West Virginia
Purchasing Division

2019 Washington Street, East
Charleston, WV 25305
Telephone: 304-558-2306
General Fax: 304-558-6026
Bid Fax: 304-558-3970

The following documentation is an electronically-submitted vendor response to an advertised solicitation from the *West Virginia Purchasing Bulletin* within the Vendor Self-Service portal at *wvOASIS.gov*. As part of the State of West Virginia's procurement process, and to maintain the transparency of the bid-opening process, this documentation submitted online is publicly posted by the West Virginia Purchasing Division at *WVPurchasing.gov* with any other vendor responses to this solicitation submitted to the Purchasing Division in hard copy format.

wvOASIS

Jump to: FORMS Go | Home | Personalize | Accessibility | App Help | About

Welcome, Lu Anne Cottrill

Procurement | Budgeting | Accounts Receivable | Accounts Payable

Solicitation Response(SR) **Dept:** 0210 **ID:** ESR05272100000007878 **Ver.:** 1 **Function:** New **Phase:** Final

Modified by batch , 05/27/2021

Header 1

List View

General Information | Contact | Default Values | Discount | Document Information | Clarification Request

Procurement Folder: 840904

Procurement Type: Central Master Agreement

Vendor ID: 000000224198

Legal Name: TYLER TECHNOLOGIES INC

Alias/DBA:

Total Bid: $989,250.04

Response Date: 05/27/2021

Response Time: 13:23

Responded By User ID: TylerTech

First Name: Gus

Last Name: Tenhundfeld

Email: gus.tenhundfeld@tylertec

Phone: 800-800-2581

SO Doc Code: CRFQ

SO Dept: 0210

SO Doc ID: ISC2100000018

Published Date: 5/11/21

Close Date: 5/27/21

Close Time: 13:30

Status: Closed

Solicitation Description: Tax Infrastructure RFQ (OT21093)

Total of Header Attachments: 1

Total of All Attachments: 1

Department of Administration Purchasing Division 2019 Washington Street East Post Office Box 50130 Charleston, WV 25305-0130	**State of West Virginia** **Solicitation Response**

Proc Folder:	840904
Solicitation Description:	Tax Infrastructure RFQ (OT21093)
Proc Type:	Central Master Agreement

Solicitation Closes	Solicitation Response	Version
2021-05-27 13:30	SR 0210 ESR05272100000007878	1

VENDOR

000000224198
TYLER TECHNOLOGIES INC

Solicitation Number: CRFQ 0210 ISC2100000018

Total Bid: 989250.0400000000372529029846 **Response Date:** 2021-05-27 **Response Time:** 13:23:46

Comments:

FOR INFORMATION CONTACT THE BUYER
Jessica S Chambers
(304) 558-0246
jessica.s.chambers@wv.gov

Vendor Signature X **FEIN#** **DATE**

All offers subject to all terms and conditions contained in this solicitation

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Ln Total Or Contract Amount
1	3.1.1 Production Environment	12.00000	MO	56510.420000	678125.04

Comm Code	Manufacturer	Specification	Model #
71151106			

Commodity Line Comments: See Pricing Quote in attached Proposal.

Extended Description:

3.1.1 Production Environment

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Ln Total Or Contract Amount
2	3.1.2 Testing Environment	12.00000	MO	24218.750000	290625.00

Comm Code	Manufacturer	Specification	Model #
71151106			

Commodity Line Comments: See Pricing Quote in attached Proposal.

Extended Description:

3.1.2 Testing Environment

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Ln Total Or Contract Amount
3	3.1.3 Backup Environment	12.00000	MO	0.000000	0.00

Comm Code	Manufacturer	Specification	Model #
71151106			

Commodity Line Comments: See Pricing Quote in attached Proposal.

Extended Description:

3.1.3 Backup Environment

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Ln Total Or Contract Amount
4	3.3 Professional Services	100.00000	HOUR	200.000000	20000.00

Comm Code	Manufacturer	Specification	Model #
71151106			

Commodity Line Comments: 200 Hours of Professional Services are as needed and will be billed as used. See Pricing Quote in attached Proposal.

Extended Description:

3.3 Professional Services

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Ln Total Or Contract Amount
5	3.5.1 Scalability per 50GB	100.00000	EA	5.000000	500.00

Comm Code	Manufacturer	Specification	Model #
71151106			

Commodity Line Comments: Regarding 3.5.1, 3.5.2 and 3.5.3: Tyler is using AWS Auto Scaling model and cost can be discussed with the State. See Pricing Quote in attached Proposal.

Extended Description:

3.5.1 Scalability per 50GB

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Ln Total Or Contract Amount
6	3.5.2 Scalability per 1 CPU	100.00000	EA	0.000000	0.00

Comm Code	Manufacturer	Specification	Model #
71151106			

Commodity Line Comments: Regarding 3.5.1, 3.5.2 and 3.5.3: Tyler is using AWS Auto Scaling model and cost can be discussed with the State. See Pricing Quote in attached Proposal.

Extended Description:

3.5.2 Scalability per 1 CPU

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Ln Total Or Contract Amount
7	3.5.3 Scalability per 1GB	100.00000	EA	0.000000	0.00

Comm Code	Manufacturer	Specification	Model #
71151106			

Commodity Line Comments: Regarding 3.5.1, 3.5.2 and 3.5.3: Tyler is using AWS Auto Scaling model and cost can be discussed with the State. See Pricing Quote in attached Proposal.

Extended Description:

3.5.3 Scalability per 1GB

State of West Virginia

Tax Infrastructure

CRFQ-0210-ISC2100000018

May 27, 2021

Mike Hurtado - Senior Account Executive
One Tyler Way, Moraine, OH 45439
Phone: 937.231.6462
Email: Mike.Hurtado@tylertech.com

Restrictions on Disclosure

This proposal from Tyler Technologies, Inc. (“Tyler”) contains proprietary and confidential information, including trade secrets, belonging to Tyler or Tyler’s partners. Tyler is submitting this proposal on the express condition that the following portions will not be duplicated, disclosed, or otherwise made available, except for internal evaluation purposes:

- Response to the Functional Requirements, or “Checklist”
- Line-item pricing (total proposed contract amount may be disclosed)
- Screen shots, if any
- Detailed information regarding current customers
- Detailed employee resumes/CVs
- Customized Statement of Work/Implementation Plan

To the extent disclosure of those portions is requested or ordered, Tyler requires written notice of the request or order. If disclosure is subject to Tyler’s permission, Tyler will grant that permission in writing, in Tyler’s sole discretion. If disclosure is subject to a court or other legal order, Tyler will take whatever action Tyler deems necessary to protect its proprietary and confidential information and will assume all responsibility and liability associated with that action.

Tyler agrees that any portions not listed above and marked accordingly are to be made available for public disclosure, as required under applicable public records laws and procurement processes.

Trademarks Disclaimer

Because of the nature of this proposal, third-party hardware and software products may be mentioned by name. These names may be trademarked by the companies that manufacture the products. It is not Tyler’s intent to claim these names or trademarks as our own.

One Tyler Way
Moraine, Ohio 45439
P: 800.800.2581
F: 937.278.3711
www.tylertech.com

May 27, 2021

Jessica Chambers
State of West Virginia
Department of Administration
Purchasing Division
2019 Washington Street East
Charleston, West Virginia 25305-0130

Re: Centralized Request for Quote for Tax Infrastructure, CRFQ-0210-ISC2100000018

Dear Ms. Chambers:

Tyler Technologies, Inc. (Tyler) is pleased to respond to the State's Centralized Request for Quote to host the Real Property Computer Assisted Mass Appraisal and Personal Property Systems for the State of West Virginia. The attached proposal details our recommended approach to complete this important project.

Tyler has long appreciated that the evolution of technology means different things to different jurisdictions. Our clients seek innovative, yet stable technologies. Tyler's Appraisal & Tax Division has experience in helping communities in 49 US states and 4 Canadian provinces. We have a thorough knowledge of what the State of West Virginia and your 55 counties require for CAMA and Personal Property data hosting solutions. We understand the State's need for building the most complete hosting environment while remaining cost-conscious. For these reasons, we have partnered with Amazon Web Services (AWS), the industry leader in cloud technology.

We believe you will find our solution uniquely meets your expectations for this initiative. We have worked with the State of West Virginia for many years, allowing us to refine the software to fit the State's needs. Our recent contract with the State to upgrade iasWorld has brought the need to host that solution and we look forward to the opportunity. Tyler is proud to offer a team approach to ensure the successful delivery of a solution that will exceed your needs now and in the future.

Tyler is offering a Statewide Hosting Solution using the AWS Cloud with 90 points of security, which mitigates many of the problems found in this environment. We consider security to be of greatest importance. Frequent backups, Oracle updates, and hardware updates and expansion will be the sole responsibility of Tyler.

Mike Hurtado will be Tyler's primary contact for this procurement and can be reached via email at mike.hurtado@tylertech.com or by phone at 937.231.6462.

This proposal is valid for 90 days from the date of submission. Again, we thank you for the opportunity to submit this proposal and we look forward to working with you and your staff on hosting the State's CAMA and Personal Property System.

Sincerely,

Gus Tenhundfeld
Inside Sales Manager

Table of Contents

Executive Summary

Tyler Technologies is absolutely committed to the success of your project. Our response to this proposal is reflective of our commitment and our understanding of your requirements. The Tyler family of products is proud to offer a team approach to successfully deliver a solution to meet the State of West Virginia's need for Hosting their new CAMA and Personal Property Software.

We understand how important it is that you deliver quality services to your citizens and employees—effectively, efficiently and within budget. The proposed Tyler hosting solution will allow the State of West Virginia to house the software in the best most efficient framework, provide increased productivity for employees and ensure successful management while simultaneously managing the activities of your communities.

Understanding the Issues

We understand that the State is looking to procure a hosting solution that will bring you into a strong AWS Cloud environment and provide the staff with the latest technology and tools to allow you to be hosted in the most secure and protected Cloud in the industry. We understand that the State intends to achieve these goals with a vision that includes:

- Building the best production environment at the best price.
- Coupling that with a strong testing environment.
- Minimal down time ratios
- Inside auditing with the multiple history functions to track usage and peak periods.
- Provides a great integration with ESRI or similar GIS products and will allow the offices to utilize the State's GIS in many ways.
- Tools that help defend and support the products within that framework from both employee mistakes and unfriendly attacks and ransomware.
- Regular and Useful daily backups in case the need ever arises
- A system that has been tested and then perfected by years of experience.

Tyler Solution and Benefits

We are proud of our products, so it is as important to us as it is for our clients that we host it with the state-of-the-art AWS Cloud environment and protect it with the same. We believe our hosting solution will meet, and in many cases, exceed all the State's technical and functional requirements.

Project Approach

Tyler's Project Approach

Tyler will deliver our services by employing our proven methodology. Tyler's implementation process is a project roadmap that guides the project from inception to deployment, thereby increasing the success of implementing Tyler's solutions. Tyler follows Project Management Institute® (PMI) practices to implement our products. In doing so, we have created a Work Breakdown Structure (WBS) to compartmentalize various stages of the implementation into manageable units to work through. Project delivery through execution of Tyler's implementation life cycle is described in more detail in this proposal.

Staff Acceptance

Good communication is critical. This includes our understanding the requirements, steady and thorough communication of project status through all phases of the project and the appropriate involvement of your staff during the implementation.

- **Understanding the specificity of your needs**: The comprehensive nature of our requirements gathering process will ensure that we have a firm grasp of all your requirements while we execute through the project.
- **Staff involvement**: We will need to work with a State liaison to facilitate change management for the office and ensure the staff is appropriately trained, that their concerns are recognized and resolved, and that they fulfill their responsibilities, most principally in the conversion, interface, and testing phases of the project. This is a significant task, and we stress the State's recognition of this by assigning a liaison from the staff.

State Investment

When you make an investment in technology, you need it to deliver a solid return today and over the long term. At Tyler, we are dedicated to providing you with the tools and functionality you need to tackle your biggest challenges, and we go beyond the usual to continue to offer you the necessary support to use it efficiently. The AWS cloud gives you access to the latest technology developments, releases and updates as part of your maintenance agreement. This allows you to deploy a steady stream of enhancements over the life of your iasWorld CAMA and Personal Property solution that will expand the capabilities of your Assessment office. This is part of Tyler's mission to ensure that our clients, are always working with the industry's latest and best technology solution and while maximizing the return on their investment in the Tyler product.

Why Choose Tyler

Each element of this project—the set-ups, API builds, inter-department relationships and performance levels—are familiar to us and are in keeping with Tyler's partnership with AWS as their core business. Dealing with the challenges these activities present is our core business —the very reason Tyler exists, giving our clients the best possible long-term value.

Company Background

About Tyler

Tyler Technologies is the largest and most established provider of integrated software and technology services focused on the public sector. Tyler's end-to-end solutions empower local, state, and federal government entities to operate more efficiently and connect more transparently with their constituents and with each other. By connecting data and processes across disparate systems, Tyler's solutions are transforming how clients gain actionable insights that solve problems in their communities. Tyler has more than 27,000 successful installations across more than 11,000 sites, with clients in all 50 states, Canada, the Caribbean, Australia, and other international locations.

With decades of exclusive public sector experience, Tyler Technologies is the market leader that provides integrated software and services; our singular focus, subject matter experts and in-depth products result in a sustainable client partnership that delivers the industry's most comprehensive solution. We provide the industry's broadest line of software products, and offer clients a single source for all their information technology needs, in several major areas: Financial & Human Resources, K-12 School Solutions, Public Safety, Courts & Justice, Property Appraisal & Tax, Pension Management, Citizen Services, Land & Vital Records, and Document Management.

We are known for long-standing client relationships, functional and feature-rich products, and the latest technology. In addition to software products, Tyler provides related professional services including mass appraisal services, software installation, data conversion, consulting, training, customization, support, disaster recovery, and application and data hosting.

Tyler always puts our clients first. We succeed because we take our client's success seriously, and we have a proven record of delivering superior software solutions and services. The overwhelming majority of clients are up and running on time, and within budget. Whether it's developing, enhancing, and implementing our software, or providing excellent service and client support—we succeed because our clients succeed. We want clients for life. In fact, across every solution many of Tyler's first clients are still clients today – some with relationships that span decades.

Tyler's Appraisal & Tax Division

Tyler's Appraisal & Tax Division, formerly Cole Layer Trumble (CLT), was established in 1938 and remains the country's only national mass appraisal company. The Division provides software solutions and appraisal services exclusively to State, Provincial and local government in the area of mass appraisal, property tax administration and tax billing and collection. The Appraisal & Tax organization has completed more projects in more states than any other vendor in this industry.

Public Sector Focus

In addition to Tyler's Appraisal and Tax Division's 80 years of service, other Tyler Technologies' business units have provided software and services to customers for more than forty years and have long-standing reputations in the local government market for quality products and customer service. Tyler is the largest company in the United States focused solely on providing software solutions to the public sector. While many of our competitors compete in multiple vertical markets, Tyler is singularly focused on the public sector. It is 100 percent of our business.

Tyler recognizes that the public sector is generally stable, risk averse and craves community accessibility, security, and transparency. That is why local government and school entities seek reliable and efficient software and services from Tyler—a vendor who is professional, reputable, dedicated, and achieves results. Tyler has the experience to understand the unique requirements of the public sector, the necessary resources to invest in its products, and the ability to deliver quality services.

Tyler's expansive offering of professional services is designed to complement its software offerings and produce the optimum working environment for local government customers.

Industry Leadership

Tyler strives to provide the best client services in the industry. Our products undergo testing by trained quality assurance and certified usability analysts; therefore, our clients benefit from products that work logically based upon user experience and input. We also focus our implementation and support professionals on specific groups of applications, so they are able to offer more specialized services tailored to the needs of the client.

Our commitment at Tyler is to ensure the highest level of client satisfaction through the efforts of Tyler's most valued resource: our people. We challenge our employees to pursue new initiatives aggressively and become industry leaders in their respective fields. Tyler employs more than 6,600 individuals, many of whom are seasoned professionals with unique and proprietary skills and years of industry experience.

Company Recognition

Tyler Technologies has earned the reputation as an industry leader based on our products and services, as well as our commitment to clients. These factors, along with our financial strength and industry partnerships, have resulted in numerous accolades.

Tyler has been named to the following prestigious lists alongside some of the most innovative and influential companies in the United States.

Innovative and Strong

- Dallas Business Journal ranked Tyler's Plano office #8 in its "North Texas Fastest-Growing Public Companies" list (2017)
- Forbes' "Best Midsize Employers" list (2018)
- Forbes' "Most Innovative Growth Companies" list (2016, 2017)
- Forbes' "America's Best Small Companies" list (nine times)
- Barron's 400 Index ranking, a measure of the most promising companies in America (eight times)
- Software Magazine's "Software 500" ranking of the world's largest software and service suppliers (seven times)

Employer of Choice

- "Best Places to Work in Maine" recognized Tyler's three Maine offices (eleven times)
- Dallas Morning News' "Best in DFW: Top Workplaces" recognized Tyler's Plano, Texas, office (seven times)
- Dayton Daily News' "Top Workplaces in the Dayton Metro Area" recognized Tyler's Moraine, Ohio, office (2013)
- Tyler's Lubbock, Texas, office named to the "Best of Lubbock" list by the Lubbock Avalanche-Journal (three times)
- Detroit Free Press named Tyler's Troy, Michigan, office a top workplace (2017, 2018, 2019)
- Phoenix Business Journal named Tyler's Tempe, AZ, office on Best Places to Work list (2017)

Professional Staff

Tyler actively seeks the best talent to help us develop, implement and support our solutions. Our staff consists of seasoned professionals with unique and proprietary skills and years of industry experience, who are focused into dedicated departments. Our core domain expertise is strengthened by the fact that many of our employees have years of experience working at public sector agencies prior to joining Tyler. These professionals bring a unique perspective to Tyler's mission because they truly understand what our clients need to operate at their best.

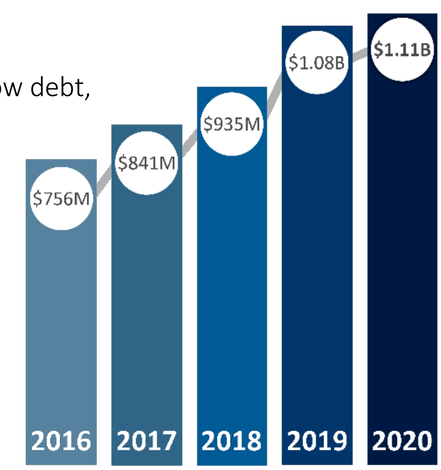
We recognize that our ability to hire the best candidates ultimately impacts our clients. We hire exceptional people who will work onsite during client engagements, becoming part of the client's team for the duration of the project.

Tyler recognizes the value of our employees. In support of them, we provide a stable work environment that fosters collaboration and teamwork, values integrity and enables them to deliver outstanding service to our clients. Our relationship with our staff is one of mutual respect, leading to a high retention rate. In fact, our staff turnover rate is about half of the industry average.

We continually strive to have the best possible team in place at all times to provide services specifically aimed at the public sector. With the right balance of experience, technology and innovation to ensure satisfaction, Tyler empowers its clients with the expertise and tools they require to do business.

Financial Strength

Tyler consistently maintains a solid balance sheet and strong cash flow and low debt, experiencing consistent revenue growth with 32 consecutive quarters of profitability, and a total revenue for 2020 of $1.11 billion. While experiencing significant growth opportunities from an increase in staff and expanding territories, we anticipate additional product offerings and new technology will accelerate this growth substantially in the future. We believe a low-debt balance sheet, substantial cash reserves, and a committed customer base put Tyler in a great position in our industry to weather any unexpected turbulence in the economy.



