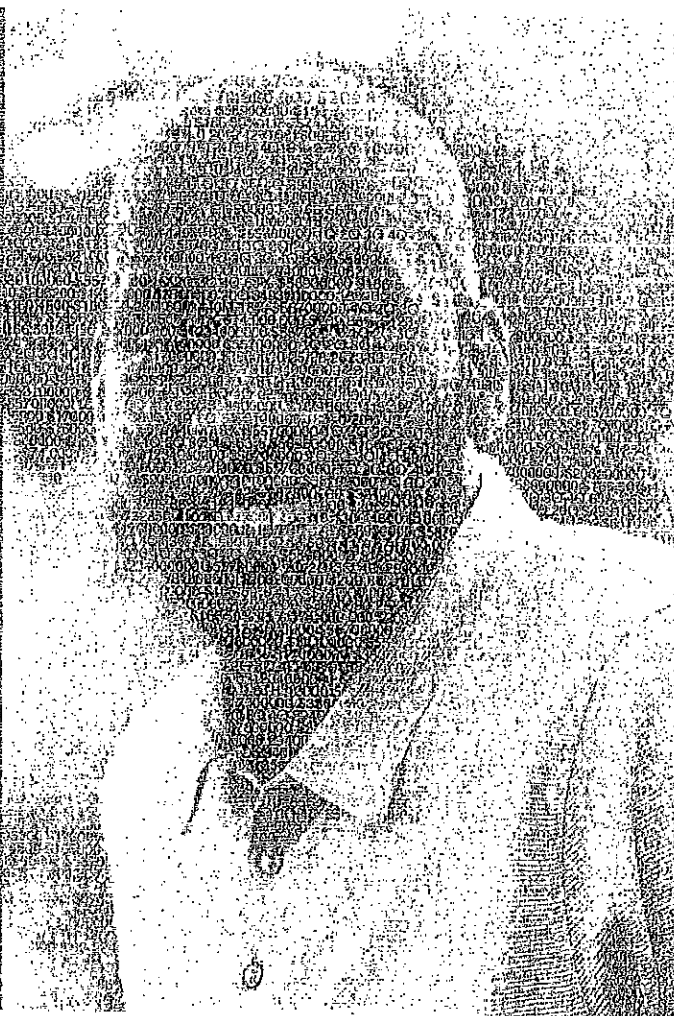
Our products centralize and connect processes across building departments, code enforcement, public works and other agencies, with 24-hour citizen access and mobile solutions that extend functionality into the field, creating efficiencies and increasing accuracy.

We expanded our product suite for the EnerGov™ planning, regulatory and maintenance solution to include modules for asset management, work order and maintenance management, request management, inspection and investigations, and inventory management. The enhanced product suite includes features that can spatially map assets and affiliate them with a designated source.

Contract successes include a new agreement with Maui County, Hawaii, to replace its legacy solution with Tyler's EnerGov platform. Maui County is unique due to its large percentage of rental vacation homes and the tourism industry, that combine to make real estate a primary driver of revenue and commerce. EnerGov will play a major role in the Maui Automated Planning and Permitting System (MAPPS) project, helping the county centralize its geospatial data by developing a countywide geographic information system (GIS) data repository to support county land management and other processes. As part of the project, EnerGov will team with longtime partner Esri, whose industry-leading GIS platform is embedded in EnerGov.

4.6 million citizens  
in Detroit, Colorado, Canada,  
across a customized EnerGov field app from Tyler  
and Esri's ArcGIS mobile app, respectively  
over 364,762 square miles  
conduct 34,208 physical assessments  
and find 6,467 physical assessment failures  
including 1 from a gas safety officer who  
avoided a methane leak, a safety risk and that  
left unaddressed could have resulted in a tragedy

## PLANNING REGULATORY & MAINTENANCE SOLUTIONS







## RECORDS & DOCUMENT SOLUTIONS

Our solutions are instrumental in the management of land records and other vital records, such as births, marriages and deaths, for more than 20 million citizens across the United States. A key benefit of Tyler's record and document management solutions is that the software is very flexible and responsive to legislative changes. When the Supreme Court of the United States ruled in June 2015 that same-sex marriage could marry, Tyler's Document Pro™ software was able to quickly and easily accommodate the necessary changes. The Eagle™ product suite also continues to help local government across the United States increase the number of paper documents converted into digital files.

Tyler's Eagle Records™ was chosen by Santa Clara County, California's fifth largest county with approximately 1.8 million residents, to replace the county's legacy system and simplify land, vital and clerk record management.

In : Lassen County, North Carolina

1,510 birth certificates

and 1,083 marriage licenses

are recorded annually by the Johnston County Register of Deeds using Eagle Records™ and Eagle Web.

providing 24/7 access to

more than 37,000 new public records annually

computer systems analyst Jeff Wilson

in charge of the field has right records call

and an accident report with his dog's name ending in a rescuee, a rescued whippet/lab mix named Marley.

Our products provide a broad range of functionality for courts, prosecutors, law enforcement, corrections and supervision staff. More than one-third of the nation's population lives in jurisdictions that have licensed Tyler's Odyssey® case management or e-filing solutions.

Key innovations and results in Courts & Justice included a go-live in Miami-Dade County, Florida (the seventh most populous county in the United States), and the rollout of eFileTexas to all 154 of the state's counties. There were also e-file go-lives with five pilot courts in Washington and Idaho. Tyler completed a total of 11 new Odyssey implementations in California courts in 2015, in jurisdictions including the counties of San Diego, San Mateo and Santa Cruz.

We also secured our first integrated justice contract in California. The \$5.0 million agreement with Kern County expands the county's use of the Odyssey® integrated criminal justice (ICJ) solution. The county's Odyssey ICJ agreement enables Kern Superior Court and county justice agencies to operate on a single platform that will streamline processes and allow agencies to more effectively share information. The agreement also included Odyssey Jail Manager™, can be implemented in the Sheriff's Office jail facilities and the Probation Department's juvenile detention facilities, and Odyssey Attorney Manager, to be implemented in both the Kern County District Attorney's and Public Defender's offices. This agreement marks a significant move forward in Tyler's efforts to provide an integrated solution that streamlines information sharing across multiple justice agencies.

489,250 citizens  
in Williamson County, Texas

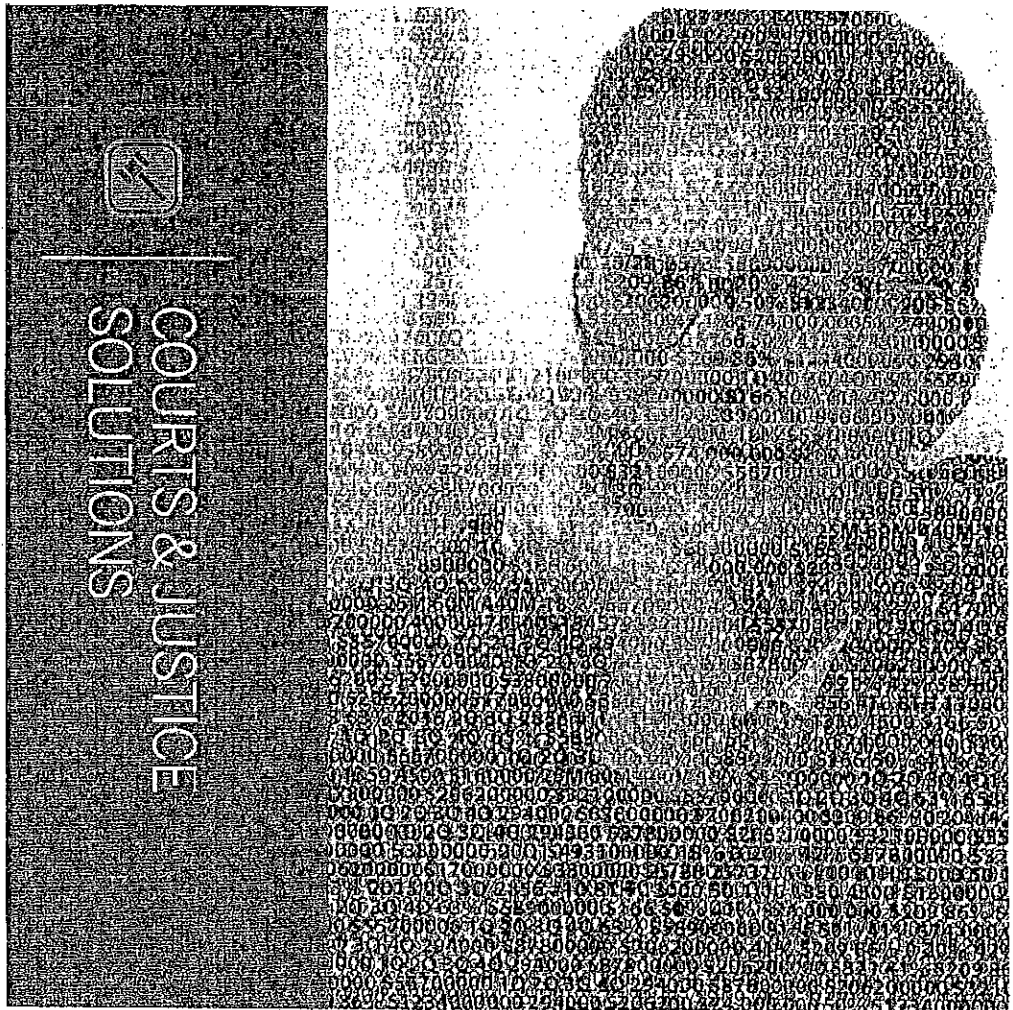
50,756 court filings  
processed electronically through eFileTexas™

eliminating 420,000 pieces of paper per year  
saving 500 square feet of office space

and enabling Precinct 3  
Justice of the Peace Bill Gravell, Jr.

to sign weekend court orders on his tablet from home

and get back to playing dolls with his granddaughter.







Tyler's public safety solutions facilitate 911 dispatching and streamline the sharing of mission-critical information among first responders, dispatchers, jail and other public safety entities.

A key innovation in our Public Safety product suite is the addition of the Tyler Public Safety® iPad app. The app delivers mission-critical functionality that enables first responders to make better decisions, communicate more effectively in the field, and increase officer safety by improving situational awareness. In Brown, Texas, the iPad app has enabled the Brown Police Department to decrease response time to less than five minutes and decrease mobile unit costs by roughly 77 percent while still keeping up with a rapidly increasing population and spending more time in the field.

