



Nassau County Shared Services,  
Office of Purchasing  
0

## Staff Summary A-11-2023

Subject: IAS Software Licenses & Support Maintenance Renewal (RQIT23000024)
Department: Department of Shared Services/ Office of Purchasing
Department Head Name: Melissa Gallucci
Department Head Signature <i>Melissa Gallucci</i>

Date: March 1, 2023
Vendor Name: Tyler Technologies, Inc.
Contract Number: A-11-2023
Contract Manager Name: Kimberly Stanton, Buyer

Internal Approvals			
Date & Init.	Approval	Date & Init.	Approval
3/22/2023 <i>[Signature]</i>	CPO	BP 9/10/23	Budget
3/27/2023 <i>[Signature]</i>	County Atty.	AN 4/13/23	County Exec.

Material Adverse Information Identified? [Yes X/No   ] (If Yes, attach memo.)

### Narrative

**Purpose:** To authorize and award a purchase order for the annual software licenses, support and maintenance of the assessment IAS/ADAPT system.

**Discussion:** The Department of Shared Services, Office of Purchasing has determined that this is a sole source procurement. Tyler Technologies, Inc. is proprietary owner/supplier of this software and is the sole vendor who manufactures, sells and distributes exclusively the IAS Software. This is necessary to maintain the current technology and is a maintenance agreement for modules related to tax billing, collections, delinquent tax, appeals management and EDMS interface. The period of this agreement runs from January 1, 2023 to March 31, 2024.

**Impact on Funding:** The maximum amount authorized under this purchase order shall be Eight Hundred Seventy-Five Thousand Four Hundred Fifty Dollars (\$875,450) from general funds (ITGEN 1420/DE5A5).

**Recommendation:** Department of Shared Services, Office of Purchasing recommends awarding a purchase order to Tyler Technologies, Inc. as the sole source provider.

10:11 AM 1 - MAY 2023

RECEIVED  
NASSAU COUNTY  
CLERK

APPROVED: *[Signature]* 3/23  
PURCHASE SECTION

RULES RESOLUTION

-2023

A RESOLUTION AUTHORIZING THE COMMISSIONER OF SHARED SERVICES TO AWARD AND EXECUTE A PURCHASE ORDER BETWEEN THE COUNTY OF NASSAU ACTING ON BEHALF OF THE VARIOUS NASSAU COUNTY AGENCIES AND TYLER TECHNOLOGIES, INC.

WHEREAS, the Commissioner of Shared Services is representing to the Rules Committee that the firm, Tyler Technologies, Inc., is a sole source provider and meets all specifications for the product described in the said contract as determined by the Commissioner of Shared Services; NOW, THEREFORE, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the Commissioner of Shared Services to award and execute the said Purchase Order with Tyler Technologies, Inc.

COUNTY OF NASSAU  
INTER – DEPARTMENTAL MEMO

**TO:** CLERK OF THE COUNTY LEGISLATURE

**A-11-2023**

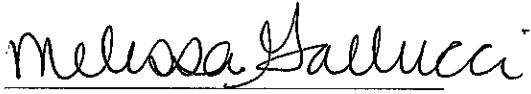
**FROM:** MELISSA GALLUCCI - COMMISSIONER OF SHARED SERVICES

**DATE:** MARCH 1, 2023

**SUBJECT:** RESOLUTION-- VARIOUS NASSAU COUNTY AGENCIES.

THIS RESOLUTION IS RECOMMENDED BY THE COMMISSIONER OF SHARED SERVICES TO AUTHORIZE AN AWARD AND TO EXECUTE A PURCHASE ORDER IN THE AMOUNT OF EIGHT HUNDRED SEVENTY-FIVE THOUSAND FOUR HUNDRED FIFTY DOLLARS (\$875,450.00) ON BEHALF OF THE VARIOUS NASSAU COUNTY AGENCIES TO TYLER TECHNOLOGIES, INC. FOR IAS SOFTWARE LICENSES AND SUPPORT MAINTENANCE RENEWAL.

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

  
MELISSA GALLUCCI  
COMMISSIONER OF SHARED SERVICES

VB: gb

ENCL: (1) STAFF SUMMARY  
(2) DISCLOSURE STATEMENT  
(3) RESOLUTION  
(4) BID SUMMARY  
(5) BID PROPOSAL  
(6) CERTIFICATE OF LIABILITY INSURANCE  
(7) RECOMMENDATION OF AWARD  
(8) POLITICAL CONTRIBUTION FORM



BRUCE BLAKEMAN  
NASSAU COUNTY EXECUTIVE



MELISSA GALLUCCI  
COMMISSIONER OF SHARED SERVICES

## OFFICE OF SHARED SERVICES

March 22, 2023

Subject: Adverse Information – MEMO

Vendor: Tyler Technologies, Inc.

Staff Summary: A-11-2023

An online search found several news items regarding potential adverse information related to the vendor's goods and services. Attached is the vendor's response to the various articles identified. Upon review Purchasing has determined that none of the matters raised in the articles are material with respect to the proposed contract. The issues identified do not relate to services to be procured through this contract, and all matters have been resolved amicably.

**Lubbock County, TX** (Odyssey, 2021) [link](#), [link](#), [link](#)

**Response:** As of Friday, Oct. 29, 2021, the portal is again available to all registered attorneys to access cases and documents. Some issues were also raised concerning the jail management process. These have been corrected by Lubbock County as an internal matter.

Judge Parrish stated publicly these are not Tyler software issues. The transition from Lubbock County's legacy system to Tyler software required the conversion of data from more than 2.7 million court cases. In total, more than 15 million documents were transferred. During this transfer process, Lubbock County temporarily disabled some features such as the attorney portal. This was done to ensure the correct data was transferred prior to bringing the system fully online. That portal is now online.

Throughout this project, Tyler's case management software has functioned as designed. Each jurisdiction we serve is unique in terms of function, software integration, data integrity, and management. Courts in 1,000 counties across 26 states successfully use the same system being implemented in Lubbock County.

**Alameda County, CA** (Odyssey, 2016) [link](#)

**Response:** Media reports that impugn Tyler and/or Odyssey in Alameda Co. are based on a variety of misunderstandings and mischaracterizations. For example, Tyler was not responsible for the systems in Alameda Co. jails, or the integrations from Odyssey to Alameda Co. justice partners.

In 2016, Alameda Co. went live with Odyssey in its criminal courts and remains an Odyssey client today. In 2019, the Alameda County Probation Department was named a Tyler "Excellence Award Winner."

**Marion County, IN** (Odyssey, 2014) [link](#), [link](#)

**Response:** In 2019, a news article inaccurately linked Tyler Technologies to a lawsuit involving Marion County, the city of Indianapolis and a third-party jail system or Offender Management System vendor.

Public case records clearly explain that this lawsuit is related to problems with the county sheriff's OMS solution, which is not a Tyler product. Tyler is not, nor has it ever been, named in this lawsuit.

**Shelby County, TN** (Odyssey, 2017). [link](#), [link](#)

**Response:** Odyssey case management solution is one of several software products used in Shelby County's Integrated Criminal Justice Information System (iCJIS). Several lawsuits were filed in Shelby County involving the iCJIS and have been consolidated into a single lawsuit before a single judge. The plaintiffs and all defendants (including Shelby County and each vendor providing a software component of the iCJIS) agreed to a settlement of the lawsuit, with no admission of fault or liability from Tyler.

Tyler's decision to join with those other defendants in fully and completely settling the case was the most cost-efficient way of ending the litigation. In December 2021, the settlement was approved, and the case was dismissed and cannot be refiled (with prejudice).

**Wichita Falls, TX** (Odyssey, 2020-2021) [link](#)

The county judge is a strong advocate for Tyler and Odyssey, and a vocal supporter of the county's successful Odyssey implementation.



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?

YES ☐ NO ☒ If yes, to what campaign committee?

Electronically signed and certified at the date and time indicated by:  
Rob Kennedy-Jensen [ROB.KENNEDY-JENSEN@TYLERTECH.COM]

Dated: 02/27/2023 11:13:47 am

Vendor: Tyler Technologies, Inc.

Title: Group General Counsel

## 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: Sherry Clark  
Date of birth: 01/18/1980  
Home address: 4908 Dunland Dr.  
City: Plano State/Province/Territory: TX Zip/Postal Code: 75093  
Country: US

Business Address: 5101 Tennyson Pkwy  
City: Plano State/Province/Territory: TX Zip/Postal Code: 75024  
Country: US  
Telephone: (972) 713-3770

Other present address(es):  
City: \_\_\_\_\_ State/Province/Territory: \_\_\_\_\_ Zip/Postal Code: \_\_\_\_\_  
Country: \_\_\_\_\_  
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	_____		
(Other)	_____		

Type Other  
Description Group General Counsel  
Start Date 01/01/2016

3. Do you have an equity interest in the business submitting the questionnaire?

YES ☒ NO ☐ If Yes, provide details.

Sherry Clark owns less than 10% interest in Tyler Technologies, Inc.

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 notfor-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 an explanation of the circumstances and corrective action taken.
  - 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 an explanation of the circumstances and corrective action taken.
  - 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 an explanation of the circumstances and corrective action taken.
  - 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 an explanation of the circumstances and corrective action taken.
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?  
YES ☐ NO ☒ If 'Yes', provide details for each such instance. (Provide a detailed response to all questions check "Yes". If you need more space, photocopy the appropriate page and attached it to the questionnaire.)



9.

- a. Is there any felony charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- b. Is there any misdemeanor charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- c. Is there any administrative charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- 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 an explanation of the circumstances and corrective action taken.

- e. In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- f. In the past 5 years, have you been found in violation of any administrative or statutory charges?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- 10 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 an explanation of the circumstances and corrective action taken.

- 11 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 an explanation of the circumstances and corrective action taken.

- 12 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 an explanation of the circumstances and corrective action taken.

- 13 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 an explanation of the circumstances and corrective action taken.

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I, Sherry Clark , hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Sherry Clark , hereby certify that I have read and understand all the items contained in this form; 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 form; 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 form as additional inducement to enter into a contract with the submitting business entity.

**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.

Tyler Technologies, Inc.

Name of submitting business

Electronically signed and certified at the date and time indicated by:

Sherry Clark SHERRY.CLARK@TYLERTECH.COM

Group General Counsel

Title

10/27/2022 12:22:50 pm

Date

**PRINCIPAL QUESTIONNAIRE FORM**

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

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

1. Principal Name: Mark Hawkins  
Date of birth: 07/23/1975  
Home address: 2125 Stags Leap  
City: Celina State/Province/Territory: TX Zip/Postal Code: 75009  
Country: US

Business Address: 5101 Tennyson Parkway  
City: Plano State/Province/Territory: TX Zip/Postal Code: 75024  
Country: US  
Telephone: (972) 713-3770

Other present address(es):  
City: \_\_\_\_\_ State/Province/Territory: \_\_\_\_\_ Zip/Postal Code: \_\_\_\_\_  
Country: \_\_\_\_\_  
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	_____		
(Other)	_____		

Type Other  
Description President Property & Recording Division  
Start Date 02/18/2019

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

Mark Hawkins owns less than a 10% interest. Only 1.47% of Tyler Technologies, Inc.'s shares are held by insiders. Please see attached document.

1 File(s) uploaded: Holder Information 2022.JPG

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 an explanation of the circumstances and corrective action taken.

- 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 an explanation of the circumstances and corrective action taken.

- 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 an explanation of the circumstances and corrective action taken.

- 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 an explanation of the circumstances and corrective action taken.

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?

YES ☐ NO ☒ If 'Yes', provide details for each such instance. (Provide a detailed response to all questions check "Yes". If you need more space, photocopy the appropriate page and attached it to the questionnaire.)

9.

a. Is there any felony charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

b. Is there any misdemeanor charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

c. Is there any administrative charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

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 an explanation of the circumstances and corrective action taken.

e. In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

f. In the past 5 years, have you been found in violation of any administrative or statutory charges?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

10 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 an explanation of the circumstances and corrective action taken.

11 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 an explanation of the circumstances and corrective action taken.

12 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 an explanation of the circumstances and corrective action taken.

13 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 an explanation of the circumstances and corrective action taken.

I, Mark Hawkins , hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Mark Hawkins , hereby certify that I have read and understand all the items contained in this form; 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 form; 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 form as additional inducement to enter into a contract with the submitting business entity.

**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.

Tyler Technologies

Name of submitting business

Electronically signed and certified at the date and time indicated by:

Mark Hawkins MARK.HAWKINS@TYLERTECH.COM

President, Property & Recording Division

Title

02/28/2023 12:41:10 pm

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: 02/07/2023

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

2) Address of Place of Business: 5101 Tennyson Parkway

City: Plano State/Province/  
Territory: TX Zip/Postal  
Code: 75024

Country: US

3) Mailing Address (if different): \_\_\_\_\_

City: \_\_\_\_\_ State/Province/  
Territory: \_\_\_\_\_ Zip/Postal  
Code: \_\_\_\_\_

Country: \_\_\_\_\_

Phone: \_\_\_\_\_

Does the business own or rent its facilities? 0 If other, please provide details:  
\_\_\_\_\_

4) Dun and Bradstreet number: 041089293

5) Federal I.D. Number: 752303920

6) The proposer is a: Corporation (Describe) \_\_\_\_\_

7) Does this business share office space, staff, or equipment expenses with any other business?

YES [ ] NO [X] If yes, please provide details:

\_\_\_\_\_

8) Does this business control one or more other businesses?

YES ☒ NO ☐ If yes, please provide details:

Tyler Technologies, Inc. has the following wholly owned subsidiaries:

- Tyler Technologies A&T Services, LLC
- Tyler Technologies Australia PTY LTD
- Tyler Federal, LLC
- Socrata UK Limited
- Harris Customer Programming, LLC
- Cavu Corporation
- MicroPact Philippines, Inc.
- NIC Inc.
- VendEngine, Inc.

- 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, please 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).

See attached file of terminations.

1 File(s) uploaded: Nassau County, NY Terminations for Disclosure Form 2023.docx

- 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, an explanation of the circumstances and corrective action taken.

- 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, an explanation of the circumstances and corrective action taken.

- 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 investigation, an explanation of the circumstances and corrective action taken.

b) Any misdemeanor charge pending?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

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 investigation, an explanation of the circumstances and corrective action taken.

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 investigation, an explanation of the circumstances and corrective action taken.

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 investigation, an explanation of the circumstances and corrective action taken.

- 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 investigation, an explanation of the circumstances and corrective action taken.

- 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.

- 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 see attached Tyler Code of Business Conduct and Ethics.

1 File(s) uploaded: Tyler Code of Business Conduct and Ethics 2023.pdf

- 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.

Have you previously uploaded the below information under in the Document Vault?

YES ☒ NO ☐

Is the proposer an individual?

YES ☐ NO ☒ Should the proposer be other than an individual, the Proposal MUST include:

- i) Date of formation;

03/14/1990

- ii) Name, addresses, and position of all persons having a financial interest in the company, including shareholders, members, general or limited partner. If none, explain.

List of holders of Tyler stock available here: <https://finance.yahoo.com/quote/TYL/holders?p=TYL>

- iii) Name, address and position of all officers and directors of the company. If none, explain.

See attached list of Board of Directors and Corporate Officers.

1 File(s) uploaded: Board of Directors and Corporate Officers February 2023.docx

- iv) State of incorporation (if applicable);

DE

- v) The number of employees in the firm;

7227

- vi) Annual revenue of firm;

1850204000

- vii) Summary of relevant accomplishments

<https://investors.tylertech.com/financials/annual-reports-and-proxy-statements/default.aspx>

1 File(s) uploaded: Tyler Technologies Accomplishments 2023.docx

viii) Copies of all state and local licenses and permits.

1 File(s) uploaded: State of New York Business Filing 2023.pdf

B. Indicate number of years in business.

33

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

<https://investors.tylertech.com/financials/annual-reports-and-proxy-statements/default.aspx>

1 File(s) uploaded: Tyler Annual Report 2021.pdf

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	Wayne County, NY		
Contact Person	Michael Jankowski, County Clerk		
Address	9 Pearl St, PO Box 608		
City	Lyons	State/Province/Territory	NY
Country	US		
Telephone	(315) 946-7470		
Fax #			
E-Mail Address	mjankowski@co.wayne.ny.us		

Company	City of Philadelphia		
Contact Person	James Leonard, Commissioner		
Address	1400 John F. Kennedy Blvd		
City	Philadelphia	State/Province/Territory	PA
Country	US		
Telephone	(215) 686-2261		
Fax #			
E-Mail Address	james.leonard@phila.gov		

Company	Lackawanna County		
Contact Person	Evie Rafalko McNulty, Recorder of Deeds		
Address	123 Wyoming Avenue, Suite 218		
City	Scranton	State/Province/Territory	PA
Country	US		
Telephone	(570) 963-6775		
Fax #			
E-Mail Address	mcnultye@lackawannacounty.org		



I, Robert Kennedy-Jensen , hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Robert Kennedy-Jensen , hereby certify that I have read and understand all the items contained in this form; 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 form; 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 form as additional inducement to enter into a contract with the submitting business entity.

#### **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.

Name of submitting business: Tyler Technologies, Inc.

Electronically signed and certified at the date and time indicated by:  
Rob Kennedy-Jensen ROB.KENNEDY-JENSEN@TYLERTECH.COM

Group General Counsel  
Title

02/27/2023  
Date

On average, Tyler Technologies adds eleven (11) new clients each week and has a ninety-eight percent (98%) client retention rate.

Tyler Technologies' Appraisal & Tax Division has in the past five (5) years had one (1) Appraisal & Tax Division software client opt to terminate its relationship with Tyler Technologies for reasons other than non-appropriation or non-renewal. That decision was mutually agreed to by Tyler without either party admitting liability. That client, St. Lucie County Clerk of Circuit Court, FL, terminated its agreement with Tyler in 2021.

In the past five (5) years, five (5) New World Public Safety clients have opted to terminate their relationship with Tyler for reasons other than non-appropriation or non-renewal. That decision was mutually agreed to by Tyler without either party admitting liability. Those clients, and the year in which the termination took effect, are:

- 2016
  - Great Falls, MT (remains an EnerGov & NWERP Customer)
  - O'Fallon, IL (remains a Tyler Customer on other software)
- 2019
  - Clayton County, GA (remains a Brazos, e-Filing, Munis and A&T Client)
  - Anthony, NM (remains an LGD Customer)
  - Sacramento Regional Public Safety Communications Center, CA



## Stanton, Kimberly

---

**From:** Kennedy-Jensen, Rob <Rob.Kennedy-Jensen@tylertech.com>  
**Sent:** Friday, March 3, 2023 3:57 PM  
**To:** Stanton, Kimberly; Stegemann, Tracey; Stanton, Nancy; Sears, Karrie  
**Cc:** Barnett, Susan; Frisby, Kim  
**Subject:** RE: Disclosure Forms - Tyler Technologies

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

**Attention: This email came from an external source. Do not open attachments or click on links from unknown senders or unexpected emails.**

Thank you for your note, Kimberly. Unfortunately, the terms of any termination agreement we have are confidential. I can confirm that none of those terminations include an acknowledgement of fault by either party.

**Rob Kennedy-Jensen**  
Group General Counsel  
P: 800.772.2260 ext: 4588  
[www.tylertech.com](http://www.tylertech.com)

---

**From:** Stanton, Kimberly <kstanton@nassaucountyny.gov>  
**Sent:** Friday, March 3, 2023 3:45 PM  
**To:** Stegemann, Tracey <tracey.stegemann@tylertech.com>; Stanton, Nancy <nstanton@nassaucountyny.gov>; Sears, Karrie <Karrie.Sears@tylertech.com>; Kennedy-Jensen, Rob <Rob.Kennedy-Jensen@tylertech.com>  
**Cc:** Barnett, Susan <SBarnett1@nassaucountyny.gov>; Frisby, Kim <Kim.Frisby@tylertech.com>  
**Subject:** RE: Disclosure Forms - Tyler Technologies

Good Afternoon

Based on the terminations listed on the attachment, please explain why these contracts terminated?

Thank you.

Regards,

*Kimberly Stanton*

Nassau County Office of Purchasing  
1 West Street  
Mineola, NY 11501  
Phone: 516-571-6679  
Fax: 516-571-4263  
Email: [kstanton@nassaucountyny.gov](mailto:kstanton@nassaucountyny.gov)

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**Nassau County**

Long Island, New York



 Please consider the environment before printing this email

Tyler Technologies' Property & Recording Division (formerly known as the Appraisal & Tax Division) provides systems and software that automate the appraisal and assessment of real and personal property and the recording of land and vital records. These activities include 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 and vital record 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.

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

Please also see attached 2021 Annual Report.

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

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

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

### **Anonymous Reporting of Accounting or Auditing Concerns**

If any employee has any concerns about any accounting, auditing, internal accounting controls, or related matter, they are encouraged to bring the matter to the attention of Tyler's audit committee chairperson. The audit committee is composed of three (3) or more independent members of Tyler's board of directors and assists the board in fulfilling its oversight responsibility to Tyler's stockholders, potential stockholders, the investment community, and others relating to Tyler's financial statements, financial reporting, and processes. The audit committee chairperson can be contacted in any of the following ways:

1. By phone at (866) 376-4128
2. By Internet at <http://www.openboard.info/tyl>
3. By mail at  
Tyler Technologies, Inc.  
Board of Directors, Audit Committee Chairperson  
5101 Tennyson Parkway  
Plano, TX 75024

**Reports regarding accounting, auditing, or related matters will be kept strictly confidential. In addition, the employee or other person raising the issue is under no obligation to reveal their identity in connection with the reporting process. Please reference Tyler's Whistleblower Policy for additional information, including how to maintain anonymity in reporting.**

## **Introduction and Purpose**

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

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

## **General Principles for Business Conduct**

- Tyler and its employee shall comply with all applicable legal requirements of any federal, state, local, or foreign jurisdiction where Tyler conducts business.
- The use of any Tyler assets for any unlawful or improper purpose is strictly prohibited.
- No undisclosed fund or asset shall be established or maintained for any purpose.

No false or misleading entries shall be made for any reason in Tyler's books, records, or other financial documents, or in any materials prepared for or submitted to Tyler's accountants or independent auditors, and no employee shall engage in any arrangement that results in such prohibited act. In addition, all employees dealing with or providing information or documentation to Tyler's accountants or independent auditors must provide complete and accurate information, and must immediately report any request, suggestion, or threat that they do otherwise to the chairperson of the Tyler audit committee, as outlined above under "Anonymous Reporting of Accounting or Auditing Concerns."

Just as Tyler expects all employees to speak honestly to clients, potential clients, and vendors, Tyler also expects all employees to display the same integrity in anything they write, whether for internal or external use. Therefore, all internal records, memoranda, and other documents must be accurate, complete, and truthful and must be maintained in that condition without any alteration, falsification, omission, or other change that would mislead someone reviewing the record about its original contents or meaning. Any employee who is asked or directed to engage in such prohibited conduct should immediately report it to their human resources

representative or Tyler's chief human resources officer, or, if it concerns questionable accounting or auditing matters, to the chairperson of the Tyler audit committee, as outlined above under "Anonymous Reporting of Accounting or Auditing Concerns."

Retaliation against any employee as a result of their bringing forward any questions, concerns, or complaints about accounting or auditing matters, recording of information, record retention, or any other matter concerning the honesty and integrity of Tyler's operations or financial reporting is strictly prohibited. Similarly, retaliation is prohibited against any employee who provides accurate information to any law enforcement agency about the commission of any state or federal offense. Any employee who feels that they have been retaliated against or threatened with retaliation for these reasons should immediately report it to Tyler's chief human resources officer, or, if it concerns questionable accounting or auditing matters, to the chairperson of the Tyler audit committee, as outlined above under "Anonymous Reporting of Accounting or Auditing Concerns."

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

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

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

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

#### **Political Activities and Contributions**

Tyler will not make any contribution to or for any political party, committee, or candidate for any public office. Any employee requested by another employee to contribute Tyler funds to a political party, committee, or candidate for public office should decline to do so and promptly notify their human resources representative or Tyler's chief human resources officer of the details of any such request.

#### **Payments to Government Officials and Personnel**

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

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

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

### **Conflicts of Interest**

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

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

- To give or receive gifts of more than token value that are in any way connected with the business relationship;
- To lend or borrow money or other assets from individuals or concerns that do business with or compete against Tyler, except banks and other financial institutions;
- To serve as an officer, director, employee, or consultant of, or receive any income from any enterprise doing business with or competing against Tyler, or seeking to do so, or to own an interest in or engage in the management of an organization providing services or products to Tyler, or to which Tyler sells, or with which Tyler competes, except when such interest (1) comprises publicly traded securities listed on a national securities exchange, NASDAQ, or the OTC margin list and (2) is not in excess of 5% of the securities of such company;
- To accept compensation from outsiders for services for which the employee is being paid by Tyler;
- To speculate or deal in materials, equipment, supplies, products, lands, leases, or property purchased or sold by Tyler, or for which negotiations to purchase, acquire, or sell are pending or may reasonably be anticipated, or to receive (other than from Tyler) any compensation, bonus, or commission in connection with any transaction relating to Tyler's business;
- To knowingly cause, directly or indirectly, Tyler to enter into a business transaction with a close relative of a Tyler employee or business enterprise of such relative;
- To knowingly buy or sell for the employee's own account or the account of a relative of a Tyler employee any security or other interest which Tyler may be considering buying or selling, or has decided to buy or sell, until Tyler's decision has

been completely executed and publicly announced; and/or

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

If an employee finds that they have, or are considering the assumption of, a financial interest or outside relationship that might involve a conflict of interest, or if the employee has any doubt as to the proper application of this policy, they should promptly make all facts known to Tyler's chief human resources officer and refrain from any exercise of responsibility in any manner that might reasonably be considered to be affected by such adverse interest.

### **Protection of Confidential or Proprietary Information**

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

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

### **Prohibition Against Insider Trading**

Insider trading is the trading of Tyler stock while in possession of material "inside" or nonpublic information. This includes the purchase or sale of Tyler stock on the open market through a stockbroker of your choice or through an online brokerage account, the exercise of stock options and corresponding sale of the underlying stock, the sale of stock acquired through Tyler's Employee Stock Purchase Plan (following the applicable holding periods), or the short sale of Tyler stock. *The prohibition against trading other than during the trading window also encompasses the fulfillment of "limit orders" placed with a broker, and the brokers with whom any such limit order is placed must be so instructed at the time it is placed.* The prohibition does not, however, include the purchase of stock under the Employee Stock Purchase Plan pursuant to previously authorized payroll deductions.

In addition to the prohibition against trading, it is also a violation of the federal securities laws to disclose (or tip) material nonpublic information to another person who subsequently uses

that information to their profit.

### **What is “material nonpublic information?”**

In general, information is “material” if its disclosure to the public would affect an investor’s decision to purchase or sell Tyler stock. It is difficult to describe all the types of material nonpublic information a Tyler employee may possess that could cause problems with trading or tipping others to trade Tyler stock. Some examples of material nonpublic information about Tyler include information or knowledge about the following events:

- Tyler’s quarterly or annual earnings or other important financial information;
- Changes in previously disclosed financial information, including earnings estimates;
- Tyler has suffered, or is about to suffer, extraordinary losses or costs;
- Tyler has realized, or is about to realize, extraordinary earnings;
- Tyler is making changes in previously disclosed financial information;
- Tyler has entered into, or is about to enter into, an important contract with a client, or that such a contract has been terminated or is about to be terminated;
- A merger, acquisition, or takeover;
- Acquisition or sale of a company, a division, or a significant amount of assets;
- Tyler plans to declare stock splits, stock dividends, or cash dividends;
- Tyler becomes a party to major litigation;
- Tyler is making significant changes in management;
- Tyler plans to make significant changes in operations; and/or
- Tyler has achieved a milestone.

In most cases, employees should presume that information concerning any of these events is material. If an employee has any questions about what information is material, or whether the information has been disclosed to the public, they should contact Tyler’s chief legal officer.

### **General Trading Limitations**

All employees, officers, and directors must comply with the following restrictions:

1. They may not buy or sell Tyler stock during the period beginning on the first business day after the end of each fiscal quarter through the close of trading on the second full business day after release of the quarter’s operating results to the public. This blackout period is intended to remove any appearance that you may have traded based on material nonpublic information concerning the financial results.
2. If, during times other than the blackout period referred to above, they possess material information (good or bad) that is unknown to the general public (in other words, information that they have not read in the newspaper, Tyler’s press releases, or annual or quarterly reports, or seen publicly displayed on the bulletin boards around Tyler’s facilities), then they are prohibited from buying or selling Tyler stock until after the close of trading on the second full business day after such material information has been released to the public.
3. They are prohibited from sharing material nonpublic information with others (friends,



family, stockbrokers, strangers) that buy or sell our stock or recommending that they trade or hold Tyler stock based on the material nonpublic information or at any time when the employee, officer, or director possesses material nonpublic information.

4. They may not give material nonpublic information to others, even if they are not buying or selling Tyler stock, without Tyler's permission. In other words, they may not give this information except where it is required in the performance of duties as an employee, officer, or director of Tyler and they have permission to do so.

These restrictions also apply to family members and others living in the household of the employee, officer, or director.

*These general trading limitations are based upon U.S. securities laws. Compliance with these general rules should mean compliance with applicable U.S. laws, as well as the regulations of the New York Stock Exchange.*

### **Property Rights**

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

### **Employee Health and Safety**

Creating and maintaining a safe environment for our employees is a priority at Tyler. As a company, Tyler makes every effort to comply with all applicable health and safety laws, enlisting the assistance of employees to help keep facilities free of hazardous conditions. Employees should immediately report all work-related accidents or injuries as well as any hazardous or unsafe conditions. In addition, Tyler will not tolerate any violent behavior in the workplace.