Tyler Revenue

Audited Financial Statements

Please reference the most recent Annual Report included in the **Appendix.**

Response to Requirements

Production System

Tyler, working with Amazon Web Services (AWS), will provide a hybrid solution – including required licenses, maintenance, and support for the term of the contract. This will include the correctly calculated number of servers to meet all demands of the Software and its corresponding databases. No other vendor in the valuation and assessment administration industry has the level of experience that Tyler has in delivering our own product to the client. We have considered all the necessary sizing of the product to provide for the full and practical number of servers, as listed in the State's contract with Tyler under the title "Recommendations for hardware requirements" in an IaaS installation. This configuration provides the best possible outcome for the State and your 55 Counties. We have created the following list of sever requirements, implementing minimums when practical and higher levels of choices when experience dictates, to allow the State and your counties the best processing speeds at the best price.

Knowing that different server needs reflect different server requirements, we have chosen the Data Servers and the Workflow Servers to be robust and powerful, while finding ways to keep the monthly cost in check. The AWS Gov Cloud solution meets the requirement of the FedRAMP's high standards of security. AWS is at the top of the industry in both security and speed and our signed partnership agreement allows us to take full advantage of their expertise. We know that other applications will be utilized but not at the same pace and have chosen our minimums to keep cost in check. For example, the servers used for Tyler Content Manager and SmartFile will be used at a reduced rate compared to iasWorld viewing and editing or Public Access.

AWS has the ability to quickly and easily upscale if the need arises and usage dictates. This meets the Agency's requirement to increase growth in storage and/or computing power. This will allow the Agency to acquire additional storage to support the above solutions per fifty (50) Gigabytes unit; to acquire additional computer to support the above solutions per one (1) CPU unit; and to acquire additional RAM to support the above solutions per one (1) Gigabyte unit.

iasWorld Servers

Amazon EC2
Description: WV - Production - Workflow Application Server
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (2), Pricing strategy (On-Demand Instances), Storage amount (150 GB), Instance type (t3a.xlarge)
Amazon RDS for SQL server
Region: AWS GovCloud (US-East)
Storage for each RDS instance (General Purpose SSD (gp2)), Storage amount (500 GB), Number of nodes (1), Instance type (db.m5.2xlarge), Deployment option (Multi-AZ), License (License included), Database edition (Standard), Pricing strategy (OnDemand), Additional backup storage (2000 GB)
Amazon EC2
Description: WV - Production - TCM App
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (2), Pricing strategy (On-Demand Instances), Storage amount (250 GB), Instance type (t3.2xlarge)

Amazon Simple Queue Service (SQS)
Description: WV - Production - Queues
Region: AWS GovCloud (US-East)
DT Inbound: Not selected (0 TB per month), DT Outbound: Not selected (0 TB per month), Standard queue requests (1 million per month)
Amazon FSx for Windows File Server
Description: WV - Production - Shared File System
Region: AWS GovCloud (US-East)
Desired storage capacity (2600 GB), Desired aggregate throughput (100 MBps), Backup storage (6400 GB)
Amazon EC2
Description: WV - Production - Windows Services
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (2), Pricing strategy (On-Demand Instances), Storage amount (150 GB), Instance type (t3.2xlarge)
Amazon ElastiCache
Description: WV - Production - Cache Tier
Region: AWS GovCloud (US-East)
Three instances of type Redis Memory optimized cache r5.xlarge OnDemand
Amazon ElastiCache
Description: WV - Production - ASP.NET Session State
Region: AWS GovCloud (US-East)
Three instances of type Redis Memory optimized cache r5.xlarge OnDemand
Amazon Simple Email Service (SES)
Description: WV - Production - SES
Region: AWS GovCloud (US-West)
Email messages sent from EC2 (5000 per month)
Elastic Load Balancing
Description: WV - Production - ALB
Region: AWS GovCloud (US-East)
Number of Application Load Balancers (2)
Amazon RDS for SQL server
Description: WV - Production - TCM Database
Region: AWS GovCloud (US-East)
Storage for each RDS instance (General Purpose SSD (gp2)), Storage amount (2000 GB), Number of nodes (1), Instance type (db.m5.2xlarge), Deployment option (Multi-AZ), License (License included), Database edition (Standard), Pricing strategy (OnDemand), Additional backup storage (8000 GB)
Amazon EC2
Description: WV - Production - Report Servers
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (2), Pricing strategy (On-Demand Instances), Storage amount (200 GB), Instance type (c5a.4xlarge)
Amazon EC2
Description: WV - Production - Application Servers
Region: AWS GovCloud (US-East)

Operating system (Windows Server), Quantity (4), Pricing strategy (On-Demand Instances), Storage amount (150 GB), Instance type (c5a.4xlarge)
Amazon RDS for Oracle
Description: WV - Production - Oracle Database
Region: AWS GovCloud (US-East)
Storage for each RDS instance (General Purpose SSD (gp2)), Storage amount (5.25 TB), Number of nodes (1), Instance type (db.r5.12xlarge), Deployment option (Multi-AZ), License (Bring your own license), Database edition (Enterprise), Pricing strategy (OnDemand), Additional backup storage (21 TB)

SmartFile Servers

Amazon Simple Email Service (SES)
Region: AWS GovCloud (US-West)
Email messages sent from EC2 (5000 per month)
Elastic Load Balancing
Region: AWS GovCloud (US-East)
Number of Application Load Balancers (2)
Amazon RDS for Oracle
Description: WV - SmartFile - Database
Region: AWS GovCloud (US-East)
Storage for each RDS instance (General Purpose SSD (gp2)), Storage amount (500 GB), Number of nodes (1), Instance type (db.m5.4xlarge), Deployment option (Multi-AZ), License (License included), Database edition (Standard Two), Pricing strategy (OnDemand), Additional backup storage (2000 GB)
Amazon EC2
Description: WV - SmartFile - Application Servers
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (4), Pricing strategy (On-Demand Instances), Storage amount (150 GB), Instance type (c5a.4xlarge)

Public Access Servers

Elastic Load Balancing
Region: AWS GovCloud (US-East)
Number of Application Load Balancers (2)
Amazon RDS for Oracle
Region: AWS GovCloud (US-East)
Storage for each RDS instance (General Purpose SSD (gp2)), Storage amount (500 GB), Number of nodes (1), Instance type (db.m5.4xlarge), Deployment option (Multi-AZ), License (License included), Database edition (Standard Two), Pricing strategy (OnDemand), Additional backup storage (2000 GB)
Amazon EC2
Description: WV - PA - Application Servers
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (4), Pricing strategy (On-Demand Instances), Storage amount (150 GB), Instance type (c5a.4xlarge)

Test Environment

The test environment will be a duplication of the production environment and will have its same settings to begin with. In the future, the test environment may be scaled back if the need to keep testing the full spectrum of applications is not warranted. It will always be available to test the future updates of iasWorld as legislative or other changes occur. However, not every county will test at the same time and a reduction in bandwidth may be considered as a cost saving method.

Amazon EC2
Description: WV - Production - Workflow Application Server
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (2), Pricing strategy (On-Demand Instances), Storage amount (150 GB), Instance type (t3a.xlarge)
Amazon RDS for SQL server
Region: AWS GovCloud (US-East)
Storage for each RDS instance (General Purpose SSD (gp2)), Storage amount (500 GB), Number of nodes (1), Instance type (db.m5.2xlarge), Deployment option (Multi-AZ), License (License included), Database edition (Standard), Pricing strategy (OnDemand), Additional backup storage (2000 GB)
Amazon EC2
Description: WV - Production - TCM App
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (2), Pricing strategy (On-Demand Instances), Storage amount (250 GB), Instance type (t3.2xlarge)
Amazon Simple Queue Service (SQS)
Description: WV - Production - Queues
Region: AWS GovCloud (US-East)
DT Inbound: Not selected (0 TB per month), DT Outbound: Not selected (0 TB per month), Standard queue requests (1 million per month)
Amazon FSx for Windows File Server
Description: WV - Production - Shared File System
Region: AWS GovCloud (US-East)
Desired storage capacity (2600 GB), Desired aggregate throughput (100 MBps), Backup storage (6400 GB)
Amazon EC2
Description: WV - Production - Windows Services
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (2), Pricing strategy (On-Demand Instances), Storage amount (150 GB), Instance type (t3.2xlarge)
Amazon ElastiCache
Description: WV - Production - Cache Tier
Region: AWS GovCloud (US-East)
Three instances of type Redis Memory optimized cache r5.xlarge OnDemand
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Description: WV - Production - ASP.NET Session State
Region: AWS GovCloud (US-East)
Three instances of type Redis Memory optimized cache r5.xlarge OnDemand

Amazon Simple Email Service (SES)
Description: WV - Production - SES
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Email messages sent from EC2 (5000 per month)
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Region: AWS GovCloud (US-East)
Storage for each RDS instance (General Purpose SSD (gp2)), Storage amount (2000 GB), Number of nodes (1), Instance type (db.m5.2xlarge), Deployment option (Multi-AZ), License (License included), Database edition (Standard), Pricing strategy (OnDemand), Additional backup storage (8000 GB)
Amazon EC2
Description: WV - Production - Report Servers
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (2), Pricing strategy (On-Demand Instances), Storage amount (200 GB), Instance type (c5a.4xlarge)
Amazon EC2
Description: WV - Production - Application Servers
Region: AWS GovCloud (US-East)
Operating system (Windows Server), Quantity (4), Pricing strategy (On-Demand Instances), Storage amount (150 GB), Instance type (c5a.4xlarge)
Amazon RDS for Oracle
Description: WV - Production - Oracle Database
Region: AWS GovCloud (US-East)
Storage for each RDS instance (General Purpose SSD (gp2)), Storage amount (5.25 TB), Number of nodes (1), Instance type (db.r5.12xlarge), Deployment option (Multi-AZ), License (Bring your own license), Database edition (Enterprise), Pricing strategy (OnDemand), Additional backup storage (21 TB)

Backup Environment

Full backups will be occurring weekly. Partial backups will occur routinely, saving only those items that have changed in the various databases, such as data modifications and added pictures.

Amazon Simple Storage Service (S3)
Description: WV - Production - Backup
Region: AWS GovCloud (US-East)
S3 Standard storage (7750 GB per month)

Implementation

Tyler's implementation process demonstrates our long-term commitment to our clients, with a methodology tailored specifically to the public sector. Your organization benefits from the fact that we perform our own implementations and know our software better than anyone. As a Tyler client, you receive guidance throughout implementation from experienced Tyler professionals who have implemented Tyler products in more than 10,000 public sector implementation projects. Tyler's methodology is based on three vital foundations:

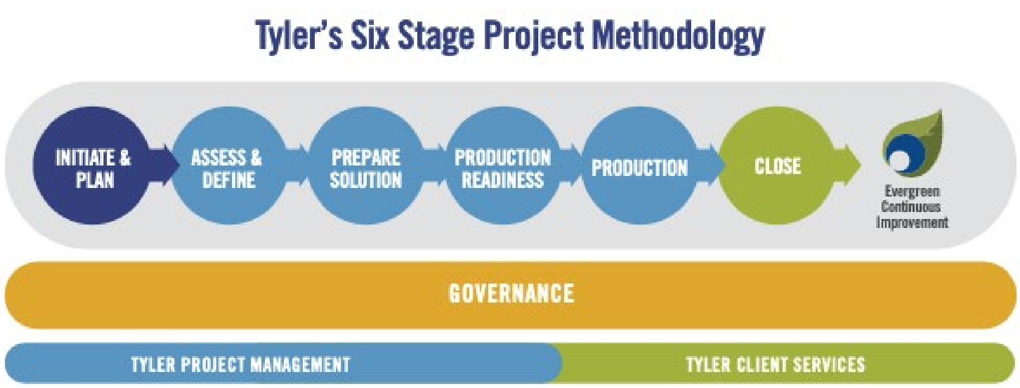
- Industry experience
- A globally recognized project management approach
- In-house expertise

Methodology

Tyler utilizes its depth of implementation experience, working in tandem with our clients to put our methodology into practice. While each Project is unique, all will follow Tyler's six-stage methodology. Each of the six stages is comprised of multiple work packages, and each work package includes a narrative description, objectives, tasks, inputs, outputs/deliverables, assumptions, and a responsibility matrix.

Tailored specifically for Tyler's public sector clients, the project methodology contains Stage Acceptance Control Points throughout each Phase to ensure adherence to scope, budget, timeline controls, effective communications, and quality standards. Clearly defined, the project methodology repeats consistently across Phases, and is scaled to meet the client's complexity and organizational needs.

Using the process groups outlined in the PMI's *PMBOK® (Project Management Body of Knowledge) Guide* — Initiating, Planning, Executing, Monitoring and Controlling, and Closing — we deliver a tested and proven approach to every project. We have integrated industry tools and technologies from PMI with Tyler's implementation experience, to yield a proven approach that is tailored specifically to the public sector. Our project managers are trained to maintain the professional standards of PMI.



Tyler's trained personnel perform and guide all aspects of an implementation. Our staff consists of seasoned professionals with years of experience, and unique and proprietary skills, specialized in managing and delivering projects focusing on your business processes.

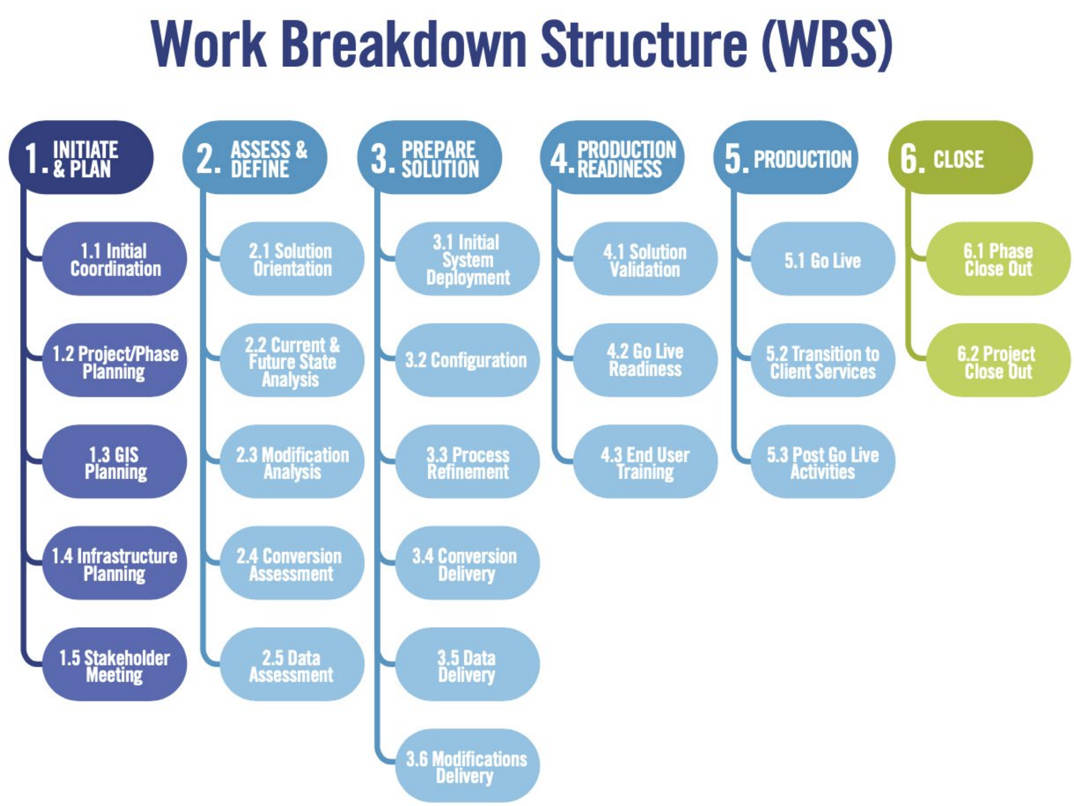
Our implementation process also emphasizes the importance of cultural change management. This is how we guide you through the changes that accompany implementation of a new system and help to ensure a smooth transition. Our implementation staff is experienced in analyzing policies, procedures, and organizational needs. The proof of our approach is in the outcome — a successful implementation.

Throughout a project, we establish control points (critical review points) to ensure your organization fully understands and accepts the project progress. It is at these check points that your stakeholders monitoring the overall project must formally accept the project to date. Once there is formal acceptance, the project will proceed to the next stage.

Tyler takes pride in our implementation process and deliverables. We focus on you and setting you up for success. Our product experts strive to gain understanding of your needs and current business practices, while recommending best practices to best leverage your new technology. Our implementation process positions you to successfully use Tyler products at go-live and to consume the new technology developments delivered through our software releases and upgrades.

Work Breakdown Structure

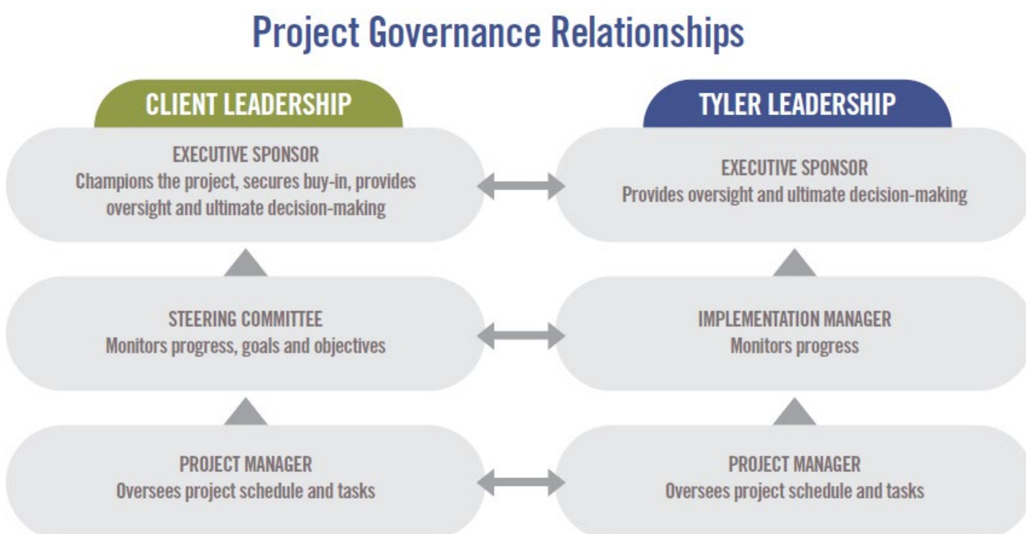
PMI Work Breakdown Structure (WBS) is a hierarchical representation of a Project or Phase broken down into smaller, more manageable components. The top-level components are called "Stages" and the second level components are called "Work Packages". The work packages, shown below each stage, contain the high-level work to be done. The detailed Project Schedule, developed during Project/Phase Planning and finalized during subsequent stages, lists the tasks to be completed within each work package. Each stage ends with a "Control Point", confirming the work performed during that stage of the Project has been accepted by the client.



Project Governance

Communication and transparency are essential to any successful implementation. Tyler and Agency resources collaborate to determine core business needs, objectives and priorities. Project teams work together to navigate challenges as they arise according to the escalation paths outlined in the organization charts.

The chart below illustrates an overall team perspective where Tyler and Agency collaborate to resolve project challenges according to defined escalation paths. In the event that project managers do not possess authority to determine a solution, resolve an issue, or mitigate a risk, Tyler implementation management and Agency steering committee become the escalation points to triage responses prior to escalation to Agency and Tyler executive sponsors. As part of the escalation process, each project governance tier presents recommendations and supporting information to facilitate knowledge transfer and issue resolution. Agency and Tyler executive sponsors serve as the final escalation point.



Tyler Project Team

Upon award of contract, Tyler Technologies assigns a Project Manager and quality project team to ensure your implementation success. In reviewing and understanding your goals and requirements, we provide an implementation team best suited to deliver services to achieve your needs. We believe this is an important step in the implementation process and appreciate your patience as we make arrangements for resources to be allocated to your project. Tyler staff perform services in a professional, workman-like manner, consistent with industry standards.