Two acquisitions in 2015 boosted Tyler's product offerings and launched Tyler into a leadership position in the public safety sector. In May 2015, Tyler acquired Breco Technology Corporation, a provider of mobile handheld solutions used primarily by law enforcement agencies for issuing citations electronically and for field accident reporting. The acquisition of Breco represents an investment in line with Tyler's strategies for growth, complementing our existing suite of public safety solutions and expanding our mobile offerings.

The second acquisition – the largest in Tyler history – came in November 2015 when we acquired New World Systems Corporation. As a result, Tyler significantly expanded its position in the public safety market. Tyler's vision for the integration of the New World Systems public safety platform with Tyler's Odyssey® courts and justice solution will create the first true end-to-end law enforcement and integrated criminal justice solution in the market.

757,600 citizens  
in the state of Texas, including...

covered by 1,675 miles of roads  
including 2.3 miles of toll roads...

where Texas State Police Officer Alan Hardwick  
was a police officer...

ran the license plate check, Tyler's New World solution  
called for back up in 15 minutes...

captured an escaped convict  
within a few minutes...

© 2016 Tyler Technologies, Inc.



## Investing in Our Future

### Putting Capital to Work

In addition to providing consistent revenue and earnings growth over an extended period of time, Tyler's operations consistently generate very strong cash flow. Over the past five years, Tyler's free cash flow has averaged 1.3 times its non-GAAP net income. We continuously evaluate alternatives to put that cash flow to work to generate value for our shareholders, but also have shown patience and discipline in seeking compelling uses of cash. Our strong cash flow and solid balance sheet give us a great deal of flexibility in considering strategic investments.

Investing in our products and internal expansion through our research and development efforts is a priority for Tyler. With a team of more than 1,000 software engineers and developers, we continuously enhance existing products and develop innovative new solutions to address our clients' evolving needs and challenges. Although all of our development in recent years has been expensed, we consider those efforts to be an investment that provides long-term growth and strengthens our competitive position. In addition, our breadth of product and depth of resources enable us to leverage R&D efforts across multiple products, and over time, realize operating margin leverage.

Strategic acquisitions have also been a significant use of our cash. We've completed 22 acquisitions in the last decade, with the largest being the acquisition of New World Systems in 2015. Much of our M&A activity is aimed at broadening our offerings of products or services. Some of these, such as our 2015 acquisition of Braemar Technology, expand existing product suites, while others, such as New World, represent the strengthening of our leadership position in the public sector market. We also occasionally complete consolidation acquisitions, where the acquired business has products that overlap with our portfolio.

The third use of our cash is for stock repurchases. As with M&A, we take an opportunistic approach to buying our stock - buying more aggressively when we believe the market's valuation does not fully reflect our long-term view of Tyler's future prospects. From 2002 through the end of 2015, we have cumulatively repurchased 25.1 million shares of our common stock, at an average price of \$12.54 per share. With a board authorization to purchase 1.4 million additional shares at the end of 2015, we expect that stock repurchases will continue to represent a portion of our capital allocation.

### Fueling Innovation

While the majority of our developers work on business logic, functional technology and coding that are at the core of our products, other developers are dedicated to pure technology initiatives. In fact, in 2015 we created a new group focused on innovative technologies and their application across Tyler's product portfolio.

The way the public sector works is evolving, and Tyler is committed to leveraging the best of existing and emerging technologies that enable us to deliver solutions that help our clients address their changing needs. Increasingly, clients and their constituents have an expectation for information to be available from anywhere at any time. Tyler is responding to these changes and opportunities with mobile technologies and cloud computing solutions specifically designed for the unique needs of the public sector.

Mobile applications have become an important part of supporting our public sector solutions, whether they involve conducting an appraisal in the field, issuing a building permit or writing a traffic citation.

Tyler has also made strides in offering proven cloud-based solutions for virtually all of our products, and we remain committed to offering our clients the most effective and efficient software delivery system, whether online or on site. Tyler uses a hybrid cloud infrastructure that provides clients with always-on access to software and data. We also make investments in reengineering our products to work in the cloud, and we continue to invest significantly in our hosting facilities.

### Leading the E-Filing Revolution

The ability to view and file documents electronically and make electronic payments has revolutionized the way courts, taxing jurisdictions and other government entities can serve their constituents with greater transparency, accuracy and responsiveness. Tyler Technologies has been at the forefront of this monumental shift: its Odyssey File & Serve™ platform is now being used in more than 30 jurisdictions, including 11 implementations at the statewide level.

### SAS CONTRACTS



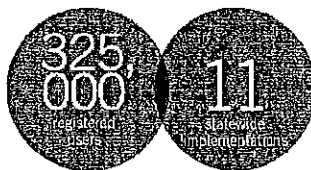
Nine California courts are using eFileCA to reduce costs, simplify filing processes, save paper, share information and increase citizens' fair access to justice. In Texas, Tyler successfully implemented eFile Texas in all 254 counties in the state nine months ahead of schedule. Already, eFile Texas has transformed the court system, reduced case backlog and facilitated confidence in the justice system. In 2015, Tyler also signed an agreement to implement a statewide e-filing system in Indiana and went live with pilot courts in Washington and Idaho.

The phenomenal growth in interest regarding e-filing solutions, the seamless integration across multiple jurisdictions and the almost-immediate benefits realized by the public sector make Tyler's e-filing solutions a strong area for growth.

## Fostering A Community Of Users

Tyler Technologies has achieved exceptionally high retention rates with both clients and employees for good reason. Many of our employees have worked in the public sector and bring a deep level of knowledge and understanding of the challenges our clients face in serving the public. They also bring a passion for helping our clients overcome those challenges, and gain personal satisfaction and fulfillment from providing solutions that truly make a difference in the lives of fellow citizens.

**E-FILING  
SOLUTIONS  
with Odyssey  
File & Serve™**



01

year

=



23

million documents

=



15

million filings

Tyler's leadership position, coupled with our low client attrition rate, has been intensively hard-earned. One of the reasons our client relations remain so strong is that we never take our clients' loyalty for granted. EverGuide™ is a continuous improvement initiative that revolves around ensuring that our clients are taking full advantage of our products; our evergreen philosophy ensures that their investment is protected with up-to-date technology through the life of the product.

Tyler also understands that our clients can learn from each other. User group meetings and our annual Tyler Connect user conference offer our clients the opportunity to network and share experiences and best practices face to face. The Tyler Community is an online forum where Tyler clients can share ideas, pose questions and help solve each other's problems.

Providing these opportunities for our clients also helps Tyler better understand our clients' wants and needs so that features and functionality can be developed according to their evolving requirements. In this way, we at Tyler are helping to fulfill our promise of empowering those who serve the public by helping our clients work together and share best practices.

## A Story of Service – A Story of Success

Every day at Tyler Technologies, we individually and collectively strive to build tools that genuinely help state and local governments and school districts work more efficiently, more cost-effectively and more transparently.

The Tyler story is grounded in the belief that we can help make communities stronger by empowering those who serve them. In this report, our numbers and our achievements add up to something bigger than our earnings. They add up to greater potential and a brighter future for our company, our investors, our clients and their citizens.

We call that  
a success story.



# 2015

FINANCIAL INFORMATION



**tyler**

technologies

Empowering people who serve the public®

# Stock Market Data

Our common stock is traded on the New York Stock Exchange under the symbol "TYL." At December 31, 2015, we had approximately 1,885 stockholders of record. Most of our stockholders hold their shares in street name; therefore, there are substantially more than 1,885 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
2014: First Quarter	\$ 107.93	\$ 81.54
Second Quarter	91.89	74.37
Third Quarter	97.53	84.70
Fourth Quarter	116.37	86.06
2015: First Quarter	\$ 128.34	\$ 108.13
Second Quarter	233.54	178.05
Third Quarter	326.01	277.26
Fourth Quarter	394.06	320.00

We did not pay any cash dividends in 2015 or 2014. 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.

During 2015, we purchased approximately 6,400 shares of our common stock for an aggregate purchase price of \$645,000. As of December 31, 2015, we had authorization to repurchase up to 1.4 million additional 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 2011. There is no expiration date specified for the authorization and we intend to repurchase stock under the plan from time to time.

## Selected Financial Data

### Selected Financial Data

In thousands, except per share data	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
<b>STATEMENT OF OPERATIONS DATA:</b>					
Revenue	\$91,022	\$493,101	\$416,643	\$393,304	\$309,391
Cost and expenses:					
Cost of revenues (a)	81,636	259,730	223,440	195,602	167,479
Selling, general and administrative expenses (a)	131,311	108,269	98,289	86,706	75,630
Research and development expenses	30,942	25,743	23,169	20,146	18,414
Amortization of customer and trade name intangibles (a)	5,965	4,546	4,517	4,279	3,331
Operating income	10,404	94,822	67,128	66,577	46,517
Other income (expenses), net	2,891	(335)	(1,309)	(2,705)	(2,404)
Income before income taxes	13,295	94,487	65,819	63,872	44,113
Income tax provision	49,656	35,827	26,718	20,874	15,856
Net income	\$ (36,361)	\$ 58,660	\$ 39,101	\$ 42,998	\$ 28,257
Net earnings per diluted share	\$ (1.77)	\$ 3.66	\$ 1.13	\$ 1.00	\$ 0.83
Weighted average diluted shares	20,544	16,001	34,590	42,915	34,164
<b>STATEMENT OF CASH FLOWS DATA:</b>					
Cash flows provided by operating activities	\$ 81,013	\$ 123,437	\$ 66,290	\$ 58,668	\$ 55,435
Cash flows used by investing activities	(328,489)	(11,689)	(26,680)	(34,736)	(28,808)
Cash flows provided (used) by financing activities	136,352	18,408	22,030	(18,552)	(25,414)
<b>BALANCE SHEET DATA:</b>					
Total assets	\$1,356,527	\$569,912	\$444,488	\$338,666	\$295,391
Working line of credit	60,000	—	—	18,000	60,700
Shareholders' equity	223,652	336,973	246,319	145,299	78,110

On November 16, 2015, we completed the acquisition of New World Systems Corporation ("NWS"). Our operating results include the results of NWS from the date of acquisition and include expenses of approximately \$6.5 million for financial advisory, legal, accounting, due diligence, valuation and other services necessary to complete the acquisition, as well as \$3.5 million of amortization expenses related to NWS acquisition intangibles.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

In addition to historical information, this Annual Report contains forward-looking statements. The forward-looking statements are made in reliance upon safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. Readers should carefully review the risk factors described in documents we file from time to time with the Securities and Exchange Commission.