### **Equal Employment and Non-Discrimination**

Tyler believes it is important to have a diverse workforce and an inclusive workplace, and is committed to encouraging diversity of background, culture, experiences, insights, and skills in its workforce. In keeping with Tyler's commitment to the personal dignity of employees, Tyler supports each individual's right to be treated with courtesy and respect.

Tyler is an equal opportunity / affirmative action employer and prohibits discrimination and

promotes equality in its employment policies and practices. Management and supervisory employees are responsible for making decisions affecting employees without regard to race, religion, color, gender/sex, gender identity, gender expression, sexual orientation, marital status, creed, national origin, ancestry, citizenship status, age, disability, veteran's status, and any other status protected under local, state, or federal laws. This includes decisions regarding all aspects of the employment relationship, including recruitment, selection, promotion and transfers, performance appraisals, compensation, and termination.

These policies are implemented in compliance with applicable federal, state and local nondiscrimination and affirmative action laws and regulations.

If an employee believes that they have been subjected to discrimination by employees, officers or agents for Tyler, they should report the incident to their manager, their human resources representative, or directly to their division president, who will investigate and attempt to resolve the matter.

#### **Anti-Harassment Policy**

In order to promote a professional and productive work environment in which all employees are treated with dignity, courtesy, and respect, Tyler has adopted an Anti-Harassment Policy prohibiting all forms of harassment. Such policy is included in Tyler's Employee Handbook and has been distributed to all employees.

If at any time an employee feels that they have been subjected to or has observed harassment, he or she should report the incident to any supervisor or manager. If the employee is not comfortable taking the complaint to a supervisor or manager, they should contact their human resources representative, their division president, or the chief human resources officer. Employees may also make a complaint, anonymous or not, via Tyler's Whistleblower Hotline either online or by telephone.

Tyler also prohibits any adverse action or retaliation against an employee who makes a complaint or otherwise participates in an investigation of discrimination or harassment. Tyler will take disciplinary action against anyone who attempts to retaliate.

#### Board of Directors

- **John S. Marr, Jr.:** 1 Tyler Drive, Yarmouth, ME 04096
- **H. Lynn Moore, Jr.:** 5101 Tennyson Parkway, Plano TX 75024
- **Glenn A. Carter:** 5101 Tennyson Parkway, Plano TX 75024
- **Brenda A. Cline:** 5101 Tennyson Parkway, Plano TX 75024
- **Ronnie D Hawkins, Jr.:** 5101 Tennyson Parkway, Plano TX 75024
- **Mary Landrieu:** 5101 Tennyson Parkway, Plano TX 75024
- **Daniel M. Pope:** 5101 Tennyson Parkway, Plano TX 75024
- **Dustin R. Womble:** 5101 Tennyson Parkway, Plano TX 75024

#### Corporate Officers

- **John S. Marr Jr. – One Tyler Drive, Yarmouth, ME 04096**  
**Executive Chairman of the Board**
- **H. Lynn Moore Jr. – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Executive Officer, President**
- **Brian K. Miller – 5101 Tennyson Parkway, Plano TX 75024**  
**Executive Vice President, Chief Financial Officer and Treasurer**
- **Samantha B. Crosby – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Marketing Officer**
- **Abigail Diaz - One Tyler Drive, Yarmouth, ME 04096**  
**Chief Legal Officer, Secretary**
- **Jason Durham – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Accounting Officer**
- **Russell Gainford – 840 W. Long Lake Road, Troy, MI 48098**  
**Senior Vice President, Cloud Strategy & Operations**
- **Bruce Graham – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Strategy Advisor**
- **Jeff Green – 1601 East Valley Rd., Ste. 200, Renton, WA 98057**  
**Chief Technology Officer**
- **Jayne Holland – 7701 College Blvd., Overland Park, KS 66210**  
**Chief Privacy Officer, Deputy Chief Legal Officer**
- **Kevin Iwersen – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Information Officer**
- **Jeff Puckett – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Operating Officer**
- **Kelly Shimansky – One Tyler Drive, Yarmouth, ME 04096**  
**Chief Human Resources Officer**

- **Jeremy Ward** – One Tyler Drive, Yarmouth, ME 04096  
**Chief Information Security Officer**

Operational Leadership:

- **Bret Dixon** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, State & Federal Group**
- **Rusty Smith** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, Justice Group**
- **Dane Womble** – 5519 53rd Street, Lubbock, TX 79414  
**Group President, Public Administration Group**
- **Brian Combs** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, Platform Solutions Division**
- **Mark Hawkins** – One Tyler Way, Moraine, OH 45439  
**President, Property & Recording Division**
- **Chris Hepburn** – One Tyler Drive, Yarmouth, ME 04096  
**Strategic Advisor, Public Administration Group**
- **Sean Marlow** – 116 S. River Road, Unit D1, Bedford, NH 03110  
**President, Municipal & Schools Division**
- **Brian McGrath** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, Courts & Justice Division**
- **Elizabeth Proudfit** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, Digital Solutions Division**
- **Chris Webster** – One Tyler Drive, Yarmouth, ME 04096  
**President, ERP & Civic Division**
- **Franklin Williams** – 255 South King Street, Suite 1100, Seattle, WA 98104  
**President, Data & Insights Division**

# Department of State

## Division of Corporations

### Entity Information

[Return to Results](#)[Return to Search](#)

#### Entity Details

**ENTITY NAME:** TYLER TECHNOLOGIES, INC.**DOS ID:** 3168959**FOREIGN LEGAL NAME:****FICTITIOUS NAME:****ENTITY TYPE:** FOREIGN BUSINESS CORPORATION**DURATION DATE/LATEST DATE OF DISSOLUTION:****SECTION OF LAW:** 1304 BCL - BUSINESS CORPORATION LAW**ENTITY STATUS:** ACTIVE**DATE OF INITIAL DOS FILING:** 02/25/2005**REASON FOR STATUS:****EFFECTIVE DATE INITIAL FILING:** 02/25/2005**INACTIVE DATE:****FOREIGN FORMATION DATE:** 11/13/1989**STATEMENT STATUS:** CURRENT**COUNTY:** ALBANY**NEXT STATEMENT DUE DATE:** 02/28/2023**JURISDICTION:** DELAWARE, UNITED STATES**NFP CATEGORY:**[ENTITY DISPLAY](#)[NAME HISTORY](#)[FILING HISTORY](#)[MERGER HISTORY](#)[ASSUMED NAME HISTORY](#)

#### Service of Process on the Secretary of State as Agent

The Post Office address to which the Secretary of State shall mail a copy of any process against the corporation served upon the Secretary of State by personal delivery:

**Name:** TYLER TECHNOLOGIES, INC.**Address:** 5101 TENNYSON PARKWAY, PLANO, TX, UNITED STATES, 75024

Electronic Service of Process on the Secretary of State as agent: Not Permitted

#### Chief Executive Officer's Name and Address

**Name:** H. LYNN MOORE, JR.**Address:** 5101 TENNYSON PARKWAY, PLANO, TX, UNITED STATES, 75024

#### Principal Executive Office Address

**Address:** 5101 TENNYSON PARKWAY, PLANO, TX, UNITED STATES, 75024

#### Registered Agent Name and Address

**Name:** CAPITOL SERVICES, INC.**Address:** 1218 CENTRAL AVENUE, SUITE 100, ALBANY, NY, 12205

#### Entity Primary Location Name and Address

**Name:****Address:**

Farmcorpflag

Is The Entity A Farm Corporation: NO

Stock Information

Share Value	Number Of Shares	Value Per Share
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COUNTY OF NASSAU

LOBBYIST REGISTRATION AND DISCLOSURE FORM

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

No Lobbyist.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

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

YES ☐ NO ☒ If yes, to what campaign committee? If none, you must so state:

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

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

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

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

Electronically signed and certified at the date and time indicated by:  
Rob Kennedy-Jensen [ROB.KENNEDY-JENSEN@TYLERTECH.COM]

Dated: 02/27/2023 11:14:03 am

Vendor: Tyler Technologies, Inc.

Title: Group General Counsel



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

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

COUNTY OF NASSAU

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

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

Address: 5101 Tennyson Pkwy

City: Plano State/Province/Territory: TX Zip/Postal Code: 75024

Country: US

2. Entity's Vendor Identification Number: 75-2303920

3. Type of Business: Public Corp (specify) \_\_\_\_\_

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

1 File(s) uploaded: Board of Directors and Corporate Officers February 2023.docx

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

If none, explain.

2 File(s) uploaded: Tyler Form 10-K.pdf, Tyler Form 10-K.pdf

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

Performance will be through Tyler Technologies, Inc. Tyler Technologies, Inc. has the following wholly owned subsidiaries:

- Tyler Technologies A&T Services, LLC
- Tyler Appraisal & Tax Services, ULC
- Tyler Technologies Australia PTY LTD
- Socrata UK Limited
- Tyler Federal, LLC

- Harris Custom Programming, LLC
- MicroPact Philippines, Inc.
- Cavu Corporation
- NIC Inc.
- NICUSA, Inc.
- VendEngine Inc.

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

Are there lobbyists involved in this matter?

YES ☐ NO ☒

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

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

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

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

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

Electronically signed and certified at the date and time indicated by:

Robert Kennedy-Jensen [ROB.KENNEDY-JENSEN@TYLERTECH.COM]

Dated: 02/27/2023 11:15:24 am

Title: Group General Counsel

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

#### Board of Directors

- **John S. Marr, Jr.:** 1 Tyler Drive, Yarmouth, ME 04096
- **H. Lynn Moore, Jr.:** 5101 Tennyson Parkway, Plano TX 75024
- **Glenn A. Carter:** 5101 Tennyson Parkway, Plano TX 75024
- **Brenda A. Cline:** 5101 Tennyson Parkway, Plano TX 75024
- **Ronnie D Hawkins, Jr.:** 5101 Tennyson Parkway, Plano TX 75024
- **Mary Landrieu:** 5101 Tennyson Parkway, Plano TX 75024
- **Daniel M. Pope:** 5101 Tennyson Parkway, Plano TX 75024
- **Dustin R. Womble:** 5101 Tennyson Parkway, Plano TX 75024

#### Corporate Officers

- **John S. Marr Jr. – One Tyler Drive, Yarmouth, ME 04096**  
**Executive Chairman of the Board**
- **H. Lynn Moore Jr. – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Executive Officer, President**
- **Brian K. Miller – 5101 Tennyson Parkway, Plano TX 75024**  
**Executive Vice President, Chief Financial Officer and Treasurer**
- **Samantha B. Crosby – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Marketing Officer**
- **Abigail Diaz - One Tyler Drive, Yarmouth, ME 04096**  
**Chief Legal Officer, Secretary**
- **Jason Durham – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Accounting Officer**
- **Russell Gainford – 840 W. Long Lake Road, Troy, MI 48098**  
**Senior Vice President, Cloud Strategy & Operations**
- **Bruce Graham – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Strategy Advisor**
- **Jeff Green – 1601 East Valley Rd., Ste. 200, Renton, WA 98057**  
**Chief Technology Officer**
- **Jayne Holland – 7701 College Blvd., Overland Park, KS 66210**  
**Chief Privacy Officer, Deputy Chief Legal Officer**
- **Kevin Iwersen – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Information Officer**
- **Jeff Puckett – 5101 Tennyson Parkway, Plano TX 75024**  
**Chief Operating Officer**
- **Kelly Shimansky – One Tyler Drive, Yarmouth, ME 04096**  
**Chief Human Resources Officer**

- **Jeremy Ward** – One Tyler Drive, Yarmouth, ME 04096  
**Chief Information Security Officer**

Operational Leadership:

- **Bret Dixon** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, State & Federal Group**
- **Rusty Smith** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, Justice Group**
- **Dane Womble** – 5519 53rd Street, Lubbock, TX 79414  
**Group President, Public Administration Group**
- **Brian Combs** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, Platform Solutions Division**
- **Mark Hawkins** – One Tyler Way, Moraine, OH 45439  
**President, Property & Recording Division**
- **Chris Hepburn** – One Tyler Drive, Yarmouth, ME 04096  
**Strategic Advisor, Public Administration Group**
- **Sean Marlow** – 116 S. River Road, Unit D1, Bedford, NH 03110  
**President, Municipal & Schools Division**
- **Brian McGrath** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, Courts & Justice Division**
- **Elizabeth Proudfit** - 5101 Tennyson Parkway, Plano, TX 75024  
**President, Digital Solutions Division**
- **Chris Webster** – One Tyler Drive, Yarmouth, ME 04096  
**President, ERP & Civic Division**
- **Franklin Williams** – 255 South King Street, Suite 1100, Seattle, WA 98104  
**President, Data & Insights Division**

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, 2022  
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

Trading symbol  
TYL

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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

☒

Accelerated Filer

☐

Non-accelerated Filer (Do not check if smaller reporting company)

☐

Smaller Reporting Company

☐

Emerging Growth Company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

The aggregate market value of the voting stock held by non-affiliates of the registrant was \$13,686,594,900 based on the reported last sale price of common stock on June 30, 2022, which is the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares of common stock of the registrant outstanding on February 21, 2023 was 41,819,280.

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, 2023.

TYLER TECHNOLOGIES, INC.  
FORM 10-K  
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## 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. We partner with clients to make 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 government entities. We offer clients delivery of our software applications through software as a service ("SaaS") and on-premise solutions. In recent years, substantially all of the Tyler's products are sold through subscriptions delivered as SaaS. 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. We provide digital government services and payment solutions. In addition, we provide electronic document filing ("e-filing") solutions, which simplify the filing and management of court documents.

#### 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 12,900 school districts. This market is also comprised of approximately 38,000 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 often 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, more securely, 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 \$27.8 billion in 2023 to \$40.0 billion in 2026. The professional services and support segments of the market are expected to expand from \$33.5 billion in 2023 to \$41.9 billion in 2026. Application and vertical specific software sales in the primary and secondary education segments of the market is expected to expand from \$5.4 billion in 2023 to \$6.6 billion in 2026 while professional services and support are expected to grow from \$5.1 billion in 2023 to \$6.1 billion in 2026. For the national and international government markets, application and vertical specific software sales is expected to expand from \$42.2 billion in 2023 to \$61.5 billion in 2026 while professional services and support are expected to grow from \$65.6 billion in 2023 to \$82.1 billion in 2026.

## PRODUCTS AND SERVICES

We provide a comprehensive and flexible suite of products and services that addresses the information technology needs of cities, counties, states, schools, federal agencies, and other government entities.

We design, develop, market and support a broad range of software solutions to serve mission-critical "back-office" functions of the public sector. 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 governments online. Our software solutions and services are provided through seven business units, which focus on the following products:

- financial management, education and planning, regulatory, and maintenance software solutions;
- financial management, municipal courts, planning, regulatory, and maintenance software solutions;
- courts and justice and public safety software solutions;
- data and insights solutions;
- appraisal and tax software solutions, land and vital records management software solutions, and property appraisal services;
- development platform solutions including case management and business process management; and
- digital government and payments solutions.

Each of our core software solutions consists of several fully integrated applications. For clients who acquire software for use on premises, we generally license our solutions 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 for clients who do not wish to maintain, update and operate these systems or to make up-front capital expenditures to implement these advanced technologies. For these clients, the software and client data are hosted at our data centers or at third-party locations, and clients typically sign multi-year contracts for these subscription-based services.

A description of our suites of products and services follows:

### *Financial Management and Education*

Our financial management and education solutions are enterprise resource planning systems for the public sector, 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 and county 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 governments' service capabilities by facilitating online access to information for both employees and citizens and enabling online transactions.

### *Courts and Justice*

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

Our unified court case management system is designed to automate the tracking and management of information involved in all case types, including criminal, traffic, civil, family, probate and juvenile courts. It also tracks the status of cases, processes fines and fees and generates the specialized judgment and sentencing documents, notices and forms required in the court process. Documents received by the court can be scanned into the electronic case file and easily retrieved for viewing. Documents generated by the court can be electronically signed and automatically attached to the electronic case file. Additional modules automate the management of court calendars, coordinate judges' schedules and generate court dockets. Our targeted courtroom technologies allow courts to rapidly review calendars, cases and view documents in the courtroom. Courts may also take advantage of our related jury management system. We also offer a solution for online dispute resolution that automates the flow and resolution of common and historically time-consuming disputes including debt, landlord, tenant, small claims, child custody and other case types.

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

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

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

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

Also our product solutions provide a suite of financial and communications applications ranging from deposit technologies for commissary, ordering, and warehouse technology to a host of informational, electronic communications, security, accounting, and financial trust management components for correctional facilities.

#### *Public Safety*

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

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

#### *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.

#### *Data and Insights*

Our data and insights solutions make existing government data discoverable, usable, and actionable for government workers and the people they serve. The data and insights solution includes a data-as-a-service platform and cloud applications for open data and citizen engagement, exclusively for city, county, state, and federal government organizations. Our data and insights solutions allow government to analyze, visualize, and securely share data across multiple departments and programs. These solutions deliver data-driven innovation and cost-savings by bringing together disparate systems and leveraging the cloud to dramatically enhance the effectiveness of government programs, to improve quality of life for residents, to positively impact local economies, and to achieve excellence in government operations.

#### *Platform Technologies*

We offer a low-code application development platform solution for case management and business process management. Whether based on premises or in the cloud, its Data-First™ approach allows the application to be implemented immediately and configured continuously, enabling clients to get to work quickly while keeping costs low. Our low code application platform allows government agencies the ability to track, collaborate, and report on the data that drives activities forward.

### Digital Government Services

We deliver user-friendly digital services that make it easier and more efficient for citizens and businesses to interact with government providing valuable conveniences like applying for unemployment insurance, submitting business filings, renewing licenses, accessing information and making secure payments without visiting a government office. Our digital government services unit designs, builds, and operates digital government services on an enterprise-wide basis on behalf of state and local governments desiring to provide access to government information and to complete secure government-based transactions through multiple digital channels. These digital government services consist of websites and applications that allow consumers, such as businesses and citizens, to access government information, complete transactions and make electronic payments. We also provide payment processing services, software development and digital government services, other than those services provided under state enterprise contracts, to federal agencies as well as state and local governments.

### Revenues

We derive our revenues from five primary sources:

- Subscription-based services
- Maintenance and support
- Professional services
- Software licenses and royalties
- Appraisal services

### Subscription-Based Services

Subscriptions revenue primarily consists of revenues derived from our SaaS arrangements. 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 ten years but are typically contracted for initial periods of three to five 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.

Other sources of subscriptions revenue are derived from transaction-based fees primarily related to digital government services, online payment solutions, which are sometimes offered with the assistance of third-party vendors, and online dispute resolution solutions. 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.

### 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 clients' 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 revenue.

### Professional Services

We provide a variety of professional 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 implementation of Tyler's software solutions. The complete implementation process for a typical system includes planning, design, data conversion, set-up and testing. At the culmination of the implementation process, a data implementation team is generally onsite at the client's facility or available via remote video conferencing to ensure the smooth go-live with the new system. Implementation fees are charged separately to clients on either a fixed-fee or hourly charge basis, depending on the contract.

Both in connection with the installation of new systems and on an ongoing basis, we provide extensive training services and programs related to our products and services. Training can be provided in our training centers, onsite at clients' locations, at meetings and conferences, or remotely, 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.

#### Software Licenses and Royalties

Many of our software arrangements involve "off-the-shelf" software. We recognize the revenue allocable to "off-the-shelf" software licenses and specified upgrades at a point in time when control of the software license transfers to the customer, unless the software is not considered distinct. We consider "off-the-shelf" software to be distinct when it can be added to an arrangement with minor changes in the underlying code, it can be used by the customer for the customer's purpose upon installation, and remaining services such as training are not considered highly interdependent or interrelated to the product's functionality.

For arrangements that involve significant production, modification or customization of the software, or where professional services are otherwise not considered distinct, we recognize revenue over time by measuring progress-to-completion. We measure progress-to-completion primarily using labor hours incurred as it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. These arrangements are often implemented over an extended period and occasionally require us to revise total cost estimates. Amounts recognized in revenue are calculated using the progress-to-completion measurement after giving effect to any changes in our cost estimates. Changes to total estimated contract costs, if any, are recorded in the period they are determined. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent.

Software license fees are billed in accordance with the contract terms. Typically, a majority of the fee is due when access to the software license is made available to the customer and the remainder of the fee due over a passage of time stipulated by the contract. 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.

We recognize royalty revenue when the sale occurs under the terms of our third-party royalty arrangements. Currently, our third-party royalties are recognized on an estimated basis and adjusted if needed, when we receive notice of amounts we are entitled to receive. We typically receive notice of royalty revenue we are entitled to and billed on a quarterly basis in the quarter immediately following the royalty reporting period and adjustments have not been significant.

#### Appraisal Services

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

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

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

In some instances, we also provide 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 revenues 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 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 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. We regularly add new products and services to our portfolio through internal product development as well as acquisitions. We believe that the addition of new features and applications enhances the market appeal of our core products. We have also broadened our offerings of consulting and business process reengineering services.
- Accelerate our move to the cloud. We have offered most of our core products in both an on-premises license model and a cloud-based subscription model for several years and have seen a steady increase in the percentage of new software clients choosing our cloud model in recent years. Beginning in late 2019, we moved our approach to sales from “cloud-neutral” to “cloud-first,” with an increasing preference to provide our solutions in the cloud. We are making significant investments in optimizing our products to be deployed efficiently in the public cloud and over a multi-year period are transitioning from hosting clients in Tyler’s proprietary data centers to utilizing Amazon Web Services (“AWS”) for cloud hosting.
- 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, Australia, and other international locations, some of our solutions have not fully 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 larger jurisdictions. 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 expense than sales to new clients. In particular, we believe that the acquisition of NIC in April 2021 provides us with significant opportunities to sell Tyler software products into NIC’s client base and to provide NIC’s payment services to Tyler’s client base.
- Grow recurring revenues. We have a large recurring revenue base from maintenance and support and subscription-based services, which generated revenues of \$1.5 billion, or 80% of total revenues, in 2022. We have historically experienced very low customer turnover (approximately 2% annually) and recurring revenues continue to grow as the installed customer base increases. Subscription-based revenues have been our fastest growing revenue category over the past five years, increasing from \$220.5 million in 2018 to \$1.0 billion in 2022. We monitor Annualized Recurring Revenue (“ARR”), which is calculated based on quarter-to-date end total recurring revenues multiplied by four. ARR was \$1.50 billion and \$1.39 billion as of December 31, 2022, and 2021, respectively. ARR increased 8% compared to the prior period due to an increase in subscriptions revenue resulting from an ongoing shift toward SaaS arrangements.
- Maximize economies of scale and take advantage of financial leverage in our business. We seek to build and maintain a larger client base to create economies of scale, enabling us to provide value-added products and services to our clients while expanding our operating margins. 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 sales and marketing and general and administrative expenses.
- Attract and retain highly qualified employees. We believe that the depth and quality of our 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 public sector market, enhance our attractiveness as an employer for highly skilled employees.
- Pursue strategic acquisitions. 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 the public sector
  - New clients and/or geographic expansion

- Establish strategic alliances. We have a strategic collaboration agreement with Amazon Web Services ("AWS") for cloud hosting services, which brings together Tyler, the nation's largest software company exclusively focused on the public sector, and AWS, the broadest and deepest cloud platform. Specifically, the agreement with AWS provides the framework for development, training and collaboration in order to support next-generation applications that have the scalability, resiliency, and security AWS offers. AWS is assisting us in accelerating innovation and the development of strategic initiatives. These initiatives will bring the most advanced cloud-native services to Tyler clients, improving the flow of information and providing a better experience for state, local, and federal governments.

## SALES, MARKETING AND CLIENTS

We market our products and services primarily 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. For certain products we also utilize a partner network for both sales and professional services, primarily in the state and federal markets.

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 federal, state, 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. At the state and federal levels, clients include Chief Information Officers and agency heads. Contracts for software products and services are generally implemented over periods of three months to one year, although some complex implementations may span multiple years, with annually renewing maintenance and support update agreements thereafter. Although either the client or we can terminate these agreements, historically almost all support and maintenance agreements are automatically renewed annually. During 2022, approximately 25% 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 offer less expensive solutions than ours. Many of these firms operate within a specific geographic area and / or in a narrow product or service niche. We also compete with national firms, some of which have greater financial and technical resources than we do, including Oracle Corporation, Infor, SAP AG, Workday, Inc., CentralSquare Technologies, Thomson Reuters Corporation, Motorola Solutions, Inc., Axon Enterprise, Inc., 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 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. 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, 2022, our revenue backlog was approximately \$1.89 billion, compared to \$1.80 billion at December 31, 2021. The backlog generally represents signed contracts under which the revenue has not been recognized. Approximately \$886 million, or 47%, of the backlog is expected to be recognized during 2023.



## 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.

## HUMAN CAPITAL RESOURCES

### *Human Capital*

Our experienced, collaborative team is one of the most significant contributors to our success in empowering the public sector to create smarter, safer, and stronger communities. Our effectiveness in attracting and developing talented team members, many of whom spend the majority of their careers at Tyler serving our public sector clients, demonstrates our commitment to providing a welcoming and safe workplace, with a culture, benefits, and opportunities for our team members to continually grow and develop their careers within Tyler.

As of December 31, 2022, we had approximately 7,200 team members. Approximately 335 of these team members are located in Canada and the Philippines; the remainder work remotely in the U.S. or are based in one of our nearly 80 U.S. offices. No Tyler employees are represented by unions. We believe our efforts in managing and supporting our workforce are effective, as evidenced by current levels of applicants, team member tenure, and high levels of engagement reported through continuous survey feedback from Tyler team members. Before we returned to office in January, the vast majority of team members worked remotely. After the return, 39% of team members became either partially or fully office based.

Our team continues to work collaboratively with and for our clients and partners across multiple work arrangements: fully office-based, fully remote and a blended approach of office-based and remote work, which we refer to as flex-work. Regardless of where team members work, we do so together to develop for, sell to, implement and support our public sector clients.

At the end of 2022, Tyler's U.S. workforce was 63% male and 37% female, and women represented 42% of Tyler's leadership. Our workforce was comprised as follows: 71% White, 7% Asian, 4% Hispanic or Latino, 5% Black or African American, and 13% Other. For our leadership, the breakdown was 93% White, 5% Asian, 2% Hispanic or Latino. We define leadership as positions which are one or two levels removed from our CEO with management responsibility. Race and gender reporting are based on information provided by team members. Voluntary workforce turnover (rolling 12-month attrition) was 10% as of December 31, 2022, a decrease from 2021 turnover of 12.5%. The average tenure of our team members continues to be approximately seven years and approximately 27% of our employees have been employed by Tyler for more than ten years. The most frequent factor cited by team members leaving Tyler in 2022 was career opportunities with compensation also cited as a factor. Job offer compensation levels for roles in the tech sector continued to increase in 2022 at levels we have not experienced in well over a decade.

### *Investments in Talent*

We are committed to providing Tyler team members with career growth opportunities and the training and resources necessary to continually strengthen their skills. Our talent assessment and development programs provide managers and employees with the resources needed to achieve career goals, build management skills and lead their teams.

For example, in 2022:

- 974 Tyler team members participated in close to 11,000 hours of AWS cloud certification training. There were 352 AWS accreditations and 228 certifications completed, as we continue to invest in developing cloud skills across the Tyler workforce.
- Again this year, over 200 Tyler managers participated in our 9-month Tyler Manager Development program which includes more than 50 hours of interactive, experiential learning, focused on developing skills managers need to lead a high performing team, plus multiple leadership assessments, including 360-degree feedback, and a dedicated mentor to support their development. To date, 42% of our management leads have participated in the program.
- Division Presidents and Corporate Function Executives conducted annual leadership assessment and talent reviews with their HR leaders and leadership teams to plan for succession and identify development priorities within their teams.
- Our TylerU online training platform was utilized by over 8,100 team members who completed almost 35,000 hours of Tyler-sponsored AWS, management and compliance training to support continuous learning, professional training and development.

## *Oversight and Management*

Our Human Resources team is tasked with leading and supporting our organization in managing employment-related matters, including recruiting and hiring, onboarding and training, compensation planning, talent management and development. Our executive team is responsible for periodically reviewing team member programs and initiatives, including healthcare and other benefits, as well as our management development and succession planning practices and our Diversity, Equity and Inclusion (“DEI”) efforts. Management periodically reports to the Board and its committees human capital measures and results that guide how we attract, retain and develop a workforce to enable our business strategies.

## *Health & Safety*

We invest in the well-being of Tyler team members and their families. We provide a range of offerings in support of mental and emotional, financial, and physical health and wellness not only for our team members, but also for the family members who depend on them. The prolonged stressors of the COVID-19 pandemic continued in 2022, and we extended the new benefits introduced in 2020, including enhanced mental health and telehealth benefits and full coverage for COVID illness and vaccinations.

## *Diversity and Inclusion*

We believe that a diverse workforce is critical to our success, and we continue to monitor and improve the application of our hiring, retention, compensation and advancement processes for women and underrepresented populations across our workforce, including our team members of color, veterans and members of our LGBTQ community. Our networks of support, made up of local diversity, equity, and inclusion committees and employee resources groups, serve to enhance our inclusive and diverse culture.

## INTERNET WEBSITE AND AVAILABILITY OF PUBLIC FILINGS

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

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

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

## ITEM 1A. RISK FACTORS.

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

### *Risks Associated with Our Business, Including 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, for example, develop and deploy malicious software to attack our products and services and/or 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. Despite the network and application security, internal control measures, and physical security procedures we employ to safeguard our systems, we may still be vulnerable to a security breach, intrusion, or loss or theft of confidential client data, transaction data, or proprietary company information, which may harm our business, reputation and future financial results. The lost revenue and containment, remediation, investigation, legal and other costs could be significant and may exceed our insurance policy limits or may not be covered by insurance at all. Further, we may be subject to regulatory enforcement actions and litigation that could result in financial judgments or the payment of settlement amounts and disputes with insurance carriers concerning coverage.