Pricing

Tyler's pricing for this project has been uploaded in the portal. Pricing details are included on the following pages.

Quoted By:	Mike Hurtado
Quote Expiration:	8/24/21
Quote Name:	Hosting of iasWorld Property Tax Solution

Sales Quotation For:

State of West Virginia
Bid Clerk
Department of Administration
2019 Washington Street E
Charleston, WV 25305
US
Phone #1 (304) 558.8556

Tyler SaaS

Description	Annual SaaS Fee	Term	Total Annual SaaS Fee
Appraisal & Tax			
Other Software			
Line 1 - 3.1.1 Production Environment	$ 678,125	3	$ 2,034,375
Line 7 - 3.5.3 Scalability per 1GB (see note)	$ 0	3	$ 0
Line 6 - 3.5.2 Scalability per 1 CPU (see note)	$ 0	3	$ 0
Line 5 - 3.5.1 Scalability per 50 GB	$ 500	3	$ 1,500
Line 3 - 3.1.3 Backup Environment	$ 0	3	$ 0
Line 2 - 3.1.2 Testing Environment	$ 290,625	3	$ 871,875
TOTAL	**$ 969,250**		**$ 2,907,750**

Services

Description	Fees
Appraisal & Tax	
Line 4 - 3.3 Professional Services	$ 20,000
TOTAL	**$ 20,000**

Summary	One Time Fees	Recurring Fees
Total Annual / SaaS	$ 0	$ 2,907,750
Total Tyler Services	$ 20,000	$ 0
Summary Total	**$ 20,000**	**$ 2,907,750**
Contract Total	**$ 2,927,750**	

Comments

Regarding 3.5.1, 3.5.2 and 3.5.3 Tyler is using AWS Auto Scaling model and cost can be discussed with the State.

200 Hours of Professional Services are as needed and will be billed as used.

Pricing is for hosting of Tyler software only

Required Forms

The forms required by the CRFQ are attached.

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: ISC2100000018

Instructions: Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:
(Check the box next to each addendum received)

[✓]	Addendum No. 1	[✓]	Addendum No. 6
[✓]	Addendum No. 2	[ ]	Addendum No. 7
[✓]	Addendum No. 3	[ ]	Addendum No. 8
[✓]	Addendum No. 4	[ ]	Addendum No. 9
[✓]	Addendum No. 5	[ ]	Addendum No. 10

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

Tyler Technologies, Inc.
Company

Gus Tsering
Authorized Signature

May 26, 2021
Date

NOTE: This addendum acknowledgement should be submitted with the bid to expedite document processing.
Revised 6/8/2012

DESIGNATED CONTACT: Vendor appoints the individual identified in this Section as the Contract Administrator and the initial point of contact for matters relating to this Contract.

Gus Tenhundfeld, Inside Sales Manager
(Name, Title)
Gus Tenhundfeld, Inside Sales Manager
(Printed Name and Title)
One Tyler Way, Moraine, Ohio 45439
(Address)
800.800.2581 / 866.658.4258
(Phone Number) / (Fax Number)
gus.tenhundfeld@tylertech.com
(email address)

CERTIFICATION AND SIGNATURE: By signing below, or submitting documentation through wvOASIS, I certify that I have reviewed this Solicitation in its entirety; that I understand the requirements, terms and conditions, and other information contained herein; that this bid, offer or proposal constitutes an offer to the State that cannot be unilaterally withdrawn; that the product or service proposed meets the mandatory requirements contained in the Solicitation for that product or service, unless otherwise stated herein; that the Vendor accepts the terms and conditions contained in the Solicitation, unless otherwise stated herein; that I am submitting this bid, offer or proposal for review and consideration; that I am authorized by the vendor to execute and submit this bid, offer, or proposal, or any documents related thereto on vendor's behalf; that I am authorized to bind the vendor in a contractual relationship; and that to the best of my knowledge, the vendor has properly registered with any State agency that may require registration.

Tyler Technologies, Inc.
(Company)

* Gus T[illegible]
(Authorized Signature) (Representative Name, Title)

Gus Tenhundfeld, Inside Sales Manager
(Printed Name and Title of Authorized Representative)

May 26, 2021
(Date)

800.800.2581 / 866.658.4258
(Phone Number) (Fax Number)

*Subject to the terms of our Proposal response including our exceptions

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

CONSTRUCTION CONTRACTS: Under W. Va. Code § 5-22-1(i), the contracting public entity shall not award a construction contract to any bidder that is known to be in default on any monetary obligation owed to the state or a political subdivision of the state, including, but not limited to, obligations related to payroll taxes, property taxes, sales and use taxes, fire service fees, or other fines or fees.

ALL CONTRACTS: Under W. Va. Code §5A-3-10a, no contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

EXCEPTION: The prohibition listed above does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the W. Va. Code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Employer default" means having an outstanding balance or liability to the old fund or to the uninsured employers' fund or being in policy default, as defined in W. Va. Code § 23-2c-2, failure to maintain mandatory workers' compensation coverage, or failure to fully meet its obligations as a workers' compensation self-insured employer. An employer is not in employer default if it has entered into a repayment agreement with the Insurance Commissioner and remains in compliance with the obligations under the repayment agreement.

"Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

AFFIRMATION: By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (*W. Va. Code* §61-5-3) that: (1) for construction contracts, the vendor is not in default on any monetary obligation owed to the state or a political subdivision of the state, and (2) for all other contracts, that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

WITNESS THE FOLLOWING SIGNATURE:

Vendor's Name: Tyler Technologies, Inc.

Authorized Signature: Gus Tessing   Date: May 26, 2021

State of Ohio

County of MONTGOMERY, to-wit:

Taken, subscribed, and sworn to before me this 26th day of May, 2021.

My Commission expires PENNY L DALEY, Notary Public In and for the State of Ohio My Commission Expires June 13, 2021, 20___.

AFFIX SEAL HERE   **NOTARY PUBLIC** Penny L Daley

West Virginia Ethics Commission
Disclosure of Interested Parties to Contracts
(Required by *W. Va. Code* § 6D-1-2)

Name of Contracting Business Entity: Tyler Technologies, Inc. **Address:** One Tyler Way, Moraine, Ohio 45439

Name of Authorized Agent: Gus Tenhundfeld **Address:** One Tyler Way, Moraine, Ohio 45439

Contract Number: ISC2100000018 **Contract Description:** Tax Infrastructure

Governmental agency awarding contract: Department of Administration Office of Technology

☑ **Check here if this is a Supplemental Disclosure**

List the Names of Interested Parties to the contract which are known or reasonably anticipated by the contracting business entity for each category below *(attach additional pages if necessary)*:

1. **Subcontractors or other entities performing work or service under the Contract**
   ☑ Check here if none, otherwise list entity/individual names below.

2. **Any person or entity who owns 25% or more of contracting entity (not applicable to publicly traded entities)**
   ☐ Check here if none, otherwise list entity/individual names below.

   Tyler Technologies, Inc. is a publicly traded company.

3. **Any person or entity that facilitated, or negotiated the terms of, the applicable contract (excluding legal services related to the negotiation or drafting of the applicable contract)**
   ☑ Check here if none, otherwise list entity/individual names below.

Signature: Gus T[signature] Date Signed: May 26, 2021

Notary Verification

State of Ohio, County of Montgomery:

I, Gus Tenhundfeld, the authorized agent of the contracting business entity listed above, being duly sworn, acknowledge that the Disclosure herein is being made under oath and under the penalty of perjury.

Taken, sworn to and subscribed before me this 26th day of May, 2021.

PENNY L DALEY, Notary Public
In and for the State of Ohio
My Commission Expires June 13, 2021

Penny L Daley
Notary Public's Signature

To be completed by State Agency:
Date Received by State Agency: ____________
Date submitted to Ethics Commission: ____________
Governmental agency submitting Disclosure: ____________

Revised June 8, 2018

Exceptions and Sample Agreement

Tyler's Proposal is based on the delivery of the requested software and services according to Tyler's standard implementation methodology and Tyler's standard contract(s). That methodology, and that contract(s), have been refined and enhanced over Tyler's many years of operation in the public sector information technology market. Tyler's submission of its Proposal does not constitute a waiver of Tyler's right to negotiate any and all terms to the mutual satisfaction of the parties.

Tyler will consider its implementation methodology and its contract(s) to be the starting point for those negotiations unless expressly stated otherwise in its Proposal. Tyler's standard contract(s) are included for your reference. Tyler prefers to use the standard Tyler contract as the basis for beginning contract negotiations, as it contains language specific to the software industry, such as license grant and intellectual property infringement. Tyler recognizes that there may be clauses of particular importance to the Client that are not included in the Tyler contract. Tyler is amenable to accommodating the Client's contract requests by incorporating mutually agreed clauses into Tyler's standard contract. We reserve the right to negotiate any and all terms to the mutual satisfaction of the parties. To the extent you request to incorporate your bid documents and our proposal documents into the contract package, we will agree to do so as long as the order of priority is (a) the final, negotiated contract; (b) our proposal documentation; and (c) your bid documentation.

Tyler is providing representative "exceptions" to standard procurement terms and conditions for your review. This representative list does not negate any of the expectations Tyler has stated above.

- Tyler's proposal is based on the information provided in the RFP. Tyler has read and understands the RFP terms and conditions, and Tyler's Proposal is submitted in conformance with those terms and conditions, except as modified by, taken exception to, or as otherwise provided in Tyler's Proposal.
- Tyler and Client will negotiate a mutually agreeable final acceptance process, which will result in final acceptance upon Tyler's demonstration that its software operates in a production environment for a period of 30 consecutive days with no Priority Level 1 or 2 Defects, as such priority levels are described in Tyler's standard Support Call Process.
- Tyler will resolve all software Defects in accordance with Tyler's Standard Support Call Process.
- Tyler will provide all service levels in accordance with its standard Service Level Agreement.
- Unless otherwise agreed to by the parties, Tyler conducts background checks of its employees prior to hiring. Any additional background checks for Tyler personnel providing onsite services must be mutually agreed to by Tyler and the Client. Tyler will provide information on representative Tyler personnel. We are unable to assign personnel to a project until Tyler is selected, and a contract is signed, in an effort to most effectively use resources. Tyler reserves the sole right to assign and reassign project personnel but will use commercially reasonable efforts to maintain consistency of project personnel. In the event Tyler personnel provide services that do not conform to Tyler's services warranty, Tyler will be given an opportunity to correct the deficiency. In the event the deficiency persists, the Client may require the removal of personnel in question.
- Tyler shall retain ownership of all (i) software products licensed to the Client; and (ii) proprietary information contained in all deliverables. Tyler reserves the right to protest the public disclosure of its confidential and proprietary information, consistent with applicable public records laws. Tyler does not agree to work-for-hire provisions.

- Tyler will comply with all applicable state and federal laws regarding its performance of services under the contract.
- Tyler will perform the services in a professional, workmanlike manner, consistent with industry standards. In the event we provide services that do not conform to this warranty, we will re-perform such services at no additional cost to you. Tyler warrants that the Tyler software will substantially conform to the functional descriptions of the Tyler software contained in Tyler's Proposal, or their functional equivalent. Future functionality may be updated, modified, or otherwise enhanced through our maintenance and support services, and the governing functional descriptions for such future functionality will be set forth in our then-current documentation. Tyler disclaims all other warranties, express or implied.
- We will indemnify and hold harmless you and your agents, officials, and employees from and against any and all third-party claims, losses, liabilities, damages, costs, and expenses (including reasonable attorney's fees and costs) for (a) personal injury or property damage to the extent caused by our negligence or willful misconduct; or (b) our violation of PCI DSS requirements or a law applicable to our performance under this Agreement. You must notify us promptly in writing of the claim and give us sole control over its defense or settlement. You agree to provide us with reasonable assistance, cooperation, and information in defending the claim at our expense.

  We will defend you against any third party claim(s) that the Tyler Software or Documentation infringes that third party's patent, copyright, or trademark, or misappropriates its trade secrets, and will pay the amount of any resulting adverse final judgment (or settlement to which we consent). You must notify us promptly in writing of the claim and give us sole control over its defense or settlement. You agree to provide us with reasonable assistance, cooperation, and information in defending the claim at our expense.

  Our obligations under this indemnification provision will not apply to the extent the claim or adverse final judgment is based on your: (a) use of a previous version of the Tyler Software and the claim would have been avoided had you installed and used the current version of the Tyler Software, and we provided notice of that requirement to you; (b) combining the Tyler Software with any product or device not provided, contemplated, or approved by us; (c) altering or modifying the Tyler Software, including any modification by third parties at your direction or otherwise permitted by you; (d) use of the Tyler Software in contradiction of this Agreement, including with non-licensed third parties; or (e) willful infringement, including use of the Tyler Software after we notify you to discontinue use due to such a claim.

  If we receive information concerning an infringement or misappropriation claim related to the Tyler Software, we may, at our expense and without obligation to do so, either: (a) procure for you the right to continue its use; (b) modify it to make it non-infringing; or (c) replace it with a functional equivalent, in which case you will stop running the allegedly infringing Tyler Software immediately. Alternatively, we may decide to litigate the claim to judgment, in which case you may continue to use the Tyler Software consistent with the terms of this Agreement.

  If an infringement or misappropriation claim is fully litigated and your use of the Tyler Software is enjoined by a court of competent jurisdiction, in addition to paying any adverse final judgment (or settlement to which we consent), we will, at our option, either: (a) procure the right to continue its use; (b) modify it to make it non-infringing; (c) replace it with a functional equivalent; or (d) terminate your license and refund the license fees paid for the infringing Tyler Software, as depreciated on a straight-line basis measured over seven (7) years from the Effective Date. We will pursue those options in the order listed herein. This section provides your exclusive remedy for third party copyright, patent, or trademark infringement and trade secret misappropriation claims.

- To the maximum extent permitted by law, Tyler agrees to use the final negotiated contract as a cooperative procurement vehicle, subject to an agreement on price and scope.
- We agree to secure our insurance from a carrier with a minimum AM Best rating of A-:VII. Tyler's insurer evidences Tyler's insurance coverage using a standard Acord form. The coverage limits set forth on our certificate of insurance do not apply separately. Certificates of insurance listing the customer as certificate holder are available upon request after a contract is signed. Copies of Tyler's insurance policies are only made available in the event a claim is disputed or denied. Tyler will disclose its deductibles upon written request, but those deductibles are not subject to customer approval. Tyler is well-positioned financially to satisfy its deductibles. At your request during contract negotiations, we will add language to the insurance provision that adds you as an additional insured to our commercial general liability and auto liability policy for claims arising out of or relating to the contract, which automatically affords you the same status under our excess/umbrella liability policy. A Certificate of Insurance reflecting that status may be provided at your request after the contract is executed. Our carrier has issued blanket endorsements regarding additional insured status; we do not issue separate endorsements specific to each customer. We agree that our insurance is primary for claims under our CGL or auto policies that arise out of or relate to the contract and are between us and you. If required, Tyler will agree to waive subrogation, but only on claims under our CGL or auto policies that arise out of or relate to the contract and are between us and you, except to the extent the damage or injury is caused by you. If you require it in the contract, we will agree to provide you with notice of cancellation, non-renewal or reduction in our insurance coverages below the minimum requirements set forth in the contract within thirty (30) days thereof. Renewal certificates of insurance will be provided as close as practicable to the date the applicable policy or policies is/are renewed.
- Neither party may assign this Agreement without the prior written consent of the other party; provided, however, your consent is not required for an assignment by us as a result of a corporate reorganization, merger, acquisition, or purchase of substantially all of our assets.
- This Agreement may be terminated as set forth below. In the event of termination, you will pay us for all undisputed fees and expenses related to the software, products, and/or services you have received, or we have incurred or delivered, prior to the effective date of termination. Disputed fees and expenses in all terminations other than your termination for cause must have been submitted as invoice disputes in accordance with Tyler's standard Agreement. In the event a SaaS solution is selected by the Client, and the Client seeks to terminate this Agreement for convenience during the initial term, then Client must pay the early termination fees set forth in Section F of Tyler's standard Agreement.

  For Cause: If you believe we have materially breached this Agreement, you will invoke the Dispute Resolution clause set forth in Tyler's standard Agreement. You may terminate this Agreement for cause in the event we do not cure, or create a mutually agreeable action plan to address, a material breach of this Agreement within the thirty (30) day window set forth in Tyler's standard Agreement.

  Force Majeure: Either party has the right to terminate this Agreement if a Force Majeure event suspends performance of this Agreement for a period of forty-five (45) days or more.

Lack of Appropriations: If you should not appropriate or otherwise receive funds sufficient to purchase, lease, operate, or maintain the software or services set forth in this Agreement, you may unilaterally terminate this Agreement upon thirty (30) days written notice to us. You will not be entitled to a refund or offset of previously paid license and other fees. You agree not to use termination for lack of appropriations as a substitute for termination for convenience.

- The Client may audit Tyler's books and records relating directly to the contract once per year on one-week advance written notice, and at Client's expense.
- In the event a performance bond is required, it will cover a period of two years from contract execution and will be paid for by Client.
- Tyler's standard payment model for SaaS fees is annually in advance. Any deviation from this model will require discussion and mutual agreement.
- Tyler does not agree to time is of the essence provisions.
- The Software as a Service (SaaS) Addendum attached to the RFP includes a number of terms that conflict with Tyler's business practices; however, Tyler is certain that following a discussion between the parties, we will be able to reach agreement on all SaaS and security-related terms. Tyler does not agree that FedRAMP controls apply to this engagement; however, the cloud service provider we have identified within our Proposal response may implement some controls under FedRAMP. Tyler will comply with all applicable state and federal laws in the provision of services under the final negotiated contract. In the event of a confirmed unauthorized disclosure or exposure of Client data that constitutes a data breach or a breach of security, each as defined by applicable law ("Confirmed Breach"), Tyler will (1) notify Client of the Confirmed Breach as required by applicable law; (2) reasonably cooperate with Client during Tyler's investigation and remediation of the Confirmed Breach, including providing appropriate status updates; and (3) otherwise comply with all aspects of applicable law relating to the Confirmed Breach. Tyler will return Client's data in a mutually agreed upon format within 30 days of Client's written request. Any transition services requested by Client must be mutually agreed upon, and Tyler will provide the same at its current rates. Tyler maintains formal security policies and procedures that comply with applicable statutory and industry practice requirements/standards, which include an Incident Response procedure. We maintain records demonstrating our compliance with the foregoing but do not allow client audits of the same. Tyler follows security best practices dictated and defined by the following three assurance audits: SOX-404 Financial and IT General Controls, PCI Security Council PA-DSS/PCI-DSS, and the AICPA SSAE-18 SOC 1 & SOC 2 Assurance Audits. Any additional audits or assessments must be mutually agreed upon. Our Security Policy is based on the full NIST Cybersecurity Framework and is reviewed during each audit. Following execution of an NDA, we will provide the Hosting Operations SOC 1 and SOC 2 Reports that will demonstrate compliance; however, no such audits conducted by client are permitted. Additional information concerning Tyler's commitment to providing online security and maintaining compliance with industry and regulatory standards can be found at: Compliance | About Us | Tyler Technologies.

SOFTWARE AS A SERVICE AGREEMENT

This Software as a Service Agreement is made between Tyler Technologies, Inc. and Client.