When used in this Annual Report, the words "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," "plans," "intends," "continues," "may," "will," "should," "projects," "might," "could" or other similar words or phrases are intended to identify forward-looking statements. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are 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 Solutions ("ESS") 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 Software Solutions and Services ("ATSS") 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 17% in 2015 compared to 2014.

On November 15, 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 \$362.5 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 \$8.1 million in cash and 12,500 shares of Tyler common stock valued at \$1.5 million.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The operating results of NWS and Braemar are included with the operating results of the Enterprise Software Solutions 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 60% of our revenue in 2015. 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 in 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 2015, based on our number of customers, turnover was approximately 3%.
- **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 in connection with the life of a project. As of December 31, 2015, our total employee count increased to 3,586 from 2,856 at December 31, 2014. This increase includes 513 employees added as a result of acquisitions completed in 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

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 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

## Management's Discussion and Analysis of Financial Condition and Results of Operations

performance obligations. The guidance in the ASU supersedes existing revenue recognition guidance and is effective for annual reporting periods beginning after December 15, 2016 with early application not permitted. 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.

On August 12, 2015, the FASB voted for a one-year deferral of the effective date of the new standard and now requires application of the new standard no later than annual reporting periods beginning after December 15, 2017, including interim reporting periods therein. However, under the proposal, public entities would be permitted to elect to early adopt the new standard as of the original effective date. We currently expect to adopt the new standard in fiscal year 2018 in accordance with the revised effective date.

### Outlook

Activity in the local government software market continues to be good, and with the inclusion of NWS, our backlog at December 31, 2015 reached \$244.5 million, a 20% increase from last year. With our strong financial position and cash flow, we plan to accelerate our investment in product development with expanded research and development expense of approximately \$47.6 million. We believe that increasing the investment in our products will 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") 606, Revenue Recognition and ASC 980-606, 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 these 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,

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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 significant 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 of revenue recognition 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 those 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 605-20, 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 begun 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 retainable 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 has not been met. On a periodic basis, we review by customer the detail components of our deferred revenue to ensure our accounting remains appropriate.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

**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 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 names, 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. 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.



# Management's Discussion and Analysis of Financial Condition and Results of Operations

## 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, 2015, 2014 and 2013.

Years Ended December 31,	Percentage of Total Revenues		
	2015	2014	2013
<b>Revenues</b>			
Software licenses and royalties	10.0%	10.0%	9.8%
Subscriptions	13.8	17.8	14.8
Software services	23.7	23.1	22.4
Maintenance	41.8	43.1	45.0
Appraisal services	4.4	4.4	6.0
Hardware and other	1.6	1.6	2.0
<b>Total revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Operating Expenses</b>			
Cost of software licenses, royalties and acquired software	0.3	0.3	1.1
Cost of software services, maintenance and subscriptions	47.9	47.9	47.9
Cost of appraisal services	2.9	2.9	3.3
Cost of hardware and other	1.1	1.1	1.3
Selling, general and administrative expenses	22.0	22.0	23.6
Research and development expense	5.1	5.2	5.5
Amortization of customer and trade name intangibles	0.9	0.9	1.1
<b>Operating income</b>	<b>16.3</b>	<b>19.2</b>	<b>16.1</b>
Other income (expense), net	(0.1)	(0.1)	(0.2)
<b>Income before income taxes</b>	<b>16.4</b>	<b>19.1</b>	<b>15.8</b>
Income tax provision	7.3	7.3	6.4
<b>Net income</b>	<b>11.0%</b>	<b>11.5%</b>	<b>9.4%</b>

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## 2015 Compared To 2014

### Revenues

On November 16, 2015, we acquired NWS, which provides public safety and financial solutions for local governments and its operating results are included with the operating results of the ESS segment since the date of acquisition. The following table details revenue for NWS for the period from November 16, 2015 to December 31, 2015, which is included in our consolidated statement of comprehensive income:

(\$ in thousands)	2015
<b>Revenues</b>	
Software licenses	\$ 1,307
Subscriptions	2,062
Software services	5,034
Maintenance	339
Hardware and other	10
<b>Total revenues</b>	<b>\$10,004</b>

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. In August 2014, we acquired a company which provides civil process management, typically to county sheriff departments. The impact of these acquisitions on our operating results are not considered material and are not included in the table above. The results of their operations are included in our ESS segment from their respective dates of acquisition.

### 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		CHANGE	
	2015	2014	\$	%
ESS	\$4,376	\$46,047	\$ 4,379	10%
ATES	4,632	3,018	1,614	53
<b>Total software licenses and royalties revenue</b>	<b>\$9,008</b>	<b>\$49,065</b>	<b>\$ 9,943</b>	<b>20%</b>

Excluding the results of acquisitions, software license revenue increased 16% 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.

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 2015 was approximately 76% selecting perpetual software license arrangements and approximately 24% selecting subscription-based arrangements.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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 133 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	
			\$	%
ESS	\$107,030	\$84,322	\$22,708	27%
ATSS	4,845	5,526	1,317	37
Total subscriptions revenue	\$111,875	\$89,848	\$24,025	27%

Subscription-based services revenue primarily consists of revenue derived from our SaaS arrangements, which utilize the Tyler Praxis 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.

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 65 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	
			\$	%
ESS	\$129,658	\$104,146	\$24,922	24%
ATSS	10,761	9,675	1,109	11
Total software services revenue	\$139,362	\$113,821	\$26,031	23%

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 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.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Maintenance

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

(\$ in thousands)	2015	2014	CHANGE	
			\$	%
ESS	\$287,885	\$195,481	\$92,404	47%
ATSS	17,661	16,615	1,136	7
Total maintenance revenue	\$305,546	\$212,096	\$93,450	44%

We provide maintenance and support services for our software products and certain third-party software. Excluding the results of acquisitions, maintenance revenue grew 42% 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	
			\$	%
ESS	\$2,000	\$2,000	\$0	0%
ATSS	23,065	21,802	1,263	6%
Total appraisal services revenue	\$25,065	\$23,802	\$1,263	5%

The appraisal services business is somewhat cyclical and driven in part by statutory revaluation cycles in various states. 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 mid-2014. In mid-2015, Franklin County, Ohio began a full reappraisal cycle, which also contributed to appraisal services revenue.

### 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)	2015	2014	CHANGE	
			\$	%
Software licenses and royalties	\$1,832	\$1,800	\$32	2%
Acquired software	4,460	1,800	2,660	148%
Software services, maintenance and subscriptions	236,363	236,363	\$0	0%
Appraisal services	14,284	14,284	\$0	0%
Hardware and other	8,325	8,325	\$0	0%
Total cost of revenues	\$259,730	\$259,730	\$0	0%

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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:

	2016	2014	CHANGE	
(\$ in thousands)			\$	%
Selling, general and administrative expenses	\$193,317	\$168,260	\$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, wraparound and other various services necessary to complete the NWS acquisition. In addition, our 2015 expense requirements of \$0.1 million of SG&A expenses for KWS for the 2015-2016 period are expected to increase to \$0.2 million. In addition, we expect our 2015 SG&A expenses to increase as a result of increased staff headcount, higher stock compensation expense and increased transaction expenses as a result of higher sales. Excluding 14 employees added with acquisitions, we have additional 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 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:

			CHANGE	
(\$ in thousands)	2015	2014	\$	%
Research and development expense	\$29,921	\$25,743	\$4,179	16%

Research and development expenses consist mainly of costs associated with development of new products and technology, from which we do not currently generate revenue, as well as costs related to the ongoing development efforts for Microsoft Dynamics AX. In February 2015, we announced that our contractual research and development commitment to develop public sector functionality for Microsoft Dynamics AX expires with the release of Dynamics AX 7, which is expected to occur in the first quarter of 2016. We are currently discussing with Microsoft Corporation the possibility of additional research and development beyond Dynamics AX 7. If we cannot agree to terms of any future commitments, we will continue to provide sustained engineering and technical support for the public sector functionality of Dynamics AX through the end of 2016. Our research and development efforts for the domestic and International sales of Dynamics AX in public sector entities will continue under the terms of the contract.

Research and development expense in 2015 includes approximately \$1.5 million related to NVS. 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**  
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 revenue, 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.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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

In thousands	2015	2014	CHANGE	
			\$	%
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 nine years.

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 is as follows (in thousands):

2016	\$13,448
2017	13,448
2018	13,259
2019	11,844
2020	10,795

Amortization expense relating to acquired leases will be recorded as a reduction to other income and is expected to be \$441,000 in 2015, \$444,000 in 2017, \$425,000 in 2018, \$372,000 in 2019, \$313,000 in 2020 and \$1.7 million thereafter.

## Other

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

In thousands	2015	2014	CHANGE	
			\$	%
Other income (expense), net	-\$3,901	\$(589)	\$736	N/A

Other income (expense) is comprised of interest income from invested cash, as well as interest expense and non-usage and other fees associated with our revolving credit agreement. 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 2016, we had significantly higher invested cash balances than 2014 until we completed the MWA acquisition on November 16, 2016.

## 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	
			\$	%
Income tax provision	\$43,557	\$35,527	\$8,029	23%
Effective income tax rate	40.5%	37.6%		

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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 MWA 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 2015 and 2014 that generated excess tax benefits of \$45.3 million and \$19.4 million, respectively.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## 2014 Compared to 2013 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)	2014	2013	CHANGE	
			\$	%
ESS	\$45,047	\$38,774	\$7,273	19%
ATSS	3,018	2,067	951	46
Total software licenses and royalties revenue	\$49,065	\$40,841	\$8,224	20%

Software license and royalties revenue growth was mainly 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 increased investments in product development over the past few years. An increase in the number of larger contracts, in particular in the courts and justice market, also contributed to the growth in license revenue.

Software license revenue was reduced somewhat because of a growing number of clients choosing our subscription based options, rather than purchasing the software under a traditional perpetual software license arrangement. 138 new clients entered into subscription-based software arrangements in 2014 compared to 100 new clients in 2013.