In September 2020, we filed a Current Report on Form 8-K reporting a security incident (the "Incident") involving ransomware disrupting access to some of our internal IT systems and telephone systems. We promptly notified our clients of the Incident and provided timely updates to our clients through direct communications and updates to our website. There is no evidence that the environments where we host client applications were affected, and our hosting services to those clients were not interrupted. There was also no evidence of malicious activity on client networks associated with the Incident. We contained the Incident and recovered from it, resuming normal operations with our clients. We deployed supplemental remediation efforts as necessary and cooperated with law enforcement's investigation.

Although we completed our investigation into the Incident and believe we contained and recovered from the Incident, we are subject to risk and uncertainties as a result of the Incident. There can be no assurance as to what the ongoing impact of the Incident will be, if any. We maintain cybersecurity insurance coverage in an amount that we believe is adequate.

*Disclosure of personally identifiable information and/or other sensitive client data could result in liability and harm our reputation.*

We store and process increasingly large amounts of personally identifiable information 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 sensitive client data that we store and manage. Disclosure of personally identifiable information and/or other sensitive client data could result in liability and harm our reputation.

*We depend on third parties with whom we engage or collaborate for certain projects, deliverables, and/or financial transaction processes. If these parties fail to satisfy their obligations to us or we are unable to maintain these relationships, our operating results and business prospects could be adversely affected.*

To satisfy our obligations under client contracts, we often engage third parties to provide certain deliverables or fulfill certain requirements. We may also use third parties to ensure that our services and solutions integrate with the software, systems, or infrastructure requirements of other vendors and service providers. Our ability to serve our clients and deliver our solutions in a timely manner depends on our ability to retain and maintain relationships with third-party vendors and service providers and the ability of these third parties to meet their obligations in a timely manner, as well as on our effective oversight of their performance. If any third party fails to perform on a timely basis the agreed-upon services, our ability to fulfill our obligations may be jeopardized. Third-party performance deficiencies could result in breaches of our obligations with respect to, or the termination for default of, one or more of our client contracts. A breach or termination for default could expose us to liability for damages and have an adverse effect on our business prospects, results of operations, cash flows and financial condition and our ability to compete for future contracts and orders. A global economic slowdown, the COVID-19 pandemic, or similar circumstances could also adversely affect the businesses of our third-party providers, hindering their ability to provide the services on which we rely. Our agreements with third parties typically are non-exclusive and do not prohibit them from working with our competitors. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our business, operating results or financial condition could be adversely affected.

In addition, we may act as subcontractor to a third-party prime contractor to secure new projects. Subcontracting arrangements where we are not the prime contractor pose unique risks to us because we may not have control over the customer relationship, and our ability to generate revenues under such subcontracts may depend on the prime contractor, its performance and relationship with the customer, and its relationship with us. We could suffer losses in the event a prime contract under which we serve as a subcontractor is terminated, whether for non-performance by the prime contractor or otherwise. Upon a termination of the prime contract, our subcontract would similarly terminate, and the resulting contract loss could have an adverse effect on our business prospects, results of operations, cash flows, and financial condition and our ability to compete for future contracts and orders.

*We rely on third-party providers—including Amazon Web Services—for hosting services and other technology-related services needed to deliver certain of our cloud solutions. Any disruption in the services provided by such third-party providers could adversely affect our business and subject us to liability.*

A material portion of our business is provided through software hosting services, which are sometimes hosted from and use computing infrastructure provided by third parties, including Amazon Web 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 revenues, and damage to our business.

Third-party hosting service providers have no obligation to renew their agreements with us on commercially reasonable terms or at all. If we are unable to renew these agreements on commercially reasonable terms, we may be required to transition to a new provider and we may incur significant costs and possible service interruption in connection with doing so. In addition, such service providers could decide to close their facilities or change or suspend their service offerings without adequate notice to us. Moreover, any financial difficulties, such as bankruptcy, faced by such service providers may have negative effects on our business, the nature and extent of which are difficult to predict. Because we cannot easily switch third-party hosting service providers, any disruption with respect to our current providers would impact our operations and our business could be adversely impacted. Problems faced by our hosting service providers could adversely affect the experience of our customers. For example, Amazon Web Services has experienced significant service outages in the past and may do so again in the future. In addition, the ongoing COVID-19 pandemic has disrupted and may continue to disrupt the supply chain of hardware needed to maintain these third-party systems or to run our business.

*Material portions of our business require the Internet infrastructure to be reliable.*

Part of our future success continues to depend 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 ongoing maintenance of the Internet infrastructure, especially to prevent interruptions in service, as well as additional development of that infrastructure. This requires 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 sufficiently developed or be adequately maintained, our business would be harmed because users may not be able to access our government portals.

*We employ third-party licensed software and software components for use in or with our solutions, and the inability to maintain these licenses or the presence of errors or security vulnerabilities in the software we license could limit the functionality of our products and result in increased costs or reduced service levels, which would adversely affect our business.*

We incorporate and include third-party software into and with certain of our products and solutions. We also use third-party software and tools in certain areas of the development process for our solutions. We anticipate that we will continue to rely on such third-party software and development tools in the future. In addition, there can be no assurance that these third parties will continue to make their software or tools available to us on acceptable terms, or at all, not make their products available to our competitors on more favorable terms, invest the appropriate levels of resources in their products and services to maintain and enhance the capabilities of their software, or remain in business. Any impairment in our relationship with these third parties or our ability to license or otherwise use their software or tools could have a material adverse effect on our business, results of operations, cash flow, and financial condition. Although we believe that there are commercially reasonable alternatives to the third-party software and tools we currently license, this may not always be the case, or they may be difficult, time-consuming, or costly to replace. In addition, although we maintain a supplier security evaluation process, if the third-party software or tools we use has or have errors, security vulnerabilities, or otherwise malfunctions, the functionality of our solutions may be negatively impacted, our customers may experience reduced service levels, and our business may suffer.

*Certain of our solutions utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could adversely affect our business.*

Certain of our solutions include software covered by open source licenses. The terms of various open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our solutions. It is possible under the terms of certain open source licenses, if we combine our proprietary software with open source software in a certain manner, that we could be required to release the source code of our proprietary software and make our proprietary software available under open source licenses. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our solutions, or otherwise be limited in the licensing of our solutions, each of which could reduce or eliminate the value of our solutions. In addition to risks related to license requirements, use of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated and could adversely affect 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. 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 an apparent evolution in the legal standards and regulations courts and the U.S. patent office may apply in favorably evaluating software patent 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). Alternatively, clients may elect to drop maintenance on certain modules that they ultimately decide not to use. 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.

### *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 federal or municipal agencies, and other public entities. We expect that sales to public sector clients will continue to account for substantially all of our revenues in the future. We face many risks and challenges associated with contracting with governmental entities, including:

- Resource limitations caused by budgetary constraints, which may provide for a termination of executed contracts due to a lack of future funding
- Long and complex sales cycles
- Contract payments at times being subject to achieving implementation milestones, and we may have differences with clients as to whether milestones have been achieved
- Political resistance to the concept of contracting with third parties to provide IT solutions
- Legislative changes affecting a local government's authority to contract with third parties
- Varying bid procedures and internal processes for bid acceptance
- Various other political factors, including changes in governmental administrations and personnel

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

*COVID-19 may adversely affect our business and results of operations.*

We expect that the continued global presence of COVID-19 may negatively impact our business and financial results in fiscal year 2023. As the virus continues to persist, increased infection rates (generally or as the result of new strains of the virus) may result in government authorities returning to stricter measures to contain the virus, including travel bans and restrictions, quarantines, and business limitations and shutdowns. While we are unable to accurately predict the full impact that COVID-19 will continue to have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures and associated compliance, the pandemic may negatively impact our revenues and other financial results.

Because an increasing portion of our revenues are recurring, the effect of COVID-19 on our results of operations may also not be fully reflected for some time. We may see some more immediate impact on our business should there be new delays in government procurement processes and uncertainty around public sector budgets, or new delays in implementations caused by travel restrictions, closed offices, or clients shifting focus to more pressing issues.

Appraisal and software implementations projects may be delayed if clients put projects on hold or slow projects by extending go-live dates. While we have the ability to deliver most of our professional services remotely, some of our professional services, including appraisal assessments, are more effective when performed on-site, and certain clients may continue to insist on on-site services in any event. In addition, our delivery of some professional services requires the availability of client personnel. There may be a negative impact on our revenues if we are unable to deliver these services. Also, we expect software licenses and subscriptions revenues to be negatively affected if there are delays in procurement processes. Some clients could request changes to payment terms, negatively impacting the timing of collections of accounts receivables in future periods. For the twelve months ended December 31, 2022, 80% of our total revenues and earnings are relatively predictable as a result of our subscription and maintenance revenue, which is recurring in nature; thus the effect of the COVID-19 pandemic may not be fully reflected in our results of operations and overall financial performance until future periods.

We have historically evaluated goodwill for impairment annually as of October 1, or more frequently if impairment indicators arose. Subsequent to our annual goodwill impairment analysis, we monitor for any events or changes in circumstances, such as significant adverse changes in business climate or operating results, changes in management's business strategy, an inability to successfully introduce new products in the marketplace, an inability to successfully achieve internal forecasts or significant declines in our stock price, which may represent an indicator of impairment. The occurrence of any of these events, which could be caused or impacted by the COVID-19 pandemic, may require us to record future goodwill impairment charges.

*A prolonged economic slowdown could harm our operations.*

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

*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 revenues 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 model
- 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, reputation and references
- Price
- Our financial strength and stability

Our 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 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 structured on a fixed-price basis, which can lead to various risks, including:

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

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

*Changes in the insurance markets may affect our business.*

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

### *Risks Related to Our Indebtedness*

*Servicing our indebtedness requires a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness, and we may not otherwise have the ability to raise the funds necessary to settle for cash conversions of the Convertible Senior Notes or to repurchase the Convertible Senior Notes upon a fundamental change, or to repay our indebtedness obligations under our 2021 Credit Agreement, each of which could adversely affect our business and results of operations.*

As of December 31, 2022, we had outstanding an aggregate principal amount of \$600 million of our Convertible Senior Notes and \$395 million under our 2021 Credit Agreement. In April 2021, we entered into the 2021 Credit Agreement with significantly increased borrowing capacity of up to \$1.4 billion and on the closing of the acquisition of NIC on April 21, 2021, we borrowed initial loans in the aggregate principal amount of \$1.15 billion. The 2021 Credit Agreement also has an option to increase the amount available up to an additional \$500 million subject to our leverage and other factors. The proceeds from the issuance of our Convertible Senior Notes and from loans under the 2021 Credit Agreement were used as sources of funding for the acquisition of NIC. Our indebtedness may increase our vulnerability to any generally adverse economic and industry conditions, and we and our subsidiaries may, subject to the limitations in the terms of our existing and future indebtedness, incur additional debt, secure existing or future debt or recapitalize our debt. If we incur additional indebtedness, the risks related to our business would increase and our ability to service or repay our indebtedness may be adversely impacted.

Pursuant to their terms, holders may convert their Convertible Senior Notes at their option prior to the scheduled maturities of their Convertible Senior Notes under certain circumstances. Upon conversion of the Convertible Senior Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be obligated to make cash payments. In addition, holders of our Convertible Senior Notes will have the right to require us to repurchase their Convertible Senior Notes upon the occurrence of a fundamental change (as defined in the Indenture, dated as of March 9, 2021, between the Company and U.S. Bank National Association, as trustee (the "Trustee") (the "Indenture"), at a repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus accrued and unpaid interest, if any. Although it is our intention, and we currently expect to have the ability, to settle the Convertible Senior Notes in cash, there is a risk that we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Senior Notes surrendered or Convertible Senior Notes being converted. In addition, our ability to make payments may be limited by law, by regulatory authority, or by agreements governing our future indebtedness. Our failure to repurchase Convertible Senior Notes at a time when the repurchase is required by the Indenture or to pay any cash payable on future conversions of the Convertible Senior Notes as required by the Indenture would constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our other existing or future indebtedness. If the repayment of other indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the other indebtedness and repurchase the Convertible Senior Notes or make cash payments upon conversions thereof.

Our ability to make scheduled payments of the principal and interest on our indebtedness when due or to make payments upon conversion or repurchase demands with respect to our Convertible Senior Notes, or to refinance our indebtedness as we may need or desire, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our existing indebtedness, and any future indebtedness we may incur, and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance existing or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our existing or future indebtedness and have a material adverse effect on our business, results of operations, and financial condition.

*Covenant restrictions under our indebtedness may limit our ability to operate our business and may adversely affect our financial condition, results of operations, and earnings per share.*

The Indenture governing the Convertible Senior Notes and the 2021 Credit Agreement do, and our future indebtedness agreements may, contain covenants that may restrict our ability to finance future operations or capital needs or to engage in other business activities. Subject to customary carve-outs, thresholds and baskets, the 2021 Credit Agreement (and the Indenture by means of a cross-default) restricts, absent consent of the agent and lenders under the 2021 Credit Agreement, our ability and the ability of our restricted subsidiaries to, among other things:

- Incur additional indebtedness,
- Permit liens on our assets,
- Make certain investments, acquisitions and dispositions,
- Make certain specified fundamental changes, and
- Make certain restricted payments.



In addition, the 2021 Credit Agreement (and the Indenture by means of a cross-default) contains other customary affirmative and negative covenants, and events of default. The 2021 Credit Agreement is unsecured but requires us to maintain certain financial ratios regarding our total leverage and interest coverage and other financial conditions in addition to the restrictions described above. Events beyond our control, including changes in general economic and business conditions, may result in a breach of any of these covenants and result in a default under the 2021 Credit Agreement that may, in turn, result in a default under the Indenture. If an event of default under the 2021 Credit Agreement occurs, the lenders could terminate all commitments to lend and elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If we were unable to pay such amounts, the lenders could proceed against the guarantees by our direct and indirect material domestic subsidiaries. Should the lenders proceed against the guarantees, we cannot give assurance that we would have sufficient assets to pay amounts due on the 2021 Credit Agreement and the Convertible Senior Notes.

*Variable rate indebtedness subjects the Company to interest rate risk, which could cause our debt service obligations to increase significantly.*

Our borrowings under the 2021 Credit Agreement are, and are expected to continue to be, at variable rates of interest and expose Tyler to interest rate risk. If interest rates continue to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Revolving credit facility loans and Term A-1 Loans under the 2021 Credit Agreement bear interest at a per annum rate equal to, at our option, either (1) the administrative agent's prime commercial lending rate (subject to certain higher rate determinations) (the "Base Rate") plus a margin of 0.125% to 0.75% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month LIBOR rate plus a margin of 1.125% to 1.75%. Our Term A-2 Loans bear interest, at our option, at a per annum rate of either (1) the Base Rate plus a margin of 0% to 0.5% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month LIBOR rate plus a margin of 0.875% to 1.5%. The margin in each case is based upon our total net leverage ratio, as determined pursuant to the 2021 Credit Agreement. Based on the debt under the 2021 Credit Agreement, the aggregate principal outstanding balance as of December 31, 2022 is \$395.0 million, and each quarter point change in interest rates would result in a \$1.0 million change in annual interest expense.

LIBOR, the London Inter-Bank Offered Rate, is currently anticipated to be phased out in June 2023 and is expected to transition to a new standard rate, the Secured Overnight Financing Rate ("SOFR"), which will incorporate certain overnight repo market data collected from multiple data sets. In January 2023, we amended our 2021 Credit Agreement to replace the LIBOR reference rate with the SOFR reference rate. Assuming that SOFR replaces LIBOR and is appropriately adjusted to equate to one-month LIBOR, we expect that there should be minimal impact on our operations.

*The conditional conversion feature of the Convertible Senior Notes, if triggered, may adversely affect our financial condition and results of operations.*

In the event the conditional conversion feature of the notes is triggered, holders of our Convertible Senior Notes will be entitled to convert the Convertible Senior Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Senior Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Senior Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

*Transactions relating to our Convertible Senior Notes may affect the value of our common stock.*

Our Convertible Senior Notes may become convertible in the future at the option of their holders under certain circumstances. If holders of our Convertible Senior Notes elect to convert their notes, we may settle our conversion obligation by delivering to them a significant number of shares of our common stock, which would cause dilution to our existing shareholders.

### *Risks Associated with Our Periodic Results and Stock Price*

*Fluctuations in quarterly revenues 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 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 GAAP
- 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 recurring 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 investment in research and development could decrease overall margins.*

An important element of our corporate strategy is to continue to dedicate a significant amount of resources to research and development and related product and service opportunities both through internal investments and the acquisition of intellectual property from companies that we have acquired. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position, and research and development expense could adversely affect operating margins.

*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
- Changes in financial estimates by securities analysts
- General market conditions and other factors

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

*Our financial outlook may not be realized.*

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 organic internal growth, we will continue to identify and pursue strategic acquisitions with suitable candidates. These transactions involve significant challenges and risks, including risks that a transaction does not advance our business strategy; that we do not achieve the expected return on our investment; that we have difficulty integrating business systems and technology; that we have difficulty retaining or integrating new employees; that the transactions distract management from our other businesses; that 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 less 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 continue to expand our operations by pursuing existing and potential market opportunities. This growth places significant demands 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 challenges 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. In addition, competitive job markets may increase our costs relating to compensation packages due to higher salary expectations and pressures.

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

Changing laws, regulations, and standards relating to corporate governance, compliance, and public disclosure can create uncertainty for public companies. The costs required to comply with such evolving laws across the various states and at the federal level are difficult to predict and/or harmonize. To maintain high standards of corporate governance, compliance, 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 expense and a diversion of management's time and attention from revenue-generating activities, which may harm our operating results.

*We do not foresee paying dividends on our common stock.*

We have not declared nor 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 a total of approximately 1.3 million square feet of office space, of which approximately 746,000 square feet is in various office facilities we own. We own or lease offices for our major operations in the states of Arkansas, Arizona, California, Colorado, Connecticut, Georgia, Illinois, Indiana, Kansas, Massachusetts, Maine, Michigan, Missouri, Montana, North Carolina, New York, Ohio, Tennessee, Texas, Virginia, Washington, Washington D.C., Wisconsin, Ontario and British Columbia, Canada and the Philippines.

ITEM 3. LEGAL PROCEEDINGS.

During the first quarter 2022, the Company received a notice of termination for convenience for professional services under a contractual arrangement with a state client. Upon receipt of the termination notice, we ceased performing services under the contractual arrangement and sought payment of contractually owed fees of approximately \$15 million in connection with the termination for convenience. As of December 31, the total exposure in our financial statements included the remaining balance of net billed accounts receivable for licenses and services rendered under the contract of approximately \$12 million.

The client was unresponsive to company outreach for several months. On August 23, 2022, the Company filed a lawsuit to enforce our rights and remedies under the applicable contractual arrangement. The client has not filed responsive pleadings and no other significant activity has occurred in the lawsuit. Although we believe our products and services were delivered in accordance with the terms of our contract and that we are entitled to payment in connection with the termination for convenience, at this time the matter remains unresolved. We are unable to estimate the probability of a favorable or unfavorable outcome with respect to the dispute or estimate the amount of potential loss, if any, related to this matter. We can provide no assurances that we will not incur additional costs as we pursue our rights and remedies under the contract.

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, 2022, we had approximately 1,065 stockholders of record. Most of our stockholders hold their shares in street name; therefore, there are substantially more than 1,065 beneficial owners of our common stock.

We did not pay any cash dividends in 2022 or 2021. 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 do not anticipate paying a cash dividend in the foreseeable future.

The following table summarizes certain information related to our stock incentive plan, restricted stock units and our employee stock purchase plan. There are no warrants or rights related to our equity compensation plans as of December 31, 2022.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, purchase rights and vesting of restricted stock units as of December 31, 2022	Weighted average exercise price of outstanding options and unvested restricted stock units	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in initial column as of December 31, 2022)
Equity compensation plans approved by security shareholders:			
2018 Incentive Stock Plan	2,078,261	263.59	1,254,531
Employee Stock Purchase Plan	11,092	274.05	576,343
Equity compensation plans not approved by security shareholders	2,089,353	\$ 263.64	1,830,874

As of December 31, 2022, we had authorization to repurchase up to approximately 2.3 million additional shares of Tyler common stock. During 2022, we purchased no shares of our common stock.

A summary of the repurchase activity during 2022, is as follows:

Period	Total number of shares repurchased	Additional number of shares authorized that may be repurchased	Average price paid per share	Maximum number of shares that may be repurchased under current authorization
Three months ended March 31	—	—	—	2,344,200
Three months ended June 30	—	—	—	2,344,200
Three months ended September 30	—	—	—	2,344,200
October 1 through October 31	—	—	—	2,344,200
November 1 through November 30	—	—	—	2,344,200
December 1 through December 31	—	—	—	2,344,200

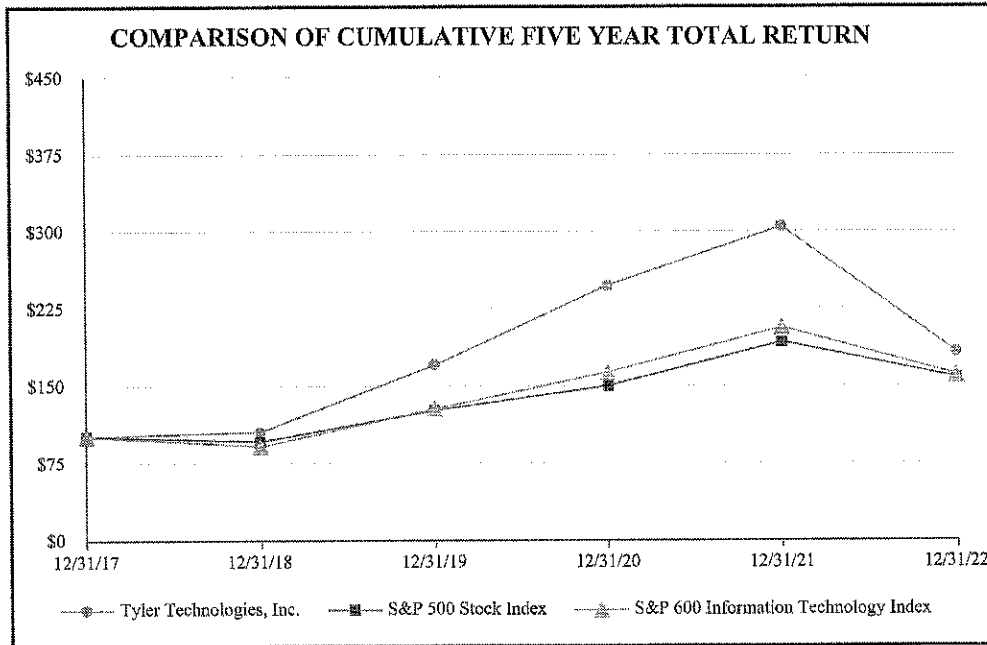
The repurchase program, which was approved by our board of directors, was announced in October 2002, and was amended at various times from 2003 through 2019. There is no expiration date specified for the authorization, and we intend to repurchase stock under the program from time to time.

As of February 22, 2023, we had remaining authorization to repurchase up to 2.3 million additional shares of our common stock.

### 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, 2017. 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	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Tyler Technologies, Inc.	100	95.62	125.72	148.85	303.84	182.10
S&P 500 Stock Index	100	91.07	127.12	162.47	206.09	160.00
S&P 600 Information Technology Index	100	95.62	125.72	148.85	206.09	156.88

### ITEM 6.

This section has been eliminated as a result of adopting the November 19, 2020, amendment to Item 301 of Regulation S-K.

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included in Item 8 of this Annual Report on Form 10-K. For a comparison of our Results of Operations for the years ended December 31, 2021, and 2020, and our Cash Flow discussion for the year ended December 2021, see "Part II, Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 23, 2022.

### CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical in nature and typically address future or anticipated events, trends, expectations or beliefs with respect to our financial condition, results of operations or business. Forward-looking statements often contain words such as "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," "plans," "intends," "continues," "may," "will," "should," "projects," "might," "could" or other similar words or phrases. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. We believe there is a reasonable basis for our forward-looking statements, but they are inherently subject to risks and uncertainties and actual results could differ materially from the expectations and beliefs reflected in the forward-looking statements. We presently consider the following to be among the important factors that could cause actual results to differ materially from our expectations and beliefs: (1) the continuing effects of the COVID-19 pandemic, including its potential effects on the economic environment, our customers and our operations, as well as any changes to federal, state or local government laws, regulations or orders in connection with the pandemic; (2) changes in the budgets or regulatory environments of our clients, primarily local and state governments, that could negatively impact information technology spending; (3) disruption to our business and harm to our competitive position resulting from cyber-attacks and security vulnerabilities; (4) our ability to protect client information from security breaches and provide uninterrupted operations of data centers; (5) our ability to achieve growth or operational synergies through the integration of acquired businesses, while avoiding unanticipated costs and disruptions to existing operations; (6) material portions of our business require the internet infrastructure to be adequately maintained; (7) 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; (8) general economic, political and market conditions, including inflation and changes in interest rates; (9) technological and market risks associated with the development of new products or services or of new versions of existing or acquired products or services; (10) 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; (11) 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 (12) 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. We develop and market a broad line of software products and services to address the IT needs of public sector entities. We provide subscription-based services such as software as a service ("SaaS"), transaction-based fees primarily related to digital government services and online payment processing, and electronic document filing solutions ("e-filing"), which simplify the filing and management of court related documents. 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. Additionally, we provide property appraisal outsourcing services for taxing jurisdictions.

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

- financial management, education and planning, regulatory, and maintenance software solutions;
- financial management, municipal courts, planning, regulatory, and maintenance software solutions;
- courts and justice and public safety software solutions;
- data and insights solutions;
- appraisal and tax software solutions, land and vital records management software solutions, and property appraisal services;
- development platform solutions including case management and business process management; and
- digital government and payments solutions.

In accordance with ASC 280-10, *Segment Reporting*, we report our results in two reportable segments. The Enterprise Software ("ES") reportable segment provides public sector entities with software systems and services to meet their information technology and automation needs for mission-critical "back-office" functions such as: financial management and education; planning, regulatory and maintenance; courts and justice; public safety; data and insights; appraisal and tax software solutions; land and vital records management software solutions; and property appraisal services. The Platform Technologies ("PT") reportable segment provides public sector entities with software solutions to perform transaction processing, streamline data processing, and improve operations and workflows such as digital government and payments solutions and development platform solutions.

We evaluate performance based on several factors, of which the primary financial measure is business segment operating income. We define segment operating income for our business units as income before non-cash amortization of intangible assets associated with their acquisitions, interest expense, and income taxes. Segment operating income includes intercompany transactions. The majority of intercompany transactions relate to contracts involving more than one unit and are valued based on the contractual arrangement. Corporate segment operating loss primarily consists of compensation costs for the executive management team, certain shared services 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.

As of January 1, 2022, the appraisal and tax software solutions, land and vital records management software solutions, and property appraisal service business unit, which was previously reported in the Appraisal & Tax ("A&T") reportable segment, was moved to the ES reportable segment. The digital government and payments solutions, which was previously reported in the NIC reportable segment, and development platform solutions moved to the PT reportable segment to reflect changes in the way in which management makes operating decisions, allocates resources, and manages the growth and profitability of the Company. As a result of the changes in our reportable segments, the former A&T and NIC reportable segments are no longer considered separate segments. Prior period amounts for the ES and PT reportable segments have been adjusted to reflect the segment change. See Note 17, "Segment and Related Information," in the notes to the consolidated financial statements for additional information.

Certain amounts for previous years have been reclassified to conform to the current year presentation. We have elected to present amortization of software development, previously included in the cost of revenues software licenses and royalties line item, in a separate category line item on the consolidated statements of income for all reporting periods presented. Previously disclosed as selling, general and administrative expense is now disclosed in separate line items: sales and marketing expense and general and administrative expense on the consolidated statements of income for all reporting periods presented.

#### *Recent Acquisitions*

##### *2022*

On October 31, 2022, we acquired Rapid Financial Solutions, LLC, a principal provider of reliable, scalable, and secure payments with best-in-class card issuance and digital disbursement capabilities. The total purchase price, net of cash acquired of \$2.2 million, was approximately \$67.7 million, consisting of \$51.2 million paid in cash, \$18.2 million of common stock, and \$500,000 related to working capital holdbacks, subject to certain post-closing adjustments.

On February 8, 2022, we acquired US eDirect Inc. (US eDirect), a leading provider of technology solutions for campground and outdoor recreation management. The total purchase price, net of cash acquired of \$6.4 million, was approximately \$116.5 million, consisting of \$118.8 million paid in cash and approximately \$4.1 million related to indemnity holdbacks.

##### *2021*

On September 9, 2021, we acquired all the equity interest of Ultimate Information Systems, Inc. (dba Arx). Arx is a cloud-based platform which creates accessible technology to enable a modern-day police force that is fully transparent, accountable, and a trusted resource to the community it serves. The total purchase price, net of cash acquired, was approximately \$12.8 million.

On September 1, 2021, we acquired VendEngine, Inc. (VendEngine), a cloud-based software provider focused on financial technology for the corrections market. The total purchase price, net of cash acquired of \$1.7 million, was approximately \$83.6 million, consisting of \$81.6 million paid in cash, and approximately \$3.8 million related to indemnity holdbacks.