WHEREAS, Client selected Tyler to provide certain products and services set forth in the Investment Summary, including providing Client with access to Tyler's proprietary software products, and Tyler desires to provide such products and services under the terms of this Agreement;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and promises set forth in this Agreement, Tyler and Client agree as follows:

SECTION A – DEFINITIONS

- **"Agreement"** means this Software as a Services Agreement.
- **"Business Travel Policy"** means our business travel policy. A copy of our current Business Travel Policy is attached as Schedule 1 to Exhibit B.
- **"Client"** means ________________.
- **"Data"** means your data necessary to utilize the Tyler Software.
- **"Data Storage Capacity"** means the contracted amount of storage capacity for your Data identified in the Investment Summary.
- **"Defect"** means a failure of the Tyler Software to substantially conform to the functional descriptions set forth in our written proposal to you, or their functional equivalent. Future functionality may be updated, modified, or otherwise enhanced through our maintenance and support services, and the governing functional descriptions for such future functionality will be set forth in our then-current Documentation.
- **"Developer"** means a third party who owns the intellectual property rights to Third Party Software.
- **"Documentation"** means, as applicable, any online or written documentation related to the use or functionality of the Tyler Software that we provide or otherwise make available to you, including instructions, user guides, manuals and other training or self-help documentation.
- **"Effective Date"** means the date by which both your and our authorized representatives have signed the Agreement.
- **"Force Majeure"** means an event beyond the reasonable control of you or us, including, without limitation, governmental action, war, riot or civil commotion, fire, natural disaster, extreme inflation (eight percent or greater per year), or any other cause that could not with reasonable diligence be foreseen or prevented by you or us.
- **"Investment Summary"** means the agreed upon cost proposal for the products and services attached as Exhibit A.
- **"Invoicing and Payment Policy"** means the invoicing and payment policy. A copy of our current Invoicing and Payment Policy is attached as Exhibit B.
- **"Project Initiation Date"** means the date on which a kickoff meeting is held, a project calendar is established, and Tyler personnel begin work.

- **"SaaS Fees"** means the fees for the SaaS Services identified in the Investment Summary.
- **"SaaS Services"** means software as a service consisting of system administration, system management, and system monitoring activities that Tyler performs for the Tyler Software, and includes the right to access and use the Tyler Software, receive maintenance and support on the Tyler Software, including Downtime resolution under the terms of the SLA, and Data storage and archiving. SaaS Services do not include support of an operating system or hardware, support outside of our normal business hours, or training, consulting or other professional services.
- **"SLA"** means the service level agreement. A copy of our current SLA is attached hereto as Exhibit C.
- **"Statement of Work"** means the industry standard implementation plan describing how our professional services will be provided to implement the Tyler Software, and outlining your and our roles and responsibilities in connection with that implementation. The Statement of Work is attached as Exhibit D.
- **"Support Call Process"** means the support call process applicable to all of our customers who have licensed the Tyler Software. A copy of our current Support Call Process is attached as Schedule 1 to Exhibit C.
- **"Third Party Hardware"** means the third party hardware, if any, identified in the Investment Summary.
- **"Third Party Products"** means the Third Party Software and Third Party Hardware.
- **"Third Party Services"** means the third party services, if any, identified in the Investment Summary.
- **"Third Party Software"** means the third party software, if any, identified in the Investment Summary.
- **"Third Party Terms"** means, if any, the end user license agreement(s) or similar terms for the Third Party Software, as applicable and attached as Exhibit E.
- **"Tyler"** means Tyler Technologies, Inc., a Delaware corporation.
- **"Tyler Software"** means our proprietary software, including any integrations, custom modifications, and/or other related interfaces identified in the Investment Summary and licensed by us to you through this Agreement.
- **"we", "us", "our"** and similar terms mean Tyler.
- **"you"** and similar terms mean Client.

SECTION B – SAAS SERVICES

1. Rights Granted. We grant to you the non-exclusive, non-assignable limited right to use the SaaS Services solely for your internal business purposes. The Tyler Software will be made available to you according to the terms of the SLA. You acknowledge that we have no delivery obligations and we will not ship copies of the Tyler Software as part of the SaaS Services. You may use the SaaS Services to access updates and enhancements to the Tyler Software, as further described in Section C(9). The foregoing notwithstanding, to the extent we have sold you perpetual licenses for Tyler Software, if and listed in the Investment Summary, for which you are receiving SaaS Services, your rights to use such Tyler Software are perpetual, subject to the terms and conditions of this Agreement including, without limitation, Section B(4). We will make any such software available to you for download.

2. SaaS Fees. You agree to pay us the SaaS Fees. Those amounts are payable in accordance with our Invoicing and Payment Policy. The SaaS Fees are based on the amount of Data Storage Capacity. You may add additional data storage capacity on the terms set forth in Section H(1). In the event you

regularly and/or meaningfully exceed the Data Storage Capacity, we reserve the right to charge you additional fees commensurate with the overage(s).

3. Ownership.

   3.1 We retain all ownership and intellectual property rights to the SaaS Services, the Tyler Software, and anything developed by us under this Agreement. You do not acquire under this Agreement any license to use the Tyler Software in excess of the scope and/or duration of the SaaS Services.

   3.2 The Documentation is licensed to you and may be used and copied by your employees for internal, non-commercial reference purposes only.

   3.3 You retain all ownership and intellectual property rights to the Data. You expressly recognize that except to the extent necessary to carry out our obligations contained in this Agreement, we do not create or endorse any Data used in connection with the SaaS Services.

4. Restrictions. You may not: (a) make the Tyler Software or Documentation resulting from the SaaS Services available in any manner to any third party for use in the third party's business operations; (b) modify, make derivative works of, disassemble, reverse compile, or reverse engineer any part of the SaaS Services; (c) access or use the SaaS Services in order to build or support, and/or assist a third party in building or supporting, products or services competitive to us; or (d) license, sell, rent, lease, transfer, assign, distribute, display, host, outsource, disclose, permit timesharing or service bureau use, or otherwise commercially exploit or make the SaaS Services, Tyler Software, or Documentation available to any third party other than as expressly permitted by this Agreement.

5. Software Warranty. We warrant that the Tyler Software will perform without Defects during the term of this Agreement. If the Tyler Software does not perform as warranted, we will use all reasonable efforts, consistent with industry standards, to cure the Defect in accordance with the maintenance and support process set forth in Section C(9), below, the SLA and our then current Support Call Process.

6. SaaS Services.

   6.1 Our SaaS Services are audited at least yearly in accordance with the AICPA's Statement on Standards for Attestation Engagements ("SSAE") No. 18. We have attained, and will maintain, SOC 1 and SOC 2 compliance, or its equivalent, for so long as you are timely paying for SaaS Services. The scope of audit coverage varies for some Tyler Software solutions. Upon execution of a mutually agreeable Non-Disclosure Agreement ("NDA"), we will provide you with a summary of our compliance report(s) or its equivalent. Every year thereafter, for so long as the NDA is in effect and in which you make a written request, we will provide that same information. If our SaaS Services are provided using a 3rd party data center, we will provide available compliance reports for that data center.

   6.2 You will be hosted on shared hardware in a Tyler data center or in a third-party data center. In either event, databases containing your Data will be dedicated to you and inaccessible to our other customers.

   6.3 Our Tyler data centers have fully-redundant telecommunications access, electrical power, and the required hardware to provide access to the Tyler Software in the event of a disaster or component failure. In the event of a disruption of SaaS Services from the data center hosting your data, we reserve the right to employ our disaster recovery plan for resumption of the SaaS Services. In that event, we commit to a Recovery Point Objective ("RPO") of 24 hours and a Recovery Time Objective ("RTO") of 24 hours. RPO represents the maximum duration of time between the most recent recoverable copy of your hosted Data and subsequent unavailability of SaaS Services from the data center hosting your data. RTO represents the maximum duration of time following disruption of the SaaS Services within which your access to the Tyler Software must be restored.

6.4 We conduct annual penetration testing of either the production network and/or web application to be performed. We will maintain industry standard intrusion detection and prevention systems to monitor malicious activity in the network and to log and block any such activity. We will provide you with a written or electronic record of the actions taken by us in the event that any unauthorized access to your database(s) is detected as a result of our security protocols. We will undertake an additional security audit, on terms and timing to be mutually agreed to by the parties, at your written request. You may not attempt to bypass or subvert security restrictions in the SaaS Services or environments related to the Tyler Software. Unauthorized attempts to access files, passwords or other confidential information, and unauthorized vulnerability and penetration test scanning of our network and systems (hosted or otherwise) is prohibited without the prior written approval of our IT Security Officer.

6.5 We test our disaster recovery plan on an annual basis. Our standard test is not client-specific. Should you request a client-specific disaster recovery test, we will work with you to schedule and execute such a test on a mutually agreeable schedule. At your written request, we will provide test results to you within a commercially reasonable timeframe after receipt of the request.

6.6 We will be responsible for importing back-up and verifying that you can log-in. You will be responsible for running reports and testing critical processes to verify the returned Data.

6.7 We provide secure Data transmission paths between each of your workstations and our servers.

6.8 Tyler data centers are accessible only by authorized personnel with a unique key entry. All other visitors to Tyler data centers must be signed in and accompanied by authorized personnel. Entry attempts to the data center are regularly audited by internal staff and external auditors to ensure no unauthorized access.

6.9 Where applicable with respect to our applications that take or process card payment data, we are responsible for the security of cardholder data that we possess, including functions relating to storing, processing, and transmitting of the cardholder data and affirm that, as of the Effective Date, we comply with applicable requirements to be considered PCI DSS compliant and have performed the necessary steps to validate compliance with the PCI DSS. We agree to supply the current status of our PCI DSS compliance program in the form of an official Attestation of Compliance, which can be found at https://www.tylertech.com/about-us/compliance, and in the event of any change in our status, will comply with applicable notice requirements.

SECTION C – PROFESSIONAL SERVICES

1. Professional Services. We will provide you the various implementation-related services itemized in the Investment Summary and described in our industry standard implementation plan. We will finalize that documentation with you upon execution of this Agreement/the Statement of Work. You will receive those services according to our industry standard implementation plan, which outlines roles and responsibilities in calendar and project documentation.

2. Professional Services Fees. You agree to pay us the professional services fees in the amounts set forth in the Investment Summary. Those amounts are payable in accordance with our Invoicing and Payment Policy.

3. Additional Services. The Investment Summary contains, and the Statement of Work describes, the scope of services and related costs (including programming and/or interface estimates) required for the project based on our understanding of the specifications you supplied and our assumption that each party timely meets its obligations pursuant to the project schedule as mutually developed and managed by the parties pursuant to the Statement of Work. If additional work is required, or if you use or request additional services, we will provide you with an addendum or change order, as applicable, outlining the costs for the additional work. The price quotes in the addendum or change order will be valid for thirty (30) days from the date of the quote.

4. Cancellation. If travel is required, we will make all reasonable efforts to schedule travel for our personnel, including arranging travel reservations, at least two (2) weeks in advance of commitments. Therefore, if you cancel services less than two (2) weeks in advance (other than for Force Majeure or breach by us), you will be liable for all (a) non-refundable expenses incurred by us on your behalf, and (b) daily fees associated with cancelled professional services if we are unable to reassign our personnel. We will make all reasonable efforts to reassign personnel in the event you cancel within two (2) weeks of scheduled commitments.

5. Services Warranty. We will perform the services in a professional, workmanlike manner, consistent with industry standards. In the event we provide services that do not conform to this warranty, we will re-perform such services at no additional cost to you.

6. Site Access and Requirements. At no cost to us, you agree to provide us with full and free access to your personnel, facilities, and equipment as may be reasonably necessary for us to provide implementation services, subject to any reasonable security protocols or other written policies provided to us as of the Effective Date, and thereafter as mutually agreed to by you and us.

7. Background Checks. For at least the past twelve (12) years, all of our employees have undergone criminal background checks prior to hire. All employees sign our confidentiality agreement and security policies.

8. Client Assistance. You acknowledge that the implementation of the Tyler Software is a cooperative process requiring the time and resources of your personnel. You agree to use all reasonable efforts to cooperate with and assist us as may be reasonably required to meet the agreed upon project deadlines and other milestones for implementation. This cooperation includes at least working with us to schedule the implementation-related services outlined in this Agreement. We will not be liable for failure to meet any deadlines and milestones when such failure is due to Force Majeure or

to the failure by your personnel to provide such cooperation and assistance (either through action or omission).

9. Maintenance and Support. For so long as you timely pay your SaaS Fees according to the Invoicing and Payment Policy, then in addition to the terms set forth in the SLA and the Support Call Process, we will:

   9.1 perform our maintenance and support obligations in a professional, good, and workmanlike manner, consistent with industry standards, to resolve Defects in the Tyler Software (subject to any applicable release life cycle policy);

   9.2 provide support during our established support hours;

   9.3 maintain personnel that are sufficiently trained to be familiar with the Tyler Software and Third Party Software, if any, in order to provide maintenance and support services;

   9.4 make available to you all releases to the Tyler Software (including updates and enhancements) that we make generally available without additional charge to customers who have a maintenance and support agreement in effect; and

   9.5 provide non-Defect resolution support of prior releases of the Tyler Software in accordance with any applicable release life cycle policy.

We will use all reasonable efforts to perform support services remotely. Currently, we use a third-party secure unattended connectivity tool called Bomgar, as well as GotoAssist by Citrix. Therefore, you agree to maintain a high-speed internet connection capable of connecting us to your PCs and server(s). You agree to provide us with a login account and local administrative privileges as we may reasonably require to perform remote services. We will, at our option, use the secure connection to assist with proper diagnosis and resolution, subject to any reasonably applicable security protocols. If we cannot resolve a support issue remotely, we may be required to provide onsite services. In such event, we will be responsible for our travel expenses, unless it is determined that the reason onsite support was required was a reason outside our control. Either way, you agree to provide us with full and free access to the Tyler Software, working space, adequate facilities within a reasonable distance from the equipment, and use of machines, attachments, features, or other equipment reasonably necessary for us to provide the maintenance and support services, all at no charge to us. We strongly recommend that you also maintain your VPN for backup connectivity purposes.

For the avoidance of doubt, SaaS Fees do not include the following services: (a) onsite support (unless Tyler cannot remotely correct a Defect in the Tyler Software, as set forth above); (b) application design; (c) other consulting services; or (d) support outside our normal business hours as listed in our then-current Support Call Process. Requested services such as those outlined in this section will be billed to you on a time and materials basis at our then current rates. You must request those services with at least one (1) weeks' advance notice.

SECTION D – THIRD PARTY PRODUCTS

1. Third Party Hardware. We will sell, deliver, and install onsite the Third Party Hardware, if you have purchased any, for the price set forth in the Investment Summary. Those amounts are payable in

accordance with our Invoicing and Payment Policy.

2. Third Party Software. As part of the SaaS Services, you will receive access to the Third Party Software and related documentation for internal business purposes only. Your rights to the Third Party Software will be governed by the Third Party Terms.

3. Third Party Products Warranties.

    3.1 We are authorized by each Developer to grant access to the Third Party Software.

    3.2 The Third Party Hardware will be new and unused, and upon payment in full, you will receive free and clear title to the Third Party Hardware.

    3.3 You acknowledge that we are not the manufacturer of the Third Party Products. We do not warrant or guarantee the performance of the Third Party Products. However, we grant and pass through to you any warranty that we may receive from the Developer or supplier of the Third Party Products.

4. Third Party Services. If you have purchased Third Party Services, those services will be provided independent of Tyler by such third-party at the rates set forth in the Investment Summary and in accordance with our Invoicing and Payment Policy.

SECTION E - INVOICING AND PAYMENT; INVOICE DISPUTES

1. Invoicing and Payment. We will invoice you the SaaS Fees and fees for other professional services in the Investment Summary per our Invoicing and Payment Policy, subject to Section E(2).

2. Invoice Disputes. If you believe any delivered software or service does not conform to the warranties in this Agreement, you will provide us with written notice within thirty (30) days of your receipt of the applicable invoice. The written notice must contain reasonable detail of the issues you contend are in dispute so that we can confirm the issue and respond to your notice with either a justification of the invoice, an adjustment to the invoice, or a proposal addressing the issues presented in your notice. We will work with you as may be necessary to develop an action plan that outlines reasonable steps to be taken by each of us to resolve any issues presented in your notice. You may withhold payment of the amount(s) actually in dispute, and only those amounts, until we complete the action items outlined in the plan. If we are unable to complete the action items outlined in the action plan because of your failure to complete the items agreed to be done by you, then you will remit full payment of the invoice. We reserve the right to suspend delivery of all SaaS Services, including maintenance and support services, if you fail to pay an invoice not disputed as described above within fifteen (15) days of notice of our intent to do so.

SECTION F – TERM AND TERMINATION

1. Term. The initial term of this Agreement is equal to the number of years indicated for SaaS Services in Exhibit A, commencing on the first day of the first month following the Project Initiation Date, unless earlier terminated as set forth below. If no duration is indicated in Exhibit A, the initial terms is one (1) year. Upon expiration of the initial term, this Agreement will renew automatically for additional one (1) year renewal terms at our then-current SaaS Fees unless terminated in writing by

either party at least sixty (60) days prior to the end of the then-current renewal term. Your right to access or use the Tyler Software and the SaaS Services will terminate at the end of this Agreement.

2. Termination. This Agreement may be terminated as set forth below. In the event of termination, you will pay us for all undisputed fees and expenses related to the software, products, and/or services you have received, or we have incurred or delivered, prior to the effective date of termination. Disputed fees and expenses in all terminations other than your termination for cause must have been submitted as invoice disputes in accordance with Section E(2).

   2.1 Failure to Pay SaaS Fees. You acknowledge that continued access to the SaaS Services is contingent upon your timely payment of SaaS Fees. If you fail to timely pay the SaaS Fees, we may discontinue the SaaS Services and deny your access to the Tyler Software. We may also terminate this Agreement if you don't cure such failure to pay within forty-five (45) days of receiving written notice of our intent to terminate.

   2.2 For Cause. If you believe we have materially breached this Agreement, you will invoke the Dispute Resolution clause set forth in Section H(3). You may terminate this Agreement for cause in the event we do not cure, or create a mutually agreeable action plan to address, a material breach of this Agreement within the thirty (30) day window set forth in Section H(3).

   2.3 Force Majeure. Either party has the right to terminate this Agreement if a Force Majeure event suspends performance of the SaaS Services for a period of forty-five (45) days or more.

   2.4 Lack of Appropriations. If you should not appropriate or otherwise make available funds sufficient to utilize the SaaS Services, you may unilaterally terminate this Agreement upon thirty (30) days written notice to us. You will not be entitled to a refund or offset of previously paid, but unused SaaS Fees. You agree not to use termination for lack of appropriations as a substitute for termination for convenience.

SECTION G – INDEMNIFICATION, LIMITATION OF LIABILITY AND INSURANCE

1. Intellectual Property Infringement Indemnification.

   1.1 We will defend you against any third party claim(s) that the Tyler Software or Documentation infringes that third party's patent, copyright, or trademark, or misappropriates its trade secrets, and will pay the amount of any resulting adverse final judgment (or settlement to which we consent). You must notify us promptly in writing of the claim and give us sole control over its defense or settlement. You agree to provide us with reasonable assistance, cooperation, and information in defending the claim at our expense.

   1.2 Our obligations under this Section G(1) will not apply to the extent the claim or adverse final judgment is based on your use of the Tyler Software in contradiction of this Agreement, including with non-licensed third parties, or your willful infringement.

   1.3 If we receive information concerning an infringement or misappropriation claim related to the Tyler Software, we may, at our expense and without obligation to do so, either: (a) procure for you the right to continue its use; (b) modify it to make it non-infringing; or (c) replace it with a functional equivalent, in which case you will stop running the allegedly infringing Tyler Software immediately. Alternatively, we may decide to litigate the claim to judgment, in which case you may continue to use the Tyler Software consistent with the terms of this Agreement.

1.4 If an infringement or misappropriation claim is fully litigated and your use of the Tyler Software is enjoined by a court of competent jurisdiction, in addition to paying any adverse final judgment (or settlement to which we consent), we will, at our option, either: (a) procure the right to continue its use; (b) modify it to make it non-infringing; or (c) replace it with a functional equivalent. This section provides your exclusive remedy for third party copyright, patent, or trademark infringement and trade secret misappropriation claims.