### Subscriptions

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

(\$ in thousands)	2014	2013	CHANGE	
			\$	%
ESS	\$94,322	\$89,070	\$5,252	43%
ATSS	8,526	2,794	732	26
Total subscriptions revenue	\$102,848	\$91,864	\$10,984	42%

Subscription-based services revenue increased 42% compared to 2013. E-filing services contributed approximately \$13.3 million of the subscriptions revenue increase in 2014. Most of this e-filing revenue increase related to higher revenue from a contract with the Texas Office of Court Administration for our Odyssey File and Serve e-filing system for Texas courts ("eFileTexas.gov") for civil court filings, which was implemented in September 2013. The state of Texas mandated all counties use eFileTexas.gov. This contract provided a recurring revenue stream that totaled \$17.0 million in 2014. New SaaS clients as well as existing clients who converted to our SaaS model provided the remainder of the subscriptions revenue increase. In 2014, we added 138 new SaaS clients and 99 existing clients elected to convert to our SaaS model.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Software Services

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

(\$ in thousands)	2014	2013	CHANGE	
			\$	%
ESS	\$104,146	\$85,869	\$18,277	20%
ATSS	9,675	7,806	1,869	24
Total software services revenue	\$113,821	\$93,675	\$20,146	22%

Software services grew 22% in 2014 mainly due to much higher revenue from new proprietary software arrangements, slightly higher rates on certain services and additions to our professional services 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)	2014	2013	CHANGE	
			\$	%
ESS	\$195,881	\$175,180	\$20,701	12%
ATSS	16,815	16,540	275	2
Total maintenance revenue	\$212,696	\$191,720	\$20,976	11%

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)	2014	2013	CHANGE	
			\$	%
ESS	\$ —	\$ —	\$ —	—%
ATSS	21,882	20,825	977	5
Total appraisal services revenue	\$21,882	\$20,825	\$ 977	6%

Appraisal services 2014 revenue benefited by the mid-year addition of several new valuation contracts in New York and the recent appraisal cycle in Indiana.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cost of Revenue 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)	2014	2013	CHANGE	
			\$	%
Software licenses and royalties	\$ 1,900	\$ 2,377	\$ (477)	(20)%
Acquired software	1,858	2,078	(220)	(11)
Software services, maintenance and subscriptions	236,363	199,517	36,746	18
Appraisal services	14,284	13,809	475	3
Hardware and other	5,325	5,559	(234)	(4)
Total cost of revenues	\$259,730	\$223,440	\$36,290	16%

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

Gross Margin Percentage	2014	2013	CHANGE
Software licenses, royalties and acquired software	92.3%	89.1%	3.2%
Software services, maintenance and subscriptions	43.0	42.4	0.6
Appraisal services	34.5	33.7	0.8
Hardware and other	32.3	31.6	0.7
Overall gross margin	47.3%	46.4%	0.9%

Software licenses, royalties and acquired software. In 2014, our software licenses, royalties and acquired software gross margin percentage increased compared to 2013 mainly due to higher revenues from proprietary software revenues, which have a higher gross margin than third-party software.

Software services, maintenance and subscription-based services. The software services, maintenance and subscriptions gross margin percentage increased mainly due to revenue from a contract with the Texas Office of Court Administration for eFilingTexas.gov to manage e-filing of court documents. This contract began in September 2013, but we incurred initial startup costs in 2013 for which there were very limited related revenues. The addition of revenue from this contract since 2013 accounted for most of the gross margin increase. The gross margin increase was offset somewhat by costs related to accelerated hiring to ensure that we are well-positioned to deliver our current backlog and anticipated new business. Our implementation, development and support staff has increased in 2014 by 216 employees since 2013.

Appraisal services. The appraisal services gross margin increased slightly compared to 2013. 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.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Our blended gross margin for 2014 increased 0.9% from 2013. The gross margin increase was mainly due to a revenue mix that included more software license revenue and subscription revenue and in particular, increased revenue from e-filing in Texas. This improvement in gross margin was offset somewhat by expenses associated with increased hiring of implementation, development and support 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:

(\$ in thousands)	2014	2013	CHANGE	
			\$	%
Selling, general and administrative expenses	\$196,260	\$99,289	\$96,971	10%

SG&A as a percentage of revenue was 22.0% in 2014 compared to 23.6% in 2013. Approximately one-third of the SG&A expense increase was from higher commission expense due to sales growth. Stock compensation expense contributed approximately one-quarter of the increase primarily due to increases in our stock price. The remaining increase consisted of higher bonuses related to operating results, annual wage adjustments and increased travel expenses.

### Research and Development Expense

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

(\$ in thousands)	2014	2013	CHANGE	
			\$	%
Research and development expense	\$25,743	\$29,269	\$2,474	1%

In 2014, research and development expense increased 11% compared to 2013 due to annual wage adjustments and increased staffing to maintain and enhance our competitive position.

### 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:

(\$ in thousands)	2014	2013	CHANGE	
			\$	%
Amortization of customer and trade name intangibles	\$4,846	\$4,617	\$229	1%

In 2014, we completed one acquisition that increased amortizable customer and trade name intangibles by approximately \$1.0 million. This amount is being amortized over a weighted average period of 12 years.

### Other

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

(\$ in thousands)	2014	2013	CHANGE	
			\$	%
Other income (expense), net	\$(185)	\$(1,309)	\$964	(73)%

Other expense, net was primarily comprised of interest expense, non-usage and other fees associated with a revolving line of credit agreement that matured in August 2014, offset somewhat by interest income associated with invested cash balances. Interest expense declined compared to the prior year because we repaid all borrowings under the revolving credit agreement in early 2013, and had no debt outstanding during 2014.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Income Tax Provision

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

in thousands	2014	2013	CHANGE	
			\$	%
Income tax provision	\$55,527	\$26,718	\$28,809	108%
Effective income tax rate	37.6%	40.6%		

The effective income tax rates were different from the statutory United States federal income tax rate of 35% due to state income taxes, non-deductible share-based compensation expense, the qualified manufacturing activities deduction, disqualifying incentive stock option dispositions and non-deductible meals and entertainment costs. The qualified manufacturing activities deduction increased in 2014, which contributed to a lower effective tax rate.

We experienced significant stock option exercise activity in 2014 and 2013 that generated excess tax benefits of \$19.4 million and \$28.2 million, respectively. Excess tax benefits reduce tax payments but do not significantly reduce the effective tax rate and can result in limitations on other deductions. In 2013, limitations resulting from excess tax benefits eliminated the qualified manufacturing activities deduction, which negatively impacted our effective tax rate.

## Financial Condition and Liquidity

As of December 31, 2015, we had cash and cash equivalents of \$39.1 million compared to \$206.2 million at December 31, 2014. We also had \$30.9 million invested in investment grade corporate and municipal bonds as of December 31, 2015. These investments mature between 2016 and mid-2017 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, 2015, we had \$66.0 million in outstanding borrowings and an outstanding letter of credit totaling \$1.6 million in connection with one contract. We do not believe this letter of credit will be required to be drawn upon. This letter of credit expires in mid-2016. We believe our revolving line of credit, cash from operating activities, cash on hand and access to the credit 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 years ended December 31:

in thousands	2015	2014	2013
Cash flows provided (used) by:			
Operating activities	\$ 82,013	\$123,437	\$66,090
Investing activities	\$(39,439)	\$(11,656)	\$(25,650)
Financing activities	\$1,368	15,409	32,038
Net (decrease) increase in cash and cash equivalents	\$43,942	\$106,181	\$72,478

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.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

In 2015, operating activities provided cash of \$89.0 million. Operating activities that provided cash were primarily comprised of net income of \$64.9 million, non-cash depreciation and amortization charges of \$19.6 million and non-cash share-based compensation expense of \$20.2 million. Cash provided by operating activities was negatively impacted in 2015 by tax payments that were \$17.1 million higher than the prior year partly due to more taxable income and partly due to timing of stock option exercises and our ability to utilize related excess tax credits to determine estimated tax payments during the year. Our excess tax credit in 2015 was \$46.3 million of which, over 70% was generated in the fourth quarter and as a result we recorded a \$21.1 million income tax receivable at December 31, 2015. Accounts receivable also increased due to timing of annual maintenance and subscription billings due to growth in our customer base as well as normal maintenance billings of approximately \$13.0 million associated with NWS. These negative impacts on operating cash were offset somewhat by growth in deferred maintenance revenue. 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 heaviest renewal cycles occur in the second and fourth quarters. In addition, deferred revenue included one unusually large customer deposit of \$7.5 million at December 31, 2015.

Days sales outstanding in accounts receivable were 100 days at December 31, 2015, compared to 80 days at December 31, 2014, mainly due to the impact on the DSO calculation of having approximately seven weeks of post-acquisition revenues from NWS but included all of their outstanding accounts receivable at December 31, 2015. DSOs are calculated based on accounts receivable (excluding long-term receivables, but including unbilled receivables) divided by the quotient of annualized quarterly revenues divided by 360 days. Excluding NWS, DSOs were 79 days at December 31, 2015.

Investing activities used cash of \$39.4 million in 2015 compared to \$11.6 million in 2014. On November 16, 2015, we acquired all of the capital stock of 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 received at December 31, 2015, and 2.1 million shares of Tyler common stock valued at \$362.5 million. On May 29, 2015, we acquired all of the capital stock of Brazos Technology Corporation, which provides mobile hand held solutions primarily to law enforcement agencies for field accident reporting and electronically logging 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. 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 maturing between 2016 and mid-2017. 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. These expenditures were funded from cash generated from operations, cash on hand and bank borrowings.

In 2014, we completed the acquisition of SoftCode, Inc. for a purchase price of \$3.5 million in cash, of which \$325,000 was received at December 31, 2014, and 16,640 shares of Tyler common stock valued at \$1.5 million. The remaining use of cash in 2014 was comprised primarily of capital expenditures related to computer equipment, furniture and fixtures in support of internal growth. Investing activities in 2013 included \$20.3 million paid in connection with the construction of an office building in Plano, Texas.

Financing activities provided cash of \$1.4 million in 2015 compared to \$15.4 million in 2014. Financing activities were comprised of net borrowings of \$66.0 million, collections of \$27.8 million from stock option exercises and employee stock purchase plan activity and \$45.3 million excess tax benefit from exercises of share-based arrangements. 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. Financing activities in 2014 were comprised of collections of \$16.8 million from stock option exercises and contributions from the employee stock purchase plan and \$19.4 million excess tax benefit from exercises of share-based arrangements. These increases were offset somewhat by purchases of 294,000 shares of our common stock for an aggregate purchase price of \$22.6 million.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Financing activities in 2015 were comprised of collections of \$21.5 million from stock option exercises and employee stock purchase plan activity and \$28.2 million excess tax benefit from exercises of share-based arrangements, offset partially by \$18.0 million in net payments on our revolving line of credit.

The share repurchase program, which was approved by our board of directors, was announced in October 2002, and was amended at various times from 2003 through 2011. As of December 31, 2015, we had remaining authorization to repurchase up to 1.4 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, 2015 and through February 22, 2016, we purchased approximately 241,000 shares of our common stock for an aggregate cash purchase price of \$31.3 million.