On April 21, 2021, we acquired NIC, a leading digital government solutions and payment company that primarily serves federal and state government agencies. The total purchase price, net of cash acquired of \$331.8 million, was approximately \$2.0 billion, consisting of cash paid of \$2.3 billion and \$1.9 million of purchase consideration related to the conversion of unvested restricted stock awards.

On March 31, 2021, we completed two acquisitions, Glass Arc, Inc. (dba ReadySub) and DataSpec, Inc. (DataSpec), for the combined purchase price of \$12.1 million.



## 2022 Operating Results

For the twelve months ended December 31, 2022, total revenues increased 16% compared to the prior period. Excluding the 2022 impact of recent acquisitions<sup>1</sup>, total revenues increased 4% compared to prior period. Revenues from acquisitions contributed 12.4% of growth for the twelve months ended December 31, 2022.

Subscriptions revenue grew 29.0% for the twelve months ended December 31, 2022, due to an ongoing shift toward a cloud-based, software as a service business model, as well as the inclusion of transaction-based revenue from NIC's digital government and payments processing businesses. Excluding the 2022 impact of recent acquisitions<sup>1</sup>, subscriptions revenue increased 6.3% for the twelve months ended December 31, 2022.

The majority of our revenues are comprised of revenues from subscriptions and maintenance, which we consider to be recurring revenues. Annualized recurring revenues ("ARR") is calculated based on quarter-to-date end total recurring revenues multiplied by four. ARR was \$1.50 billion and \$1.39 billion as of December 31, 2022, and 2021, respectively. ARR increased 8% compared to the prior period, due to an increase in subscriptions revenue due to an ongoing shift toward SaaS arrangements.

For the twelve months ended December 31, 2022, total revenues include COVID-related subscriptions revenue of \$10.8 million from NIC's Tour Health offering and professional services revenue of \$40.2 million from pandemic unemployment and Virginia rent relief offerings. These programs all ended in 2022 and we do not expect to generate COVID-related subscriptions revenue and professional services revenue in future periods.

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: subscription-based arrangements; maintenance; professional services; sale of software licenses and royalties; and appraisal services. Subscriptions and maintenance are considered recurring revenue sources and comprised approximately 80% of our revenues in 2022. 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 of our revenue growth, together with new software license sales and maintenance rate increases. We monitor ARR which is calculated based on quarter-to-date end total recurring revenues multiplied by four. As of December 31, 2022, ARR was \$1.50 billion. In addition, we also monitor our customer base and turnover, which historically is very low. During 2022, based on our number of customers, turnover was approximately 2%.

**Cost of Revenues and Gross Margins** – Our primary cost component is personnel expenses in connection with providing software implementation, subscription-based services, maintenance and support, and appraisal services to our clients. We can improve gross margins by controlling headcount and related costs and by expanding our revenue base, especially from those products and services that produce incremental revenue with minimal incremental cost, such as software licenses and royalties, subscription-based services, and maintenance and support. Our appraisal projects are cyclical in nature, and we often employ appraisal personnel on a short-term basis to coincide with the life of a project. As of December 31, 2022, our total employee count included in cost of revenues increased to 5,021 from 4,746 at December 31, 2021, including 56 employees who joined us through acquisitions completed since December 31, 2021.

**Sales and Marketing ("S&M") Expense** – The primary components of S&M expense include sales personnel salaries and share-based compensation expense, sales commissions, travel-related expenses, advertising and marketing materials, and allocated depreciation, facilities, and IT support. Sales commissions typically fluctuate with revenues and share-based compensation expense generally increases based increased level of awards issues during the period and as the market price of our stock increases. Other administrative expenses tend to grow at a slower rate than revenues.

**General and Administrative ("G&A") Expense** – The primary components of G&A expense include personnel salaries and share-based compensation expense for general corporate functions, including senior management, finance, accounting, legal, human resources and corporate development, third party professional fees, travel-related expenses, insurance, allocation of depreciation, facilities and IT support costs, acquisition-related expenses and other administrative expenses. Share-based compensation expense generally increases as the market price of our stock increases. Other administrative expenses tend to grow at a slower rate than revenues.

**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,

<sup>1</sup> Excludes the 2022 incremental impact as a result of not having the recent acquisition for a full fiscal year.

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.

#### Outlook

The local government software market continues to be active with sales activity trending at or near pre-pandemic levels in most sectors of our business, and our backlog at December 31, 2022 reached \$1.89 billion, a 5% increase from the prior period. We expect to continue to achieve solid growth in revenues and earnings. With our strong financial position and cash flow, we plan to continue to make significant investments in product development and accelerating our move to the cloud to better position us to continue to expand our addressable market and strengthen our competitive position over the long term. The expenses associated with the cloud transition are expected to pressure operating margins in 2023 and 2024.

#### CRITICAL ACCOUNTING 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 progress toward completion methods of revenue recognition, estimated standalone selling price ("SSP") for distinct performance obligations, the fair value amount and estimated useful lives of intangible assets, determination of share-based compensation expense and allowance for losses and sales adjustments. 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 earn revenues from software licenses, royalties, subscription-based services, professional services, post-contract customer support ("PCS" or "maintenance"), hardware, and appraisal services. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Our software arrangements with customers contain multiple performance obligations that range from software licenses and SaaS arrangements, installation, training, and consulting to software modification and customization to meet specific customer needs (services), hosting, and PCS. For these contracts, we account for individual performance obligations separately when they are distinct. We evaluate whether separate performance obligations can be distinct or should be accounted for as one performance obligation. Arrangements that include professional services, such as training or installation, are evaluated to determine whether the customer can benefit from the services either on their own or together with other resources readily available to the customer and whether the services are separately identifiable from other promises in the contract. Many of our software arrangements involve "off-the-shelf" software. We recognize the revenue allocable to "off-the-shelf" software licenses and specified upgrades at a point in time when control of the software license transfers to the customer, unless the software is not considered distinct. We consider off-the-shelf software to be distinct when it can be added to an arrangement with minor changes in the underlying code, it can be used by the customer for the customer's purpose upon installation, and remaining services such as training are not considered highly interdependent or highly interrelated to the product's functionality.

For arrangements that involve significant production, modification or customization of the software, or where professional services are otherwise not considered distinct, we recognize revenue over time by measuring progress-to-completion. We measure progress-to-completion primarily using labor hours incurred as it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. These arrangements are often implemented over an extended period and occasionally require us to revise total cost estimates. Amounts recognized in revenue are calculated using the progress-to-completion measurement after giving effect to any changes in our cost estimates. Changes to total estimated contract costs, if any, are recorded in the period they are determined. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent. When professional services are distinct, the fee allocable to the service element is recognized over the time we perform the services and is billed on a time and material or milestones basis.

Subscription-based services consist of revenues derived from SaaS arrangements, transaction and payment processing, electronic filing transactions, and digital government services. Revenue from subscription-based services is generally recognized over time on a ratable basis over the contract term, beginning on the date that our service is made available to the customer. 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. We allocate contract value to each performance obligation of the arrangement that qualifies for treatment as a distinct element based on estimated SSP. We recognize SaaS arrangements ratably over the terms of the arrangements, which range from one to ten years, but are typically for periods of three to five years. For professional services associated with certain SaaS arrangements, we have concluded that the services are not distinct, and we recognize the revenue ratably over the remaining contractual period once we have provided the customer access to the software. 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.

For transaction and payments revenue and e-filing transaction fees, we have the right to charge the customer an amount that directly corresponds with the value to the customer of our performance to date. Therefore, we recognize revenue for these services over time based on the amount billable to the customer in accordance with the 'as invoiced' practical expedient in ASC 606-10-55-18. In some cases, we are paid on a fixed fee basis and recognize the revenue ratably over the contractual period. Typically, the structure of our arrangements does not give rise to variable consideration. However, in those instances whereby variable consideration exists, we include in our estimates, additional revenue for variable consideration when we believe we have an enforceable right, the amount can be estimated reliably and its realization is probable.

The transaction price is allocated to the separate performance obligations on a relative SSP basis. We determine the SSP based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, the applications sold, customer demographics, and the number and types of users within our contracts. We use a range of amounts to estimate SSP when we sell each of the products and services separately and need to determine whether there is a discount to be allocated based on the relative SSP of the various products and services. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine SSP using the expected cost-plus margin approach. Revenue is recognized net of allowances for sales adjustments and any taxes collected from customers, which are subsequently remitted to governmental authorities.

We maintain allowances for losses and sales adjustments, which losses are recorded against revenues at the time the loss is incurred. Since most of our clients are domestic governmental entities, we rarely incur a credit loss resulting from the inability of a client to make required payments. Events or changes in circumstances that indicate the carrying amount for the allowances for losses and sales adjustments may require revision, include, but are not limited to, managing our client's expectations regarding the scope of the services to be delivered and defects or errors in new versions or enhancements of our software products. Our allowance for losses and sales adjustments of \$14.8 million and \$12.1 million at December 31, 2022, and December 31, 2021, respectively, does not include provisions for credit losses. As of January 1, 2020, we adopted ASU 2016-13, *Financial Instruments - Credit Losses*, and primarily evaluated our historical experience with credit losses related to trade and other receivables. Because we rarely experience credit losses with our clients, we have not recorded a material reserve for credit losses.

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 subscriptions and maintenance billings for which payments are made in advance and the revenue is ratably earned over the subscription or maintenance billing period, generally one year. We also have deferred revenue for those contracts in which we receive a deposit and the conditions in which to record revenue for the service or product have not been met. On a periodic basis, we review by customer the detail components of our deferred revenue to ensure our accounting remains appropriate.

*Business Combinations.* Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets acquired and liabilities assumed at their respective fair values. The determination of fair value requires the use of significant estimates and assumptions, and in making these determinations, management uses all available information.

For tangible and identifiable intangible assets acquired in a business combination, management estimates the fair value of assets acquired and liabilities assumed based on quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. The assumptions made in performing these valuations include, but are not limited to, discount rates, future revenues and operating costs, projections of capital costs, and other assumptions believed to be consistent with those used by principal market participants.

Due to the specialized nature of these calculations, we engage third-party specialists to assist management in evaluating our assumptions as well as appropriately measuring the fair value of assets acquired and liabilities assumed. We adjust the preliminary purchase price allocation, as necessary, up to one year after the acquisition closing date as we obtain new information about facts and circumstances that existed as of the closing date. If actual results are materially different than the assumptions we used to determine fair value of the assets acquired and liabilities assumed through a business combination as well as the estimated useful lives of the acquired intangible assets, it is possible that adjustments to the carrying values of such assets and liabilities will have a material impact on our financial position 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 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.

We assess goodwill for impairment annually, or more frequently whenever events or changes in circumstances indicate its carrying value may not be recoverable. We begin with the qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying the quantitative assessment described below. 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 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 (Level 3 inputs). 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.

During the fourth quarter, as part of our annual impairment test as of October 1, we performed qualitative assessments for the reporting units containing the recently acquired data and insights, digital government and payments solutions, and development platform solutions, and concluded no impairment existed as of our annual assessment date. Approximately \$1.7 billion, or 70%, of total goodwill as of December 31, 2022, relates to these reporting units, which as a result of these recent acquisitions, do not have significant excess fair values over carrying values. We performed qualitative assessments for the remaining reporting units in which we determined that it not more likely than not that the fair value exceeded the carrying value; therefore, we did not perform a Step 1 quantitative impairment test. Our annual goodwill impairment analysis did not result in an impairment charge. During 2022, we have recorded no impairment to goodwill as no triggering events or change in circumstances indicating a potential impairment has occurred as of period-end.

Determining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Changes in market conditions or other factors outside of our control, such as the COVID-19 pandemic, could cause us to change key assumptions and our judgment about a reporting unit's prospects. Similarly, in a specific period, a reporting unit could significantly underperform relative to its historical or projected future operating results. Either situation could result in a meaningfully different estimate of the fair value of our reporting units, and a consequent future impairment charge.

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. During 2022, we did not identify any triggering events that would indicate that the carrying amount of our intangible assets may not be recoverable.

*Recent adoption of new accounting pronouncements*

In October 2021, the FASB issued ASU 2021-08 - *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (ASC 805) ("ASU 2021-08"). ASU 2021-08 requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Topic 606. Under this "Topic 606 approach," the acquirer applies the revenue model as if it had originated the contracts. This is a departure from the current requirement to measure contract assets and contract liabilities at fair value. ASU 2021-08 is effective for all public business entities in annual and interim periods starting after December 15, 2022, and early adoption is permitted. An entity that early adopts should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. We early adopted as of January 1, 2022. The adoption of ASU 2021-08 resulted in no adjustments to the fair value of the deferred revenue balances assumed in our 2022 acquisitions. See Note 2, "Acquisitions," to the consolidated financial statements for further discussion.

*Recent Accounting Guidance not yet Adopted*

There were no new not yet adopted accounting pronouncements currently issued that would affect the Company or have a material impact on its consolidated financial position or results of operations in future periods.

## 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, 2022, 2021 and 2020.

	Percentage of Total Revenues Years Ended December 31,		
	2022	2021	2020
<b>Revenues:</b>			
Subscriptions	54.7 %	49.3 %	31.4 %
Maintenance	25.3	29.8	41.9
Professional services	13.1	13.2	16.7
Software licenses and royalties	3.2	4.6	6.5
Appraisal services	1.9	1.7	1.9
Hardware and other	1.8	1.4	1.6
Total revenues	100.0	100.0	100.0
<b>Cost of revenues:</b>			
Subscriptions, maintenance, and professional services	51.6	50.3	45.8
Software licenses, royalties, and amortization of acquired software	3.1	3.1	3.2
Amortization of software development	0.4	0.1	—
Appraisal services	1.3	1.2	1.4
Hardware and other	1.3	0.8	1.1
Sales and marketing expense	7.3	7.4	8.8
General and administrative expense	14.4	17.1	14.4
Research and development expense	5.7	5.9	7.9
Amortization of customer and trade name intangibles	3.3	2.8	1.9
Operating income	11.6	11.3	15.5
Interest expense	(1.5)	(1.5)	(0.1)
Other income, net	0.1	0.1	0.3
Income before income taxes	10.2	9.9	15.7
Income tax provision (benefit)	1.3	(0.2)	(1.8)
Net income	8.9 %	10.1 %	17.5 %

### 2022 Compared to 2021

#### Revenues

#### Recent Acquisitions

On October 31, 2022, we acquired Rapid Financial Solutions, LLC (Rapid), a provider of reliable, scalable, and secure payments with best-in-class card issuance and digital disbursement capabilities. On February 8, 2022, we acquired US eDirect Inc. (US eDirect), a leading provider of technology solutions for campground and outdoor recreation management. On April 21, 2021, we acquired NIC, Inc., a leading digital government solutions and payment company that serves federal, state and local government agencies. US eDirect and Rapid are operated as a part of the digital government and payment solutions business unit (also known as the NIC division) and the results of NIC, US eDirect, and Rapid from their respective dates of acquisition, are included with the operating results of the PT segment.

The following table details revenues for the NIC division for the period from acquisition through December 31, 2022 and 2021, which are presented in our consolidated statements of income from the date of acquisition and included in the operating results of the PT reportable segment (in thousands).

	2022	2021
Revenues:		
Subscriptions	\$ 470,904	\$ 344,692
Maintenance	810	560
Professional services	50,006	23,665
Software licenses and royalties	—	—
Appraisal services	—	—
Hardware and other	—	—
Total revenues	\$ 521,720	\$ 368,917

#### Subscriptions.

The following table sets forth a comparison of our subscriptions revenue for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
ES	\$ 526,323	\$ 425,078	\$ 101,245	24 %
PT	485,981	359,357	126,624	35
Total subscriptions revenue	\$ 1,012,304	\$ 784,435	\$ 227,869	29 %
Less: Revenue from recent acquisitions <sup>2</sup>	(178,363)	—	(178,363)	
Total subscriptions revenue excluding acquisitions	\$ 833,941	\$ 784,435	\$ 49,506	6 %

Subscriptions revenue consists of revenue derived from our SaaS arrangements and transaction-based fees primarily related to digital government services and payment processing. 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.

Subscriptions revenue grew 29% compared to 2021, primarily due to the inclusion of transaction-based revenues from NIC including Rapid and US eDirect from the respective dates of acquisition. Excluding the incremental impact of recent acquisitions, subscriptions revenue increased 6%. New SaaS clients as well as existing clients who converted to our SaaS model provided the majority of the subscriptions revenue increase. In 2022, we added 609 new SaaS clients and 336 existing clients elected to convert to our SaaS model. Our mix of new software contracts in 2022 was approximately 23% perpetual software license arrangements and approximately 77% subscription-based arrangements compared to total new client mix in 2021 of approximately 33% perpetual software license arrangements and approximately 67% subscription-based arrangements.

Total subscriptions revenue derived from transaction-based fees was \$600.8 million and \$454.8 million for the twelve months ended December 31, 2022 and 2021, respectively. The increase of \$146.0 million or 32% is attributable to inclusion of the NIC division, including Rapid and US eDirect transaction-based revenues from the respective dates of acquisition. Transaction-based revenue from the NIC division was \$470.9 million and \$344.7 million for the twelve months ended December 31, 2022, and 2021, respectively. Excluding NIC, transaction-based fees contributed \$19.8 million to the increase in subscriptions revenue due to the increased volumes of online payments and e-filing services in 2022.

<sup>2</sup> Excludes the 2022 incremental impact as a result of not having the recent acquisition for a full fiscal year.

### Maintenance.

The following table sets forth a comparison of our maintenance revenue for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
ES	\$ 444,143	\$ 439,589	\$ 4,554	1 %
PT	24,312	34,698	(10,386)	(30)
Total maintenance revenue	\$ 468,455	\$ 474,287	\$ (5,832)	(1)%
Less: Revenue from recent acquisitions *	(689)	—	(689)	
Total maintenance revenue excluding acquisitions	\$ 467,766	\$ 474,287	\$ (6,521)	(1)%

We provide maintenance and support services for our software products and certain third-party software. Maintenance revenue decreased 1% compared to the prior period. Maintenance revenue declined mainly due to attrition related to a legacy case management solution and clients converting from on-premises license arrangements to SaaS, partially offset by annual maintenance rate increases and maintenance associated with new software license sales.

### Annualized Recurring Revenues

Subscriptions and maintenance are considered recurring revenue sources. Annualized recurring revenues ("ARR") is calculated based on quarter-end total recurring revenues multiplied by four. ARR was \$1.50 billion and \$1.39 billion as of December 31, 2022, and 2021, respectively. ARR increased 8% compared to the prior period due to an increase in subscriptions revenue resulting from an ongoing shift toward SaaS arrangements.

### Professional services.

The following table sets forth a comparison of our professional services revenue for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
ES	\$ 170,462	\$ 165,396	\$ 5,066	3 %
PT	72,655	43,995	28,660	65
Total professional services revenue	\$ 243,117	\$ 209,391	\$ 33,726	16%
Less: Revenue from recent acquisitions *	(17,073)	—	(17,073)	
Total professional services revenue excluding acquisitions	\$ 226,044	\$ 209,391	\$ 16,653	8 %

Professional 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 or subscriptions generally also contract with us to provide the related professional services. Existing clients also periodically purchase additional training, consulting and minor programming services.

Professional services revenue increased 16% compared to the prior year, primarily due to the inclusion of revenues from recent acquisitions from the date of acquisition. Excluding the incremental impact of recent acquisitions, professional services revenue increased 8%. The increase in professional services revenue is primarily attributed to higher revenues generated by the continued COVID pandemic-related rent relief services and the return of billable travel revenue as onsite services have increased since 2021. The increases are partially offset by more clients selecting our cloud solutions instead of our on-premises license arrangements which typically require more professional services.



### 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):

	2022	2021	Change	
			\$	%
ES	\$ 55,158	\$ 66,816	\$ (11,658)	(17)%
PT	4,248	7,636	(3,388)	(44)
Total software licenses and royalties revenue	\$ 59,406	\$ 74,452	\$ (15,046)	(20)%
Less: Revenue from recent acquisitions <sup>2</sup>	—	—	—	—
Total software licenses and royalties revenue excluding acquisitions	\$ 59,406	\$ 74,452	\$ (15,046)	(20)%

Software licenses and royalties revenue decreased 20% compared to the prior period. The decline is primarily attributed to the shift in the mix of new software contracts toward more subscription-based agreements compared to the prior period.

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 the decline in software license revenues will accelerate as we continue to shift our model away from perpetual licenses to SaaS. 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.

### Appraisal services.

The following table sets forth a comparison of our appraisal services revenue for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
ES	\$ 34,508	\$ 27,788	\$ 6,720	24 %
PT	—	—	—	—
Total appraisal services revenue	\$ 34,508	\$ 27,788	\$ 6,720	24 %
Less: Revenue from recent acquisitions <sup>2</sup>	—	—	—	—
Total appraisal services revenue excluding acquisitions	\$ 34,508	\$ 27,788	\$ 6,720	24 %

In 2022, appraisal services revenue grew 24% compared to the prior period primarily due to relaxed travel restrictions allowing for the ramp-up of appraisal services for several new revaluation contracts which started in recent quarters. The appraisal services business is somewhat cyclical and driven in part by statutory revaluation cycles in various states.

### Cost of revenues and gross margins

The following table sets forth a comparison of the key components of our cost of revenues for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
Subscriptions, maintenance, and professional services	\$ 953,897	\$ 799,158	\$ 154,739	19 %
Software licenses and royalties	6,083	3,552	2,531	71
Amortization of software development	6,507	2,325	4,182	180
Amortization of acquired software	52,192	45,601	6,591	14
Appraisal services	23,988	19,061	4,927	26
Hardware and other	23,674	12,946	10,728	83
Total cost of revenues	\$ 1,066,341	\$ 882,643	\$ 183,698	21 %

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

	2022	2021	Change
Subscriptions, maintenance, and professional services	44.7 %	45.6 %	(0.9)%
Software licenses, royalties, software development, and acquired software	(9.0)	30.9	(39.9)
Appraisal services	30.5	31.4	(0.9)
Hardware and other	27.0	41.0	(14.0)
Overall gross margin	42.4 %	44.6 %	(2.2)%

Gross margin percentage by revenue type, excluding the incremental impact of recent acquisitions <sup>2</sup>, for the years ended December 31:

	2022	2021	Change
Subscriptions, maintenance, and professional services	45.8 %	45.6 %	0.2 %
Software licenses, royalties, software development, and acquired software	7.1	30.9	(23.8)
Appraisal services	30.5	31.4	(0.9)
Hardware and other	27.9	41.0	(13.1)
Overall gross margin	43.8 %	44.6 %	(0.8)%

*Subscriptions, maintenance, and professional services.* Cost of subscriptions, maintenance and professional services 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, on-going operation of SaaS, digital government, and other transaction-based services such as e-filing. Other costs included are interchange fees required to process credit/debit card transactions and bank fees to process automated clearinghouse transactions related to our payments business. In 2022, the subscriptions, maintenance and professional services gross margin declined 0.9% compared to the prior period primarily due to several factors, including lower maintenance revenue resulting from attrition related to a legacy case management solution; a post-COVID return of low-margin revenues such as billable travel; higher personnel costs related to inflation, as well as costs related to onboarding new professional services employees who are not yet billable; and higher hosting costs related to our accelerated shift to the cloud. Our implementation and support staff grew by 225 employees since December 31, 2021, as we increased hiring to ensure that we are well-positioned to deliver our current backlog and anticipated new business. Excluding the incremental impact from recent acquisitions of \$70 million, gross margin was 45.8% in 2022, a slight increase of 0.2% which is attributable to an increase in SaaS arrangements and the decline in low margin COVID-related transaction-based revenues compared to the prior period.

*Software licenses, royalties, software development, and acquired software.* Amortization expense for acquired software comprises the majority of costs of software licenses, royalties, software development, and acquired software. We do not have any direct costs associated with royalties. The gross margin for software licenses, royalties, software development, and acquired software was negative 9.0% in 2022 and 30.9% in 2021. Excluding the impact of amortization expense of acquired software, the margin was 78.8% in 2022 and 92.1% in 2021. The decline in software licenses, royalties, software development, and acquired software gross margin compared to the prior period is due to lower revenue from software licenses.

*Appraisal services.* Appraisal services revenue comprised approximately 1.9% of total revenues. The appraisal services gross margin decrease of 0.9% compared to 2021 is primarily due to higher personnel costs related to inflation, as well as increased low margin billable travel revenue. The appraisal services business is somewhat cyclical and driven in part by statutory revaluation cycles in various states.

*Overall gross margin.* Our 2022 blended gross margin decreased 2.2% compared to 2021, principally due to the inclusion of NIC's revenues (including lower margin COVID related revenues), which historically have lower margins than Tyler's software-related revenues. Excluding the incremental impact from recent acquisitions of \$60 million, overall gross margin was 43.8% in 2022. The decrease of 0.8% in overall gross margin compared to the prior period is due to lower revenue from software licenses and maintenance, higher hosting costs related to our accelerated shift to the cloud, and higher personnel costs. Excluding employees from recent acquisitions, our implementation and support, and appraisal staff grew by 219 employees since December 31, 2021, as we increased hiring to ensure that we are well-positioned to deliver our current backlog and anticipated new business.

### Sales and marketing expense

Sales and Marketing expense ("S&M") consists primarily of salaries, employee benefits, travel, share-based compensation expense, commissions and related overhead costs for sales and marketing employees, as well as professional fees, trade show activities, advertising costs and other marketing costs. The following table sets forth a comparison of our S&M expenses for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
Sales and marketing expense	\$ 135,743	\$ 118,624	\$ 17,119	14%

S&M as a percentage of revenue was 7.3% in 2022 compared to 7.4% in 2021. S&M expense increased approximately 14% compared to the prior period, primarily due to the inclusion of recent acquisitions' S&M expense. Excluding the incremental impact of S&M expense from recent acquisitions of \$5.6 million, S&M increased 10% compared to the prior period. Higher S&M expense is due to higher bonus and commission expense relating to improved operating results, increase in road show and user conference expenses, increase in travel-related expenses, and higher sales and marketing personnel costs from increased employee headcount.

### General and administrative expense

General and administrative ("G&A") expense consists primarily of personnel salaries and share-based compensation expense for general corporate functions, including senior management, finance, accounting, legal, human resources and corporate development, third party professional fees, travel-related expenses, insurance, allocation of depreciation, facilities and IT support costs, acquisition-related expenses and other administrative expenses. The following table sets forth a comparison of our G&A expense for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
General and administrative expense	\$ 267,324	\$ 271,955	\$ (4,631)	(2)%

G&A as a percentage of revenue was 14.4% in 2022 compared to 17.1% in 2021. G&A expense decreased approximately 2% compared to the prior period. The decrease in G&A is primarily attributed to lower transaction costs related to recent acquisitions and lower share-based compensation expense. G&A includes \$2.0 million of transaction expenses related to acquisitions completed in 2022 compared to \$23.5 million of transaction expense related to acquisitions completed in 2021. During 2022, stock compensation expense declined \$5.5 million compared to 2021, generally due to a lower fair value of each share-based award resulting from the decline in our stock price. The decreases are offset by inclusion of G&A expense from acquisitions of \$21.5 million, higher bonus expense due to improved operating results, increases in amortization of software development for internal use, increases in travel-related expenses and other administrative costs, and higher personnel costs from increased employee headcount. In 2022, G&A expense also included \$2.8 million related to lease restructuring and other asset write-offs.

### Research and development expense

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

	2022	2021	Change	
			\$	%
Research and development expense	\$ 105,184	\$ 93,481	\$ 11,703	13%

Research and development expense consists mainly of costs associated with development of new products and technologies from which we do not currently generate significant revenue.

Research and development expense as a percent of total revenue was 5.7% in 2022 compared to 5.9% in 2021. Research and development expense increased 13% in 2022 compared to the prior period, mainly due to a number of new Tyler product development initiatives across our product suites, including increased investments in research and development at recently acquired businesses.

### Amortization of other intangibles

Other intangibles are comprised of the excess of the purchase price over the fair value of net tangible assets acquired that are allocated to acquired software and customer related, trade name, and leases acquired 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 other intangibles range from one to 25 years. The following table sets forth a comparison of our amortization of other intangibles for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
Amortization of other intangibles	\$ 61,363	\$ 44,849	\$ 16,514	37 %

Amortization of other intangibles increased due to the impact of intangibles added with several acquisitions completed in 2022 and 2021.

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

2023	\$ 70,233
2024	54,141
2025	53,404
2026	52,586
2027	52,143
Thereafter	524,162

### Interest expense

The following table sets forth a comparison of our interest expense for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
Interest expense	\$ (28,379)	\$ (23,298)	\$ (5,081)	22%

Interest expense is comprised of interest expense and non-usage and other fees associated with our borrowings. The change in interest expense compared to the prior period is attributable to an increase in amortization expense related to debt issuance costs, resulting from our accelerated repayment of the term loans, coupled with an increase in interest rates compared to the prior period.

### Other income, net

The following table sets forth a comparison of our other income, net for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
Other income, net	\$ 1,723	\$ 1,544	\$ 179	12%

Other income, net, is primarily comprised of interest income from invested cash. The change in other income, net, compared to the prior period is due to increased interest income generated from invested cash as a result of higher interest rates in 2022 compared to 2021.

## Income tax provision

The following table sets forth a comparison of our income tax provision for the years ended December 31 (\$ in thousands):

	2022	2021	Change	
			\$	%
Income tax provision (benefit)	\$ 23,353	\$ (2,477)	\$ 25,830	(1,043)%
Effective income tax rate	12.4 %	(1.6)%		

The increase in the income tax provision and the effective income tax rate in 2022 compared to the prior period is principally driven by a decrease in excess tax benefits from share-based compensation and an increase in liabilities for uncertain tax positions, offset by an increase in research tax credit benefits. The share-based exercise and vesting activity in 2022 generated \$7.8 million of excess tax benefits, while exercise and vesting activity in 2021 generated \$47.7 million of excess tax benefits. The tax benefits related to research tax credits totaled \$31.3 million in 2022 compared to \$5.0 million in 2021, as a result of completing a multiyear research and development tax credit study during 2022.