2. General Indemnification.

2.1 We will indemnify and hold harmless you and your agents, officials, and employees from and against any and all third-party claims, losses, liabilities, damages, costs, and expenses (including reasonable attorney's fees and costs) for (a) personal injury or property damage to the extent caused by our negligence or willful misconduct; or (b) our violation of PCI-DSS requirements or a law applicable to our performance under this Agreement. You must notify us promptly in writing of the claim and give us sole control over its defense or settlement. You agree to provide us with reasonable assistance, cooperation, and information in defending the claim at our expense.

2.2 To the extent permitted by applicable law, you will indemnify and hold harmless us and our agents, officials, and employees from and against any and all third-party claims, losses, liabilities, damages, costs, and expenses (including reasonable attorney's fees and costs) for personal injury or property damage to the extent caused by your negligence or willful misconduct; or (b) your violation of a law applicable to your performance under this Agreement. We will notify you promptly in writing of the claim and will give you sole control over its defense or settlement. We agree to provide you with reasonable assistance, cooperation, and information in defending the claim at your expense.

3. DISCLAIMER. EXCEPT FOR THE EXPRESS WARRANTIES PROVIDED IN THIS AGREEMENT AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, WE HEREBY DISCLAIM ALL OTHER WARRANTIES AND CONDITIONS, WHETHER EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES, DUTIES, OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

4. LIMITATION OF LIABILITY. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, OUR LIABILITY FOR DAMAGES ARISING OUT OF THIS AGREEMENT, WHETHER BASED ON A THEORY OF CONTRACT OR TORT, INCLUDING NEGLIGENCE AND STRICT LIABILITY, SHALL BE LIMITED TO YOUR ACTUAL DIRECT DAMAGES, NOT TO EXCEED (A) DURING THE INITIAL TERM, AS SET FORTH IN SECTION F(1), TOTAL FEES PAID AS OF THE TIME OF THE CLAIM; OR (B) DURING ANY RENEWAL TERM, THE THEN-CURRENT ANNUAL SAAS FEES PAYABLE IN THAT RENEWAL TERM. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE PRICES SET FORTH IN THIS AGREEMENT ARE SET IN RELIANCE UPON THIS LIMITATION OF LIABILITY AND TO THE MAXIMUM EXTENT ALLOWED UNDER APPLICABLE LAW, THE EXCLUSION OF CERTAIN DAMAGES, AND EACH SHALL APPLY REGARDLESS OF THE FAILURE OF AN ESSENTIAL PURPOSE OF ANY REMEDY. THE FOREGOING LIMITATION OF LIABILITY SHALL NOT APPLY TO CLAIMS THAT ARE SUBJECT TO SECTIONS G(1) AND G(2).

5. **<u>EXCLUSION OF CERTAIN DAMAGES</u>. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL WE BE LIABLE FOR ANY SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES WHATSOEVER, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.**

6. <u>Insurance</u>. During the course of performing services under this Agreement, we agree to maintain the following levels of insurance: (a) Commercial General Liability of at least $1,000,000; (b) Automobile Liability of at least $1,000,000; (c) Professional Liability of at least $1,000,000; (d) Workers Compensation complying with applicable statutory requirements; and (e) Excess/Umbrella Liability of at least $5,000,000. We will add you as an additional insured to our Commercial General Liability and Automobile Liability policies, which will automatically add you as an additional insured to our Excess/Umbrella Liability policy as well. We will provide you with copies of certificates of insurance upon your written request.

SECTION H – GENERAL TERMS AND CONDITIONS

1. <u>Additional Products and Services</u>. You may purchase additional products and services at our then-current list price, by executing a mutually agreed addendum. The terms of this Agreement will control any such additional purchase(s), unless otherwise specifically provided in the addendum.

2. <u>Optional Items</u>. Pricing for any listed optional products and services in the Investment Summary will be valid for twelve (12) months from the Effective Date.

3. <u>Dispute Resolution</u>. You agree to provide us with written notice within thirty (30) days of becoming aware of a dispute. You agree to cooperate with us in trying to reasonably resolve all disputes, including, if requested by either party, appointing a senior representative to meet and engage in good faith negotiations with our appointed senior representative. Senior representatives will convene within thirty (30) days of the written dispute notice, unless otherwise agreed. All meetings and discussions between senior representatives will be deemed confidential settlement discussions not subject to disclosure under Federal Rule of Evidence 408 or any similar applicable state rule. If we fail to resolve the dispute, then the parties shall participate in non-binding mediation in an effort to resolve the dispute. If the dispute remains unresolved after mediation, then either of us may assert our respective rights and remedies in a court of competent jurisdiction. Nothing in this section shall prevent you or us from seeking necessary injunctive relief during the dispute resolution procedures.

4. <u>Taxes</u>. The fees in the Investment Summary do not include any taxes, including, without limitation, sales, use, or excise tax. If you are a tax-exempt entity, you agree to provide us with a tax-exempt certificate. Otherwise, we will pay all applicable taxes to the proper authorities and you will reimburse us for such taxes. If you have a valid direct-pay permit, you agree to provide us with a copy. For clarity, we are responsible for paying our income taxes, both federal and state, as applicable, arising from our performance of this Agreement.

5. <u>Nondiscrimination</u>. We will not discriminate against any person employed or applying for employment concerning the performance of our responsibilities under this Agreement. This discrimination prohibition will apply to all matters of initial employment, tenure, and terms of employment, or otherwise with respect to any matter directly or indirectly relating to employment concerning race, color, religion, national origin, age, sex, sexual orientation, ancestry, disability that

is unrelated to the individual's ability to perform the duties of a particular job or position, height, weight, marital status, or political affiliation. We will post, where appropriate, all notices related to nondiscrimination as may be required by applicable law.

6. E-Verify. We have complied, and will comply, with the E-Verify procedures administered by the U.S. Citizenship and Immigration Services Verification Division for all of our employees assigned to your project.

7. Subcontractors. We will not subcontract any services under this Agreement without your prior written consent, not to be unreasonably withheld.

8. Binding Effect; No Assignment. This Agreement shall be binding on, and shall be for the benefit of, either your or our successor(s) or permitted assign(s). Neither party may assign this Agreement without the prior written consent of the other party; provided, however, your consent is not required for an assignment by us as a result of a corporate reorganization, merger, acquisition, or purchase of substantially all of our assets.

9. Force Majeure. Except for your payment obligations, neither party will be liable for delays in performing its obligations under this Agreement to the extent that the delay is caused by Force Majeure; provided, however, that within ten (10) business days of the Force Majeure event, the party whose performance is delayed provides the other party with written notice explaining the cause and extent thereof, as well as a request for a reasonable time extension equal to the estimated duration of the Force Majeure event.

10. No Intended Third Party Beneficiaries. This Agreement is entered into solely for the benefit of you and us. No third party will be deemed a beneficiary of this Agreement, and no third party will have the right to make any claim or assert any right under this Agreement. This provision does not affect the rights of third parties under any Third Party Terms.

11. Entire Agreement; Amendment. This Agreement represents the entire agreement between you and us with respect to the subject matter hereof, and supersedes any prior agreements, understandings, and representations, whether written, oral, expressed, implied, or statutory. Purchase orders submitted by you, if any, are for your internal administrative purposes only, and the terms and conditions contained in those purchase orders will have no force or effect. This Agreement may only be modified by a written amendment signed by an authorized representative of each party.

12. Severability. If any term or provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement will be considered valid and enforceable to the fullest extent permitted by law.

13. No Waiver. In the event that the terms and conditions of this Agreement are not strictly enforced by either party, such non-enforcement will not act as or be deemed to act as a waiver or modification of this Agreement, nor will such non-enforcement prevent such party from enforcing each and every term of this Agreement thereafter.

14. Independent Contractor. We are an independent contractor for all purposes under this Agreement.

15. Notices. All notices or communications required or permitted as a part of this Agreement, such as

notice of an alleged material breach for a termination for cause or a dispute that must be submitted to dispute resolution, must be in writing and will be deemed delivered upon the earlier of the following: (a) actual receipt by the receiving party; (b) upon receipt by sender of a certified mail, return receipt signed by an employee or agent of the receiving party; (c) upon receipt by sender of proof of email delivery; or (d) if not actually received, five (5) days after deposit with the United States Postal Service authorized mail center with proper postage (certified mail, return receipt requested) affixed and addressed to the other party at the address set forth on the signature page hereto or such other address as the party may have designated by proper notice. The consequences for the failure to receive a notice due to improper notification by the intended receiving party of a change in address will be borne by the intended receiving party.

16. Client Lists. You agree that we may identify you by name in client lists, marketing presentations, and promotional materials.

17. Confidentiality. Both parties recognize that their respective employees and agents, in the course of performance of this Agreement, may be exposed to confidential information and that disclosure of such information could violate rights to private individuals and entities, including the parties. Confidential information is nonpublic information that a reasonable person would believe to be confidential and includes, without limitation, personal identifying information (*e.g.*, social security numbers) and trade secrets, each as defined by applicable state law. Each party agrees that it will not disclose any confidential information of the other party and further agrees to take all reasonable and appropriate action to prevent such disclosure by its employees or agents. The confidentiality covenants contained herein will survive the termination or cancellation of this Agreement. This obligation of confidentiality will not apply to information that:

    (a) is in the public domain, either at the time of disclosure or afterwards, except by breach of this Agreement by a party or its employees or agents;
    (b) a party can establish by reasonable proof was in that party's possession at the time of initial disclosure;
    (c) a party receives from a third party who has a right to disclose it to the receiving party; or
    (d) is the subject of a legitimate disclosure request under the open records laws or similar applicable public disclosure laws governing this Agreement; provided, however, that in the event you receive an open records or other similar applicable request, you will give us prompt notice and otherwise perform the functions required by applicable law.

18. Business License. In the event a local business license is required for us to perform services hereunder, you will promptly notify us and provide us with the necessary paperwork and/or contact information so that we may timely obtain such license.

19. Governing Law. This Agreement will be governed by and construed in accordance with the laws of your state of domicile, without regard to its rules on conflicts of law.

20. Multiple Originals and Authorized Signatures. This Agreement may be executed in multiple originals, any of which will be independently treated as an original document. Any electronic, faxed, scanned, photocopied, or similarly reproduced signature on this Agreement or any amendment hereto will be deemed an original signature and will be fully enforceable as if an original signature. Each party represents to the other that the signatory set forth below is duly authorized to bind that party to this Agreement.

22. Cooperative Procurement. To the maximum extent permitted by applicable law, we agree that this Agreement may be used as a cooperative procurement vehicle by eligible jurisdictions. We reserve the right to negotiate and customize the terms and conditions set forth herein, including but not limited to pricing, to the scope and circumstances of that cooperative procurement.

23. Contract Documents. This Agreement includes the following exhibits:

Exhibit A	Investment Summary
Exhibit B	Invoicing and Payment Policy
	Schedule 1: Business Travel Policy
Exhibit C	Service Level Agreement
	Schedule 1: Support Call Process
Exhibit D	Statement of Work
Exhibit E	Third Party Terms

IN WITNESS WHEREOF, a duly authorized representative of each party has executed this Agreement as of the date(s) set forth below.

Tyler Technologies, Inc.	[INSERT CLIENT NAME]
By:_______________________________	By:_______________________________
Name:_____________________________	Name:_____________________________
Title:______________________________	Title:______________________________
Date:______________________________	Date:______________________________

Address for Notices:
Tyler Technologies, Inc.
One Tyler Drive
Yarmouth, ME 04096
Attention: Chief Legal Officer

Address for Notices:
INSERT CLIENT NAME
INSERT
INSERT
Attention: ___________________________

Exhibit A
Investment Summary

The following Investment Summary details the software and services to be delivered by us to you under the Agreement. This Investment Summary is effective as of the Effective Date. Capitalized terms not otherwise defined will have the meaning assigned to such terms in the Agreement.

Exhibit B
Invoicing and Payment Policy

We will provide you with the software and services set forth in the Investment Summary of the Agreement. Capitalized terms not otherwise defined will have the meaning assigned to such terms in the Agreement.

Invoicing: We will invoice you for the applicable software and services in the Investment Summary as set forth below. Your rights to dispute any invoice are set forth in the Agreement.

1. SaaS Fees. SaaS Fees are invoiced on an annual basis, beginning on the commencement of the initial term as set forth in Section F (1) of this Agreement. Your annual SaaS fees for the initial term are set forth in the Investment Summary. Upon expiration of the initial term, your annual SaaS fees will be at our then-current rates.

2. Other Tyler Software and Services.

   2.1 VPN Device: The fee for the VPN device is included in the SaaS Fees and will be invoiced as set forth above in Section 1.

   2.2 *Implementation and Other Professional Services (including training)*: Implementation and other professional services (including training) are billed and invoiced as delivered based on a percentage of completion each month, at the rates set forth in the Investment Summary.

   If SaaS Fees include implementation and other professional services: Change to "Implementation and conversion services are quoted as part of your SaaS Fees, and will be invoiced as set forth above."

   NTE with Statement of Work: Change to "Implementation and other professional services (including training) are billed and invoiced as delivered. Professional services fees for the services within the scope defined in the Investment Summary and further defined in the Statement of Work will not exceed a maximum as provided in Exhibit A. Additional Services will only be provided in accordance with Section C(3) of the Agreement."

   NTE without Statement of Work: Change to "Implementation and other professional services (including training) are billed and invoiced as delivered. Professional services fees for the services within the scope defined in the Investment Summary and further defined in the Implementation Plan will not exceed a maximum as provided in Exhibit A. Additional Services will only be provided in accordance with Section C(3) of the Agreement.

3. Third Party Products.

3.1 *Third Party Software License Fees*: License fees for Third Party Software, if any, are invoiced when we make it available to you for downloading.

3.2 *Third Party Software Maintenance*: The first year maintenance for the Third Party Software is included in the cost of the Third Party Software License Fees. Future year's Third Party Software Maintenance fees will be invoiced annually in advance on each anniversary of the Project Initiation Date.

3.3 *Third Party Hardware*: Third Party Hardware costs, if any, are invoiced upon delivery.

3.4 *Third Party Services*: Fees for Third Party Services, if any, are invoiced as delivered, along with applicable expenses, at the rates set forth in the Investment Summary.

4. Expenses*.* The service rates in the Investment Summary do not include travel expenses. Expenses for Tyler delivered services will be billed as incurred and only in accordance with our then-current Business Travel Policy, plus a 10% travel agency processing fee. Our current Business Travel Policy is attached to this Exhibit B at Schedule 1. Copies of receipts will be provided upon request; we reserve the right to charge you an administrative fee depending on the extent of your requests. Receipts for miscellaneous items less than twenty-five dollars and mileage logs are not available.

5. Credit for Prepaid Maintenance and Support Fees for Tyler Software. Client will receive a credit for the maintenance and support fees prepaid for the Tyler Software for the time period commencing on the first day of the SaaS Term.

Payment. Payment for undisputed invoices is due within forty-five (45) days of the invoice date. We prefer to receive payments electronically. Our electronic payment information is available by contacting AR@tylertech.com.

Exhibit B
Schedule 1
Business Travel Policy

1. Air Travel

A. Reservations & Tickets

The Travel Management Company (TMC) used by Tyler will provide an employee with a direct flight within two hours before or after the requested departure time, assuming that flight does not add more than three hours to the employee's total trip duration and the fare is within $100 (each way) of the lowest logical fare. If a net savings of $200 or more (each way) is possible through a connecting flight that is within two hours before or after the requested departure time and that does not add more than three hours to the employee's total trip duration, the connecting flight should be accepted.

Employees are encouraged to make advanced reservations to take full advantage of discount opportunities. Employees should use all reasonable efforts to make travel arrangements at least two (2) weeks in advance of commitments. A seven (7) day advance booking requirement is mandatory. When booking less than seven (7) days in advance, management approval will be required.

Except in the case of international travel where a segment of continuous air travel is six (6) or more consecutive hours in length, only economy or coach class seating is reimbursable. Employees shall not be reimbursed for "Basic Economy Fares" because these fares are non-refundable and have many restrictions that outweigh the cost-savings.

B. Baggage Fees

Reimbursement of personal baggage charges are based on trip duration as follows:

- Up to five (5) days = one (1) checked bag
- Six (6) or more days = two (2) checked bags

Baggage fees for sports equipment are not reimbursable.

2. Ground Transportation

A. Private Automobile

Mileage Allowance – Business use of an employee's private automobile will be reimbursed at the current IRS allowable rate, plus out of pocket costs for tolls and parking. Mileage will be calculated by using the employee's office as the starting and ending point, in compliance with IRS regulations. Employees who have been designated a home office should calculate miles from their home.

B. Rental Car

Employees are authorized to rent cars only in conjunction with air travel when cost, convenience, and the specific situation reasonably require their use. When renting a car for Tyler business, employees should select a “mid-size” or “intermediate” car. “Full” size cars may be rented when three or more employees are traveling together. Tyler carries leased vehicle coverage for business car rentals; except for employees traveling to Alaska and internationally (excluding Canada), additional insurance on the rental agreement should be declined.

C. Public Transportation

Taxi or airport limousine services may be considered when traveling in and around cities or to and from airports when less expensive means of transportation are unavailable or impractical. The actual fare plus a reasonable tip (15-18%) are reimbursable. In the case of a free hotel shuttle to the airport, tips are included in the per diem rates and will not be reimbursed separately.

D. Parking & Tolls

When parking at the airport, employees must use longer term parking areas that are measured in days as opposed to hours. Park and fly options located near some airports may also be used. For extended trips that would result in excessive parking charges, public transportation to/from the airport should be considered. Tolls will be reimbursed when receipts are presented.

3. Lodging

Tyler’s TMC will select hotel chains that are well established, reasonable in price, and conveniently located in relation to the traveler's work assignment. Typical hotel chains include Courtyard, Fairfield Inn, Hampton Inn, and Holiday Inn Express. If the employee has a discount rate with a local hotel, the hotel reservation should note that discount and the employee should confirm the lower rate with the hotel upon arrival. Employee memberships in travel clubs such as AAA should be noted in their travel profiles so that the employee can take advantage of any lower club rates.

“No shows” or cancellation fees are not reimbursable if the employee does not comply with the hotel’s cancellation policy.

Tips for maids and other hotel staff are included in the per diem rate and are not reimbursed separately.

Employees are not authorized to reserve non-traditional short-term lodging, such as Airbnb, VRBO, and HomeAway. Employees who elect to make such reservations shall not be reimbursed.

4. Meals and Incidental Expenses

Employee meals and incidental expenses while on travel status within the continental U.S. are in accordance with the federal per diem rates published by the General Services Administration. Incidental expenses include tips to maids, hotel staff, and shuttle drivers and other minor travel expenses. Per diem rates are available at www.gsa.gov/perdiem.

Per diem for Alaska, Hawaii, U.S. protectorates and international destinations are provided separately by the Department of State and will be determined as required.

A. Overnight Travel

For each full day of travel, all three meals are reimbursable. Per diems on the first and last day of a trip are governed as set forth below.

Departure Day

Depart before 12:00 noon	Lunch and dinner
Depart after 12:00 noon	Dinner

Return Day

Return before 12:00 noon	Breakfast
Return between 12:00 noon & 7:00 p.m.	Breakfast and lunch
Return after 7:00 p.m.*	Breakfast, lunch and dinner

*7:00 p.m. is defined as direct travel time and does not include time taken to stop for dinner.

The reimbursement rates for individual meals are calculated as a percentage of the full day per diem as follows:

Breakfast	15%
Lunch	25%
Dinner	60%

B. Same Day Travel

Employees traveling at least 100 miles to a site and returning in the same day are eligible to claim lunch on an expense report. Employees on same day travel status are eligible to claim dinner in the event they return home after 7:00 p.m.*

*7:00 p.m. is defined as direct travel time and does not include time taken to stop for dinner.