On November 16, 2015 we entered into a \$300.0 million Credit Agreement (the "Credit Facility") with various lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent. The Credit Facility provides for a revolving credit line of \$300.0 million with 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. In 2015, we paid \$2.1 million in related debt issuance costs, which are included with other assets on the accompanying balance sheet.

Borrowings under the Credit Facility bear interest at a 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 2015, our effective average interest rate for borrowings was 1.5%. As of December 31, 2015 our interest rate was 1.6%. 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, 2015, we were in compliance with these covenants.

At December 31, 2015, we had \$66.0 million in outstanding borrowings and unused borrowing capacity of \$234.0 million under the Credit Facility.

We paid income taxes, net of refunds received, of \$27.3 million in 2015, \$10.2 million in 2014, and \$9.3 million in 2013. We experienced significant stock option exercise activity in 2015 that generated \$48.3 million excess tax benefit. Excess tax benefits reduce tax payments but do not significantly reduce the effective tax rate and can result in limitations on other deductions. However, more than 70% of our 2015 excess tax benefit was generated in the fourth quarter of 2015 and as a result we recorded an income tax receivable of \$21.1 million, which will reduce income tax payments in 2016. In 2014 and 2013, excess tax benefits were \$19.4 million and \$28.2 million, respectively.

Excluding acquisitions, we anticipate that 2016 capital spending will be between \$31.0 million and \$33.0 million. We expect the majority of this capital spending will consist of computer equipment and software for infrastructure replacements and expansion. We also expect to purchase a leased office building in Falmouth, Maine for approximately \$10.0 million. We currently do not expect to capitalize significant amounts related to software development in 2016, 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

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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 2022. 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, 2015 (in thousands):

	2016	2017	2018	2019	2020	Thereafter	Total
Revolving line of credit	\$ —	\$ —	\$ —	\$ —	\$66,000	\$ —	\$66,000
Lease obligations	\$,912	\$,250	\$,845	\$,204	\$,050	\$,223	\$24,484
Total future payment obligations	\$,912	\$,250	\$,845	\$,204	\$69,050	\$2,223	\$90,484

As of December 31, 2015, 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, 2015, our capitalization consisted of \$66.0 million of outstanding borrowings and \$858.9 million of shareholders' equity.

### 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, 2015, we had \$66.0 million in outstanding borrowings under the Credit Facility. Loans under the Credit Facility bear interest, at Teller'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 2015, our effective average interest rate for borrowings was 1.8%. As of December 31, 2015 our interest rate was 1.6%. The Credit Facility is secured by substantially all of our assets.

Assuming borrowings of \$66.0 million, a hypothetical 10% increase in our interest rate at December 31, 2015 for a one year period would result in approximately \$106,000 of additional interest rate expense.



## Controls And Procedures

### Controls And Procedures

**Evaluation of Disclosure Controls and Procedures**— We maintain disclosure controls and procedures (as defined in Rule 13a-15(a) 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, 2015. 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, 2015.

**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, 2015. 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, 2015, Tyler's internal control over financial reporting was effective based on these criteria.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of New World Systems Corporation, which is included in our 2015 consolidated financial statements and constituted 57% of total assets as of December 31, 2015 and 2% of revenues for the year then ended.

Tyler's internal control over financial reporting as of December 31, 2015 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 59 hereof.

**Changes in Internal Control Over Financial Reporting**— During the quarter ended December 31, 2015, 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.

## Report Of Independent Registered Public Accounting Firm

**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, 2015, 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.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of New World Systems Corporation, which is included in the 2015 consolidated financial statements of Tyler Technologies, Inc. and constituted 57% of total assets as of December 31, 2015 and 2% of revenues for the year then ended. Our audit of internal control over financial reporting of Tyler Technologies, Inc. also did not include an evaluation of the internal control over financial reporting of New World Systems Corporation.

In our opinion, Tyler Technologies, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, 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, 2015 and 2014, 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, 2015 and our report dated February 24, 2016 expressed an unqualified opinion thereon.

Dallas, Texas  
February 24, 2016

*Ernst & Young LLP*



# Report Of Independent Registered Public Accounting Firm

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, 2015 and 2014, 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, 2015. 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, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company has adopted ASU 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.

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, 2015, 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 24, 2016 expressed an unqualified opinion thereon.

Dallas, Texas  
February 24, 2016

*Ernst + Young LLP*

## Consolidated Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income	2015	2014	2013
For the years ended December 31,			
In thousands, except per share amounts			
<b>Revenue</b>			
Software licenses and royalties	\$ 69,018	\$ 46,065	\$ 40,841
Subscriptions	111,934	87,840	61,864
Software services	139,892	113,821	93,267
Maintenance	145,637	212,636	191,720
Appraisal services	125,040	21,802	20,828
Hardware and other	6,627	7,669	8,126
Total revenues	558,120	493,101	416,643
<b>Cost of revenues</b>			
Software licenses and royalties	1,655	1,900	2,377
Acquired software	4,400	1,855	2,078
Software services, maintenance and subscriptions	285,340	236,363	199,617
Appraisal services	15,392	14,284	13,809
Hardware and other	5,501	6,328	6,559
Total cost of revenues	312,288	260,730	223,440
Gross profit	\$ 245,832	\$ 232,371	\$ 193,203
Selling, general and administrative expenses	133,817	168,260	98,299
Research and development expense	89,930	26,743	23,269
Amortization of customer and trade name intangibles	6,895	4,586	4,517
Operating income	115,280	94,822	67,138
Other income (expense), net	(84)	(955)	(1,369)
Income before income taxes	115,196	93,867	65,769
Income tax provision	45,358	26,827	26,718
Net income	\$ 69,838	\$ 67,040	\$ 39,051
<b>Earnings per common share:</b>			
Basic	\$ 1.80	\$ 1.79	\$ 1.23
Diluted	\$ 1.77	\$ 1.66	\$ 1.13
Unrealized gains on investment securities available-for-sale	\$ —	\$ —	\$ 341
Income tax benefit related to components of other comprehensive income	—	—	119
Other comprehensive income, net of tax	\$ —	\$ —	\$ 222
Comprehensive income	\$ 69,838	\$ 67,040	\$ 39,322

See accompanying notes.

# Consolidated Balance Sheets

## Consolidated Balance Sheets

December 31,	2015	2014
In thousands - except par value and share amounts		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 33,007	\$206,167
Accounts receivable (less allowance for losses of \$1,040 in 2015 and \$1,725 in 2014)	175,360	112,660
Short-term investments	1,423	—
Prepaid expenses	82,884	17,051
Income tax receivable	21,090	19
Other current assets	1,831	339
Total current assets	395,595	337,036
Accounts receivable, long-term	2,777	1,781
Property and equipment, net	101,112	65,910
Deferred income taxes	—	5,604
Other assets:		
Goodwill	853,646	124,142
Other intangibles, net	296,078	34,722
Cost method investment	18,900	—
Non-current investments and other assets	20,422	737
	\$1,556,570	\$569,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,769	\$ 4,110
Accrued liabilities	45,190	39,505
Deferred revenue	201,007	189,212
Total current liabilities	253,066	232,827
Revolving line of credit	16,000	—
Deferred revenue, long-term	3,119	—
Deferred income taxes	91,086	—
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$10.00 per share; 1,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 49,347,969 shares issued in 2015 and 2014	491	481
Additional paid-in capital	107,795	201,389
Accumulated other comprehensive loss, net of tax	(124)	(46)
Retained earnings	540,510	541,156
Treasury stock, at cost: 11,379,646 and 14,678,782 shares in 2015 and 2014, respectively	(75,293)	(126,081)
Total shareholders' equity	569,012	569,012

See accompanying notes.

# Consolidated Statements of Shareholders' Equity

## Consolidated Statements of Shareholders' Equity

For the years ended December 31, 2015, 2014 and 2013

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Shareholders' Equity
	Shares	Amount			Shares	Amount
In thousands:						
Balance at December 31, 2012	48,148	\$ 481	\$154,010	\$126	—	\$145,239
Net income	—	—	—	39,101	—	39,101
Unrealized gain on investment securities, net of tax	—	—	222	—	—	222
Issuance of shares pursuant to stock compensation plan	—	—	(13,742)	—	1,443	18,299
Stock compensation	—	—	11,883	—	—	11,883
Issuance of shares pursuant to employee stock purchase plan	—	—	2,034	—	68	3,642
Federal income tax benefit related to exercise of stock options	—	—	20,213	—	—	20,213
Balance at December 31, 2013	48,148	481	182,126	146	202,210	545,519
Net income	—	—	—	50,940	—	50,940
Issuance of shares pursuant to stock compensation plan	—	—	(17,449)	—	856	14,590
Stock compensation	—	—	14,819	—	—	14,819
Issuance of shares pursuant to employee stock purchase plan	—	—	2,236	—	53	4,144
Federal income tax benefit related to exercise of stock options	—	—	10,415	—	—	19,415
Treasury stock purchases	—	—	—	—	(294)	(22,817)
Issuance of shares for acquisition	—	—	193	—	17	1,473
Balance at December 31, 2014	48,148	481	201,989	(46)	261,160	545,519
Net income	—	—	—	67,663	—	67,663
Issuance of shares pursuant to stock compensation plan	—	—	(4,332)	—	1,118	22,150
Stock compensation	—	—	30,182	—	—	30,182
Issuance of shares pursuant to employee stock purchase plan	—	—	3,679	—	83	4,873
Federal income tax benefit related to exercise of stock options	—	—	26,314	—	—	45,314
Treasury stock purchases	—	—	—	—	(5)	(44)
Issuance of shares for acquisitions	—	—	352,859	—	2,148	31,074
Balance at December 31, 2015	48,148	\$ 481	\$207,785	\$ 44	\$326,019	\$569,012

See accompanying notes.