The effective income tax rates for the periods presented were different from the statutory United States federal income tax rate of 21% primarily due to excess tax benefits from share-based compensation and the tax benefits of research tax credits, offset by an increase in liabilities for uncertain tax positions, state income taxes, and non-deductible business expenses. Excluding the impact of the excess tax benefits, uncertain tax positions and research credits, our income tax provision and effective tax rate in 2022 would have been \$54.1 million and 28.8%, respectively, and in 2021, would have been \$50.6 million and 31.8%, respectively.

## FINANCIAL CONDITION AND LIQUIDITY

As of December 31, 2022, we had cash and cash equivalents of \$173.9 million compared to \$309.2 million at December 31, 2021. We also had \$55.5 million invested in investment grade corporate bonds, municipal bonds and asset-backed securities as of December 31, 2022, compared to \$98.7 million at December 31, 2021. These investments have varying maturity dates through 2027 and are held as available-for-sale. As of December 31, 2022, we had \$395.0 million outstanding borrowings under our 2021 Credit Agreement and one outstanding letter of credit totaling \$1.5 million in favor of a client contract. We believe our cash on hand, cash from operating activities, availability under our revolving line of credit, and access to the credit markets provide us with sufficient flexibility to meet our long-term financial needs.

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

	2022	2021	2020
Cash flows provided (used) by:			
Operating activities	\$ 381,455	\$ 371,753	\$ 355,089
Investing activities	(172,530)	(2,090,935)	(98,320)
Financing activities	(344,239)	1,424,730	114,172
Net (decrease) increase in cash and cash equivalents	\$ (135,314)	\$ (294,452)	\$ 370,941

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 our cash on hand, cash provided by operating activities, 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 2022, operating activities provided cash of \$381.5 million compared to \$371.8 million in 2021. Operating activities that provided cash were primarily comprised of net income of \$164.2 million, non-cash depreciation and amortization charges of \$159.1 million, non-cash share-based compensation expense of \$103.0 million and non-cash amortization of operating lease right-of-use assets of \$13.0 million. Working capital, excluding cash, decreased approximately \$60.6 million mainly due to timing of payments to and receipts from our government partners, timing of payments of payroll related taxes and vendor invoices, and deferred taxes associated with tax research credits and stock option activity during the period. These decreases were offset by the timing of tax payments, prepaid expenses, and increase in deferred revenue during the period. In general, changes in deferred revenue are cyclical and primarily driven by the timing of our maintenance renewal billings. Our renewal dates occur throughout the year, but our largest renewal billing cycles occur in the second and fourth quarters. Subscription renewals are billed throughout the year.

Days sales outstanding (DSO) in accounts receivable were 115 days at December 31, 2022, compared to 108 days at December 31, 2021. DSO is calculated based on quarter-end accounts receivable divided by the quotient of annualized quarterly revenues divided by 360 days. The increase in DSO compared to December 31, 2021, is attributed to slower payments from certain large clients and timing of receipts from our government partners.

Investing activities used cash of \$172.5 million in 2022 compared to \$2.1 billion in 2021. On October 31, 2022, we acquired Rapid Financial Solutions, LLC, for the total purchase price, net of cash acquired of \$2.2 million, of approximately \$67.7 million, consisting of \$51.2 million paid in cash, \$18.2 million of common stock, and \$500,000 related to working capital holdbacks, subject to certain post-closing adjustments. On May 31, 2022, we completed the acquisition of Quatred, LLC for the total cash price of approximately \$637,000. On February 8, 2022, we acquired US eDirect Inc, for the total purchase price, net of cash acquired of \$6.4 million, of approximately \$116.5 million, consisting of \$118.8 million paid in cash and approximately \$4.1 million related to indemnity holdbacks. During 2022, we also paid approximately \$1.9 million in indemnity and working capital holdbacks related to acquisitions completed in late 2021. In addition, approximately \$27.6 million of software development costs were capitalized. Approximately \$22.5 million was invested in property and equipment, including \$4.5 million related to real estate. The remaining additions were for computer equipment and furniture and fixtures in support of growth, particularly with respect to data centers supporting growth in our cloud-based offerings.

Investing activities used cash of \$2.1 billion in 2021. We invested \$77.5 million and received \$131.4 million in proceeds from investment grade corporate bonds, municipal bonds and asset-backed securities with maturity dates ranging from 2022 through 2027. On March 31, 2021, we completed two acquisitions with the total purchase price, net of cash acquired, of \$12.1 million paid in cash. On April 21, 2021, we completed the acquisition of NIC for the total purchase price of \$2.0 billion, net of cash acquired of \$331.8 million, including cash paid of \$2.3 billion and \$1.9 million of purchase consideration related to the conversion of unvested restricted stock awards. On September 1, 2021, we acquired VendEngine for the total purchase price, net of cash acquired of \$1.7 million, of approximately \$83.8 million consisting of \$80.2 million paid in cash and approximately \$5.4 million related to indemnity holdbacks, subject to certain post-closing adjustments. On September 9, 2021, we acquired all of the equity interest of Arx for the total purchase price, net of cash acquired, of approximately \$12.8 million, of which \$12.3 million was paid in cash and approximately \$500,000 was accrued for indemnity holdbacks. Approximately \$33.9 million was invested in property and equipment, including \$12.8 million related to real estate. In addition, approximately \$21.7 million of software development was capitalized in 2021. The remaining additions were for computer equipment and furniture and fixtures in support of internal growth, with the majority associated with our data centers supporting growth in our cloud-based offerings. These expenditures were funded from cash generated from operations.

Financing activities used cash of \$344.2 million in 2022 compared to cash provided of \$1.4 billion in 2021, primarily attributable to repayment of \$360.0 million of term debt, partially offset by payments received from stock option exercises, net of withheld shares for taxes upon equity award and employee stock purchase plan activity.

Financing activities provided cash of \$1.4 billion in 2021. Financing activities in 2021 were primarily comprised of proceeds from the issuance of the Convertible Senior Notes and the 2021 Credit Agreement. On March 9, 2021, we issued \$600.0 million aggregate principal amount of Convertible Senior Notes. The net proceeds from the issuance of the Convertible Senior Notes were \$591.4 million, net of initial purchasers' discounts of \$6.0 million and debt issuance costs of \$2.6 million. On April 21, 2021, in connection with the completion of the NIC acquisition, the Company, as borrower, entered into a new 2021 Credit Agreement with various lenders consisting of an unsecured revolving credit facility of up to \$500.0 million and unsecured term loans totaling \$900.0 million. The net proceeds from the borrowings under the 2021 Credit Agreement were \$1.1 billion, net of debt discounts of \$7.2 million and debt issuance costs of \$4.9 million and \$6.4 million of commitment fees paid related to the terminated \$1.6 billion unsecured bridge loan facility. During the twelve months ended December 31, 2021, we repaid \$250.0 million of the unsecured revolving credit facility and \$145.0 million of the term debt. The remainder of the financing activities was comprised of receipts of \$109.9 million from stock option exercises and employee stock purchase plan activity. We also purchased approximately 33,000 shares of our common stock for an aggregate purchase price of \$13.0 million.

In February 2019, our board of directors authorized the repurchase of an additional 1.5 million shares of our common stock. The repurchase program, which was approved by our board of directors, was originally announced in October 2002 and was amended at various times from 2003 through 2019. As of February 22, 2023, we have authorization from our board of directors to repurchase up to 2.3 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.

As of December 31, 2022, we had \$600 million in outstanding principal for the Convertible Senior Notes due 2026. Under our 2021 Credit Agreement, we had \$395 million in outstanding principal for the Term Loans, no outstanding borrowings under the 2021 Revolving Credit Facility, and an available borrowing capacity of \$500 million as of December 31, 2022. As of December 31, 2022, we had one outstanding letter of credit totaling \$1.5 million. The letter of credit, which guarantees our performance under a client contract, renews automatically annually unless canceled in writing and expires in the third quarter of 2026. For the twelve months ended December 31, 2022, we repaid \$360 million of the Term Loans under 2021 Credit Agreement.

We paid interest of \$21.3 million in 2022, \$17.7 million in 2021, including \$6.4 million related to the senior unsecured bridge loan facility commitment fee in 2021, and \$610,000 in 2020. See Note 6, "Debt," to the consolidated financial statements for discussions of the Convertible Senior Notes and the 2021 Credit Agreement.

We paid income taxes, net of refunds received, of \$38.5 million in 2022, \$2.2 million in 2021, and \$3.3 million in 2020. In 2022, stock option exercise activity generated net tax benefits of \$7.8 million and reduced tax payments accordingly, as compared to \$47.7 million and \$60.2 million in 2021 and 2020, respectively.

For tax years beginning on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminates the option to currently deduct research and development expenses and requires taxpayers to capitalize and amortize them over five years for research activities performed in the United States and 15 years for research activities performed outside the United States pursuant to IRC Section 174. Although Congress is considering legislation that would repeal or defer this capitalization and amortization requirement, it is not certain that this provision will be repealed or otherwise modified. If the requirement is not repealed or replaced, it will increase our U.S. federal and state cash tax payments and reduce cash flows in fiscal year 2023 and future years.

We anticipate that 2023 capital spending will be between \$68 million and \$70 million, including approximately \$16 million related to real estate and approximately \$37 million of software development. We expect the majority of the other capital spending will consist of computer equipment and software for infrastructure replacements and expansion. We also expect cash tax payments to be higher as a result of IRC Section 174. Capital spending and cash tax payments are expected to be funded from existing cash balances and cash flows from operations.

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 for use in our operations, as well as transportation and other equipment. Most of our leases are non-cancelable operating lease agreements and they expire from one to 12 years. Some of these leases include options to extend for up to six years.

Our estimated future obligations consist of debt, uncertain tax positions, leases, and purchase commitments as of December 31, 2022. Refer to Note 6, "Debt," Note 10, "Income Tax," Note 14, "Leases," and Note 16, "Commitment and Contingencies," to the consolidated financial statements for related discussions.

#### CAPITALIZATION

At December 31, 2022, our capitalization consisted of \$987.4 million of outstanding debt and \$2.6 billion 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, 2022, we had \$395.0 million of outstanding borrowings under our 2021 Credit Agreement and available borrowing capacity under the 2021 Credit Agreement was \$500.0 million.

Borrowings under the Revolving Credit Facility and the Term Loan A-1 bear interest, at the Company's option, at a per annum rate of either (1) the Administrative Agent's prime commercial lending rate (subject to certain higher rate determinations) (the "Base Rate") plus a margin of 0.125% to 0.75% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month LIBOR rate plus a margin of 1.125% to 1.75%. The Term Loan A-2 bears interest, at the Company's option, at a per annum rate of either (1) the Base Rate plus a margin of 0% to 0.5% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month LIBOR rate plus a margin of 0.875% to 1.5%.

During the twelve months ended December 31, 2022, the effective interest rate for our borrowings was 3.79%. Based on the aggregate outstanding principal balance under the 2021 Credit Agreement as of December 31, 2022, of \$395.0 million, each quarter point change in interest rates would result in a \$1.0 million change in annual interest expense.

In January 2023, we amended our 2021 Credit Agreement to replace the LIBOR reference rate with the SOFR reference rate. Assuming that SOFR replaces LIBOR and is appropriately adjusted to equate to one-month LIBOR, we expect that there should be minimal impact on our operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

*Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act) designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosures. Management, with the participation of the chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2022. 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, 2022.

*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, 2022. 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, 2022, Tyler's internal control over financial reporting was effective based on those criteria.

Tyler's internal control over financial reporting as of December 31, 2022 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, 2022, there were no changes in our internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f), that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

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 2022" in our Proxy Statement when filed.

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.

Reports of Independent Registered Public Accounting Firm (PCAOB ID: 42)  
Consolidated Statements of Income for the years ended December 31, 2022, 2021, and 2020  
Consolidated Statements of Comprehensive Income for the years ended December 31, 2022, 2021, and 2020  
Consolidated Balance Sheets as of December 31, 2022 and 2021  
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021, and 2020  
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2022, 2021, and 2020  
Notes to Consolidated Financial Statements

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- (2) Financial statement schedules:

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

- (3) Exhibits

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

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Tyler Three, as amended through May 14, 1990, and Certificate of Designation of Series A Junior Participating Preferred Stock (filed as Exhibit 3.1 to our Form 10-Q for the quarter ended June 30, 1990, and incorporated by reference herein).
3.2	Certificate of Amendment to the Restated Certificate of Incorporation (filed as Exhibit 3.1 to our Form 8-K, dated February 19, 1998, and incorporated by reference herein).
3.3	<u>Amended and Restated By-Laws of Tyler Technologies Inc., dated February 1, 2022 (filed as Exhibit 3.1 to our Form 8-K dated February 7, 2022, and incorporated by reference herein).</u>
3.4	<u>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).</u>
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	<u>Third Amendment to the Credit Agreement dated January 27, 2023, among Tyler Technologies, Inc. and Wells Fargo Bank, N.A. as Administrative Agent and other lenders party hereto (filed as Exhibit 4.2 to our Form 10-K dated February 22, 2023, and incorporated by reference herein).</u>
4.3	<u>Credit Agreement dated April 21, 2021, 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 April 21, 2021, and incorporated by reference herein).</u>
4.4	<u>Agreement and Plan of Merger, dated February 9, 2021 by and among Tyler Technologies, Inc., Topos Acquisition, Inc., and NIC, Inc. (filed as Exhibit 2.1 to our Form 8-K, dated February 10, 2021, and incorporated by reference herein).</u>
4.5	<u>Indenture, dated as of March 9, 2021, between Tyler Technologies, Inc. and U.S. Bank National Association, as trustee, relating to the 0.25% Convertible Senior Notes due 2026, (filed as Exhibit 4.1 to our Form 8-K, dated March 9, 2021, and incorporated by reference herein).</u>
10.1	<u>Employee Stock Purchase Plan (filed as Exhibit 10.1 to our registration statement 333-182318 dated June 25, 2012 and incorporated by reference herein).</u>
10.2	<u>Employment and Non-Competition Agreement between Tyler Technologies, Inc. and John S. Marr Jr. effective February 26, 2018 (filed as Exhibit 10.1 to our Form 8-K dated March 9, 2018 and incorporated by reference herein).</u>

Exhibit Number	Description
<u>10.3</u>	<u>Employment and Non-Competition Agreement between Tyler Technologies, Inc. and Brian K. Miller effective February 26, 2018, (filed as Exhibit 10.3 to our Form 8-K dated March 9, 2018 and incorporated by reference herein).</u>
<u>10.4</u>	<u>Employment and Non-Competition Agreement between Tyler Technologies, Inc. and H. Lynn Moore, Jr effective February 26, 2018 (filed as Exhibit 10.2 to our Form 8-K dated March 9, 2018 and incorporated by reference herein).</u>
<u>10.5</u>	<u>Agreement and plan of merger by and among Tyler Technologies, Inc. TMP Subsidiary, Inc., MP Holding Parent, Inc. (filed as Exhibit 10.7 to our Form 10-K dated February 28, 2019 and incorporated by reference herein).</u>
<u>10.6</u>	<u>Tyler Technologies, Inc. 2018 Stock Option Plan effective as of May 9, 2018 (filed as Appendix A to the registrant's Proxy Statement filed with the Commission on March 28, 2018 and incorporated by reference herein).</u>
<u>*21.1</u>	<u>Subsidiaries of Tyler Technologies, Inc.</u>
<u>*23</u>	<u>Consent of Independent Registered Public Accounting Firm.</u>
<u>*31.1</u>	<u>Rule 13a-14(a) Certification by Principal Executive Officer.(a) Certification by Principal Executive Officer.</u>
<u>*31.2</u>	<u>Rule 13a-14(a) Certification by Principal Financial Officer.</u>
<u>*32.1</u>	<u>Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.</u>
*101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags, including Cover Page XBRL tags, are embedded within the Inline XBRL Document.
*101.SCH	Inline XBRL Taxonomy Extension Schema Document.
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.LAB	Inline XBRL Extension Labels Linkbase Document.
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* --- 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.

Date: February 22, 2023

TYLER TECHNOLOGIES, INC.

By: /s/ H. Lynn Moore, Jr.  
H. Lynn Moore, Jr.  
President and Chief Executive Officer  
(principal executive officer)

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

Date: February 22, 2023

By: /s/ John S. Marr, Jr.  
John S. Marr, Jr.  
Executive Chairman of the Board  
Director

Date: February 22, 2023

By: /s/ H. Lynn Moore, Jr.  
H. Lynn Moore, Jr.  
President and Chief Executive Officer  
(principal executive officer)

Date: February 22, 2023

By: /s/ Brian K. Miller  
Brian K. Miller  
Executive Vice President and Chief Financial Officer  
(principal financial officer)

Date: February 22, 2023

By: /s/ Jason P. Durham  
Jason P. Durham  
Chief Accounting Officer  
(principal accounting officer)

Date: February 22, 2023

By: /s/ Glenn A. Carter  
Glenn A. Carter  
Director

Date: February 22, 2023

By: /s/ Brenda A. Cline  
Brenda A. Cline  
Director

Date: February 22, 2023

By: /s/ Ronnie D. Hawkins, Jr.  
Ronnie D. Hawkins, Jr.  
Director

Date: February 22, 2023

By: /s/ Mary Landrieu  
Mary Landrieu  
Director

Date: February 22, 2023

By: /s/ Daniel M. Pope  
Daniel M. Pope  
Director

Date: February 22, 2023

By: /s/ Dustin R. Womble  
Dustin R. Womble  
Director

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of Tyler Technologies, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Tyler Technologies, Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2023, expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

<i>Description of the Matter</i>	<p><b>Goodwill impairment tests</b></p> <p>As of December 31, 2022, the Company's goodwill balance of \$2.5 billion was attributable to multiple reporting units. As disclosed in Note 1 to the consolidated financial statements, goodwill is assessed for impairment annually, or more frequently whenever events or changes in circumstances indicate its carrying value may not be recoverable. The Company begins with a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying a quantitative assessment. During the fourth quarter of 2022, the Company performed a quantitative assessment for goodwill associated with reporting units comprised of more recently acquired businesses, which do not have significant excess fair values over carrying values.</p> <p>Auditing management's quantitative analyses for goodwill impairment was complex and highly judgmental due to the significant judgement required to determine the fair value of these reporting units. In particular, the Company's fair value estimates for these reporting units were sensitive to significant assumptions, such as weighted average cost of capital and revenue growth rates which are forward looking and affected by expectations about future market or economic conditions.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's review process for quantitative goodwill impairment assessments, including controls over management's review of the significant assumptions described above.</p> <p>To test the estimated fair value of the applicable reporting units, we performed audit procedures that included, among others, assessing the methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analyses. We evaluated management's forecasted revenue to identify, understand and evaluate changes as compared to historical results and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the assumptions. We also involved internal valuation specialists to assist in evaluating management's methodologies and significant assumptions applied in developing the fair value estimates.</p>

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 1966.

Dallas, Texas

February 22, 2023

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Tyler Technologies, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited Tyler Technologies, Inc.'s internal control over financial reporting as of December 31, 2022, 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). In our opinion, Tyler Technologies, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated February 22, 2023 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

### Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ ERNST & YOUNG LLP

Dallas, Texas

February 22, 2023



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

	2022	2021	2020
Revenues:			
Subscriptions	\$ 1,012,304	\$ 784,435	\$ 350,648
Maintenance	468,455	474,287	467,513
Professional services	243,117	209,391	186,409
Software licenses and royalties	59,406	74,452	73,164
Appraisal services	34,508	27,788	21,127
Hardware and other	32,414	21,934	17,802
Total revenues	1,850,204	1,592,287	1,116,663
Cost of revenues:			
Subscriptions, maintenance and professional services	953,897	799,158	510,504
Software licenses and royalties	6,083	3,552	3,339
Amortization of software development	6,507	2,325	
Amortization of acquired software	52,192	45,601	31,962
Appraisal services	23,988	19,061	15,945
Hardware and other	23,674	12,946	12,401
Total cost of revenues	1,066,341	882,643	574,151
Gross profit	783,863	709,644	542,512
Sales and marketing expense	135,742	118,624	98,466
General and administrative expense	267,324	271,955	161,095
Research and development expense	105,184	93,481	88,363
Amortization of other intangibles	61,363	44,849	21,662
Operating income	214,249	180,735	172,926
Interest expense	(28,379)	(23,298)	(1,013)
Other income, net	1,723	1,544	3,129
Income before income taxes	187,593	158,981	175,042
Income tax provision (benefit)	23,353	(2,477)	(19,778)
Net income	\$ 164,240	\$ 161,458	\$ 194,820
Earnings per common share:			
Basic	\$ 3.95	\$ 3.95	\$ 4.87
Diluted	\$ 3.87	\$ 3.82	\$ 4.69

See accompanying notes.

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

	2022	2021	2020
Net income	\$ 164,240	\$ 161,458	\$ 194,820
Other comprehensive loss, net of tax:			
Securities available-for-sale and transferred securities:			
Change in net unrealized holding losses on available for sale securities during the period	(850)	—	—
Reclassification adjustment of unrealized losses on securities transferred from held-to-maturity	(27)	—	—
Reclassification adjustment for net loss on sale of available for sale securities, included in net income	79	—	—
Other comprehensive loss, net of tax	(798)	—	—
Comprehensive income	\$ 163,442	\$ 161,458	\$ 194,820

See accompanying notes.

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

	December 31, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 173,857	\$ 309,171
Accounts receivable (less allowance for losses and sales adjustments of \$14,761 in 2022 and \$12,086 in 2021)	577,257	521,059
Short-term investments	37,030	52,300
Prepaid expenses	50,859	55,513
Income tax receivable	—	18,137
Other current assets	8,239	8,151
Total current assets	847,242	964,331
Accounts receivable, long-term	8,271	13,937
Operating lease right-of-use assets	50,989	39,720
Property and equipment, net	172,786	181,193
Other assets:		
Software development costs, net	48,189	28,489
Goodwill	2,489,308	2,359,674
Other intangibles, net	1,002,164	1,052,493
Non-current investments	18,508	46,353
Other non-current assets	49,960	45,971
	<u>\$ 4,687,417</u>	<u>\$ 4,732,161</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 104,813	\$ 119,988
Accrued liabilities	131,941	158,424
Operating lease liabilities	10,736	10,560
Income tax payable	43,667	—
Deferred revenue	568,538	510,529
Current portion of term loans	30,000	30,000
Total current liabilities	839,695	829,501
Revolving line of credit	—	—
Term loans, net	362,905	718,511
Convertible senior notes due 2026, net	594,484	592,765
Deferred revenue, long-term	2,037	38
Deferred income taxes	148,891	228,085
Operating lease liabilities, long-term	48,049	36,336
Other long-term liabilities	16,967	2,893
Total liabilities	2,063,028	2,408,129
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 2022 and 2021	481	481
Additional paid-in capital	1,209,725	1,075,650
Accumulated other comprehensive loss, net of tax	(844)	(46)
Retained earnings	1,437,854	1,273,614
Treasury stock, at cost; 6,364,991 and 6,832,640 shares in 2022 and 2021, respectively	(22,827)	(25,667)
Total shareholders' equity	<u>2,624,389</u>	<u>2,324,032</u>
	<u>\$ 4,687,417</u>	<u>\$ 4,732,161</u>

See accompanying notes.

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

	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net income	\$ 164,240	\$ 161,458	\$ 194,820
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	159,072	135,624	81,657
Losses from sale of investments	45	—	—
Share-based compensation expense	102,985	104,726	67,365
Provision for losses and sales adjustments – accounts receivable	2,781	2,831	3,517
Amortization of operating lease right-of-use assets	12,969	10,216	5,782
Deferred income tax benefit	(87,192)	(13,271)	(7,936)
Changes in operating assets and liabilities, exclusive of effects of acquired companies:			
Accounts receivable	(51,410)	17,608	(10,733)
Income tax receivable	61,940	10,258	(15,117)
Prepaid expenses and other current assets	910	(23,863)	(8,304)
Accounts payable	(17,537)	(44,947)	(967)
Operating lease liabilities	(12,396)	(6,952)	(6,549)
Accrued liabilities	(24,344)	(24,822)	2,870
Deferred revenue	59,460	44,874	48,684
Other long-term liabilities	9,932	(1,987)	—
Net cash provided by operating activities	381,455	371,753	355,089
<b>Cash flows from investing activities:</b>			
Additions to property and equipment	(22,529)	(33,919)	(22,690)
Purchase of marketable security investments	(29,935)	(77,450)	(156,618)
Proceeds and maturities from marketable security investments	71,034	131,449	82,742
Purchase of investment in common shares	—	—	(10,000)
Proceeds from the sale of investment in preferred shares	—	—	15,000
Investment in software development	(27,622)	(21,693)	(5,776)
Cost of acquisitions, net of cash acquired	(163,921)	(2,089,706)	(1,292)
Other	443	384	314
Net cash used by investing activities	(172,530)	(2,090,935)	(98,320)
<b>Cash flows from financing activities:</b>			
Net borrowings on revolving credit facility	—	—	—
Payment on term loans	(360,000)	(145,000)	—
Proceeds from term loans	—	900,000	—
Proceeds from issuance of convertible senior notes	—	600,000	—
Payment of debt issuance costs	—	(27,165)	—
Purchase of treasury shares	—	(12,977)	(15,484)
Payment of contingent consideration	—	—	(5,619)
Proceeds from exercise of stock options, net of withheld shares for taxes upon equity award	(890)	96,714	124,363
Contributions from employee stock purchase plan	16,651	13,158	10,912
Net cash (used) provided by financing activities	(344,239)	1,424,730	114,172
Net (decrease) increase in cash and cash equivalents	(135,314)	(294,452)	370,941
Cash and cash equivalents at beginning of period	309,171	603,623	232,682
Cash and cash equivalents at end of period	\$ 173,857	\$ 309,171	\$ 603,623

See accompanying notes.

	2022	2021	2020
Supplemental cash flow information:			
Cash paid for interest	\$ 21,256	\$ 17,728	\$ 610
Cash paid for income taxes, net	38,490	2,212	3,263
Non-cash investing and financing activities:			
Non-cash additions to property and equipment	\$ 169	\$ 233	\$ 189
Issuance of shares for acquisitions	18,169	—	—
Purchase consideration for conversion of unvested restricted stock awards	—	1,872	—

Tyler Technologies, Inc.  
Consolidated Statements of Shareholders' Equity  
For the years ended December 31, 2022, 2021, and 2020  
(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, 2019	48,148	\$ 481	\$ 739,478	\$ (46)	\$ 917,336	(8,839)	\$ (40,191)	\$ 1,617,058
Net income	—	—	—	—	194,820	—	—	194,820
Issuance of shares pursuant to stock compensation plan	—	—	90,636	—	—	1,283	33,727	124,363
Employee taxes paid for withheld shares upon equity award settlement	—	—	—	—	—	(34)	(12,923)	(12,923)
Stock compensation	—	—	67,365	—	—	—	—	67,365
Issuance of shares pursuant to employee stock purchase plan	—	—	7,853	—	—	40	3,059	10,912
Treasury stock purchases	—	—	—	—	—	(59)	(15,484)	(15,484)
Balance at December 31, 2020	48,148	481	905,332	(46)	1,112,156	(7,609)	(31,812)	1,986,111
Net income	—	—	—	—	161,458	—	—	161,458
Exercise of stock options and vesting of restricted stock units	—	—	50,831	—	—	832	45,883	96,714
Employee taxes paid for withheld shares upon equity award settlement	—	—	—	—	—	(58)	(27,030)	(27,030)
Stock compensation	—	—	104,726	—	—	—	—	104,726
Issuance of shares pursuant to employee stock purchase plan	—	—	12,889	—	—	35	269	13,158
Treasury stock purchases	—	—	—	—	—	(33)	(12,977)	(12,977)
Purchase consideration for conversion of unvested restricted stock awards	—	—	1,872	—	—	—	—	1,872
Balance at December 31, 2021	48,148	481	1,075,650	(46)	1,273,614	(6,833)	(25,667)	2,324,032
Net income	—	—	—	—	164,240	—	—	164,240
Other comprehensive loss, net of tax	—	—	—	(798)	—	—	—	(798)
Exercise of stock options and vesting of restricted stock units	—	—	(3,218)	—	—	433	29,547	26,329
Employee taxes paid for withheld shares upon equity award settlement	—	—	—	—	—	(70)	(27,219)	(27,219)
Stock compensation	—	—	102,985	—	—	—	—	102,985
Issuance of shares pursuant to employee stock purchase plan	—	—	16,365	—	—	49	286	16,651
Treasury stock purchases	—	—	—	—	—	—	—	—
Issuance of shares for acquisitions	—	—	17,943	—	—	56	226	18,169
Balance at December 31, 2022	48,148	\$ 481	\$ 1,209,725	\$ (844)	\$ 1,437,854	(6,365)	\$ (22,827)	\$ 2,624,389

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. We develop and market a broad line of software solutions and services to address the information technology ("IT") needs primarily of cities, counties, states, schools, federal agencies, and other government entities. We provide subscription-based services such as software as a service ("SaaS"), transaction-based fees primarily related to digital government services and online payment processing, and electronic document filing solutions ("e-filing"), which simplify the filing and management of court related documents. 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. Additionally, we provide property appraisal outsourcing services for taxing jurisdictions.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include our parent company and 62 subsidiaries, which are wholly-owned. All significant intercompany balances and transactions have been eliminated in consolidation. Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all components of net income (loss) and other comprehensive income (loss). During the twelve months ended December 31, 2022, we had approximately \$798,000 of other comprehensive loss, net of taxes, from our available-for-sale investment holdings. We did not have material items of other comprehensive income during the years ended December 31, 2021, and 2020.