5. Internet Access – Hotels and Airports

Employees who travel may need to access their e-mail at night. Many hotels provide free high speed internet access and Tyler employees are encouraged to use such hotels whenever possible. If an employee's hotel charges for internet access it is reimbursable up to $10.00 per day. Charges for internet access at airports are not reimbursable.

6. International Travel

All international flights with the exception of flights between the U.S. and Canada should be reserved through TMC using the "lowest practical coach fare" with the exception of flights that are six (6) or more consecutive hours in length. In such event, the next available seating class above coach shall be reimbursed.

When required to travel internationally for business, employees shall be reimbursed for photo fees, application fees, and execution fees when obtaining a new passport book, but fees related to passport renewals are not reimbursable. Visa application and legal fees, entry taxes and departure taxes are reimbursable.

The cost of vaccinations that are either required for travel to specific countries or suggested by the U.S. Department of Health & Human Services for travel to specific countries, is reimbursable.

Section 4, Meals & Incidental Expenses, and Section 2.b., Rental Car, shall apply to this section.

Exhibit C
SERVICE LEVEL AGREEMENT

I. Agreement Overview

This SLA operates in conjunction with, and does not supersede or replace any part of, the Agreement. It outlines the information technology service levels that we will provide to you to ensure the availability of the application services that you have requested us to provide. All other support services are documented in the Support Call Process.

II. Definitions. Except as defined below, all defined terms have the meaning set forth in the Agreement.

Actual Attainment: The percentage of time the Tyler Software is available during a calendar quarter, calculated as follows: (Service Availability – Downtime) ÷ Service Availability.

Client Error Incident: Any service unavailability resulting from your applications, content or equipment, or the acts or omissions of any of your service users or third-party providers over whom we exercise no control.

Downtime: Those minutes during Service Availability, as defined below, when all users cannot launch, login, search or save primary data in the Tyler Software. Downtime does not include those instances in which only a Defect is present.

Emergency Maintenance Window: (1) maintenance that is required to patch a critical security vulnerability; (2) maintenance that is required to prevent an imminent outage of Service Availability; or (3) maintenance that is mutually agreed upon in writing by Tyler and the Client.

Planned Downtime: Downtime that occurs during a Standard or Emergency Maintenance window.

Service Availability: The total number of minutes in a calendar quarter that the Tyler Software is capable of receiving, processing, and responding to requests, excluding Planned Downtime, Client Error Incidents, denial of service attacks and Force Majeure.

Standard Maintenance: Routine maintenance to the Tyler Software and infrastructure. Standard Maintenance is limited to five (5) hours per week.

III. Service Availability

a. Your Responsibilities

Whenever you experience Downtime, you must make a support call according to the procedures outlined in the Support Call Process. You will receive a support case number.

b. Our Responsibilities

When our support team receives a call from you that Downtime has occurred or is occurring, we will work with you to identify the cause of the Downtime (including whether it may be the result of Planned Downtime, a Client Error Incident, denial of service attack or Force Majeure). We will also work with you to resume normal operations.

c. Client Relief

Our targeted Attainment Goal is 100%. You may be entitled to credits as indicated in the Client Relief Schedule found below. Your relief credit is calculated as a percentage of the SaaS fees paid for the calendar quarter.

In order to receive relief credits, you must submit a request through one of the channels listed in our Support Call Process within fifteen days (15) of the end of the applicable quarter. We will respond to your relief request within thirty (30) day(s) of receipt.

The total credits confirmed by us will be applied to the SaaS Fee for the next billing cycle. Issuing of such credit does not relieve us of our obligations under the Agreement to correct the problem which created the service interruption.

Client Relief Schedule	
Actual Attainment	**Client Relief**
99.99% - 98.00%	Remedial action will be taken
97.99% - 95.00%	4%
Below 95.00%	5%

IV. Maintenance Notifications

We perform Standard Maintenance during limited windows that are historically known to be reliably low-traffic times. If and when maintenance is predicted to occur during periods of higher traffic, we will provide advance notice of those windows and will coordinate to the greatest extent possible with you.

Not all maintenance activities will cause application unavailability. However, if Tyler anticipates that activities during a Standard or Emergency Maintenance window may make the Tyler Software unavailable, we will provide advance notice, as reasonably practicable, that the Tyler Software will be unavailable during the maintenance window.

Exhibit C
Schedule 1
Support Call Process

TO BE INCLUDED

Exhibit D
Statement of Work

The following Statement of Work details the services to be delivered by us to you under your Agreement. This Statement of Work is effective as of the Effective Date. Capitalized terms not otherwise defined will have the meaning assigned to such terms in your Agreement.

Exhibit E
Third Party Terms

The following Third Party Terms details the Third Party software to be delivered by Tyler to the Client under the Agreement. The Third Party Terms are effective as of the Effective Date. Capitalized terms not otherwise defined will have the meaning assigned to such terms in the Agreement.

Exhibit C
Schedule 1
Support Call Process

Scope of Maintenance and Support Services

The following outlines the standard support provided by Tyler Technologies, Inc. ("Tyler") for the following software systems installed in the Tyler hosting center, for the time period specified in this Support Call Process ("Support Agreement").

The software systems listed in Exhibit A – Investment Summary running in the Tyler hosting center shall be known as the Tyler Software. Any additional support, modifications, or services needed on the Tyler Software as it is installed in the Tyler hosting center which are not expressly included in this Support Agreement, must be outlined in an additional service level agreement or will be provided at time and materials rates.

Modifications to the Tyler Software code and reports written by us for a specific jurisdiction or group of jurisdictions are considered part of the Tyler Software and, as such, the terms of this Support Agreement apply.

1. Terms and Definitions

The following is a list of common terms used in this Support Agreement:

1.1 Business Day(s)

The days and hours Tyler operates, defined as Monday through Friday (excluding holidays) between the hours of 8:00 AM and 5:00 P.M. ET. Tyler's current holiday schedules is as follows: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, Christmas Eve, Christmas Day.

1.2 Coverage Period

The start and end date for the support offered in this Support Agreement.

1.3 Maintenance or Maintain

Providing support and Updates for the Tyler Software only.

1.4 System Error

An error in the Tyler Software that is either a generated error (e.g., error screen) by the Tyler Software or lack of response (slow or stuck), or failure of a function as stated in the iasWorld user guides (also referred to as "issues" or "bugs"). Note: A Client Error Incident is not covered.

1.5 Updates

Unlimited revisions to the Tyler Software source code that fixes errors and/or includes enhancements that are made available to the Client. Updates include releases (e.g., new functionality or content) and patches (e.g., bug fixes).

1.6 VPN

The use of any secure connection on the Client system from any Tyler office.

2. Hot Line Support

During the Coverage Period, Tyler will provide phone support for the Tyler Software. This support will provide assistance (via phone or delivered documentation) in determining the root cause of System Errors and the response as outlined in item 2.3 below, subject to Section 9 of this Support Agreement. The Hot Line is also available for questions on normal operation of the Tyler Software.

2.1. Hot Line Number

800-800-2581 extension 1

2.2. Hot Line Hours

The Hot Line is available from 8:00 A.M. to 5:00 P.M.ET, Monday through Friday. Weekend or evening coverage can be arranged with a five (5) day minimum notice. This special coverage could be billed under the conditions stated in Section 13 of this Support Agreement.

2.3. Hot Line Support Considerations

Tyler shall respond to the Client's request for telephone assistance within one (1) working hour from the initial call.

Tyler shall take steps to have the System Error fixed, or an appropriate workaround, via phone or remote connection as defined in the following priority matrix:

Priority	*Definition*	*Response*	*Resolution SLA*
Critical	Software is inoperable for a significant number of Client users.	Client is contacted within 1 hour.	Within 1 business day or an agreed upon due date and time.
High	Issue affects daily processing or day-to-day functions of the Client. Issue affects a large group of Client users.	Client is contacted within 1 hour.	Within 2-5 business days or an agreed upon due date.
Medium	Issue affects a small group of users and does not affect day-to-day processing.	Client is contacted within 1 hour.	Within 4 – 10 business days, or an agreed upon due date.
Non-Critical	Issue affects 1 Client user and is non-critical to daily processing.	Client is contacted within 1 hour.	Typically 6+ business days from reported problem, or an agreed upon due date.

If the cause of the problem is related to an item in Section 12 of this Support Agreement or not an actual bug within the Tyler Software, Tyler will provide an action plan with an estimated cost to resolve the issue within a reasonable amount of time.

3. Online Support

During the Coverage Period, Tyler will provide access to Tyler's Customer Relationship Management

System in order for the Client to have twenty-four (24) hour per day, seven (7) day per week access to answers to Tyler Software questions and to log Tyler Software issues.

4. Modification and Change Procedure

Changes to the Tyler Software (not directed by local laws pursuant to Section 6 of this Support Agreement) can be requested. These changes shall be submitted in writing to Tyler and cost estimates will be provided. Once the Client agrees to the cost estimate, a separate addendum or agreement will be drafted for acceptance by the parties.

5. Updates

Tyler Software Updates will be made available during the Coverage Period.

5.1. iasWorld Updates

Tyler staff will schedule the release of new Updates into the Client's test and production environments with your staff. Tyler will distribute an estimated schedule of when Updates will be available. Tyler performs such Updates, in coordination with your staff, as agreed upon. It is important that any Updates be done in a timely manner as the Update could contain fixes for one or more System Errors. Tyler reserves the right to back-port certain bug fixes to the Client's current version of the Tyler Software or require that the Client upgrade to a newer release to obtain the required fix.

5.2. iasWorld Data Tables

The Client is responsible for updating any data stored in the Tyler Software data tables, whether such updates occur through the normal course of business from user data entry, through update from some iasWorld batch process, or through an SQL update. Updates may be performed to the iasWorld data for various reasons by Tyler as requested by the Client subject to time and materials rates.

5.3. Operating System Updates

Tyler will be maintaining the server hardware environment, including updates to the Operating System.

5.4. Oracle Updates

Tyler will be responsible for scheduling updates to the Oracle software in order that the Client is on a version supported by Oracle.

6. Legislative Changes

Tyler will provide up to eighty (80) Tyler Software programming hours per state per calendar year of this Support Agreement in order to comply with legislative changes. Programming hours encompass analysis, coding, and testing of the changes. Additional legislative changes can be performed at time and materials rates.

7. Data Ownership

The Client owns the data stored and processed on the Tyler Software. While performing support services pursuant to this Support Agreement, Tyler will be exposed to this data and will take industry standard measures to ensure the confidentiality of the data.

8. Backups and Recovery

Backups of the Client environment will occur in accordance with the Tyler hosting center's normal business process.

9. Dependent Software Licenses

The Client is responsible for acquiring and maintaining software licenses and upgrades for all third-party software products that integrate with the Tyler Software and are not included in the Tyler environment including, but not limited to, Adobe, ESRI, EDMS, Microsoft Office, etc.

10. Server Operations

Tyler will be responsible for operational support of the iasWorld application server(s) within the Tyler environment. Tasks will include performing system backups, system restarts, and troubleshooting assistance to Tyler staff.

11. Remote Access

The Client will provide Tyler with the means to electronically connect to the Client and to the iasWorld application, to enable software transfers, electronic correspondence, and remote troubleshooting. The preferred remote connection is via the Internet.

12. Out of Scope Items

The following are examples of items that are **not** included in this Support Agreement. Tyler will provide such services as requested by the Client. Time and Materials rates will apply for such services. They are:

- 12.1. Resolution of problems that arise out of the Client's misuse of the Tyler Software.
- 12.2. Creating ad hoc reports or new iasWorld reports.
- 12.3. Modification of the iasWorld code.
- 12.4. Modification of iasWorld reports.
- 12.5. Updates to iasWorld cost tables, tax rate tables, etc.
- 12.6. Onsite training.
- 12.7. Process and procedures that could otherwise be performed by a non-technical iasWorld user during the Client's business cycle.
- 12.8. Errors and problems that arise out of the Client's modification of the Tyler Software code.
- 12.9. Errors and problems related to other 3rd party vendors' software not specifically covered by this Support Agreement.

13. Additional Support

No other additional support outside this Support Agreement is given unless stated in the Software as a Service Agreement. Additional support or services (such as those listed in Section 12 of this Support Agreement) can be requested and will be billed at Tyler's then prevailing time and materials rates.

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 3/26/2021

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

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

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

INSURED	INSURER(S) AFFORDING COVERAGE	NAIC #
Tyler Technologies, Inc. 5101 Tennyson Parkway Plano TX 75024	INSURER A : Hartford Fire Insurance Company	19682
	INSURER B : Hartford Casualty Insurance Company	29424
	INSURER C : Lloyds of London Syndicates	4000 &
	INSURER D :	9667 &
	INSURER E :	1686
	INSURER F :	

COVERAGES CERTIFICATE NUMBER: 21-22 GL Auto UMB WC REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC OTHER:			08UENAY8572	4/1/2021	4/1/2022	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 1,000,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 2,000,000
							PRODUCTS - COMP/OP AGG	$ 2,000,000
								$
A	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS			08UENAY8572	4/1/2021	4/1/2022	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
B	X UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $			08XHUAZ8392	4/1/2021	4/1/2022	EACH OCCURRENCE	$ 25,000,000
							AGGREGATE	$ 25,000,000
								$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		08WBAK8AGK	4/1/2021	4/1/2022	X PER STATUTE OTH-ER	
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
C	Cyber/Privacy Prof Liab			B0621PTYLE000220	12/17/2020	12/17/2021	Primary Limit	$10,000,000
C	Cyber/Privacy Prof Liab			B0621PTYLE000320	12/17/2020	12/17/2021	Excess Limit	$10,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER	CANCELLATION
Evidence of Insurance	**SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.** AUTHORIZED REPRESENTATIVE James Hays/MCROSB Jm

COMMENTS/REMARKS

Cyber/Privacy Professional Liability
Policy #B0621PTYLE001220
Effective 12/17/2020-12/17/2021
Lloyds of London Syndicates
Excess Limit $10,000,000 (Excess of Primary Cyber Policy Limit of $10,000,000 and Excess Cyber Policy Limit of $10,000,000)

tyler technologies

5101 Tennyson Parkway, Plano, TX 75024
972.713.3700

TYLERTECH.COM

TYLER TECHNOLOGIES ANNUAL REPORT **2020**

STABILITY IN AN UNCERTAIN WORLD

ANNUAL REPORT 2020

stability in an uncertain world

tyler technologies

The public sector rose to the challenge. So did we.

2020 was perhaps the greatest test the public sector has ever known.

Almost overnight, governments had to figure out how to navigate a worldwide pandemic, safely serve constituents and students, and enable employees to work remotely.

As the world faced a global challenge, citizens relied on their government leaders for information and assistance. To help deliver answers and support, the public sector relied on the data, systems, and services provided by Tyler Technologies.

Thanks to our decades of experience providing software and services for local, state, and federal governments of every size, no one knows the public sector quite like Tyler. We are proud of the role our team and solutions played in helping our clients navigate a year no one will soon forget.

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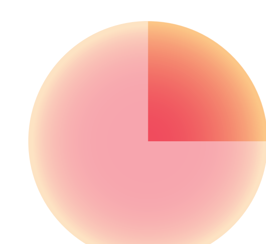
1 IN 4 SCHOOL DISTRICTS IN THE U.S. USE A TYLER SOLUTION

In 2020, Tyler helped schools navigate disruption by providing new solutions for contact tracing, seating charts, remote software implementations, bus routing plans for meal delivery, and Wi-Fi hotspots to connect school personnel with the students and the communities they serve.



25%
U.S. school districts that use a Tyler solution

A letter to our **shareholders**

For more than 20 years, Tyler has compiled a remarkable record of financial success. While that trajectory continued in 2020, it was also unlike any year we've ever experienced. As the public sector managed its COVID-19 pandemic response, we delivered the stability our clients needed to navigate an uncertain world while continuing our growth.

PRESIDENT & CEO H. LYNN MOORE, JR.

Along with the rest of the world, we experienced a significant impact on our operations from COVID-19. Our employees shifted to a 100% work-from-home model almost overnight as our offices across the country closed in the hope of reducing the spread of the virus. In-person client meetings, sales presentations, and implementations ground to a halt.

But for our clients, a disruption to operations isn't just inconvenient; it can significantly impact the health, safety, and quality of life for the citizens they serve. So we did what we do best: we rolled up our sleeves and began adapting our solutions and services to help the public sector continue to meet the needs of constituents. As a result, we proved to be as essential to our clients as they are to their citizens.

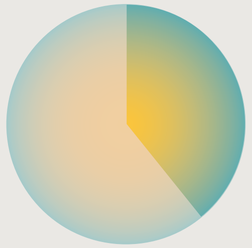
2020 **AT A GLANCE**

Thanks to the vital need for our solutions, we experienced another strong year financially despite overall economic headwinds. GAAP revenue rose 2.8% to $1.117 billion, while non-GAAP revenue increased 2.4% to $1.117 billion. GAAP net income for the year was $194.8 million, or $4.69 per diluted share, a change of 33% from 2019. Non-GAAP net income for the year was $229.3 million, or $5.52 per diluted share, up 7.8%. Most importantly, recurring revenues grew 12.6% and comprised 73% of our total revenues.

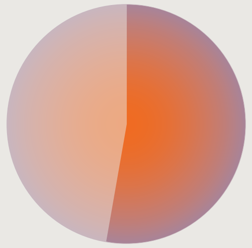
Cash provided by operations grew 39.4%to $355.1 million, while free cash flow grew 53.6%, reaching a new high of $326.6 million. We finished 2020 with a backlog of $1.59 billion, up 9.4%. Some procurement processes and contracts encountered delays in 2020 due to the pandemic, but we are happy to report there were no meaningful cancelations.

We entered 2021 with no debt, more than $750 million in cash and investments, and substantial additional liquidity available from our $400 million undrawn credit facility. While we took a pause from acquisitions in 2020, we plan to be opportunistic in pursuing strategic acquisitions during the coming years as we add leading companies and products to complement our current offerings and support our growth goals. In fact, in February 2021 we announced the signing of a definitive agreement to acquire NIC, Inc. (NASDAQ: EGOV), a Kansas-based provider of digital government solutions for state and federal governments for approximately $2.3 billion in cash. We are hopeful this acquisition will be completed in the second quarter of 2021.

We continued to invest in product development at a high level, increasing R&D expense 8.6% to $88.4 million. Our R&D investments are increasingly focused on accelerating our move to the cloud, as well as addressing our budding strategic initiatives around payments. We also hired 169 net new employees in 2020, many in R&D, while avoiding layoffs.



39.4%
Growth of cash provided by operations



53.6%
Growth of free cash flow

In June, we were surprised and pleased to learn that Tyler had been added to the prestigious S&P 500 Index, representing an incredible milestone in our growth. Tyler is the only technology company purely focused on the public sector in the S&P 500, which we see as a testament to our market leadership. Tyler's stock continued its strong performance, ending the year up 45.5%.

However, not all surprises were good ones. In September, we suffered a cybersecurity incident involving unauthorized access to our internal phone and information technology systems by an unknown third party. A thorough investigation confirmed no evidence of malicious activity in Tyler- or client-hosted systems as a result of this incident. We continue to invest in our cybersecurity infrastructure to mitigate the risk of future events as well as continuously improving the security of our products.

SIGNIFICANT **PROJECT WINS**

We had another year of strong win rates across our solution suites as clients continue to optimize their use of data and technology across functions. Thanks to our broad portfolio of solutions, many of our notable wins include existing clients adding new Tyler applications or new clients purchasing multiple Tyler solutions at once. All told, we closed 783 new deals representing every level of government and solution area.