# Consolidated Statements of Cash Flows

## Consolidated Statements of Cash Flows

For the year ended December 31,	2015	2014	2013
In thousands			
Cash flows from operating activities:			
Net income	\$ 64,889	\$ 58,340	\$39,101
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	19,572	14,605	13,786
Share-based compensation expense	14,119	14,819	11,653
Provision for losses - accounts receivable	1,765	1,497	723
Excess tax benefit from exercises of share-based arrangements	(40,314)	(19,402)	(28,207)
Deferred income tax benefit	(7,250)	(5,604)	(1,497)
Changes in operating assets and liabilities, net of effects of acquired companies:			
Accounts receivable	(69,722)	(8,312)	(7,488)
Income tax receivable	24,285	23,117	18,858
Prepaid expenses and other current assets	(3,484)	(3,696)	(4,164)
Accounts payable	1,652	1,886	(574)
Accrued liabilities	100	6,326	7,655
Deferred revenue	33,731	31,561	16,186
Net cash provided by operating activities	88,013	123,437	66,090
Cash flows from investing activities:			
Cost of acquisitions, net of cash acquired	(339,367)	(3,282)	(131)
Purchase of cost method investment	(10,000)	—	—
Purchase of marketable security investments	(31,937)	—	—
Proceeds from marketable security investments	290	808	1,090
Additions to property and equipment	(17,691)	(9,343)	(26,858)
Decrease in other	10	222	291
Net cash used by investing activities	(398,404)	(11,895)	(28,608)
Cash flows from financing activities:			
Increase (decrease) in net borrowings on revolving line of credit	85,000	—	(18,000)
Purchase of treasury shares	(6,051)	(22,817)	—
Contributions from employee stock purchase plan	4,071	4,144	3,542
Proceeds from exercise of stock options	15,140	14,680	18,289
Debt issuance costs	(8,134)	—	—
Excess tax benefit from exercises of share-based arrangements	48,314	10,402	20,207
Net cash provided by financing activities	138,260	15,409	32,038
Net (decrease) increase in cash and cash equivalents	(12,131)	122,291	73,470
Cash and cash equivalents at beginning of period	206,147	78,876	4,406
Cash and cash equivalents at end of period	\$ 194,016	\$ 201,167	\$ 77,876

See accompanying notes.

## Notes to Consolidated Financial Statements

(Tables in thousands, except per share data)

### (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.

### 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; and
- 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 continuing 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") 985-608, 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.

## Notes to Consolidated Financial Statements

### 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 these 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, Multiple Elements Arrangements. 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 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 in which we first determine that a loss is apparent. For 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 quarter immediately 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 purpose. 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

Revenues 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

## Notes to Consolidated Financial Statements

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 605-26, 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 three 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 set 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

## Notes to Consolidated Financial Statements

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 support and 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 apparel 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 allowances 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 \$29.9 million during 2015, \$25.7 million during 2014, and \$23.3 million during 2013.

## Notes to Consolidated Financial Statements

### 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.

On November 20, 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The standard amends the current requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, entities will now be required to classify all deferred tax assets and liabilities as noncurrent. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We early adopted this standard during fourth quarter 2015, utilizing the retrospective application as permitted. As such, certain prior period amounts have been reclassified to conform to the current presentation.

### 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.

### 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 2015, 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

## Notes to Consolidated Financial Statements

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 2016, we have \$30.9 million in investment grade corporate and municipal bonds with maturity dates ranging from 2018 through mid-2017. 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.

On January 30, 2016, we made 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 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 large 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 \$33.1 million. We perform periodic evaluations of the credit standing of these financial institutions.

## Notes to Consolidated Financial Statements

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, 2015.

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,	2015	2014	2013
Balance at beginning of year	\$ 1,326	\$ 1,113	\$ 1,621
Provisions for losses - accounts receivable	766	1,897	729
Collection of accounts previously written off	189	—	—
Decrements for accounts charged off or credits issued	(1,694)	(1,208)	(1,232)
Balance at end of year	\$ 1,587	\$ 1,792	\$ 2,119

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 connection with these contracts, as well as certain software service contracts, we may perform work prior to which 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 \$29.7 million and \$14.8 million at December 31, 2015 and 2014, respectively. We also have recorded retention receivables of \$4.7 million at December 31, 2016 and 2014, respectively, and these receivables 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.



## Notes to Consolidated Financial Statements

### 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 if 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 in 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

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 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 guidance in the ASU supersedes existing revenue recognition guidance and is effective for annual reporting periods beginning after December 15, 2016 with early application not permitted. 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.

On August 12, 2016, the FASB voted for a one-year deferral of the effective date of the new standard and now requires application of the new standard no later than annual reporting periods beginning after December 15, 2017, including interim reporting periods therein. However, under the proposal, public entities would be permitted to elect to early adopt the new standard as of the original effective date. We currently expect to adopt the new standard in fiscal year 2018 in accordance with the revised effective date.

## Notes to Consolidated Financial Statements

### (2) Acquisitions

#### 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 \$397.5 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 \$352.8 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.

Tyler has performed a preliminary valuation analysis of the fair market value of NWS' assets and liabilities. The following table summarizes the allocation of the preliminary purchase price as of the acquisition date.

Cash	\$ 22,486
Accounts receivable	37,098
Other current assets	8,371
Property and equipment	30,572
Identifiable intangible assets	264,914
Goodwill	527,618
Accounts payable	(1,382)
Accrued expenses	(7,882)
Deferred revenue	(51,058)
Deferred tax liabilities, net	(104,404)
<b>Total consideration</b>	<b>\$ 718,813</b>

In connection with this transaction we acquired total tangible assets of \$70.1 million and assumed liabilities of approximately \$61.8 million. We recorded goodwill of \$527.6 million, none of which is expected to be deductible for tax purposes, and other intangible assets of approximately \$264.8 million. Approximately \$264.1 million of intangible assets is attributable to customer relationships, acquired software and trade names and will be amortized over a weighted average period of approximately 11 years. Also included in other intangibles is an asset for approximately \$3.7 million to reflect the fair value of existing lease agreements, and this intangible will be amortized over the weighted average life of these lease agreements of approximately 9 years and reduces other income. In addition, we recorded deferred tax liabilities of \$104.6 million related to estimated fair value allocations. We believe this transaction will broaden our costs and practice software solutions and will create a unique end-to-end enterprise criminal justice solution. We believe that likely market participants for this transaction would be onetime in the judicial and public safety markets. Therefore, the goodwill of \$527.6 million arising from this acquisition is primarily attributed to our ability to integrate NWS solutions with our existing portfolio and generate increased revenues, earnings and cash flow. As of December 31, 2015, the purchase price allocation for NWS is not yet complete. The preliminary estimates of fair value assumed at the acquisition date for intangible assets, receivables and deferred revenue and related deferred taxes are subject to change as valuations are finalized.

## Notes to Consolidated Financial Statements

The following unaudited pro forma information of the consolidated results of operations have been prepared as if the NWS acquisition had occurred at January 1, 2014, after giving effect to certain adjustments, including amortization of intangibles, interest, transaction costs and tax effects. The pro forma results of operations include compensation costs of \$16.2 million and \$16.0 million in 2015 and 2014, respectively, for certain NWS executives whose employment terminated at the date of acquisition.

Pro forma information does not include acquisitions that are not considered material to our results of operations. The pro forma information does not purport to represent what our results of operations actually would have been had each transaction or event occurred on the dates specified, or to project our results of operations for any future period.

For the years ended December 31:	2015	2014
Revenues	\$381,733	\$390,071
Net income	\$5,164	44,430
Basic earnings per common share	0.68	1.26
Diluted earnings per common share	1.01	1.10

On May 29, 2015, we acquired all of the capital stock of Brazos Technology Corporation ("Brazos"), which provides mobile and 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 12,600 shares of Tyler common stock valued at \$1.6 million. As a result, we acquired total intangible assets of approximately \$2.1 million and assumed liabilities of approximately \$2.6 million. We have recorded total goodwill of approximately \$1.9 million, all of which is expected to be deductible for tax purposes, and other intangible assets of approximately \$6.2 million. The \$5.2 million of intangible assets is attributable to customer relationships, acquired software and trade names and will be amortized over a weighted average period of approximately ten years.

The operating results of NWS and Brazos are included with the operating results of the Enterprise Software Solutions segment since their dates of acquisition. Revenues from NWS included in 2015 results of operations totaled approximately \$10.0 million and net income was not significant. Our balance sheet as of December 31, 2015, reflects the allocation of the purchase price to the assets acquired based on their fair value at the date 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.

### 2014

On August 29, 2014, we acquired all of the capital stock of SoftCode, Inc. ("SoftCode"), which develops and sells civil process management software, typically to county sheriff departments. The purchase price, net of cash acquired of \$71,000, was \$3.5 million in cash, of which \$325,000 was accrued at December 31, 2014, and 16,540 shares of Tyler common stock valued at \$1.4 million, based on the stock price on the acquisition date.

## Notes to Consolidated Financial Statements

### (3) Property and Equipment, Net

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

	Useful Lives (years)	2015	2014
Land		\$ 8,744	\$ 7,736
Building and household improvements	5-39	77,050	51,309
Computer equipment and purchased software	3-5	42,248	34,068
Furniture and fixtures	5	16,601	11,612
Transportation equipment	5	202	218
		146,845	105,133
Accumulated depreciation and amortization		(35,212)	(39,243)
Property and equipment, net		\$111,112	\$ 65,810

Depreciation expense was \$9.1 million during 2015, \$7.9 million during 2014, and \$6.4 million during 2013.

We own office buildings in Bangor and Yarmouth, Maine; Lubbock and Plano, Texas; Troy, Michigan; and Norwalk, Ohio. We lease some space in these buildings to third-party tenants. These leases expire between 2016 and 2025 and are expected to provide rental income of approximately \$1.7 million during 2016, \$1.6 million during 2017, \$1.6 million during 2018, \$1.6 million during 2019, \$1.3 million during 2020, and \$6.6 million thereafter. Rental income from third-party tenants was \$93,000 in 2015, \$946,000 in 2014, and \$704,000 in 2013.

### (4) Goodwill and Other Intangible Assets

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

	2015	2014
Gross carrying amount of identifiable intangibles		
Customer related intangibles	\$185,671	\$61,326
Acquired software	272,664	86,103
Trade name	10,765	3,331
Leases acquired	3,654	—
	472,754	150,760
Accumulated amortization	(63,418)	(63,037)
Total intangibles, net	\$419,336	\$ 87,723

Total amortization expense for intangibles was \$10.3 million in 2015, \$5.4 million in 2014, and \$6.8 million during 2013.