RECLASSIFICATIONS

Certain amounts for previous years have been reclassified to conform to the current year presentation. We have elected to present amortization of software development, previously included in the cost of revenues software licenses and royalties line item, in a separate category line item on the consolidated statements of income for all reporting periods presented. We also have elected to present sales and marketing expense and general and administrative expense, previously disclosed as selling, general, and administrative expense, as separate category line items on the consolidated statements of income for all reporting periods presented.

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

Nature of Products and Services

We earn revenues from subscription-based services, post-contract customer support ("PCS" or "maintenance"), professional services, software licenses and royalties, appraisal services, and hardware and other. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Our software arrangements with customers contain multiple performance obligations that range from software licenses, installation, training, and consulting to software modification and customization to meet specific customer needs (services), hosting, and PCS. For these contracts, we account for individual performance obligations separately when they are distinct. We evaluate whether separate performance obligations can be distinct or should be accounted for as one performance obligation. Arrangements that include professional services, such as training or installation, are evaluated to determine whether those services are highly interdependent or interrelated to the product's functionality. The transaction price is allocated to the distinct performance obligations on a relative standalone selling price ("SSP") basis. We determine the SSP based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, the applications sold, customer demographics, and the number and types of users within our contracts. Revenue is recognized net of allowances for sales adjustments and any taxes collected from customers, which are subsequently remitted to governmental authorities.

#### Subscription-Based Services:

Subscription-based services consist primarily of revenue derived from SaaS arrangements, digital government services, payment processing, and e-filing. 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. We allocate contract value to each performance obligation of the arrangement that qualifies for treatment as a distinct element based on estimated SSP. We recognize SaaS services ratably over the term of the arrangement, which range from one to 10 years, but are typically for a period of three to five years. For professional services associated with certain SaaS arrangements, we have concluded that the services are not distinct, and we recognize the revenue ratably over the remaining contractual period once we have provided the customer access to the software. 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.

Transaction-based fees primarily relate to digital government services and online payment services, which are sometimes offered with the assistance of third-party vendors. In general, when we are the principal in a transaction, we record the revenue and related costs on a gross basis. Otherwise, we net the cost of revenue associated with the service against the gross revenue (amount billed to the customer) and record the net amount as revenue.

E-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. 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 revenues as we are acting as an agent 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 our consolidated statements of income.

For e-filing transaction fees and transaction-based revenues from digital government services and online payments, we have the right to charge the customer an amount that directly corresponds with the value to the customer of our performance to date. Therefore, we recognize revenues for these services over time based on the amount billable to the customer. In some cases, we are paid on a fixed fee basis and recognize the revenue ratably over the contractual period. Typically, the structure of our arrangements does not give rise to variable consideration. However, in those instances whereby variable consideration exists, we include in our estimates, additional revenues for variable consideration when we believe we have an enforceable right, the amount can be estimated reliably and its realization is probable.

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 period of benefit.

#### Software Arrangements:

##### *Software Licenses and Royalties*

Many of our software arrangements involve "off-the-shelf" software. We recognize the revenue allocable to "off-the-shelf" software licenses and specified upgrades at a point in time when control of the software license transfers to the customer, unless the software is not considered distinct. We consider "off-the-shelf" software to be distinct when it can be added to an arrangement with minor changes in the underlying code, it can be used by the customer for the customer's purpose upon installation, and remaining services such as training are not considered highly interdependent or interrelated to the product's functionality.



For arrangements that involve significant production, modification or customization of the software, or where professional services are otherwise not considered distinct, we recognize revenue over time by measuring progress-to-completion. We measure progress-to-completion primarily using labor hours incurred as it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. These arrangements are often implemented over an extended period and occasionally require us to revise total cost estimates. Amounts recognized in revenue are calculated using the progress-to-completion measurement after giving effect to any changes in our cost estimates. Changes to total estimated contract costs, if any, are recorded in the period they are determined. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent.

Software license fees are billed in accordance with the contract terms. Typically, a majority of the fee is due when access to the software license is made available to the customer and the remainder of the fee due over a passage of time stipulated by the contract. 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.

We recognize royalty revenue when the sale occurs under the terms of our third-party royalty arrangements. Currently, our third-party royalties are recognized on an estimated basis and adjusted if needed, when we receive notice of amounts we are entitled to receive. We typically receive notice of royalty revenue we are entitled to and amounts are billed on a quarterly basis in the quarter immediately following the royalty reporting period, and adjustments have not been significant.

#### *Professional Services*

As noted above, some of our software arrangements include services considered highly interdependent or highly interrelated or require significant customization to meet the customer's desired functionality. For these software arrangements, both the software licenses and related professional services revenue are not distinct and are recognized over time using the progress-to-completion method. We measure progress-to-completion primarily using labor hours incurred as it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Contract fees are typically billed on a milestone basis as defined within contract terms. 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. When professional services are distinct, the fee allocable to the service element is recognized over the time we perform the services and is billed on a time and material basis.

#### *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. PCS is considered distinct when purchased with our software licenses. Our PCS agreements are typically renewable annually. PCS is recognized over time on a straight-line basis over the period the PCS is provided. All significant costs and expenses associated with PCS are expensed as incurred.

#### *Computer Hardware Equipment*

Revenue allocable to computer hardware equipment is recognized at a point in time when control of the equipment is transferred to the customer.

#### Appraisal Services:

For our property appraisal projects, we recognize revenue using the progress-to-completion method since many of these projects are executed over one to three-year periods and consist of various unique activities. Appraisal services require a significant level of integration and interdependency with various individual service components; therefore, the service components are not considered distinct. Appraisal services are recognized over time by measuring progress-to-completion primarily using labor hours incurred as it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. These arrangements are often executed over an extended period and occasionally require us to revise total cost estimates. Amounts recognized in revenue are calculated using the progress-to-completion measurement after giving effect to any changes in our cost estimates. Changes to total estimated contract costs, if any, are recorded in the period they are determined. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent. Contract fees are typically billed on a milestone basis as defined within contract terms. 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.

### Significant Judgments:

Our contracts with customers often include multiple performance obligations to a customer. When a software arrangement (license or subscription) includes both software licenses and professional services, judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the professional services and recognized over time.

The transaction price is allocated to the separate performance obligations on a relative SSP basis. We determine the SSP based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, the applications sold, customer demographics, and the number and types of users within our contracts. We use a range of amounts to estimate SSP when we sell each of the products and services separately and need to determine whether there is a discount to be allocated based on the relative SSP of the various products and services. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine SSP using the expected cost-plus margin approach.

For arrangements that involve significant production, modification, or customization of the software, or where professional services otherwise cannot be considered distinct, we recognize revenue as control is transferred to the customer over time using progress-to-completion methods. Depending on the contract, we measure progress-to-completion primarily using labor hours incurred, or value added. The progress-to-completion method generally results in the recognition of reasonably consistent profit margins over the life of a contract because we can provide reasonably dependable estimates of contract billings and contract costs. These arrangements are often implemented over an extended time period and occasionally require us to revise total cost estimates. Amounts recognized in revenue are calculated using the progress-to-completion measurement after giving effect to any changes in our cost estimates. Changes to total estimated contract costs, if any, are recorded in the period they are determined. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent.

Refer to Note 18 - "Disaggregation of Revenue" for further information, including the economic factors that affect the nature, amount, timing, and uncertainty of revenues and cash flows of our various revenue categories.

### Contract Balances:

#### *Accounts receivable and allowance for losses and sales adjustments*

Timing of revenue recognition may differ from the timing of invoicing to customers. We record an unbilled receivable when revenue is recognized prior to invoicing, or deferred revenue when invoicing occurs prior to revenue recognition. For multi-year agreements, we generally invoice customers annually at the beginning of each annual coverage period. We record an unbilled receivable related to revenue recognized for on-premises licenses as we have an unconditional right to invoice and receive payment in the future related to those licenses.

In connection with our appraisal services contracts and certain professional services contracts, we may perform work prior to when the software and services are billable and/or payable pursuant to the contract. 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 most of our contracts provide for the payment for the value of products delivered or services performed in the event of early termination. 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 progress-to-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 normally occurs subsequently and may span another accounting period; (2) professional services contracts accounted for using progress-to-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 recognized revenue at the point in time when the software is made available to the customer but the billing has not yet been submitted to the customer; (4) some of our contracts which provide for an amount to be withheld from a progress billing (generally between 5% and 15% retention) until final and satisfactory project completion is achieved; and (5) in a limited number of cases, extended payment terms, which may be granted to customers with whom we generally have a long-term relationship and favorable collection history.

As of December 31, 2022, and December 31, 2021, total current and long-term accounts receivable, net of allowance for losses and sales adjustments, was \$585.5 million and \$535.0 million, respectively. We have recorded unbilled receivables of \$135.4 million and \$140.3 million at December 31, 2022, and December 31, 2021, respectively. Included in unbilled receivables are retention receivables of \$8.6 million and \$7.7 million at December 31, 2022, and December 31, 2021, respectively, which become payable upon the completion of the contract or completion of our fieldwork and formal hearings. Unbilled receivables expected to be collected within one year have been included with accounts receivable, current portion in the accompanying consolidated balance sheets. Unbilled receivables and retention receivables expected to be collected past one year have been included with accounts receivable, long-term portion in the accompanying consolidated balance sheets.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 90 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers or to provide customers with financing. Examples include invoicing at the beginning of a subscription term with revenue recognized ratably over the contract period, and multi-year on-premises term licenses that are invoiced annually with revenue recognized upfront.

We maintain allowances for losses and sales adjustments, which losses are recorded against revenue at the time the loss is incurred. Since most of our clients are domestic governmental entities, we rarely incur a credit loss resulting from the inability of a client to make required payments. Events or changes in circumstances that indicate the carrying amount for the allowances for losses and sales adjustments may require revision, include, but are not limited to, managing our client's expectations regarding the scope of the services to be delivered and defects or errors in new versions or enhancements of our software products. Our allowance for losses and sales adjustments of \$14.8 million and \$12.1 million at December 31, 2022, and December 31, 2021, respectively. Because we rarely experience credit losses with our clients, we have not recorded a material reserve for credit losses.

The following table summarizes the changes in the allowance for losses and sales adjustments:

	Years ended December 31,	
	2022	2021
Balance at beginning of year	\$ 12,086	\$ 9,255
Provisions for losses and sales adjustments - accounts receivable	2,781	2,831
Collections of accounts previously written off	(106)	
Balance at end of year	\$ 14,761	\$ 12,086

#### *Deferred Revenue*

The majority of deferred revenue consists of deferred subscription-based services 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 maintenance, software licensing, software and appraisal services, and hardware installation. Refer to Note 19 - "Deferred Revenue and Performance Obligations" for further information, including deferred revenue by segment and changes in deferred revenue during the period.

#### *Deferred Commissions*

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are deferred and then amortized commensurate with the recognition of associated revenue over a period of benefit that we have determined to be three to seven years. We utilized the "portfolio approach" practical expedient, which allows entities to apply the guidance to a portfolio of contracts with similar characteristics because the effects on the financial statements of this approach would not differ materially from applying the guidance to individual contracts. Using the "portfolio approach", we determined the period of benefit by taking into consideration our customer contracts, our technology life-cycle and other factors. Sales commissions for renewal contracts are generally not paid in connection with the renewal of a contract. In the small number of instances where a commission is paid on a renewal, it is not commensurate with the commission paid on the initial sale and is recognized over the term of renewal, which is generally one year. Amortization expense related to deferred commissions is included in sales and marketing expense in the accompanying consolidated statements of income. Refer to Note 20 - "Deferred Commissions" for further information.

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 revenue recognition, determining the nature and timing of satisfaction of performance obligations, determining the SSP of performance obligations, variable consideration, and other obligations such as returns and refunds; loss contingencies; the estimated useful life of deferred commissions; the fair value amount and estimated useful lives of intangible assets; the carrying amount of operating lease right-of-use assets and operating lease liabilities; determining share-based compensation expense; the allowance for losses and sales adjustments; and determining the potential outcome of future tax consequences of events that have been recognized on our consolidated financial statements or tax returns. 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 expense of \$105.2 million in 2022, \$93.5 million in 2021, and \$88.4 million in 2020.

## 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 is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be "realized".

We do not recognize a tax benefit for uncertain tax positions unless management's assessment concludes that it is "more likely than not" that the position is sustainable based on its technical merits. If the recognition threshold is met, we recognize a tax benefit based upon the largest amount of the tax benefit that is more likely than not probable, determined by cumulative probability, of being realized upon settlement with the taxing authority. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense in the consolidated statements of income.

### *Internal Revenue Code ("IRC") Section 174*

For the tax years beginning on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminates the option to currently deduct research and development expenses and requires taxpayers to capitalize and amortize them over five years for research activities performed in the United States and 15 years for research activities performed outside the United States pursuant to IRC Section 174. Although Congress is considering legislation that would repeal or defer this capitalization and amortization requirement, it is not certain that this provision will be repealed or otherwise modified. If the requirement is not repealed or replaced, it will increase our U.S. federal and state cash tax payments and reduce cash flows in fiscal year 2023 and future years.

## SHARE-BASED COMPENSATION

We have a share-based award plan that provides for the grant of stock options, restricted stock units, and performance share units 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. Restricted stock unit grants generally vest ratably over three to five years of continuous service from the date of grant. Each performance share unit represents the right to receive one share of our common stock based on our achievement of certain financial performance targets during applicable performance periods, which generally cliff vest in one or three years. We account for share-based compensation utilizing the fair value recognition pursuant to ASC 718, *Stock Compensation*. See Note 12, "Share-Based Compensation," for further information.

## BUSINESS COMBINATIONS

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets acquired and liabilities assumed at their respective fair values. The determination of fair value requires the use of significant estimates and assumptions, and in making these determinations, management uses all available information.

For tangible and identifiable intangible assets acquired in a business combination, management estimates the fair value of assets acquired and liabilities assumed based on quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. The assumptions made in performing these valuations include, but are not limited to, discount rates, future revenues and operating costs, projections of capital costs, and other assumptions believed to be consistent with those used by principal market participants.

Due to the specialized nature of these calculations, we engage third-party specialists to assist management in evaluating our assumptions as well as appropriately measuring the fair value of assets acquired and liabilities assumed. We adjust the preliminary purchase price allocation, as necessary, up to one year after the acquisition closing date as we obtain new information about facts and circumstances that existed as of the closing date. If actual results are materially different than the assumptions we used to determine fair value of the assets acquired and liabilities assumed through a business combination as well as the estimated useful lives of the acquired intangible assets, it is possible that adjustments to the carrying values of such assets and liabilities will have a material impact on our financial position and results of operations. See Note 2, "Acquisitions," for further information.

## GOODWILL AND OTHER INTANGIBLE ASSETS

### *Goodwill*

We assess goodwill for impairment annually, or more frequently whenever events or changes in circumstances indicate its carrying value may not be recoverable. We begin with the qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying the quantitative assessment described below. 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 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 (Level 3 inputs). 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.

During the fourth quarter, as part of our annual impairment test as of October 1, we performed qualitative assessments for the reporting units containing the recently acquired data and insights, digital government and payments solutions, and development platform solutions, and concluded no impairment existed as of our annual assessment date. Approximately \$1.7 billion, or 70%, of total goodwill as of December 31, 2022, relates to these reporting units, which as a result of these recent acquisitions, do not have significant excess fair values over carrying values. We performed qualitative assessments for the remaining reporting units in which we determined that it not more likely than not that the fair value exceeded the carrying value; therefore, we did not perform a Step 1 quantitative impairment test. Our annual goodwill impairment analysis did not result in an impairment charge. During 2022, we have recorded no impairment to goodwill as no triggering events or change in circumstances indicating a potential impairment has occurred as of period-end.

Determining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Changes in market conditions or other factors outside of our control could cause us to change key assumptions and our judgment about a reporting unit's prospects. Similarly, in a specific period, a reporting unit could significantly underperform relative to its historical or projected future operating results. Either situation could result in a meaningfully different estimate of the fair value of our reporting units, and a consequent future impairment charge.

There have been no impairments to goodwill in any of the periods presented. See Note 4, "Goodwill and Other Intangible Assets," for additional information.

#### *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. 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. There have been no impairments of intangible assets in any of the periods presented.

#### 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. There was no impairment 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 for software sold to third parties and for application development costs of software developed for internal use. Software development costs primarily consist of personnel costs. During the twelve months period ended December 31, 2022 and 2021, respectively, we capitalized approximately \$27.6 million and \$21.7 million of software development costs. We begin to amortize capitalized costs when a product is available for general release to customers and internal use software is ready for its intended use. Amortization expense is determined on a product-by-product basis at a rate not less than straight-line basis over the software's remaining estimated economic life of, generally, three to five years.

#### CONTINGENT PURCHASE CONSIDERATION

Contingent future cash payments related to acquisitions are recognized at fair value as of the acquisition date and included in the determination of the acquisition date purchase price. Subsequent changes in the fair value of the contingent future cash payments are recognized in earnings in the period that the change occurs. We have no contingent consideration outstanding as of December 31, 2022.

#### CONCENTRATIONS OF CREDIT RISK

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 consist 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, 2022, we had cash and cash equivalents of \$173.9 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. As a result, we do not believe we have any significant concentrations of credit risk as of December 31, 2022.

We maintain allowances for losses and sales adjustments, which losses are recorded against revenues at the time the loss is incurred. 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 the carrying amount for the allowances for losses and sales adjustments may require revision include, but are not limited to, 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. Historically, our credit losses have not been significant.

#### LEASES

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, and operating lease liabilities, current and long-term, on our consolidated balance sheets. We currently do not have any finance lease arrangements.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date of the lease in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which are generally accounted for as a single lease component.

#### 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 not recorded a 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 certain officers and our 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 not recorded a liability associated with these indemnifications. Because of our insurance coverage, we believe the estimated fair value of these indemnification agreements is minimal.

#### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In October 2021, the FASB issued ASU 2021-08 - *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (ASC 805) ("ASU 2021-08"). ASU 2021-08 requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Topic 606. Under this "Topic 606 approach," the acquirer applies the revenue model as if it had originated the contracts. This is a departure from the current requirement to measure contract assets and contract liabilities at fair value. ASU 2021-08 is effective for all public business entities in annual and interim periods starting after December 15, 2022, and early adoption is permitted. An entity that early adopts should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. We early adopted as of January 1, 2022. The adoption of ASU 2021-08 did not result in an adjustment to the fair value of the deferred revenue balances assumed in our 2022 acquisitions. See Note 2, "Acquisitions," for further discussion.

#### NEW ACCOUNTING PRONOUNCEMENTS

There were no new not yet adopted accounting pronouncements currently issued that would affect the Company or have a material impact on its consolidated financial position or results of operations in future periods.

#### (2) ACQUISITIONS

##### 2022

On October 31, 2022, we acquired Rapid Financial Solutions, LLC (Rapid), a provider of reliable, scalable, and secure payments with best-in-class card issuance and digital disbursement capabilities. The total purchase price, net of cash acquired of \$2.2 million, was approximately \$67.7 million, consisting of \$51.2 million paid in cash, \$18.2 million of common stock, and \$500,000 related to working capital holdbacks, subject to certain post-closing adjustments.

We have performed a preliminary valuation analysis of the fair market value of Rapid's assets and liabilities. In connection with this transaction, we acquired total tangible assets of \$2.9 million and assumed liabilities of approximately \$635,000. We recorded goodwill of approximately \$40.0 million, all of which is expected to be deductible for tax purposes, and other identifiable intangible assets of approximately \$27.6 million. The goodwill arising from this acquisition is primarily attributed to our ability to generate increased revenues, earnings and cash flow by expanding our addressable market and client base. The \$27.6 million of intangible assets are attributable to customer relationships, acquired software, and trade name and will be amortized over a weighted average period of approximately 10 years.

On May 31, 2022, we completed the acquisition of Quatred, LLC (Quatred), a systems integrator and barcode technology solutions provider. The total cash price was approximately \$637,000.

On February 8, 2022, we acquired US eDirect Inc. (US eDirect), a leading provider of technology solutions for campground and outdoor recreation management. The total purchase price, net of cash acquired of \$6.4 million, was approximately \$116.5 million, consisting of \$118.8 million paid in cash and approximately \$4.1 million related to indemnity holdbacks.

We have performed a valuation analysis of the fair market value of US eDirect's assets and liabilities. The following table summarizes the preliminary allocation of the purchase price as of the acquisition date:

Cash	\$ 6,361
Accounts receivable	1,730
Other current assets	594
Other noncurrent assets	698
Goodwill and identifiable intangible assets	125,541
Accounts payable	(1,881)
Accrued expenses	(357)
Other noncurrent liabilities	(742)
Deferred revenue	(688)
Deferred tax liabilities, net	(8,326)
Total consideration	\$ 122,930

In connection with this transaction, we acquired total tangible assets of \$9.4 million and assumed liabilities of approximately \$3.7 million. We recorded goodwill of approximately \$91.4 million, none of which is expected to be deductible for tax purposes, and other identifiable intangible assets of approximately \$34.1 million. The goodwill arising from this acquisition is primarily attributed to our ability to generate increased revenues, earnings, and cash flow by expanding our addressable market and client base. The identifiable intangible assets are attributable to customer relationships, acquired software, and trade name and will be amortized over a weighted average period of approximately 13 years. We recorded net deferred tax liabilities of \$8.3 million related to the tax effect of our estimated fair value allocations. Since the acquisition date, we recorded adjustments to the preliminary opening balance sheet attributed to decreases in other current assets, other noncurrent assets, identifiable intangible assets, accrued expenses, and deferred revenue, and increases in accounts receivable, accounts payable, and deferred tax liabilities, resulting in a net increase to goodwill of approximately \$10.3 million.

As of December 31, 2022, the purchase price allocations for US eDirect and Quatred are complete, while the purchase price allocation for Rapid is not final; therefore, certain preliminary valuation estimates of fair value assumed at the acquisition date for intangible assets, receivables, and related deferred taxes are subject to change as valuations are finalized. Our balance sheet as of December 31, 2022, reflects the allocation of the purchase price to the net assets acquired based on their estimated fair value at the date of the acquisition. The fair value of the assets and liabilities acquired are based on valuations using Level 3 unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Rapid and US eDirect are operated as a part of the digital government and payments solutions business unit (also known as the NIC division), therefore the following unaudited pro forma consolidated operating results information has been prepared as if the acquisitions of Rapid and US eDirect had occurred on January 1, 2021, and NIC had occurred on January 1, 2020, after giving effect to certain adjustments, including amortization of intangibles, transaction costs, and tax effects.

	Years ended December 31,		
	2022	2021	2020
Revenues	\$ 1,867,011	\$ 1,785,623	\$ 1,577,117
Net income	147,028	157,765	183,994
Basic earnings per share	\$ 3.54	\$ 3.86	\$ 4.60
Diluted earnings per share	\$ 3.47	\$ 3.73	\$ 4.43

The pro forma information above 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 occurred on the date specified or to project our results of operations for any future period.



The actual operating results of Rapid, US eDirect, and NIC from their respective dates of acquisition are included with the operating results of the Platform Technologies segment. The operating results of Quatred are included in the operating results of the Enterprise Software segment since the date of acquisition. The impact of the 2022 acquisitions on our operating results, assets, and liabilities is not material. In the twelve months ended December 31, 2022, we incurred fees of approximately \$2.0 million for financial advisory, legal, accounting, due diligence, valuation, and other various services necessary to complete acquisitions. These costs were expensed in 2022 and are included in general and administrative expense in the accompanying consolidated statements of income.

## 2021

On September 9, 2021, we acquired all the equity interest of Ultimate Information Systems, Inc. (dba Arx). Arx is a cloud-based platform which creates accessible technology to enable a modern-day police force that is fully transparent, accountable, and a trusted resource to the community it serves. The total purchase price, net of cash acquired, was approximately \$12.8 million.

On September 1, 2021, we acquired VendEngine, Inc., a cloud-based software provider focused on financial technology for the corrections market. The total purchase price, net of cash acquired of \$1.7 million, was approximately \$83.6 million, consisting of \$81.6 million paid in cash, and approximately \$3.8 million related to indemnity holdbacks.

In connection with this transaction, we acquired total tangible assets of \$5.8 million and assumed liabilities of approximately \$3.0 million. We recorded goodwill of approximately \$54.3 million, none of which is expected to be deductible for tax purposes, and other identifiable intangible assets of approximately \$37.9 million. The \$37.9 million of intangible assets are attributable to customer relationships, acquired software, and trade name and will be amortized over a weighted average period of approximately 13 years. We recorded net deferred tax liabilities of \$9.6 million related to the tax effect of our estimated fair value allocations. In the twelve months ended December 31, we recorded adjustments to the preliminary opening balance sheet attributed to a decrease to accounts receivable, accounts payable, deferred income taxes, and an adjustment to the accrual for indemnity holdbacks and increases in identifiable intangible assets and accrued expenses resulting in a net decrease to goodwill of approximately \$4.4 million.

On April 21, 2021, we acquired NIC, Inc., a leading digital government solutions and payment company that primarily serves federal and state government agencies. The total purchase price, net of cash acquired of \$331.8 million, was approximately \$2.0 billion, consisting of cash paid of \$2.3 billion and \$1.9 million of purchase consideration related to the conversion of unvested restricted stock awards.

We have performed the valuation analysis of the fair market value of NIC's assets and liabilities. The following table summarizes the allocation of the purchase price as of the acquisition date:

Cash	\$ 331,783
Accounts receivable	149,515
Other current assets	12,988
Other noncurrent assets	20,974
Identifiable intangible assets	777,000
Goodwill	1,446,868
Accounts payable	(150,099)
Accrued expenses	(63,154)
Other noncurrent liabilities	(11,493)
Deferred revenue	(3,294)
Deferred tax liabilities, net	(190,596)
Total consideration	\$ 2,320,492

In connection with this transaction, we acquired total tangible assets of \$515.3 million and assumed liabilities of approximately \$228.0 million. We recorded goodwill of approximately \$1.4 billion, none of which is expected to be deductible for tax purposes, and other identifiable intangible assets of approximately \$777.0 million. The \$777.0 million of intangible assets are attributable to customer relationships, acquired software, and trade name and will be amortized over a weighted average period of approximately 17 years. We recorded net deferred tax liabilities of \$190.6 million related to the tax effect of our estimated fair value allocations. In the twelve months ended December 31, 2021, we recorded adjustments to the preliminary opening balance sheet attributed to a decrease to accounts receivable and increases in identifiable intangible assets, deferred revenue and related deferred taxes resulting in a net decrease to goodwill of approximately \$17.2 million.

NIC delivers user-friendly digital services that make it easier and more efficient for citizens and businesses to interact with government-providing valuable conveniences like applying for unemployment insurance, submitting business filings, renewing licenses, accessing information and making secure payments without visiting a government office. In addition, NIC has extensive

expertise and scale in the government payments arena which will accelerate our strategic payments initiatives. Therefore, the goodwill of approximately \$1.4 billion arising from this acquisition is primarily attributed to our ability to generate increased revenues, earnings and cash flow by expanding our addressable market and client base.

On March 31, 2021, we acquired all the equity interest of Glass Arc, Inc. (dba ReadySub), a cloud-based platform that assists school districts with absence tracking, filling substitute teacher assignments, and automating essential payroll processes. The total cash price was approximately \$6.2 million, net of cash acquired.

On March 31, 2021, we acquired substantially all assets of DataSpec, Inc. (DataSpec), a provider of a SaaS solution that allows for secure electronic claims submission to the federal Department of Veterans Affairs and reporting capabilities, in addition to scheduling, calendaring, and payments. The total cash purchase price was approximately \$5.8 million.

The operating results of Arx, DataSpec, ReadySub, and VendEngine are included with the operating results of the Enterprise Software segment since their date of acquisition. The impact of the Arx, DataSpec, ReadySub, and VendEngine acquisitions, individually and in the aggregate, on our operating results, assets and liabilities is not material. The operating results of NIC are included in the Platform Technologies Segment. Revenues from NIC included in Tyler's results of operations totaled approximately \$368.9 million and net income was approximately \$37.2 million from the date of acquisition through December 31, 2021. In 2021, we incurred fees of approximately \$23.5 million for financial advisory, legal, accounting, due diligence, valuation and other various services necessary to complete these acquisitions. The Company also incurred \$1.6 million of expense related to a separation agreement with NIC's former Chief Executive Officer. These costs were expensed in 2021 and are included in general and administrative expense in the accompanying consolidated statements of income. As of December 31, 2022, the purchase price allocations for 2021 acquisitions are complete.

### (3) PROPERTY AND EQUIPMENT, NET AND SOFTWARE DEVELOPMENT COSTS, NET

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

	Useful Lives (years)	2022	2021
Land	—	\$ 22,908	\$ 22,523
Building and leasehold improvements	5-39	159,059	154,222
Computer equipment and purchased software	3-5	121,968	109,691
Furniture and fixtures	5	39,373	35,932
Transportation equipment	5	200	207
		343,508	322,575
Accumulated depreciation and amortization		(170,722)	(141,382)
Property and equipment, net		\$ 172,786	\$ 181,193

Depreciation expense was \$29.5 million in 2022, \$29.4 million in 2021, and \$25.5 million in 2020.

We paid \$4.5 million and \$12.8 million for real estate and the expansion of existing facilities in 2022 and 2021, respectively.