Notable Wins Include:

- Renewing our contract with the Texas Office of Court Administration (OCA) to extend the use of Tyler's eFileTexas™ electronic filing solution through August 2027 for $98 million, the largest single contract in Tyler's history.
- Winning a $5 million contract with the city of Jacksonville, Florida, for our New World® public safety records management and Brazos eCitation™ solutions, along with our Socrata™ data and insights, Scene Collect™, and SoftCode™ solutions. As the 13th largest city in the nation, this represents our largest public safety client to date. We also expanded our relationship with the city of Jacksonville through a $5 million contract for the EnerGov™ civic services suite, the largest software-as-a-service (SaaS) agreement for EnerGov to date.
- Signing the first state-level contract for our new Tyler Supervision™ product with the state of Nevada.
- Adding the Kansas 10th Judicial District Court in Johnson County as an additional court to the statewide agreement for Tyler's Odyssey® case management and Tyler Supervision™ solutions, completing our statewide presence.

$98M
eFileTexas electronic filing contract

$5M
New World & Brazos eCitation contract signed with Jacksonville, Florida

783
New deals closed, represented by every level of government & solution area

CONTINUING OUR **CLOUD-FIRST STRATEGY**

Thanks to our SaaS solutions, many of our public sector clients achieved the business continuity they needed to serve constituents remotely while enabling employees to work from home in 2020.

While we offer solutions in ways that fit the needs of our clients – be it on-premises, in the cloud, or as a hybrid approach – we continue to see the market shift to the cloud. In 2020, subscription revenue grew 18.3% to represent 62% of all new contract value. Subscription revenue growth has now exceeded 20% for 52 of the last 60 quarters. All business units have developed roadmaps for moving their product lines to a "cloud-first" approach, with analysis and development well under way in many solution areas.

CELEBRATING OUR **EXTRAORDINARY TEAM**

More than any other highlight, the flexibility and perseverance of Tyler's 5,500 employees emerged as our most important success story of the year. Tyler's team members went above and beyond to serve clients while working from home, juggling their children's remote learning needs, taking care of family members, and living with the daily stress of a pandemic. Thanks to them, our strategic initiatives remained on schedule or, in some cases, were accelerated; our client support experienced faster-than-average response times; and go-lives were able to be achieved remotely.

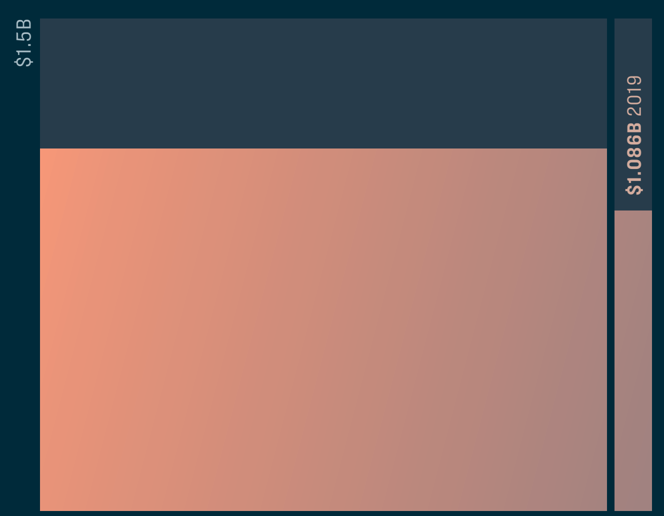
We are beginning 2021 with a renewed sense of purpose. There is exciting work ahead of us and I am proud to be part of this Tyler team and the legacy we are building together. Beyond our technology and our strategy, it's the passion and commitment of our people that makes Tyler an exceptional company. We look forward to building on our strong foundation to continue to deliver stability across the public sector.

H. Lynn Moore, Jr.
President & Chief Executive Officer
March 1, 2021

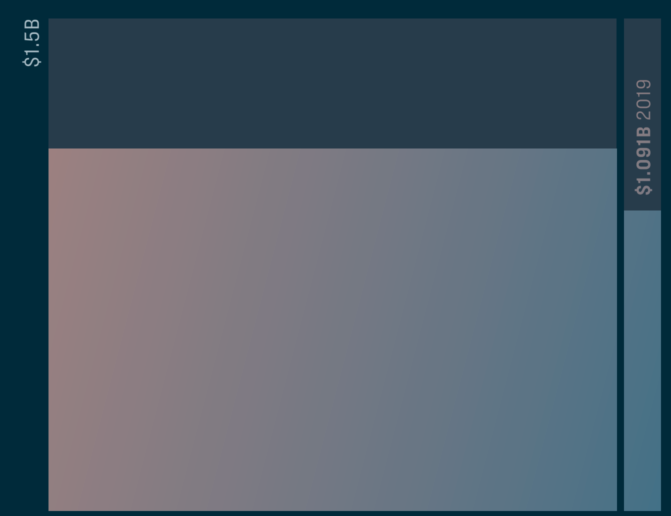
2020

FINANCIAL YEAR IN REVIEW

GAAP REVENUE
$1.117 billion

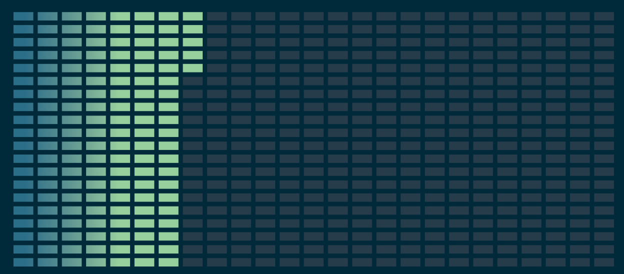


NON-GAAP REVENUE
$1.117 billion

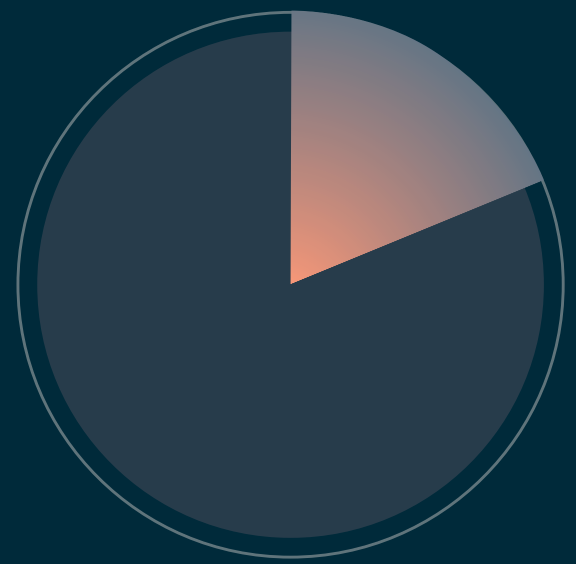


SUBSCRIPTION REVENUE
$350.6 million

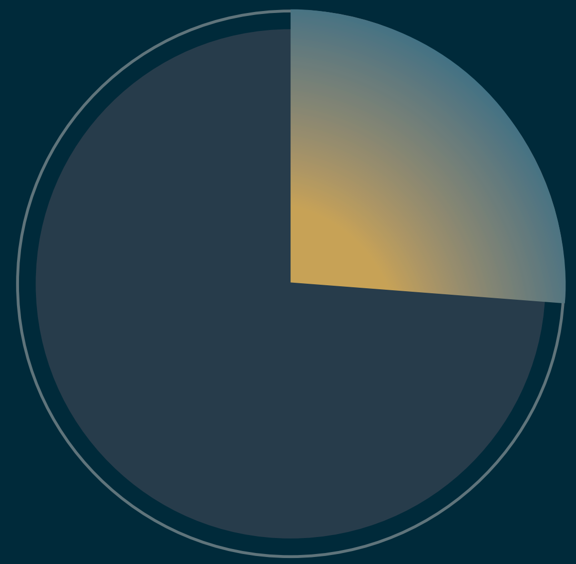
REVENUE FROM SUBSCRIPTIONS
31.4%



GAAP OPERATING MARGIN
15.5%



NON-GAAP OPERATING MARGIN
26.8%



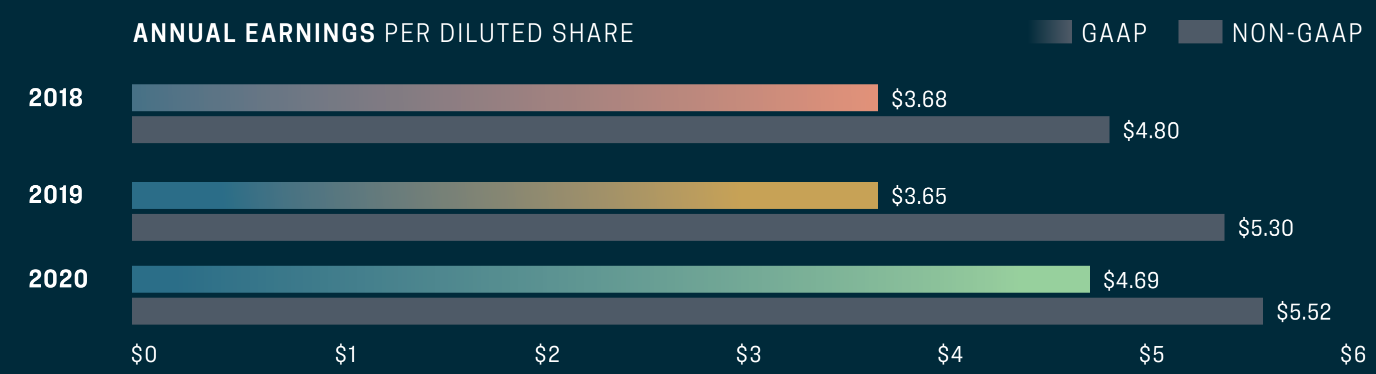
BACKLOG +9.4% FROM 2019
$1.59 billion

2020 BOOKINGS
$1.3 billion

GAAP NET INCOME
$194.8 million

NON-GAAP NET INCOME
$229.3 million

ANNUAL EARNINGS PER DILUTED SHARE



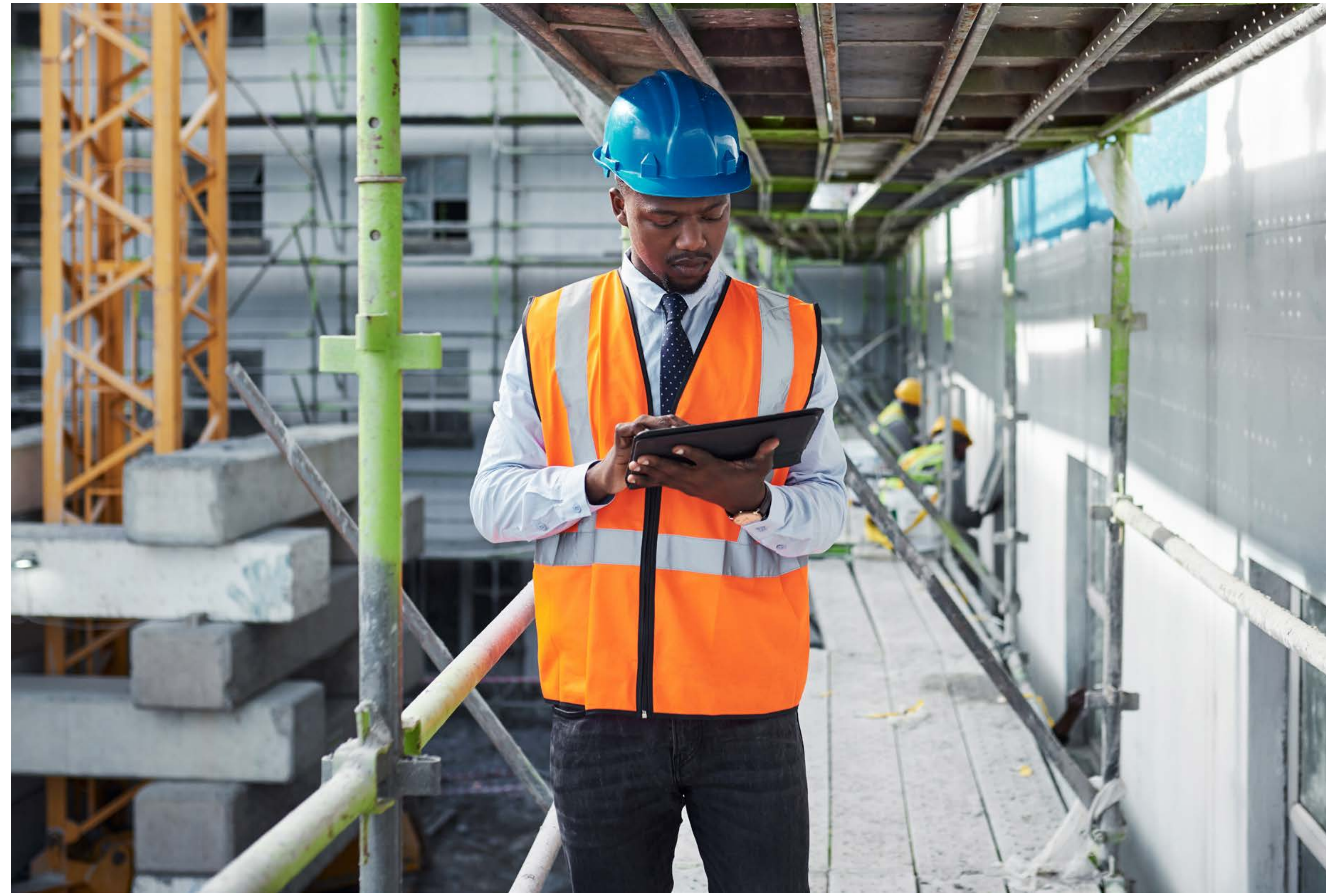
Delivering without disruption

We entered 2020 with the wind at our back. Thanks to record-setting performance in 2019, we were prepared to leverage our strong financial position, win rates, and client success to make this our best year yet.

But by mid-March, the world went into lockdown due to the COVID-19 pandemic. As the vital infrastructure that keeps society on track, the public sector had to continue to serve constituents while navigating unprecedented obstacles and uncertainty.

We quickly adapted the way we do business to meet the realities of the pandemic. Within days, we closed our offices around the country and transitioned our 5,500 employees to a 100% remote work model. While we experienced some delays in sales processes and implementations, our team continued to provide client support, deliver product training, and conduct virtual sales demos. We also adapted many applications to help clients navigate their pandemic response, such as:

- Using our **Socrata Connected Government Cloud**™ to help the U.S. Centers for Disease Control and Prevention (CDC) collect data about hospital bed and ventilator availability across 5,300 facilities to share with the public.
- **Optimizing public safety products** to alert first responders to incidents involving positive COVID-19 cases and advising of the need for personal protection equipment before arriving on scene.
- Creating new home screen buttons on the **MyCivic**™ app to help residents easily find COVID-19 information.
- Offering **Munis**® and **Open Finance**™ integrations to increase transparency into pandemic-related expenses.
- Using our **Traversa**® and **Versatrans**® transportation solutions to plan meal drop-off routes for families in need.
- Creating a new **Tyler Bus Attendance**™ app to help school districts manage contact tracing, and integrating contact tracing reports between Traversa and Tyler SIS™ for bus-to-school-to-bus reporting.



1,200
Remote go-lives in 2020

325
On-demand webinars for education and training as an alternative to the Connect user conference

19,455
Online views of user training as an alternative to our annual Connect user conference

Another example of our agility in action is the change we made to our implementation process. Before the pandemic, this process traditionally required Tyler employees to travel and be on site at the client's location. With shelter-in-place orders preventing employee travel or in-person client interactions, many of our clients feared they would need to delay their planned go-lives indefinitely. Instead, we redesigned the process to allow for remote go-lives, keeping complex projects on track while giving clients the essential technology they need. In all, we conducted nearly 1,200 remote go-lives in 2020.

Meanwhile, we canceled our annual in-person user conference Tyler Connect and shifted to an online offering called Still Connected that let us share more than 325 on-demand educational webinars and training programs. Still Connected achieved more than 19,455 visitors watching nearly 18,000 hours of content, enabling us to reach even more users than our traditional in-person conference.

SOLUTION SNAPSHOT: COURTS & JUSTICE

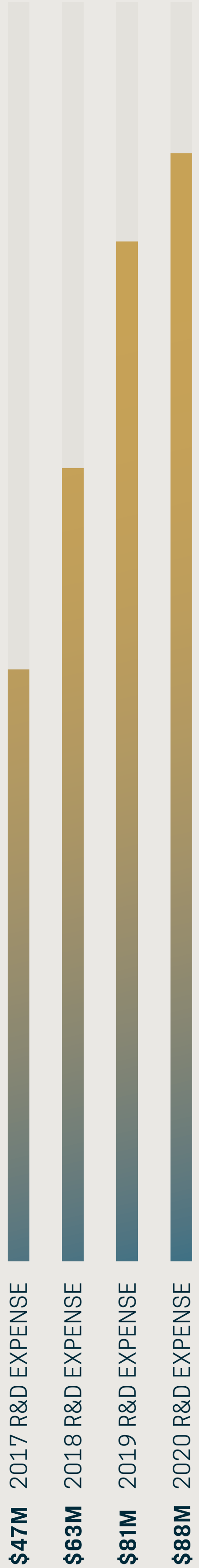
JUSTICE KNOWS **NO BOUNDARIES**

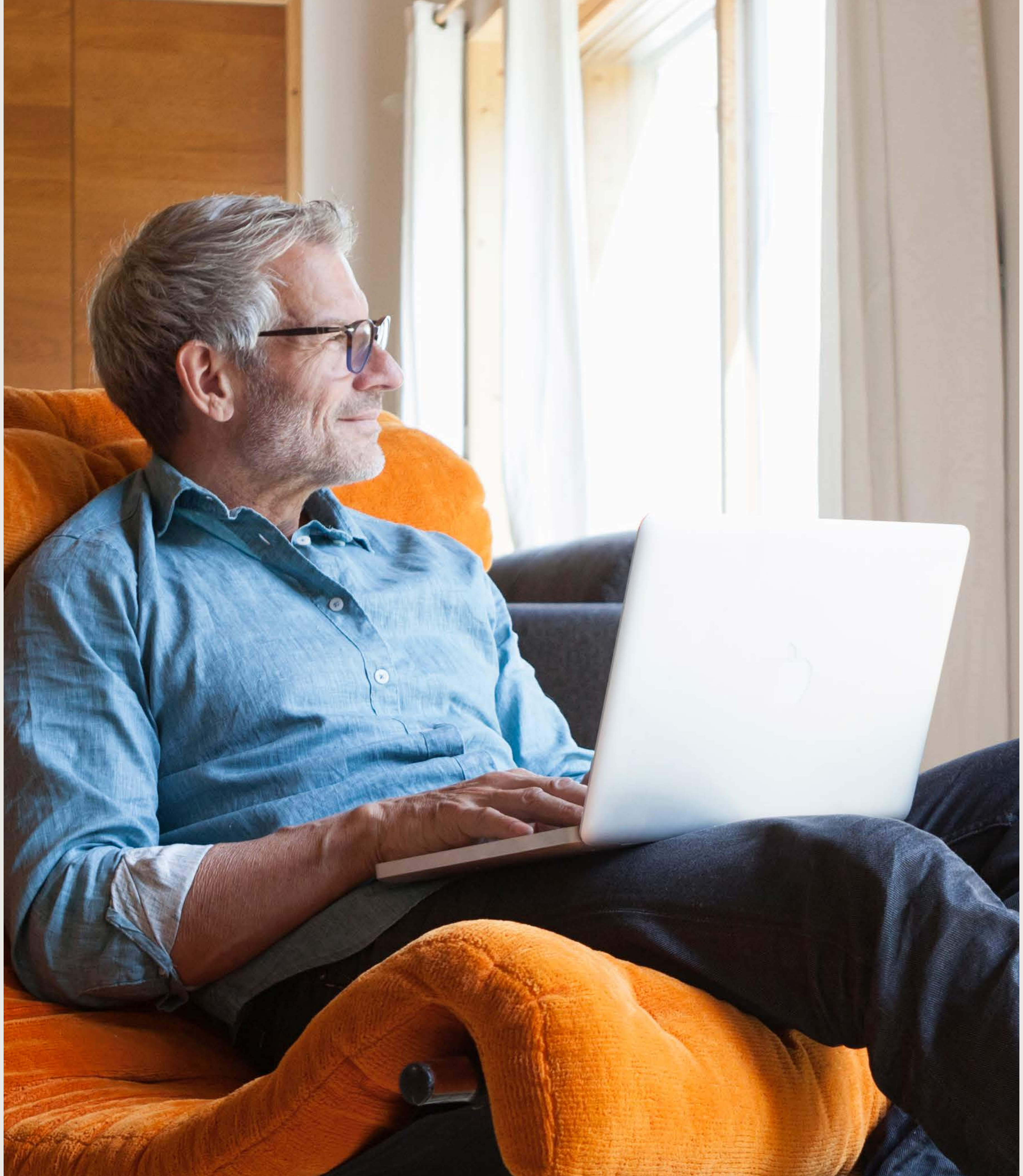
Forced to close during the pandemic, the Alvin Municipal Court in Texas was at risk of delaying citizens' court dates indefinitely. Thanks to the accelerated launch of Tyler Virtual Court™, the court could still provide essential access to court services while ensuring the health and safety of court employees and defendants.