# Notes to Consolidated Financial Statements

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

	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization
Non-amortizable intangibles:						
Goodwill	\$ 853,400	—	—	\$ 124,142	—	\$ —
Amortizable intangibles:						
Customer related intangibles	161,671	16 years	28,764	91,326	16 years	33,134
Acquired software	172,869	7 years	32,690	93,103	5 years	28,441
Trade name	10,785	12 years	1,747	3,331	15 years	1,402
Leases acquired	2,594	9 years	—	—	—	—

The changes in the carrying amount of goodwill for the two years ended December 31, 2015, are as follows:

	Enterprise Software Solutions	Applicant and Tax Software Solutions and Services	Total
Balance as of December 31, 2013	\$ 114,464	\$ 6,957	\$ 121,421
Goodwill acquired during 2014 related to the purchase of SoftCode	3,131	—	3,131
Balance as of December 31, 2014	117,665	6,957	124,622
Goodwill acquired during 2015 related to the purchase of NYS	627,819	—	627,819
Goodwill acquired during 2016 related to the purchase of Gratus	1,206	—	1,206
Balance as of December 31, 2016	\$ 746,690	\$ 6,957	\$ 753,647

Estimated annual amortization expense relating to acquired leases will be recorded as a reduction to other income and is expected to be \$444,000 in 2016, \$444,000 in 2017, \$426,000 in 2018, \$372,000 in 2019, \$313,000 in 2020 and \$1.7 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:

2016	\$35,182
2017	34,204
2018	33,628
2019	32,100
2020	30,604

# Notes to Consolidated Financial Statements

## (6) Accrued Liabilities

Accrued liabilities consist of the following at December 31:

	2015	2014
Accrued wages, bonuses and commissions	\$37,008	\$30,977
Other accrued liabilities	17,169	8,631
	\$54,177	\$39,608

## (6) Revolving Line of Credit

On November 16, 2016, 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 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 1.6%. 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 these covenants.

As of December 31, 2015, we had \$66.0 million in outstanding borrowings and unused borrowing capacity of \$234.0 million under the Credit Facility. In addition, as of December 31, 2015, we had an outstanding \$1.5 million letter of credit in favor of one of our clients. The letter of credit guarantees our performance under a software contract and expires in 2016.

We paid interest of \$223,000 in 2015.

## (7) Income Tax

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

Year ended December 31,	2015	2014	2013
Current:			
Federal	\$42,841	\$34,504	\$25,625
State	6,670	4,387	2,920
	\$49,511	\$38,891	\$28,545
Deferred	(7,984)	(3,604)	(1,497)
	\$41,527	\$35,287	\$27,048

## Notes to Consolidated Financial Statements

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

Years ended December 31,	2015	2014	2013
Federal income tax expense at statutory rate	\$37,849	\$33,064	\$25,037
State income tax, net of federal income tax benefit	8,715	2,857	8,371
Non-deductible business expenses	3,614	1,483	1,110
Qualified manufacturing activities	(663)	(1,780)	—
Other, net	(37)	(169)	200
	\$48,838	\$35,527	\$35,718

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

	2015	2014
Deferred income tax assets:		
Operating expenses not currently deductible	\$ 5,993	\$ 5,093
Stock option and other employee benefit plans	15,504	9,816
Capital loss and credit carryforwards	175	177
Property and equipment	—	46
Total deferred income tax assets	21,672	15,132
Deferred income tax liabilities:		
Intangible assets	(11,559)	(13,424)
Property and equipment	12,761	—
Other	(236)	(203)
Total deferred income tax liabilities	(1,034)	(13,627)
Net deferred income tax (liability) asset	\$ 20,638	\$ 1,505

In 2014, we utilized approximately \$650,000 of net operating loss carryforwards for federal income tax reporting purposes. The full amount of the net operating loss utilized was attributable to excess tax benefits related to share-based arrangements for which authoritative guidance prohibited the recognition of a deferred tax asset in 2013. In 2014, this tax benefit was accounted for as an increase to shareholders' equity and a reduction in income tax payable. In total, we recognized approximately \$45.3 million and \$19.4 million of excess tax benefits related to share-based arrangements in 2015 and 2014, respectively, as a credit to shareholders' equity and a reduction in income taxes payable.

Although realization is not assured, we believe it is more likely than not that all the deferred tax assets at December 31, 2015 and 2014 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.

The Internal Revenue Service ("IRS") is examining our U.S. income tax return for the year 2012. In addition, there is one open state until for the year 2011. As of February 22, 2016, no significant adjustments have been proposed by the IRS. 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 examinations for years before 2012. We are no longer subject to state and local income tax examinations by tax authorities for the years before 2011.

## Notes to Consolidated Financial Statements

We paid income taxes, net of refunds received, of \$27.3 million in 2015, \$10.2 million in 2014, and \$9.3 million in 2013.

### (8) Shareholders' Equity

The following table details activity in our common stock:

	Years ended December 31,			
	2015		2014	
	Shares	Amount	Shares	Amount
Stock option exercises	1,118	\$ 28,160	866	\$ 14,640
Purchases of common stock	(6)	(646)	(254)	(21,817)
Employee stock plan purchases	43	\$ 871	53	\$ 1,144
Shares issued for acquisitions	2,149	\$ 84,344	17	\$ 1,473

Subsequent to December 31, 2015 and through February 22, 2016, we repurchased 241,000 shares for an aggregate purchase price of \$31.3 million. As of February 22, 2016, we had authorization from our board of directors to repurchase up to 1.2 million additional shares of our common stock.

### (9) Share-Based Compensation

#### Share-Based Compensation Plans

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.

As of December 31, 2015, there were 3.7 million shares available for future grants under the plan from the 20.0 million shares previously approved by the stockholders.

#### 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 have 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.

# Notes to Consolidated Financial Statements

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:

Year ended December 31,	2015	2014	2013
Expected life (in years)	6.0	6.0	6.4
Expected volatility	28.3%	30.9%	32.4%
Risk-free interest rate	1.7%	1.8%	1.4%
Expected forfeiture rate	3.0%	3.0%	3.0%

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

Year ended December 31,	2015	2014	2013
Cost of software services, maintenance and subscriptions	\$ 3,350	\$ 2,177	\$ 1,509
Selling, general and administrative expenses	10,862	12,642	10,144
Total share-based compensation expenses	20,182	14,819	11,653
Tax benefit	(6,595)	(4,237)	(2,353)
Net decrease in net income	\$ 14,196	\$ 10,582	\$ 9,299

# Notes to Consolidated Financial Statements

## 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, 2012	5,711	\$26.85		
Granted	1,453	67.08		
Exercised	(1,443)	12.68		
Forfeited	(0)	60.17		
Outstanding at December 31, 2013	5,720	34.66		
Granted	675	94.15		
Exercised	(856)	17.17		
Forfeited	(3)	37.44		
Outstanding at December 31, 2014	6,637	44.61		
Granted	747	116.71		
Exercised	(1,118)	50.71		
Forfeited	(2)	79.91		
Outstanding at December 31, 2015	6,164	64.43		\$568,295
Forfeited at December 31, 2015	3,946	40.69		\$255,307

We had unvested options to purchase 3.1 million shares with a weighted average grant date exercise price of \$78.86 as of December 31, 2015 and unvested options to purchase 3.3 million shares with a weighted average grant date exercise price of \$56.61 as of December 31, 2014. As of December 31, 2015, we had \$60.8 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 3.4 years.

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

	2015	2014	2013
Weighted average grant-date fair value of stock options granted	\$ 46.17	\$ 31.52	\$ 23.27
Total intrinsic value of stock options exercised	\$ 149,610	\$ 69,760	\$ 9,393

## 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, 2015, there were 899,000 shares available for future grants under the ESPP from the 2.0 million shares previously approved by the stockholders.

## Notes to Consolidated Financial Statements

### (10) Earnings Per Share

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

Years ending December 31,	2015	2014	2013
Numerator for basic and diluted earnings per share:			
Net income	\$24,668	\$28,040	\$39,101
Denominator:			
Weighted-average basic common shares outstanding	34,137	33,011	31,891
Assumed conversion of dilutive securities:			
Stock options	2,413	2,390	2,689
Denominator for diluted earnings per share	36,550	35,401	34,580
Earnings per common share:			
Basic	\$ 1.80	\$ 1.79	\$ 1.23
Diluted	\$ 1.77	\$ 1.66	\$ 1.13

Stock options representing the right to purchase common stock of 417,000 shares in 2016, 481,000 shares in 2014, and 62,000 shares in 2013 were not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

### (11) Leases

We lease office facilities for use in our operations, as well as transportation, computer and other equipment. We also have an office facility lease agreement with an entity owned by an executive's father and brother. The executive does not have an interest in the entity that leases the property to us and the lease arrangement existed at the time we acquired the business unit that occupies this property. Most of our leases are non-cancelable operating lease agreements and they expire at various dates through 2022. In addition to rent, the leases generally require us to pay taxes, maintenance, insurance and certain other operating expenses.

Rent expense was approximately \$7.2 million in 2016, \$6.7 million in 2014, and \$7.5 million in 2013, which included rent expense associated with related party lease agreements of \$1.8 million in 2016, \$1.7 million in 2014, and \$1.7 million in 2013.

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

Years ending December 31,	
2016	\$ 5,912
2017	6,250
2018	3,815
2019	3,204
2020	3,060
Thereafter	2,223
	\$24,464

Included in future minimum lease payments are non-cancelable payments due to related parties of \$1.9 million in 2016, \$1.9 million in 2017 and \$14,000 in 2018.

## Notes to Consolidated Financial Statements

### (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 achieved operating results \$6.3 million during 2016, \$4.3 million during 2014, and \$3.6 million during 2013.

### (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 Solutions ("ESS"). The ESS 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 Software Solutions and Services ("ATSS") 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 revenue 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.

ESS segment capital expenditures 2013 included \$19.6 million for the construction of a new building and purchase of an existing building and land.