Software development costs, net consists of the following at December 31:

	Useful Lives (years)	2022	2021
Software development costs	3-5	\$ 59,904	\$ 32,274
Accumulated amortization		(11,715)	(3,785)
Software development costs, net		\$ 48,189	\$ 28,489

Amortization expense for software development costs is recorded to cost of revenues and general and administrative expense. Amortization expense for software development costs recorded to cost of revenues was \$6.5 million in 2022, \$2.3 million in 2021, and no expense in 2020. Amortization expense for software development costs recorded to general and administrative expense was \$1.4 million in 2022, no expense in 2021, and \$1.2 million in 2020.

Estimated annual amortization expense related to software development costs:

2023	\$ 11,038
2024	12,440
2025	11,236
2026	8,247
2027	3,924
Thereafter	1,304
	<u>\$ 48,189</u>

(4) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the two years ended December 31, 2022 are as follows:

	Enterprise Software	Platform Technologies	Total
Balance as of 12/31/2020	\$ 762,127	\$ 76,301	\$ 838,428
Goodwill acquired related to the purchase of NIC	—	1,446,868	1,446,868
Goodwill acquired related to the purchase of VendEngine	54,456	—	54,456
Goodwill acquired related to the purchase of other acquisitions	19,922	—	19,922
Balance as of 12/31/2021	836,505	1,523,169	2,359,674
Goodwill acquired related to the purchase of US eDirect	—	91,441	91,441
Goodwill acquired related to the purchase of Rapid	—	40,005	40,005
Purchase price adjustments related to the purchase of VendEngine	(204)	—	(204)
Purchase price adjustments related to the purchase of other acquisitions	(1,608)	—	(1,608)
Balance as of 12/31/2022	<u>\$ 834,693</u>	<u>\$ 1,654,615</u>	<u>\$ 2,489,308</u>

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

	2022	2021
Gross carrying amount of other intangibles:		
Customer related intangibles	\$ 990,545	\$ 949,844
Acquired software	456,137	433,800
Trade names	45,293	45,353
Leases acquired	<u>5,037</u>	<u>5,037</u>
	1,497,012	1,434,034
Accumulated amortization	<u>(494,848)</u>	<u>(381,541)</u>
Total other intangibles, net	<u>\$ 1,002,164</u>	<u>\$ 1,052,493</u>

Amortization expense for acquired software is recorded to cost of revenues. Amortization expense for customer related intangibles, trade names and leases acquired is recorded to amortization of other intangibles. Total amortization expense for other intangibles was \$113.9 million in 2022, \$90.8 million in 2021, and \$53.9 million in 2020.

The amortization periods of other intangible assets is summarized in the following table:

	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization
Non-amortizable intangibles:						
Goodwill	\$ 2,489,308	—	\$ —	\$ 2,359,674	—	\$ —
Amortizable intangibles:						
Customer related intangibles	\$ 990,545	20 years	\$ 209,501	\$ 949,844	21 years	\$ 157,077
Acquired software	456,137	5 years	260,642	433,800	7 years	208,451
Trade names	45,293	5 years	21,059	45,353	10 years	13,064
Leases acquired	5,037	9 years	3,646	5,037	9 years	2,949

Estimated annual amortization expense related to other intangibles:

2023	\$ 105,284
2024	89,192
2025	88,423
2026	80,722
2027	78,626
Thereafter	559,917
	<u>\$ 1,002,164</u>

#### (5) ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	2022	2021
Accrued wages, bonuses and commissions	\$ 73,745	\$ 88,696
Other accrued liabilities	58,196	69,728
	<u>\$ 131,941</u>	<u>\$ 158,424</u>

#### (6) DEBT

The following table summarizes our total outstanding borrowings related to the 2021 Credit Agreement and Convertible Senior Notes:

	Rate	Maturity Date	December 31, 2022	December 31, 2021
2021 Credit Agreement				
Revolving credit facility	L + 1.50%	April 2026	\$ —	\$ —
Term Loan A-1	L + 1.50%	April 2026	290,000	585,000
Term Loan A-2	L + 1.25%	April 2024	105,000	170,000
Convertible Senior Notes due 2026	0.25%	March 2026	600,000	600,000
Total borrowings			995,000	1,355,000
Less: unamortized debt discount and debt issuance costs			(7,611)	(13,724)
Total borrowings, net			987,389	1,341,276
Less: current portion of debt			(30,000)	(30,000)
Carrying value			<u>\$ 957,389</u>	<u>\$ 1,311,276</u>

## 2021 Credit Agreement

In connection with the completion of the acquisition of NIC on April 21, 2021, we, as borrower, entered into a new \$1.4 billion Credit Agreement (the "2021 Credit Agreement") with the various lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender, and Issuing Lender. The 2021 Credit Agreement provides for (1) a senior unsecured revolving credit facility in an aggregate principal amount of up to \$500 million, including sub-facilities for standby letters of credit and swingline loans (the "Revolving Credit Facility"), (2) an amortizing five-year term loan in the aggregate amount of \$600 million (the "Term Loan A-1"), and (3) a non-amortizing three-year term loan in the aggregate amount of \$300 million (the "Term Loan A-2") and, together (the "Term Loans"). The 2021 Credit Agreement matures on April 20, 2026, and the loans may be prepaid at any time, without premium or penalty, subject to certain minimum amounts and payment of any LIBOR breakage costs. In addition to the required amortization payments on the Term Loan A-1 of 5% annually, certain mandatory quarterly prepayments of the Term Loans and the Revolving Credit Facility will be required (i) upon the issuance or incurrence of additional debt not otherwise permitted under the 2021 Credit Agreement and (ii) upon the occurrence of certain asset sales and insurance and condemnation recoveries, subject to certain thresholds, baskets, and reinvestment provisions as provided in the 2021 Credit Agreement.

Borrowings under the Revolving Credit Facility and the Term Loan A-1 bear interest, at the Company's option, at a per annum rate of either (1) the Administrative Agent's prime commercial lending rate (subject to certain higher rate determinations) (the "Base Rate") plus a margin of 0.125% to 0.75% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month LIBOR rate plus a margin of 1.125% to 1.75%. The Term Loan A-2 bears interest, at the Company's option, at a per annum rate of either (1) the Base Rate plus a margin of 0% to 0.5% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month LIBOR rate plus a margin of 0.875% to 1.5%. The margin in each case is based upon the Company's total net leverage ratio, as determined pursuant to the 2021 Credit Agreement. The 2021 Credit Agreement has customary benchmark replacement language with respect to the replacement of LIBOR once LIBOR becomes unavailable. In addition to paying interest on the outstanding principal of loans under the Revolving Credit Facility, the Company is required to pay a commitment fee on the average daily unused portion of the Revolving Credit Facility, currently 0.25% per annum, ranging from 0.15% to 0.3% based upon the Company's total net leverage ratio.

LIBOR, the London Inter-Bank Offered Rate, is currently anticipated to be phased out in June 2023 and is expected to transition to a new standard rate, the Secured Overnight Financing Rate ("SOFR"), which will incorporate certain overnight repo market data collected from multiple data sets. In January 2023, we amended<sup>3</sup> our 2021 Credit Agreement to replace the LIBOR reference rate with the SOFR reference rate. Assuming that SOFR replaces LIBOR and is appropriately adjusted to equate to one-month LIBOR, we expect that there should be minimal impact on our operations.

The net proceeds from the borrowings under the 2021 Credit Agreement were \$1.1 billion, net of debt discounts of \$7.2 million and debt issuance costs of \$4.9 million and \$6.4 million of commitment fees paid related to the terminated \$1.6 billion unsecured bridge loan facility. On the Closing Date, the Company paid approximately \$2.3 billion in cash for the purchase of NIC. The Term Loans of \$900 million and a portion of the proceeds of the Revolving Credit Facility, in the amount of \$250 million, together with cash available to the Company of \$609 million and the net proceeds of its Convertible Senior Notes of \$594 million, were used to complete the acquisition and pay fees and expenses in connection with the acquisition and the 2021 Credit Agreement. The remaining portion of the Revolving Credit Facility may be used for working capital requirements, acquisitions, and capital expenditures of the Company and its subsidiaries.

The 2021 Credit Agreement 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, 2022, we were in compliance with those covenants.

The carrying amount is the par value of the Revolving Credit Facility and Term Loans less the debt discount and debt issuance costs that are amortized to interest expense using the effective interest method over the terms of the Term Loans. Interest expense is included in the accompanying consolidated statements of income.

<sup>3</sup> The foregoing is a summary of the amended terms and conditions of the 2021 Credit Agreement and not a complete description of the Third Amendment to Credit Agreement, dated January 27, 2023. Accordingly, the foregoing is qualified in its entirety by reference to the full text of the Third Amendment to Credit Agreement attached to this Current Report on Form 10-K as [Exhibit 4.2](#), which is incorporated by reference.

### *Convertible Senior Notes due 2026*

On March 9, 2021, we issued 0.25% Convertible Senior Notes due 2026 in the aggregate principal amount of \$600.0 million ("the Convertible Senior Notes" or "the Notes"). The Convertible Senior Notes were issued pursuant to, and are governed by, an indenture (the "Indenture"), dated as of March 9, 2021, with U.S. Bank National Association, as trustee. The net proceeds from the issuance of the Convertible Senior Notes were \$591.4 million, net of initial purchasers' discounts of \$6.0 million and debt issuance costs of \$2.6 million.

The Convertible Senior Notes are senior, unsecured obligations and are (i) equal in right of payment with our future senior, unsecured indebtedness; (ii) senior in right of payment to our future indebtedness that is expressly subordinated to the Notes; (iii) effectively subordinated to our future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all future indebtedness and other liabilities, including trade payables, and (to the extent we are not a holder thereof) preferred equity, if any, of our subsidiaries.

The Convertible Senior Notes accrue interest at a rate of 0.25% per annum, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2021. The Convertible Senior Notes mature on March 15, 2026, unless earlier repurchased, redeemed, or converted.

Before September 15, 2025, holders of the Convertible Senior Notes have the right to convert their Convertible Senior Notes only upon the occurrence of certain events. Under the terms of the Indenture, the Convertible Senior Notes are convertible into common stock of Tyler Technologies, Inc. (referred to as "our common stock" herein) at the following times or circumstances:

- during any calendar quarter commencing after the calendar quarter ended June 30, 2021, if the last reported sale price per share of our common stock exceeds 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
- during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "Measurement Period") if the trading price per \$1,000 principal amount of Convertible Senior Notes, as determined following a request by their holder in accordance with the procedures in the Indenture, for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of certain corporate events or distributions on our common stock, including but not limited to a "Fundamental Change" (as defined in the Indenture);
- upon the occurrence of specified corporate events; or
- on or after September 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, March 15, 2026.

With certain exceptions, upon a change of control or other fundamental change (both as defined in the Indenture governing the Convertible Senior Notes), the holders of the Convertible Senior Notes may require us to repurchase all or part of the principal amount of the Convertible Senior Notes at a repurchase price equal to 100% of the principal amount of the Convertible Senior Notes, plus any accrued and unpaid interest to, but excluding, the redemption date.

As of December 31, 2022, none of the conditions allowing holders of the Convertible Senior Notes to convert have been met.

From and including September 15, 2025, holders of the Convertible Senior Notes may convert their Convertible Senior Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. We will settle any conversions of the Convertible Senior Notes either entirely in cash or in a combination of cash and shares of our common stock, at our election. However, upon conversion of any Convertible Senior Notes, the conversion value, which will be determined over an "Observation Period" (as defined in the Indenture) consisting of 30 trading days, will be paid in cash up to at least the principal amount of the Notes being converted.

The initial conversion rate is 2.0266 shares of common stock per \$1,000 principal amount of Convertible Senior Notes, which represents an initial conversion price of approximately \$493.44 per share of common stock. The conversion rate and conversion price will be subject to adjustment upon the occurrence of certain events. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The Convertible Senior Notes are redeemable, in whole or in part, at our option at any time, and from time to time, on or after March 15, 2024 and on or before the 30th scheduled trading day immediately before the maturity date, at a cash redemption price

equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, up to, but excluding, the redemption date, but only if the last reported sale price per share of our common stock exceeds 130% of the conversion price of the Notes on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related redemption notice; and (ii) the trading day immediately before the date we send such notice. In addition, calling any Note for redemption constitutes a Make-Whole Fundamental Change with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if it is converted after it is called for redemption.

#### Effective Interest

The weighted average interest rates for the borrowings under the 2021 Credit Agreement and Convertible Senior Notes due 2026 were 5.82% and 0.25%, as of December 31, 2022, respectively. During the twelve months ended December 31, 2022, the effective interest rates for our borrowings were 3.79% and 0.54% for the 2021 Credit Agreement and the Convertible Senior Notes, respectively. The following sets forth the interest expense recognized related to the borrowings under the 2021 Credit Agreement and Convertible Senior Notes and is included in interest expense in the accompanying consolidated statements of income:

	Years Ended December 31,		
	2022	2021	2020
Contractual interest expense - Revolving Credit Facility	\$ (1,267)	\$ (1,244)	\$ —
Contractual interest expense - Term Loans	(18,583)	(9,341)	—
Contractual interest expense - Convertible Senior Notes	(1,500)	(1,213)	—
Amortization of debt discount and debt issuance costs	(7,029)	(3,297)	—
Interest expense and amortization of debt issuance costs - terminated 2019 Credit Agreement and Senior Unsecured Bridge loan facility	—	(8,203)	(1,013)
Total	<u>\$ (28,379)</u>	<u>\$ (23,298)</u>	<u>\$ (1,013)</u>

As of December 31, 2022, we had one outstanding standalone letter of credit totaling \$1.5 million. The letter of credit, which guarantees our performance under a client contract, renews automatically annually unless canceled in writing, and expires in the third quarter of 2026. For the twelve months ended December 31, 2022, we repaid \$360 million of the Term Loans under the 2021 Credit Agreement.

As of December 31, 2022, the required annual maturities related to the 2021 Credit Agreement and the Convertible Senior Notes due 2026 were as follows:

Year ending December 31,	Annual Maturities
2023	\$ 30,000
2024	135,000
2025	30,000
2026	800,000
2027	—
Total required maturities	<u>\$ 995,000</u>

#### (7) FINANCIAL INSTRUMENTS

The following table presents our financial instruments:

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 173,857	\$ 309,171
Held-to-maturity investments	—	98,653
Available-for-sale investments	55,538	—
Equity investments	10,000	10,000
Total	<u>\$ 239,395</u>	<u>\$ 417,824</u>

Cash and cash equivalents consist primarily of money market funds with original maturity dates of three months or less, for which we determine fair value through quoted market prices.

Our available-for-sale securities were historically classified as held-to-maturity. Management determined that our investment portfolio would be transferred from held-to-maturity to available-for-sale, in order to have the flexibility to buy and sell investments and maximize cash liquidity for potential acquisitions or for debt repayments. Accordingly, our investment portfolio is now classified as available-for-sale as of December 31, 2022. Our available-for-sale investments primarily consist of investment grade corporate bonds, municipal bonds, and asset-backed securities with maturity dates through 2027. These investments are presented at fair value and are included in short-term investments and non-current investments in the accompanying consolidated balance sheets. Unrealized gains or losses associated with the investments are included in accumulated other comprehensive loss, net of tax in the accompanying consolidated balance sheets and statements of comprehensive income. For our available-for-sale investments, we do not have the intent to sell, nor is it more likely than not that we would be required to sell before recovery of their cost basis.

As of December 31, 2022, we have an accrued interest receivable balance of approximately \$200,000 which is included in accounts receivable, net. We do not measure an allowance for credit losses for accrued interest receivables. We record any losses within the maturity period or at the time of sale of the investment and any write-offs to accrued interest receivables are recorded as a reduction to interest income in the period of the loss. During the twelve months ended December 31, 2022, we have recorded no credit losses for accrued interest receivables. Interest income and amortization of discounts and premiums are included in other income, net in the accompanying consolidated statements of income.

The following table presents the components of our available-for-sale investments:

	December 31, 2022	December 31, 2021
Amortized cost	\$ 56,670	\$ —
Unrealized gains	16	—
Unrealized losses	(1,148)	—
Estimated fair value	\$ 55,538	\$ —

As of December 31, 2022, we have \$37.0 million of available-for-sale debt securities with contractual maturities of one year or less and \$18.5 million with contractual maturities great than one year. As of December 31, 2022, 24 available-for-sale debt securities with a fair value of \$25.8 million have been in a loss position for one year or less and 28 securities with a fair value of \$23.1 million have been in a loss position for greater than one year.

The following table presents the activity on our available-for-sale or held-to-maturity investments:

	Years Ended December 31,		
	2022	2021	2020
Proceeds from sales and maturities	\$ 71,034	\$ 131,449	\$ 82,742
Realized losses on sales, net of tax	(79)	—	—

Our equity investments consist of an 18% interest in BFTR, LLC, a wholly owned subsidiary of Bison Capital Partners V L.P. BFTR, LLC, a privately held Australian company specializing in digitizing the spoken word in court and legal proceedings. The investment in common stock is accounted for under the equity method because we do not have the ability to exercise significant influence over the investee; and as the securities do not have readily determinable fair values, our investment is carried at cost less any impairment write-downs.



# (8) OTHER COMPREHENSIVE LOSS

The following tables present the changes in the balances of accumulated other comprehensive loss, net of tax by component:

	Unrealized Loss On Available-for-Sales Securities	Other	Accumulated Other Comprehensive Loss
Balance as of December 31, 2020	\$ (46)	\$ —	\$ (46)
Other comprehensive income before reclassifications	—	—	—
Amounts reclassified to net income	—	—	—
Other comprehensive income (loss)	—	—	—
Balance as of December 31, 2021	\$ (46)	\$ —	\$ (46)
Other comprehensive loss before reclassifications	(850)	—	(850)
Reclassification adjustment of unrealized losses on securities transferred from held-to-maturity	(27)	—	(27)
Reclassification adjustment for net loss on sale of available for sale securities, included in net income	79	—	79
Other comprehensive loss	(798)	—	(798)
Balance as of December 31, 2022	\$ (844)	\$ —	\$ (844)

# (9) FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability. Guidance on fair value measurements and disclosures establishes a valuation hierarchy for disclosure of inputs used in measuring fair value defined as follows:

- Level 1—Inputs are unadjusted quoted prices that are available in active markets for identical assets or liabilities.
- Level 2—Inputs include quoted prices for similar assets and liabilities in active markets and quoted prices in non-active markets, inputs other than quoted prices that are observable, and inputs that are not directly observable, but are corroborated by observable market data.
- Level 3—Inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment.

The classification of a financial asset or liability within the hierarchy is determined based on the least reliable level of input that is significant to the fair value measurement. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We also consider the counterparty and our own non-performance risk in our assessment of fair value.

The following table presents fair values of our financial and debt instruments categorized by their fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Available-for-sale investments	\$ —	\$ 55,538	\$ —	\$ 55,538
Equity investments	—	—	10,000	10,000
2021 Credit Agreement	—	—	—	—
Revolving Credit Facility	—	—	—	—
Term Loan A-1	—	288,302	—	288,302
Term Loan A-2	—	104,603	—	104,603
Convertible Senior Notes due 2026	—	560,910	—	560,910

# Assets that are Measured at Fair Value on a Recurring Basis

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.

As of December 31, 2022, we have \$55.5 million in investment grade corporate bonds, municipal bonds, and asset-backed securities with maturity dates through 2027. The fair values of these securities are considered Level 2 as they are based on inputs from quoted prices in markets that are not active or other observable market data.

*Assets that are Measured at Fair Value on a Nonrecurring Basis*

As of December 31, 2022, we have an 18% interest in BFTR, LLC. The investment in common stock is accounted under the equity method because we do not have the ability to exercise significant influence over the investee and the securities do not have readily determinable fair values. Our investment is carried at cost less any impairment write-downs. Periodically, our equity method investments are assessed for impairment. We do not reassess the fair value of equity method investments if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investments. No events or changes in circumstances have occurred during the period that require reassessment. There has been no impairment of our equity method investment for the periods presented. This investment is included in other non-current assets in the accompanying consolidated balance sheets.

We assess goodwill for impairment annually on October 1. In addition, we review goodwill, property and equipment, and other intangibles for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. During the fourth quarter of 2022, we completed our annual assessment of goodwill which did not result in an impairment charge. Further, we identified no indicators of impairment to long-lived and other assets and therefore, no impairment was recorded as of and for the period ended December 31, 2022.

*Financial instruments measured at fair value only for disclosure purposes*

The fair value of our borrowing under our 2021 Credit Agreement would approximate book value as of December 31, 2022, because our interest rates reset approximately every 30 days or less.

The carrying amount of the Revolving Credit Facility and Term Loans is the par value less the debt discount and debt issuance costs that are amortized to interest expense using the effective interest method over the terms of the Term Loans. Interest expense is included in the accompanying consolidated statements of income.

The fair value of our Convertible Senior Notes due 2026 is determined based on quoted market prices for a similar liability when traded as an asset in an active market, a Level 2 input. See Note 6, "Debt," for further discussion.

The carrying amount of the Convertible Senior Notes is the par value less the debt discount and debt issuance costs that are amortized to interest expense using the effective interest method over the term of the Convertible Senior Notes. Interest expense is included in the accompanying consolidated statements of income.

The following table presents the fair value and carrying value, net, of the 2021 Credit Agreement and our Convertible Notes due 2026):

	Fair Value at December 31,		Carrying Value at December 31,	
	2022	2021	2022	2021
<b>2021 Credit Agreement</b>				
Revolving Credit Facility	\$ —	\$ —	\$ —	\$ —
Term Loan A-1	288,302	580,515	288,302	580,515
Term Loan A-2	104,603	167,997	104,603	167,996
Convertible Notes due 2026	560,910	736,662	594,484	592,765
	<u>\$ 953,815</u>	<u>\$ 1,485,174</u>	<u>\$ 987,389</u>	<u>\$ 1,341,276</u>

(10) INCOME TAX

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

	Years Ended December 31,		
	2022	2021	2020
Current:			
Federal	\$ 84,570	\$ 7,591	\$ (10,538)
State	25,975	3,203	(1,304)
	110,545	10,794	(11,842)
Deferred	(87,192)	(13,271)	(7,936)
	<u>\$ 23,353</u>	<u>\$ (2,477)</u>	<u>\$ (19,778)</u>

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

	Years Ended December 31,		
	2022	2021	2020
Federal income tax expense at statutory rate	\$ 39,395	\$ 33,386	\$ 36,759
State income tax, net of federal income tax benefit	9,197	5,594	6,677
Net operating loss carryback	(261)	3,391	(3,445)
Excess tax benefits of share-based compensation	(7,752)	(47,675)	(60,190)
Tax credits	(31,334)	(4,999)	(3,867)
Non-deductible business expenses	5,425	7,542	4,199
Uncertain tax positions	8,338	(425)	—
Other, net	345	709	89
	<u>\$ 23,353</u>	<u>\$ (2,477)</u>	<u>\$ (19,778)</u>

In 2022, we completed a multi-year research and development tax credit study, which resulted in a \$31.3 million research tax credit benefit.

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

	2022	2021
Deferred income tax assets:		
Capitalized research and experimental expenditures	\$ 76,731	\$ —
Operating expenses not currently deductible	17,263	16,639
Stock option and other employee benefit plans	21,373	19,596
Loss and credit carryforwards	8,589	18,604
Deferred revenue	4,405	4,717
Other	289	—
Total deferred income tax assets	128,650	59,556
Valuation allowance	—	—
Total deferred income tax assets, net of valuation allowance	128,650	59,556
Deferred income tax liabilities:		
Intangible assets	(256,818)	(266,827)
Property and equipment	(11,220)	(12,272)
Prepaid expenses	(9,503)	(8,542)
Total deferred income tax liabilities	(277,541)	(287,641)
Net deferred income tax liabilities	<u>\$ (148,891)</u>	<u>\$ (228,085)</u>

As of December 31, 2022, the capitalization and amortization requirements of research and experimental expenditures pursuant to the TCJA changes to Internal Revenue Code Section 174 resulted in a deferred tax asset of \$76.7 million.

As of December 31, 2022, we had federal net operating loss carryforwards of approximately \$22.9 million, after-tax state net operating loss carryforwards of approximately \$1.6 million, and tax credit carryforwards of approximately \$4.1 million. The federal net operating loss carryforward will begin to expire in 2037, if not utilized, and a portion of the state net operating loss and tax credit carryforwards begin expiring in 2033, if not utilized.

The acquired carryforwards are subject to an annual limitation but are expected to be realized. We believe it is more likely than not that all other deferred tax assets will be realized. 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 following table provides a reconciliation of the gross unrecognized tax benefits from uncertain tax positions for the years ended December 31:

	2022	2021
Balance at beginning of period	\$ 4,635	\$ 1,929
Additions for tax positions of prior period	5,522	4,508
Reductions for tax positions of prior period	(170)	(10)
Additions for tax positions of current period	5,804	212
Settlements	—	—
Expiration of statutes of limitations	(1,160)	(2,004)
Balance at end of period	\$ 14,631	\$ 4,635

As of December 31, 2022, \$1.9 million of the unrecognized tax benefits are reflected as a decrease in deferred income taxes and \$12.7 million are included in other long-term liabilities in our consolidated balance sheets. The total amount of unrecognized tax benefits, net of federal income tax benefit of state taxes, if recognized, that would affect the effective tax rate is \$13.9 million as of December 31, 2022, and \$4.3 million and \$1.9 million as of December 31, 2021, and 2020, respectively. It is reasonably possible that events will occur during the next 12 months that would cause the total amount of unrecognized tax benefits to increase or decrease. However, we do not expect such increases or decreases to be material to the financial condition or results of operations.

We are subject to U.S. federal income tax, as well as income tax of multiple state, local and foreign jurisdictions. We are routinely subject to income tax examinations by these taxing jurisdictions, but we do not have a history of, nor do we expect any material adjustments as a result of these examinations. With few exceptions, major U.S. federal, state, local and foreign jurisdictions are no longer subject to examination for years before 2018. As of February 22, 2023, no significant adjustments have been proposed by any taxing jurisdiction.

We recognize interest and penalties related to uncertain tax positions as a component of income tax expense in the consolidated statements of income. Accrued interest and penalty amounts were not significant at December 31, 2022.

#### (11) SHAREHOLDERS' EQUITY

The following table details activity in our common stock:

	Years Ended December 31,					
	2022		2021		2020	
	Shares	Amount	Shares	Amount	Shares	Amount
Purchases of treasury shares	—	\$ —	(33)	\$ (12,977)	(59)	\$ (15,484)
Stock option exercises	186	26,329	627	96,714	1,174	124,363
Employee stock plan purchases	49	16,651	35	13,158	40	10,912
Restricted stock units vested, net of withheld shares upon award settlement	176	(27,219)	147	(25,158)	76	(12,923)
Shares issued for acquisition	56	18,169	—	—	—	—

As of February 22, 2023, we had authorization from our board of directors to repurchase up to 2.3 million additional shares of our common stock.

(12) SHARE-BASED COMPENSATION

Share-Based Compensation Plan

In May 2018, stockholders approved the Tyler Technologies, Inc. 2018 Stock Incentive Plan ("the 2018 Plan") which amended and restated the existing Tyler Technologies, Inc. 2010 Stock Option Plan ("the 2010 Plan"). Upon stockholder approval of the 2018 Plan, the remaining shares available for grant under the 2010 Plan were added to the shares authorized for grant under the 2018 Plan. Additionally, any awards previously granted under the 2010 Plan that expire unexercised or are forfeited are added to the shares authorized for grant under the 2018 Plan.

During fiscal year 2022, we granted stock awards under the 2018 Plan in the form of stock options, restricted stock units and performance share units. 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. Restricted stock unit grants generally vest ratably over three to five years of continuous service from the date of grant. Each performance share unit represents the right to receive one share of our common stock based on our achievement of certain financial performance targets during applicable performance periods. We account for share-based compensation utilizing the fair value recognition pursuant to ASC 718, *Stock Compensation*.

As of December 31, 2022, there were 1.3 million shares available for future grants under the 2018 Plan from the 22.9 million shares previously approved by the shareholders.

Determining Fair Value of Stock Compensation

**Valuation and Amortization Method.** We estimate the fair value of stock option awards granted using the Black-Scholes option valuation model. For restricted stock unit and performance stock unit awards, we estimate fair value as market value on the date of grant. 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,		
	2022	2021	2020
Expected life (in years)	5.0	5.0	5.0
Expected volatility	28.3 %	26.1 %	27.0 %
Risk-free interest rate	3.3 %	1.0 %	0.4 %
Expected forfeiture rate	— %	— %	— %

### Share-Based Award Activity

The following table summarizes restricted stock unit and performance stock unit activity during the periods presented (shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested at December 31, 2021	600	\$ 355.43
Granted	240	374.16
Conversion of Unvested Restricted Stock Awards	—	—
Vested	(246)	316.10
Forfeited	(26)	392.35
Unvested at December 31, 2022	568	\$ 376.07

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, 2021	1,620	206.06		
Granted	90	349.05		
Exercised	(186)	141.54		
Forfeited	(13)	292.50		
Outstanding at December 31, 2022	1,511	\$ 221.38	5	\$ 175,246
Exercisable at December 31, 2022	1,249	\$ 195.54	5	\$ 167,620

We had unvested options to purchase approximately 267,000 shares with a weighted average grant date exercise price of \$346.14 as of December 31, 2022, and unvested options to purchase approximately 445,000 shares with a weighted average grant date exercise price of \$293.84 as of December 31, 2021.