## Notes to Consolidated Financial Statements

As of the year ended December 31, 2015	Enterprise Software Solutions	Approval and Tax Software Solutions and Services	Corporate	Total
Revenues				
Software licenses and royalties	\$ 88,336	\$ 5,802	\$ —	\$ 94,138
Subscriptions	107,090	893	—	111,003
Software services	28,093	10,784	—	38,877
Maintenance	222,506	7,851	—	230,357
Approval services	—	58,309	—	58,309
Hardware and other	8,399	5,332	2,480	16,211
Intercompany	6,025	—	(6,025)	—
Total revenues	\$ 559,059	\$ 88,774	\$ (1,345)	\$ 646,488
Depreciation and amortization expense	\$ 16,418	\$ 2,897	\$ 2,389	\$ 21,704
Segment operating income	\$ 541,401	\$ 85,046	\$ (3,634)	\$ 622,813
Capital expenditures	\$ 15,111	\$ 646	\$ 4,446	\$ 20,203
Segment assets	\$ 2,958,277	\$ 224,285	\$ 1,996,410	\$ 5,178,972

As of the year ended December 31, 2014	Enterprise Software Solutions	Approval and Tax Software Solutions and Services	Corporate	Total
Revenues				
Software licenses and royalties	\$ 45,047	\$ 3,016	\$ —	\$ 48,063
Subscriptions	84,332	3,886	—	88,218
Software services	104,146	9,675	—	113,821
Maintenance	195,031	16,616	—	211,647
Approval services	—	21,802	—	21,802
Hardware and other	8,399	11	2,480	7,890
Intercompany	2,812	—	(2,812)	—
Total revenues	\$ 436,665	\$ 54,347	\$ (362)	\$ 490,650
Depreciation and amortization expense	\$ 11,140	\$ 866	\$ 2,389	\$ 14,395
Segment operating income	\$ 424,525	\$ 53,481	\$ (2,751)	\$ 475,255
Capital expenditures	\$ 3,644	\$ 359	\$ 4,446	\$ 8,449
Segment assets	\$ 1,702,369	\$ 18,463	\$ 989,980	\$ 2,710,812

## Notes to Consolidated Financial Statements

As of the year ended December 31, 2013	Enterprise Software Solutions	Approval and Tax Software Solutions and Services	Corporate	Total
Revenues				
Software licenses and royalties	\$ 38,774	\$ 2,047	\$ —	\$ 40,821
Subscriptions	59,070	2,794	—	61,864
Software services	85,489	7,008	—	92,497
Maintenance	176,180	15,840	—	192,020
Approval services	—	20,826	—	20,826
Hardware and other	6,342	—	1,784	8,126
Intercompany	2,899	—	(2,899)	—
Total revenues	\$ 367,754	\$ 50,034	\$ (1,115)	\$ 416,673
Depreciation and amortization expense	\$ 10,569	\$ 1,028	\$ 2,189	\$ 13,786
Segment operating income	\$ 357,185	\$ 48,006	\$ (3,304)	\$ 401,887
Capital expenditures	\$ 22,457	\$ 295	\$ 3,438	\$ 26,190
Segment assets	\$ 161,823	\$ 16,244	\$ 255,321	\$ 433,388

Reconciliation of reportable segment operating income to the Company's consolidated totals:	2015	2014	2013
Total segment operating income	\$ 622,813	\$ 475,255	\$ 401,887
Amortization of acquired software	(1,115)	(1,115)	(1,115)
Amortization of customer and trade name intangibles	(4,545)	(4,545)	(4,545)
Other income (expense), net	201	(355)	(1,309)
Income before income taxes	\$ 616,354	\$ 469,240	\$ 395,918

## (15) Quarterly Financial Information (unaudited)

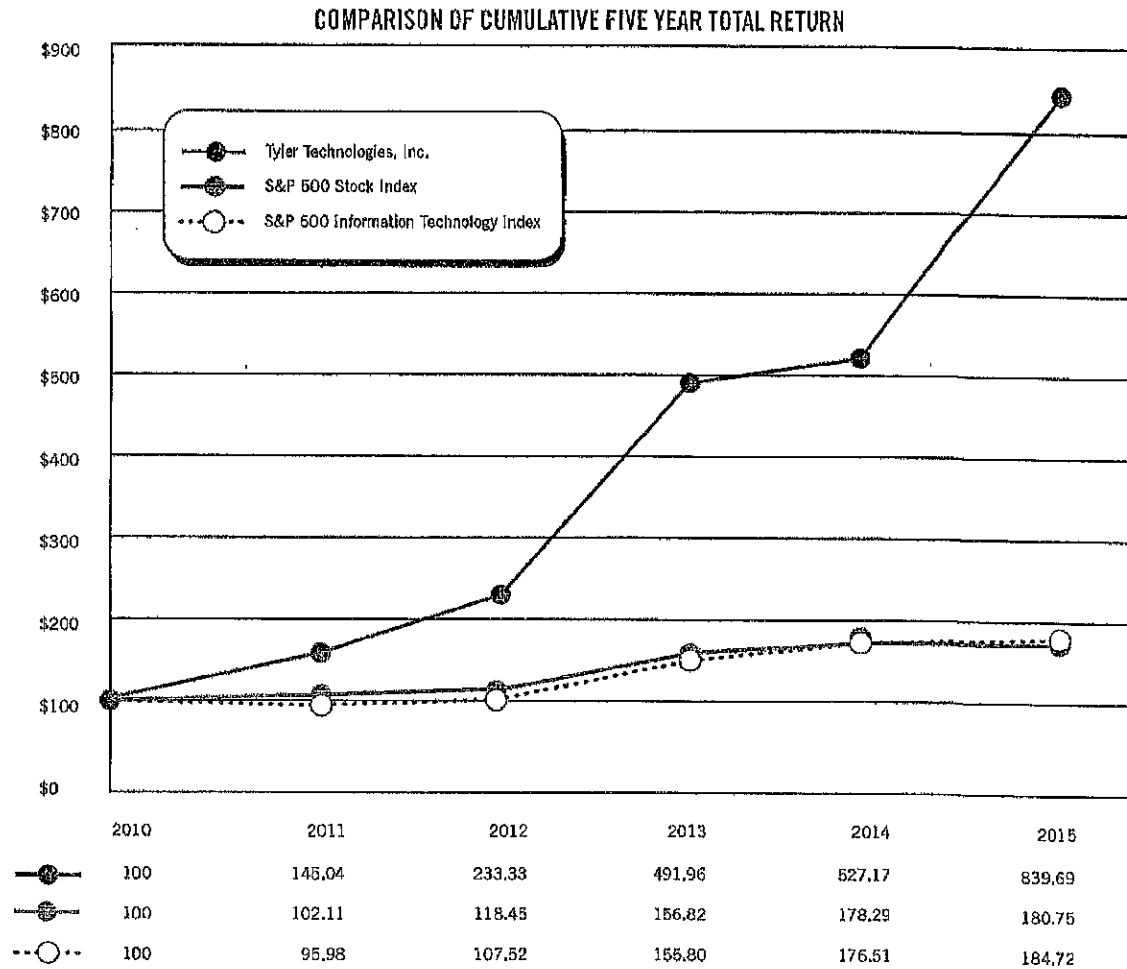
The following table contains selected financial information from unaudited statements of income for each quarter of 2015 and 2014.

	2015				2014			
Quarters ended	Dec. 31 (a)	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue	\$ 159,016	\$ 150,645	\$ 146,202	\$ 134,665	\$ 127,440	\$ 120,664	\$ 124,371	\$ 112,628
Gross profit	75,223	71,831	65,253	60,878	60,491	61,792	68,858	62,630
Income before income taxes	19,840	51,744	20,781	27,359	24,760	26,698	23,405	19,408
Net income	8,618	20,115	18,334	17,272	15,317	17,000	14,746	11,083
Earnings per diluted share	0.31	0.60	0.68	0.68	0.43	0.40	0.42	0.33
Shares used in computing diluted earnings per share	27,864	33,343	26,897	25,365	35,661	42,284	35,161	33,000

(a) Operating results for the three months ended December 31, 2015, include \$5.5 million for financial advisory, legal, accounting, due diligence, valuation and other services necessary to complete the NWS acquisition as well as \$3.5 million amortization expense related to NWS acquisition intangibles.

## Performance Graph

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, 2010. 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.





## STOCKHOLDER INFORMATION

### Corporate Officers

John M. Yeaman  
Chairman of the Board

John S. May Jr.  
President and Chief Executive Officer

Charles R. Womble  
Executive Vice President

John K. Miller  
Executive Vice President  
Chief Financial Officer and Treasurer

H. Lynn Moore Jr.  
Executive Vice President  
General Counsel and Secretary

Bruce E. Gaulton  
Chief Strategy Officer

Matthew B. Allen  
Chief Information Officer

Samuel R. Crosby  
Chief Marketing Officer

W. Michael Smith  
Chief Accounting Officer

Robert J. Samonte  
Vice President  
Human Resources

Tyrell A. Alford  
Controller

### Board of Directors

John M. Yeaman  
Chairman of the Board  
Tyler Technologies, Inc.

Donald W. Beaudin<sup>1,2,4</sup>  
President  
Brenata and Associates, LLC

Glen A. Carter<sup>3,4</sup>  
Retired Chief Executive Officer  
DataVault, Inc.

Brenda A. Cline<sup>1,3</sup>  
Executive Vice President  
Randall Art Foundation

J. Luther King Jr.<sup>4,5</sup>  
Chief Executive Officer  
Luther King Capital Management

John S. May Jr.<sup>1</sup>  
President and Chief Executive Officer  
Tyler Technologies, Inc.

Dennis R. Womble<sup>1</sup>  
Executive Vice President  
Tyler Technologies, Inc.

Larry D. Leinweber  
Retired President and  
Chief Executive Officer  
New World Systems Corporation

<sup>1</sup>Executive Director  
<sup>2</sup>Public Company  
<sup>3</sup>Member of the Committee on  
<sup>4</sup>Compensation and Governance  
<sup>5</sup>Chairman of the Board

### Corporate Headquarters

5101 Yermoland Parkway  
Plano, Texas 75024  
972.713.3700  
www.tyler-tech.com

### Transfer Agent and Registrar

American Stock Transfer & Trust Company  
29 Motion Lane  
Plaza Level  
New York, New York 10038  
800.337.5447  
718.236.2641 fax  
www.amstock.com

### Independent Registered Public

Accounting Firm  
Ernst & Young LLP  
Dallas, Texas

### Annual Meeting of Stockholders

Wednesday, May 11, 2016  
9:30 a.m. CDT  
The Westin Sanchar  
1519 Legacy Drive  
Plano, Texas 75074

### Certifications

We submitted an unqualified Annual  
CERT Certification to the New York Stock  
Exchange (NYSE) as required by the NYSE  
Listed Company rules. We also filed with  
the Securities and Exchange Commission  
the Chief Executive Officer and Chief  
Financial Officer certifications required  
under Section 302 of the Securities Act  
as exhibits to our Annual Report on  
Form 10-K.

### Investor Information

Our annual report on Form 10-K is  
available on this company's website at  
www.tyler-tech.com.

A copy of the Form 10-K or other  
information may also be obtained  
by contacting the Investor Relations  
Department at corporate headquarters.

### Investor Relations

972.713.3714  
info@tyler-tech.com

Common Stock  
Listed on the New York Stock Exchange  
under the symbol "TYL"

TYL  
NYSE

### Operational Leadership

#### ENTERPRISE GROUP

Andrew D. Yead  
President  
Enterprise Group and  
Appraisal & Tax Division

Christopher H. Hepburn  
President  
ERP & School Division

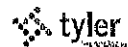
Dana L. Womble  
President  
Local Government Division

#### JUSTICE GROUP

D. Eric Dixon  
President  
Justice Group

Jeffrey D. Parker  
President  
Courts & Justice Division

Greg T. Sebastian  
President  
Public Safety Division



5101 Yermoland Parkway | Plano, TX 75024  
972.713.3700 | www.tyler-tech.com