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

	2022	2021	2020
Weighted average grant-date fair value of stock options granted	\$ 108.99	\$ 113.18	\$ 98.69
Total intrinsic value of stock options exercised	\$ 43,160	\$ 215,062	\$ 292,394

### Share-Based Compensation Expense

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

	Years Ended December 31,		
	2022	2021	2020
Subscriptions, maintenance and professional services	\$ 27,486	\$ 23,705	\$ 18,125
Sales and marketing expense	8,800	8,834	7,904
General and administrative expense	66,699	72,187	41,336
Total share-based compensation expense	102,985	104,726	67,365
Total tax benefit	(27,599)	(63,456)	(66,241)
Net decrease in net income	\$ 75,386	\$ 41,270	\$ 1,124

As of December 31, 2022, we had \$175.6 million of total unrecognized compensation cost related to unvested options and restricted stock units, net of expected forfeitures, which is expected to be amortized over a weighted average amortization period of 2.7 years.

## 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, 2022, there were 576,000 shares available for future issuances under the ESPP from the 2.0 million shares previously approved by the stockholders.

## (13) EARNINGS PER SHARE

The following table details the reconciliation of basic earnings per share to diluted earnings per share:

	Years Ended December 31,		
	2022	2021	2020
Numerator for basic and diluted earnings per share:			
Net income	\$ 164,240	\$ 161,458	\$ 194,820
Denominator:			
Weighted-average basic common shares outstanding	41,544	40,848	40,035
Assumed conversion of dilutive securities:			
Stock awards	855	1,382	1,491
Convertible Senior Notes	—	14	—
Denominator for diluted earnings per share - Adjusted weighted-average shares	42,399	42,244	41,526
Earnings per common share:			
Basic	\$ 3.95	\$ 3.95	\$ 4.87
Diluted	\$ 3.87	\$ 3.82	\$ 4.69

Share-based awards representing the right to purchase common stock of 372,000 shares in 2022, 117,000 shares in 2021, and 132,000 shares in 2020, were not included in the computation of diluted earnings per share because their inclusion would have had an antidilutive effect.

We have used the if-converted method for calculating any potential dilutive effect of the Convertible Senior Notes due 2026 on our diluted net income per share. Under the if-converted method, the Notes are assumed to be converted at the beginning of the period and the resulting common shares are included in the denominator of the diluted earnings per share calculation for the entire period being presented and interest expense, net of tax, recorded in connection with the Convertible Senior Notes is not added back to the numerator, only in the periods in which such effect is dilutive. The approximately 1.2 million remaining resulting common shares related to the Notes are not included in the dilutive weighted-average common shares outstanding calculation for the twelve months ended December 31, 2022, as their effect would be antidilutive given none of the conversion features have been triggered. See Note 6, "Debt," for discussion on the conversion features related to the Convertible Senior Notes.

## (14) LEASES

We lease office facilities for use in our operations, as well as transportation and other equipment. Most of our leases are non-cancelable operating lease agreements with original maturities between one to 12 years. Some of these leases include options to extend for up to six years. We have no finance leases and no related party lease agreements as of December 31, 2022. Right-of-use lease assets and lease liabilities for our operating leases are recorded in the consolidated balance sheets. During 2022, we incurred lease restructuring costs, resulting in an additional \$1.7 million of operating lease costs.

The components of operating lease expense were as follows:

Lease Costs	Years ended December 31,		
	2022	2021	2020
Operating lease cost	\$ 14,743	\$ 11,095	\$ 6,524
Short-term lease cost	2,166	2,308	1,940
Variable lease cost	1,047	1,659	1,760
Net lease cost	\$ 17,956	\$ 15,062	\$ 10,224

Supplemental information related to leases is as follows:

Other Information	Years ended December 31,	
	2022	2021
<b>Cash flows:</b>		
Cash paid amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 13,562	\$ 11,432
<b>Right-of-use assets obtained in exchange for lease obligations (non-cash):</b>		
Operating leases	\$ 25,171	\$ 20,140
<b>Lease term and discount rate:</b>		
Weighted average remaining lease term (years)	7	6
Weighted average discount rate	1.57 %	1.81 %

As of December 31, 2022, maturities of lease liabilities were as follows:

Year ending December 31,	Amount
2023	\$ 11,054
2024	10,878
2025	8,942
2026	7,022
2027	5,943
Thereafter	17,876
Total lease payments	61,715
Less: Interest	(2,930)
Present value of operating lease liabilities	\$ 58,785

#### *Rental Income from third parties*

We own office buildings in Bangor, Falmouth and Yarmouth, Maine; Lubbock and Plano, Texas; Troy, Michigan; Latham, New York; and Moraine, Ohio. We lease space in some of these buildings to third-party tenants. The property we lease to others under operating leases consists primarily of specific facilities where one tenant obtains substantially all of the economic benefit from the asset and has the right to direct the use of the asset. These non-cancelable leases expire between 2023 and 2027, and some have options to extend the lease for up to 10 years. We determine if an arrangement is a lease at inception. None of our leases allow the lessee to purchase the leased asset.

Rental income from third-party tenants was \$1.7 million in 2022, \$1.2 million in 2021, and \$1.1 million in 2020. Rental income is included in hardware and other revenue on the consolidated statements of income. Future minimum operating rental income based on contractual agreements is as follows:

Year ending December 31,	Amount
2023	\$ 1,881
2024	1,904
2025	1,363
2026	408
2027	131
Thereafter	—
Total	\$ 5,687

As of December 31, 2022, we had no additional significant operating or finance leases that had not yet commenced.



(15) EMPLOYEE BENEFIT PLANS

We provide a defined contribution plan for the majority of our employees meeting minimum service requirements. Eligible 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 \$17.5 million in 2022, \$15.6 million in 2021, and \$12.7 million in 2020.

(16) COMMITMENTS AND CONTINGENCIES

*Litigation*

During the first quarter 2022, the Company received a notice of termination for convenience for professional services under a contractual arrangement with a state client. Upon receipt of the termination notice, we ceased performing services under the contractual arrangement and sought payment of contractually owed fees of approximately \$15 million in connection with the termination for convenience. As of December 31, the total exposure in our financial statements included the remaining balance of net billed accounts receivable for licenses and services rendered under the contract of approximately \$12 million.

The client was unresponsive to company outreach for several months. On August 23, 2022, the Company filed a lawsuit to enforce our rights and remedies under the applicable contractual arrangement. The client has not filed responsive pleadings and no other significant activity has occurred in the lawsuit. Although we believe our products and services were delivered in accordance with the terms of our contract and that we are entitled to payment in connection with the termination for convenience, at this time the matter remains unresolved. We are unable to estimate the probability of a favorable or unfavorable outcome with respect to the dispute or estimate the amount of potential loss, if any, related to this matter. We can provide no assurances that we will not incur additional costs as we pursue our rights and remedies under the contract.

*Purchase Commitments*

We have contractual obligations for third-party technology used in our solutions and for other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us. As of December 31, 2022, the remaining aggregate minimum purchase commitment under these arrangements was approximately \$264 million through 2028. Future minimum payments related to purchase commitments based on contractual agreements is as follows:

Year ending December 31,	Amount
2023	\$ 41,210
2024	41,862
2025	39,730
2026	42,681
2027	42,734
Thereafter	56,245
Total	\$ 264,462

(17) SEGMENT AND RELATED INFORMATION

We provide integrated information management solutions and services for the public sector.

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

- financial management, education and planning, regulatory, and maintenance software solutions;
- financial management, municipal courts, planning, regulatory, and maintenance software solutions;
- courts and justice and public safety software solutions;
- data and insights solutions;
- appraisal and tax software solutions, land and vital records management software solutions, and property appraisal services;
- development platform solutions including case management and business process management; and
- digital government and payments solutions.

In accordance with ASC 280-10, *Segment Reporting*, we report our results in two reportable segments. The Enterprise Software ("ES") reportable segment provides public sector entities with software systems and services to meet their information technology and automation needs for mission-critical "back-office" functions such as: financial management and education; planning, regulatory and maintenance; courts and justice; public safety; data and insights; appraisal and tax software solutions; land and vital records management software solutions; and property appraisal services. The Platform Technologies ("PT") reportable segment provides public sector entities with software solutions to perform transaction processing, streamline data processing, and improve operations and workflows such as digital government and payments solutions and development platform solutions.

We evaluate performance based on several factors, of which the primary financial measure is business segment operating income. We define segment operating income for our business units as income before non-cash amortization of intangible assets associated with their acquisitions, interest expense, and income taxes. Segment operating income includes intercompany transactions. The majority of intercompany transactions relate to contracts involving more than one unit and are valued based on the contractual arrangement. Corporate segment operating loss primarily consists of compensation costs for the executive management team, certain shared services 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".

As of January 1, 2022, the appraisal and tax software solutions, land and vital records management software solutions, and property appraisal service business unit, which was previously reported in the Appraisal & Tax ("A&T") reportable segment, was moved to the ES reportable segment. The digital government and payments solutions, which was previously reported in the NIC reportable segment, and development platform solutions moved to the PT reportable segment to reflect changes in the way in which management makes operating decisions, allocates resources, and manages the growth and profitability of the Company. As a result of the changes in our reportable segments, the former A&T and NIC reportable segments are no longer considered separate segments. Prior periods amounts for the ES and PT reportable segments have been adjusted to reflect the segment change.

Segment assets primarily consist of net accounts receivable, prepaid expenses and other current assets and net property and equipment, and software development costs. Corporate assets primarily 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.

The ES segment capital expenditures included \$3.6 million in 2022 and \$12.8 million in 2021 for the expansion of existing buildings and purchases of buildings. The PT segment had \$863,000 capital expenditures in 2022 and had no capital expenditures in 2021 for the expansion of existing buildings.

For the year ended December 31, 2022	Enterprise Software	Platform Technologies	Corporate	Totals
Revenues				
Subscriptions	\$ 526,323	\$ 485,981	\$ —	\$ 1,012,304
Maintenance	444,143	24,312	—	468,455
Professional services	170,462	72,655	—	243,117
Software licenses and royalties	55,158	4,248	—	59,406
Appraisal services	34,508	—	—	34,508
Hardware and other	26,592	—	5,822	32,414
Intercompany	21,636	—	(21,636)	—
Total revenues	\$ 1,278,822	\$ 587,196	\$ (15,814)	\$ 1,850,204
Depreciation and amortization expense	55,389	84,609	19,074	159,072
Segment operating income	418,776	123,291	(214,263)	327,804
Software development expenditures	3,790	14,581	9,251	27,622
Capital expenditures	8,972	6,845	6,712	22,529
Segment assets	\$ 636,377	\$ 362,610	\$ 3,688,430	\$ 4,687,417

For the year ended December 31, 2021	Enterprise Software	Platform Technologies	Corporate	Totals
Revenues				
Subscriptions	\$ 425,078	\$ 359,357	\$ —	\$ 784,435
Maintenance	439,589	34,698	—	474,287
Professional services	165,396	43,995	—	209,391
Software licenses and royalties	66,816	7,636	—	74,452
Appraisal services	27,788	—	—	27,788
Hardware and other	18,876	31	3,027	21,934
Intercompany	22,033	—	(22,033)	—
Total revenues	\$ 1,165,576	\$ 445,717	\$ (19,006)	\$ 1,592,287
Depreciation and amortization expense	54,011	55,539	26,074	135,624
Segment operating income	401,382	92,582	(222,779)	271,185
Software development expenditures	3,504	12,332	5,857	21,693
Capital expenditures	19,213	3,696	11,010	33,919
Segment assets	\$ 601,390	\$ 359,919	\$ 3,770,852	\$ 4,732,161

For the year ended December 31, 2020	Enterprise Software	Platform Technologies	Corporate	Totals
Revenues				
Subscriptions	\$ 339,842	\$ 10,806	\$ —	\$ 350,648
Maintenance	427,813	39,700	—	467,513
Professional services	165,022	21,387	—	186,409
Software licenses and royalties	67,979	5,185	—	73,164
Appraisal services	21,127	—	—	21,127
Hardware and other	17,755	36	11	17,802
Intercompany	19,131	—	(19,131)	—
Total revenues	\$ 1,058,669	\$ 77,114	\$ (19,120)	\$ 1,116,663
Depreciation and amortization expense	52,715	15,717	13,225	81,657
Segment operating income	355,679	15,569	(144,698)	226,550
Software development expenditures	—	5,776	—	5,776
Capital expenditures	14,246	652	7,792	22,690
Segment assets	\$ 561,324	\$ 57,420	\$ 1,988,530	\$ 2,607,274

Reconciliation of reportable segment operating income to the Company's consolidated totals:

	Years Ended December 31,		
	2022	2021	2020
Total segment operating income	\$ 327,804	\$ 271,185	\$ 226,550
Amortization of acquired software	(52,192)	(45,601)	(31,962)
Amortization of other intangibles	(61,363)	(44,849)	(21,662)
Interest expense	(28,379)	(23,298)	(1,013)
Other income, net	1,723	1,544	3,129
Income before income taxes	\$ 187,593	\$ 158,981	\$ 175,042

# (18) DISAGGREGATION OF REVENUE

The tables below show disaggregation of revenue into categories that reflect how economic factors affect the nature, amount, timing, and uncertainty of revenues and cash flows.

## Timing of Revenue Recognition

Timing of revenue recognition by revenue category during the period is as follows:

For the year ended December 31, 2022	Products and services transferred at a point in time	Products and services transferred over time	Total
Revenues:			
Subscriptions	\$ —	\$ 1,012,304	\$ 1,012,304
Maintenance	—	468,455	468,455
Professional services	—	243,117	243,117
Software licenses and royalties	50,302	9,104	59,406
Appraisal services	—	34,508	34,508
Hardware and other	32,414	—	32,414
Total	\$ 82,716	\$ 1,767,488	\$ 1,850,204

For the year ended December 31, 2021	Products and services transferred at a point in time	Products and services transferred over time	Total
Revenues:			
Subscriptions	\$ —	\$ 784,435	\$ 784,435
Maintenance	—	474,287	474,287
Professional services	—	209,391	209,391
Software licenses and royalties	62,847	11,605	74,452
Appraisal services	—	27,788	27,788
Hardware and other	21,934	—	21,934
Total	\$ 84,781	\$ 1,507,506	\$ 1,592,287

For the year ended December 31, 2020	Products and services transferred at a point in time	Products and services transferred over time	Total
Revenues:			
Subscriptions	\$ —	\$ 350,648	\$ 350,648
Maintenance	—	467,513	467,513
Professional services	—	186,409	186,409
Software licenses and royalties	62,029	11,135	73,164
Appraisal services	—	21,127	21,127
Hardware and other	17,802	—	17,802
Total	\$ 79,831	\$ 1,036,832	\$ 1,116,663

## Recurring Revenues

The majority of our revenue is comprised of revenues from subscriptions and maintenance, which we consider to be recurring revenues. Subscriptions revenue primarily consists of revenues derived from our SaaS arrangements and transaction-based fees, which relate to digital government services, e-filing transactions, and payment processing. Total subscriptions revenue derived from transaction-based fees included in total recurring revenues was \$600.8 million, \$454.8 million, and \$91.0 million, respectively, for the twelve months ended December 31, 2022, 2021, and 2020, respectively. The contract terms for subscription arrangements range from one to 10 years but are typically contracted for initial periods of three to five years. Virtually all of our on-premises software clients contract with us for maintenance and support, which provides us with a significant source of recurring revenues. That maintenance and support is generally provided under annual, or in some cases, multi-year contracts. We consider all other revenue categories to be non-recurring revenues.

Recurring revenues and non-recurring revenues recognized during the period are as follows:

	Enterprise Software	Platform Technologies	Corporate	Totals
For the year ended December 31, 2022				
Recurring revenues	\$ 970,466	\$ 510,293	\$ —	\$ 1,480,759
Non-recurring revenues	286,720	76,903	5,822	369,445
Intercompany	21,636	—	(21,636)	—
Total revenues	\$ 1,278,822	\$ 587,196	\$ (15,814)	\$ 1,850,204
For the year ended December 31, 2021				
Recurring revenues	\$ 864,667	\$ 394,055	\$ —	\$ 1,258,722
Non-recurring revenues	278,876	51,662	3,027	333,565
Intercompany	22,033	—	(22,033)	—
Total revenues	\$ 1,165,576	\$ 445,717	\$ (19,006)	\$ 1,592,287
For the year ended December 31, 2020				
Recurring revenues	\$ 767,655	\$ 50,506	\$ —	\$ 818,161
Non-recurring revenues	271,883	26,608	11	298,502
Intercompany	19,131	—	(19,131)	—
Total revenues	\$ 1,058,669	\$ 77,114	\$ (19,120)	\$ 1,116,663

## (19) DEFERRED REVENUE AND PERFORMANCE OBLIGATIONS

Total deferred revenue, including long-term, by segment is as follows:

	December 31, 2022	December 31, 2021
Enterprise Software	\$ 533,902	\$ 479,048
Platform Technologies	33,691	29,705
Corporate	2,982	1,814
Totals	\$ 570,575	\$ 510,567

Changes in total deferred revenue, including long-term, were as follows:

	2022
Balance at beginning of year	\$ 510,567
Deferral of revenue	1,267,937
Recognition of deferred revenue	(1,207,929)
Balance at end of year	\$ 570,575

*Transaction Price Allocated to the Remaining Performance Obligations*

The aggregate amount of transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized ("backlog"), which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. Backlog as of December 31, 2022 was \$1.89 billion, of which we expect to recognize approximately 47% as revenue over the next 12 months and the remainder thereafter.

(20) DEFERRED COMMISSIONS

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are deferred and then amortized commensurate with the recognition of associated revenue over a period of benefit that we have determined to be generally three to seven years. Deferred commissions were \$43.8 million and \$38.1 million as of December 31, 2022 and 2021, respectively. Amortization expense was \$15.4 million, \$13.4 million, and \$11.9 million for the twelve months ended December 31, 2022, 2021, and 2020, respectively. There were no indicators of impairment in relation to the costs capitalized for the periods presented. Deferred commissions have been included with prepaid expenses for the current portion and non-current other assets for the long-term portion in the accompanying consolidated balance sheets. Amortization expense related to deferred commissions is included in sales and marketing expense in the accompanying consolidated statements of income.

(21) SUBSEQUENT EVENTS

There have been no material events or transactions that occurred subsequent to December 31, 2022.

Consent of Independent Registered Public Accounting Firm

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

- (1) Registration Statement (Form S-8 No. 333-225011) pertaining to the Tyler Technologies, Inc. 2018 Stock Option Plan,
- (2) Registration Statement (Form S-8 No. 333-182318) pertaining to the Tyler Technologies, Inc. Employee Stock Purchase Plan;

of our reports dated February 22, 2023, with respect to the consolidated financial statements of Tyler Technologies, Inc., and the effectiveness of internal control over financial reporting of Tyler Technologies, Inc., included in this Annual Report (Form 10-K) of Tyler Technologies, Inc. for the year ended December 31, 2022.

/s/ ERNST & YOUNG LLP

Dallas, Texas  
February 22, 2023

## CERTIFICATIONS

I, H. Lynn Moore, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Tyler Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over our financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Tyler and have:
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its divisions, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (The registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 22, 2023

By: /s/ H. Lynn Moore, Jr.  
 H. Lynn Moore, 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 registrant, including its divisions, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (The registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 22, 2023

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

H. Lynn Moore, 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.

Date: February 22, 2023

By: /s/ H. Lynn Moore, Jr.  
H. Lynn Moore, 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.

REQUISITION

RQIT23000024 24/JAN/2023

VENDOR:  
TYLER TECHNOLOGIES, INC  
12 GOOSE LN

TOLLAND CT 06084-0000

TEL:(800)273-8605  
FAX:(860)872-9526

REQUISITIONER:  
IT DEPARTMENT OF INFORMATION TECH  
240 OLD COUNTRY ROAD  
6TH FLOOR  
MINEOLA NY 11501  
S.BARNETT/MARY MAHONEY  
TEL:(516)571-3159  
FAX:(516)571-3918

ITEM	DESCRIPTION	QTY	U/M	UNIT COST	TOTAL
001	920-45	1.00	LOT	875,450.0000	875,450.00
	COMPUTER SOFTWARE MAINTENANCE/SUPPORT				
2023	IAS MAINTENANCE RENEWAL 1/1/2023-3/31/2024			\$471,637.50	
2023	ADAPT MAINTENANCE RENEWAL 1/1/2023-3/31/2024			\$403,812.50	
	=====				
	ADAPT MAINTENANCE:			\$875,450.00	
	TAX BILLING & COLLECTION				
	DELINQUENT TAX				
	APPEALS MANAGEMENT				
	EDMS INTERFACE (IDOC)				
	INCLUDES: UPGRADES, NEW ENHANCEMENT RELEASES, HOT BUG FIXES/PATCHES				
	MON-FRI 8:00 AM - 5:00 PM TOLL FREE TELEPHONE SUPPORT,				
	USER GROUP				
.....					
	BILL TO: I.T. ACCOUNTS PAYABLE				
	240 OLD COUNTRY ROAD 6TH FL				
	MINEOLA, NY, 11501				
	EMAIL: ITACCOUNTING@NASSAUCOUNTYN.Y.GOV				
.....					

ESTIMATED TOTAL: 875,450.00

REQ DOC INQUIRY 2140

SOLE SOURCE VENDOR;SOLE SOURCE LETTER SUPPLIED; QUOTE: 070-108096  
VENDOR EMAIL: PO@TYLERTECH.COM

- .....
- A) IAS/ADAPT (ASSESSMENT SYSTEM) SOFTWARE LICENSES & SUPPORT (MAINTENANCE)  
USED BY 4 COUNTY AGENCIES. TERM: 1/1/2023 - 3/31/2024. THIS IS A ONE-  
TIME 15-MONTH RENEWAL TO MOVE THE TERM DATE.
  - B) \$875,450.00
  - C) NO
  - D) NO. VENDOR IS THE SOLE-SOURCE PROPRIETARY OWNER/SUPPLIER OF THIS SOFTWARE.
  - E) THIS IS A NECESSARY ITEM TO MAINTAIN CURRENT TECHNOLOGY. THIS IS A  
MAINTENANCE AGREEMENT FOR MODULES RELATED TO TAX BILLING & COLLECTIONS,  
DELINQUENT TAX, APPEALS MANAGEMENT AND EDMS INTERFACE.
  - F) N/A
  - G) N/A

REFER TO POIT22000279/RQIT22000001

F1-HELP	F4-AUDIT	F5-TOP	F6 COPY	F7-PR PAGE	F8-NX PAGE
F9-LINK	F10-SAVE	F11-INS PAGE	F12-DEL PAGE	ENTER-INQUIRE	CL-EXIT
INQUIRY COMPLETE					



**Remittance:**  
Tyler Technologies, Inc.  
(FEIN 75-2303920)  
P.O. Box 203556  
Dallas, TX 75320-3556

## Invoice

<b>Invoice No</b>	<b>Date</b>	<b>Page</b>
070-108096	01/10/2023	1 of 1

**Questions:**  
Tyler Technologies - Appraisal & Tax  
Phone: 1-800-772-2260 Press 2, then 4  
Email: [ar@tylertech.com](mailto:ar@tylertech.com)



Bill To: NASSAU COUNTY IT DEPT.  
MS. MARY MAHONEY  
240 OLD COUNTRY ROAD  
MINEOLA, NY 11501

Ship To: NASSAU COUNTY IT DEPT.  
MS. MARY MAHONEY  
240 OLD COUNTRY ROAD  
MINEOLA, NY 11501

<i>Cust No.-BillTo-ShipTo</i>	<i>Ord No</i>	<i>PO Number</i>	<i>Currency</i>	<i>Terms</i>	<i>Due Date</i>
48769 - 12181 - 12181	5562		USD	NET30	02/09/2023

Date	Description	Units	Rate	Extended Price
Contract No.: Nassau County IT Dept.				
	lasWorld Maintenance & Support	1	471,637.50	471,637.50
	Maintenance; Start: 01/Jan/2023, End: 31/Mar/2024			
	ADAPT Maintenance & Support	1	403,812.50	403,812.50
	Maintenance; Start: 01/Jan/2023, End: 31/Mar/2024			

**\*\*ATTENTION\*\***

Order your checks and forms from  
Tyler Business Forms at 877-749-2090 or  
[tylerbusinessforms.com](http://tylerbusinessforms.com) to guarantee  
100% compliance with your software.

Subtotal	875,450.00
Sales Tax	0.00
Invoice Total	875,450.00



One Tyler Way  
Moraine, Ohio 45439  
P: 800.800.2581  
F: 937.278.3711  
[www.tylertech.com](http://www.tylertech.com)

September 1, 2021

Ms. Nancy Stanton  
Nassau County Commissioner  
Information Technology Department  
240 Old Country Road, 6<sup>th</sup> Floor  
Mineola, NY 11501

Dear Ms. Stanton:

Please accept this letter as confirmation that Tyler Technologies, Inc. is the sole provider of the iasWorld® software ("iasWorld software"). Additionally, Tyler is the only party authorized to host, support, update or modify iasWorld software.

The iasWorld software products currently in use by Nassau County, NY provides for a single source of data to perform its business functions. The ability to use a single source of data (i) reduces the possible need for duplicate data entry, (ii) provides a seamless transition of data from the valuation office function to the billing and collection office function, and (iii) gives the tax office function immediate access to changes in valuations. In addition, Tyler Technologies staff are the foremost users of the Tyler software and have the abilities and access to access the solution in advanced ways that no other software service provider can.

Tyler is the sole developer and implementer of its proprietary iasWorld® software.

If you have any questions, please feel free to call (800-800-2581), or email me at [kim.frisby@tylertech.com](mailto:kim.frisby@tylertech.com)

Sincerely,

A handwritten signature in black ink that reads "Kimberly L. Frisby". The signature is written in a cursive, flowing style.

Kimberly L. Frisby  
Vice President Support Services

KLF:mmm:krs

**BRUCE BLAKEMAN**  
COUNTY EXECUTIVE



**Nancy Stanton**  
COMMISSIONER

**DEPARTMENT OF INFORMATION TECHNOLOGY**

TO: Robert Cleary, Chief Compliance Officer  
Nassau County Dept. of Shared Services

Subject: Confirming REQ RQIT23000024 Justification

Robert,

RQIT23000024 is for the annual IAS/ADAPT maintenance renewal that began on January 1, 2023. This maintenance covers the IAS/ADAPT software currently being used by Nassau County provides for a single source of data to perform its business functions. The ability to use a single source of data reduces the possible need for duplicate data entry, provides a seamless transition of data from the valuation office function to the billing and collection office function, and gives the tax office function immediate access to changes in valuations. We are doing a one-time 15-month renewal to move the term dates to 4/1/20xx – 3/31/20xx. This year's costs are \$471,637.50 for IAS and \$403,812.50 for ADAPT for a total cost of \$875,450.00.

We are aware that this must go to the Legislature as it is over \$100k and is not on the NYS OGS or Federal GSA Contracts. The vendor is the sole source owner/supplier of the software and its maintenance. Tyler Technologies staff are the foremost users of the Tyler software and have the abilities and access to access the solution in advanced ways that no other software service provider can. I have attached the sole source letter.

This requisition is a confirming requisition due to the original term start date beginning on January 1, 2023, before 2023 requisitions could even be entered into ADPICS. We are initiating this one-time 15-month renewal to get the term dates changed to avoid this being late going forward.

Please advise if you need any further information from I.T. to receive Legislative approval so that the P.O. can be created.

Thank you,  
Susan

**Susan Barnett, Clerk I (P-T)**

**N.C. Dept of I.T.**

240 OLD COUNTRY ROAD - MINEOLA, NEW YORK 11501 (516) 571-4311 Fax: (516) 571-3918



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
12/12/2022

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 have ADDITIONAL INSURED provisions or 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> MARSH USA, INC. 99 HIGH STREET BOSTON, MA 02110  CN102891976-TTI-GAWX-22-23	<b>CONTACT NAME:</b> Finn Davis	<b>FAX (A/C, No):</b>	
	<b>PHONE (A/C, No, Ext):</b> (617) 999-7893	<b>E-MAIL ADDRESS:</b> Finn.Davis@marsh.com	
<b>INSURED</b> Tyler Technologies, Inc. 5101 Tennyson Parkway Plano, TX 75024	<b>INSURER(S) AFFORDING COVERAGE</b>		<b>NAIC #</b>
	INSURER A : Hartford Fire Insurance Co		19682
	INSURER B : Trumbull Insurance Company		27120
	INSURER C : QBE Specialty Insurance Company		11515
	INSURER D : Sentinel Insurance Company		11000
	INSURER E : Hartford Casualty Insurance Company		29424
INSURER F :			

## COVERAGES

CERTIFICATE NUMBER:

NYC-011256015-05

REVISION NUMBER: 0

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY			10 UEN DL0437	04/01/2022	04/01/2023	EACH OCCURRENCE \$ 1,000,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000
							MED EXP (Any one person) \$ 10,000
							PERSONAL & ADV INJURY \$ 1,000,000
							GENERAL AGGREGATE \$ 2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS - COMP/OP AGG \$ 2,000,000
	<input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC						\$
	OTHER:						\$
B	<b>AUTOMOBILE LIABILITY</b>			10 UEN DI9897	04/01/2022	04/01/2023	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
	<input checked="" type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS						BODILY INJURY (Per accident) \$
	<input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident) \$
							\$
E	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> EXCESS LIAB	<input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS-MADE		10 XHU DL0102	04/01/2022	04/01/2023	EACH OCCURRENCE \$ 25,000,000
							AGGREGATE \$ 25,000,000
	DED <input checked="" type="checkbox"/> RETENTION \$ 10,000						\$
D	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b>			10WBAK8ACK	04/01/2022	04/01/2023	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N	N/A				E.L. EACH ACCIDENT \$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
							E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	Professional Liability			130001996	12/17/2021	06/17/2023	Limit 5,000,000
	Cyber Protection						

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

County of Nassau is Additional Insured as respects general liability where required by written contract.

## CERTIFICATE HOLDER

County of Nassau 240 Old County Rd Mineola, NY 11501	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE  <i>Marsh USA Inc.</i>

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