"Tyler Virtual Court allows us to serve our citizens without interruptions, especially during this uncertain time while shelter-in-place regulations are in effect. We will also be able to better assist defendants during impending natural disasters like hurricanes and flooding," said Sonya Cates, court administrator, city of Alvin Municipal Court.

As a result of the Alvin Municipal Court implementation, Tyler Virtual Court was named the 2020 Amazon Web Services (AWS) Public Sector Partner Award winner for "Best Remote Work Solution."

> Thanks to the accelerated launch of Tyler Virtual Court™, Alvin Municipal court was able to provide citizens with access to essential court services from the safety of home.





Looking ahead to 2021

We believe the best days for Tyler are still to come. Here's why.

Our fundamentals have never been stronger. We entered 2021 with zero debt, more than $750 million in cash and investments, and substantial additional liquidity available through our $400 million undrawn credit facility.

We've survived and thrived through crises. Our decades of experience include navigating the fallout of Y2K, the dot-com crash, 9/11, and the Great Recession. Each time, Tyler emerged stronger and in an improved competitive position.

We're ready to expand. After conducting eight acquisitions since 2018, we paused acquisition activity in 2020 to focus on managing our pandemic response and to further integrate those acquisitions into our portfolio. As we move forward, we expect to pursue strategic acquisition opportunities to further improve our competitive positioning and add new solutions to our product lines.

We're investing in the future. We continued to expand our R&D initiatives throughout 2020, investing $94 million in new product innovation. We also added 40 new R&D team members to our ranks, allowing us to accelerate strategic initiatives such as our cloud transition.

We're positioned to win. Our previous investments in M&A and R&D give us a competitive position that is stronger than ever, helping us significantly increase our total addressable market and secure new business.

Building solutions that **build connections**

Our clients increasingly realize the value of technology to connect data sources, enable collaboration, and improve the citizen experience; over the past year, the limitations of outdated technology were laid bare. We expect the experience of 2020 to accelerate the prioritization of digital transformation initiatives in 2021 and beyond.

While many of our public sector clients face near-term budget pressure, our client base is unique in that they can't go out of business. The demand for our solutions is more pressing than ever: we estimate that well over half of the systems currently used by public sector entities are homegrown or from non-competitive vendors, with many systems decades old or no longer supported. The total annual spend on application and vertical-specific software and IT by state and local government and education is more than $108 billion. With $1.117 billion in revenues in 2020, we've only scratched the surface of how far we can go.

Our success is not dependent on any single market, product or vertical. Our broad national footprint, along with our 98% client retention rate, positions us to continue to expand into new departments with existing clients. In addition, we are now perfectly positioned to win deals with Tier 1 cities and the federal government, such as the contract we signed in December with the U.S. Department of Health & Human Services to replace Healthcare.gov, the primary government website for critical, publicly-available health data.

As the largest technology solution provider singularly focused on the public sector, we are far better positioned than our competitors to take advantage of new opportunities to serve our clients and grow our business.

$108B
State and local government and education spend on application software

$1.117B
2020 record of revenues for Tyler Technologies

>50%
Outdated public sector systems

98%
Client retention rate

Our employees are our most valuable asset

We grew our workforce by 3% in 2020, adding more than 160 net new employees. Our people continue to be one of our key competitive differentiators. No other company has the depth of public sector experience that Tyler brings to every client engagement. In fact, 40% of our employees have previously worked in the public sector. We know what it's like to walk in our clients' shoes, which allows us to build and deliver solutions uniquely suited to serving the public.

To continue to attract the best and the brightest, we work hard to create winning work environments across the country. Tyler was named to several "best places to work" lists, including those in Albany, New York; Atlanta, Georgia; Dallas-Fort Worth, Texas; Detroit, Michigan; the state of Maine; and Washington, D.C., along with being named to the Forbes "Best Employers for Diversity" list.

To further strengthen our team, we added leadership roles in Talent Development, Compensation, and HRIS & Workforce Analytics. These roles expand our focus on workforce and leadership development, diversity, equity, and an inclusive team member experience to ensure we continue to compete for and develop top tech talent.

3%
Net employee growth in 2020 (with no layoffs)

40%
Tyler Technologies employees who previously worked in the public sector

TYLER CORPORATE OFFICERS & OPERATIONAL LEADERSHIP

SOLUTION SNAPSHOT: ERP SOLUTIONS

ENSURING SUCCESS FROM ANYWHERE

With 111 schools and 107,379 students, Georgia's Cobb County School District (CCSD) is the second largest school district in the state. Like other large organizations with a multitude of business and financial processes, CCSD faced a challenge when having to shift to remote work during the onset of the COVID-19 crisis. Having recently replaced siloed legacy financial systems with Tyler's Munis ERP solution, CCSD was able to keep remote staff operating efficiently using integrated applications for financial management, human capital management, content management, and asset management.

"We have a level of cohesiveness in our departments and across divisions that we did not have before," said Nancy Tolbert, director of financial systems and capital assets, Cobb County School District, Georgia. "An integrated system has provided the opportunity to evaluate and improve business processes and to better handle the challenges of a remote work environment."

> The Cobb County School District relied on their integrated Munis ERP solution to give remote staff the comprehensive access to data they needed to continue to work.

Creating new products and **new opportunities**

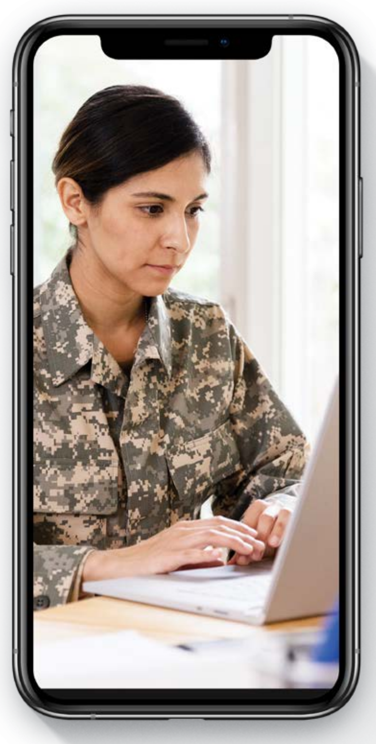
Thanks to our ongoing commitment to R&D, this year we launched a number of new products while further integrating our recent acquisitions into our portfolio. Our new product launches include:

Tyler Virtual Court: By allowing courts to handle cases remotely, this solution removes the burden of requiring defendants to physically appear in a courtroom for traffic violations. Not only does Tyler Virtual Court improve overall access and efficiency, but it is a critical solution for keeping the justice system in motion despite closed courtrooms. Originally planned to launch during Tyler Connect in April 2020, we accelerated the launch of Tyler Virtual Court in response to the pandemic and offered it without charge to clients for the first 90 days, so they could continue to hear court cases without interruption. More than 57 court systems serving over 2 million citizens adopted Tyler Virtual Court in 2020.

Electronic Warrants™: This cloud-native, mobile-friendly application allows law enforcement officers to submit warrant requests from the field while enabling judicial officers to process those requests at any time of day or night. By providing a secure and flexible means to expedite warrant processing, valuable evidence can be preserved while ensuring due process is served.

Assessment Connect™: This solution provides property assessors with real-time data and insights into the complete property valuation lifecycle, helping county, municipal, and state assessing offices create fair and equitable property valuations throughout their jurisdictions.

Executive Insights™: This dashboard enables public sector decision-makers to access all their financial data to improve forecasting and budgets. By combining metrics like revenue, payroll, cash balances, and other key data in one dashboard, leaders can make smarter, more informed decisions about allocating resources.



In addition, we also completed the integration of our 2019 acquisition of MicroPact as our new Federal Division. Thanks to the acquisition, we grew our total addressable market by $2 billion by expanding our capabilities across new solution areas like health and human services. Major Federal Division initiatives this year include:

- Providing a commercial Vocational Rehabilitation & Employment case management solution to the U.S. Department of Veterans' Affairs (VA) Veterans Benefits Agency via a consortium of four Tyler Platform Alliance Partners so vocational rehabilitation counselors can better manage cases effectively using automated business processes.
- Working with the New York State Division of Veterans Services to add capabilities to its Entellitrak®-based Veterans' Benefits solution so it could continue to serve veterans remotely during the pandemic.
- Partnering with Cerner Corporation to help state health departments more efficiently complete federally mandated Medicaid reporting using Tyler's Entellitrak platform.

SOLUTION SNAPSHOT: PUBLIC SAFETY

PROTECTING THE **PROTECTORS**

To help protect its first responders during the pandemic, the Douglas County Sheriff's Office in Colorado customized its Tyler computer-aided dispatch (CAD) solution to provide dispatchers with alerts when sending law enforcement to locations where individuals have tested positive for COVID-19. This helps the first responder prepare with personal protection equipment before arriving on the scene, which maximizes the safety of the responder and those involved in the call for service.

"We look at this as an opportunity to be safe and make a difference for the first responders who are on the front lines already," Douglas Regional Communications Manager Grace Reinis said.

> The Douglas County Sheriff's Office relied on their Tyler computer-aided dispatch (CAD) solution to prepare first responders for the unique needs of providing service during a pandemic.

Marking success with acquisition results

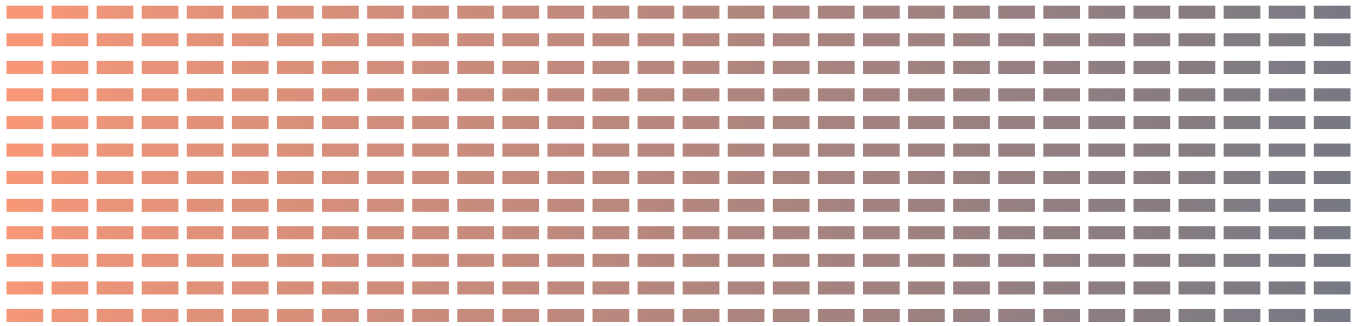
In October 2020, we celebrated the fifth anniversary of the New World Systems acquisition. Although New World was already a leader in mid-market public safety solutions, under Tyler's ownership these solutions evolved to meet the needs of the changing public safety landscape through increased investment and integration with our other justice solutions. In addition, Tyler's investment in New World products has enabled us to serve larger jurisdictions and meet the needs of some of the United States' largest jurisdictions.

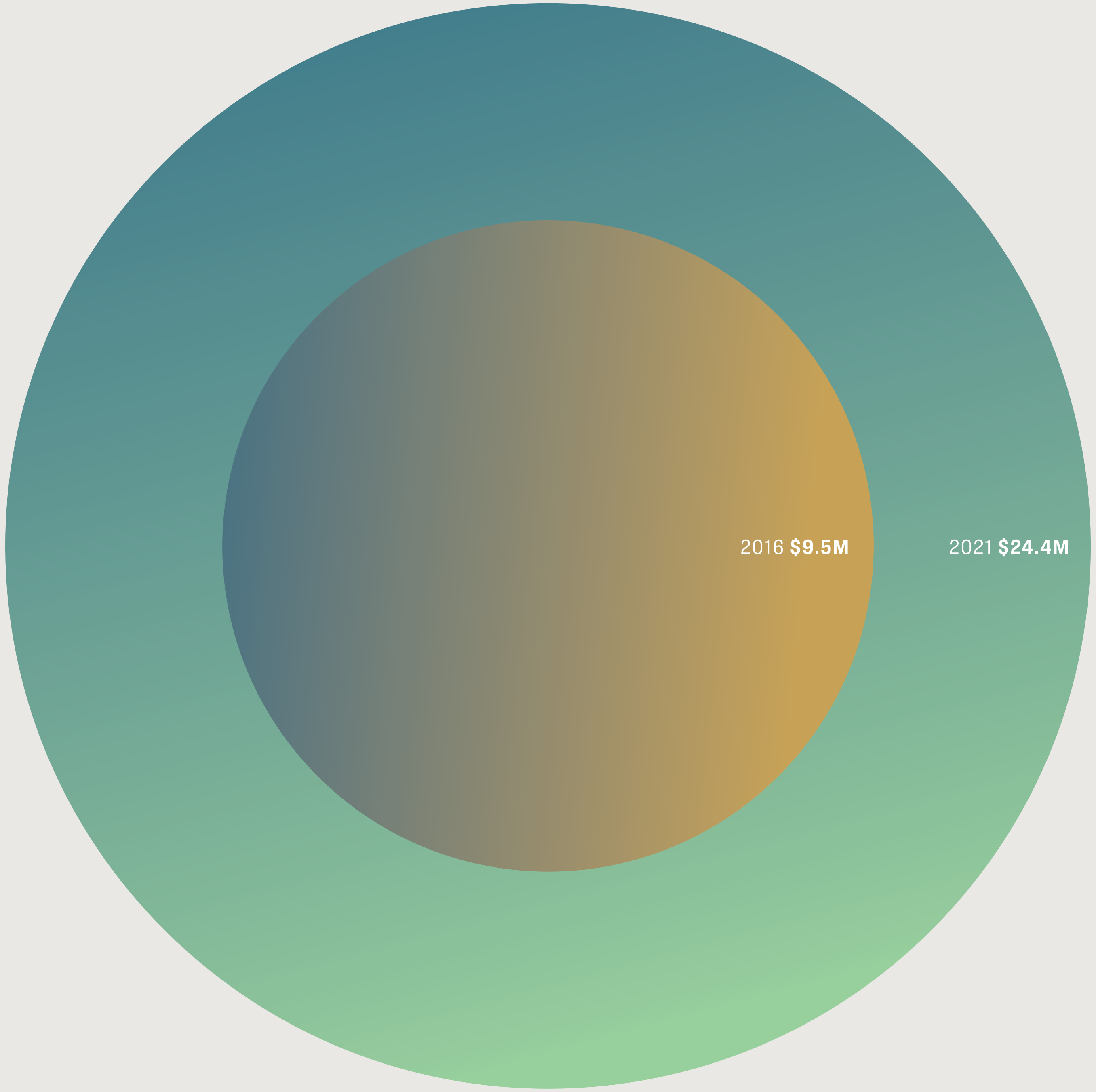
In the past five years, more than 360 clients have gone live with New World solutions, product upgrades have accelerated, and public safety win rates have improved significantly. Our investment in new public safety product research and development continues, growing from $9.5 million in 2016 to a planned $24.4 million in 2021. The public safety team has added nine products, with three additional applications currently in development.

These solutions enhance safety and awareness for first responders in the field by utilizing mobile technology that provides instant access to real-time data on smartphones, smartwatches, and tablets. With these capabilities, command staff and dispatchers also have more insight into each call for service, which helps to fulfill Tyler's commitment to helping agencies make communities safer.

The evolution of New World serves as an example of Tyler's overall approach to acquisitions. By investing in the acquired company's products and personnel and taking the time to fully integrate them into our culture and portfolio, Tyler strengthens the business and positions the product line for greater success.

360 public safety client go-lives in the past five years





Investment in new public safety research and development from Tyler's New World Systems acquisition.

SOLUTION SNAPSHOT: CIVIC SERVICES

GOING PAPERLESS IN A PANDEMIC

The city of El Cajon, California, had already moved a handful of business permits to online self-service when the pandemic struck. To keep new construction moving during the pandemic, the city worked with Tyler to move completely to paperless permitting in 30 days, a process originally expected to take a year. In the first quarter that online permitting processing was live, the city processed $386,000 in permit and plan fees online.

"Our goal is to give you options for almost every form of government so you can do it from your jammies," said Sara Diaz, the city's IT director. "We're currently evaluating every single contact that people have when they come to city hall — why they come — and seeing if we can find an online alternative. We'll never take away city hall, but we want people to have that option, and I see that continuing after the pandemic."

To ensure new construction could still take place during the pandemic, Tyler worked with the city of El Cajon to help them transition to a paperless permitting process in just 30 days.

Connecting communities through the cloud

This year, we leveraged our strategic relationship with Amazon Web Services (AWS) to accelerate value delivery, enable more connected citizenry, and improve the capabilities of our applications.

In recognition of our innovation, Tyler received the 2020 AWS Public Sector Partner Award for "Best Remote Work Solution" for our Tyler Virtual Court product. We also earned the AWS Healthcare Competency for our Entellitrak case management platform, which differentiates Tyler as an AWS Partner Network (APN) member by demonstrating our relevant technical proficiency and proven client success.

As we look to the future, the demand for cloud-based solutions from the public sector is clear. We are seeing more RFPs that specify cloud solutions, making it imperative we continue to transform from a cloud-agnostic software provider to one that is cloud-first. In addition, the more we can connect applications in the cloud, the more effectively we'll be able to execute our vision of Connected Communities to connect workflows and processes across departments, agencies, and geographic boundaries.

SOLUTION SNAPSHOT: APPRAISAL & TAX

REASSESSING HOW **TO DO BUSINESS**

Property assessments are the lifeblood for funding community services. When the pandemic threatened to cancel necessary in-person assessment hearings for Delaware County, Pennsylvania, Tyler worked with county officials to quickly pivot to an all-phone hearing schedule. In order to use cell phones and remote access to Tyler's iasWorld® assessment software to conduct property reviews, 27 virtual private networks (VPNs) had to be created and tested for remote employees, while property owners with scheduled hearings were notified via automated calls and text messages.

By the fourth week of hearings, 17 hearing officers were operating remotely, and more than 5,500 phone appointments were completed, comprising 67% of the full schedule. "The biggest challenges were scrapping a plan that took months of preparation for a new plan in under 24 hours," said John Van Zelst, Delaware County assessment manager.

> Pennsylvania's Delaware County worked with Tyler to create an all-phone property assessment hearing process so that they could conduct property reviews remotely as scheduled.

Making a positive impact **beyond our products**

Tyler's commitment to building stronger communities is not just evident in the work we do, but also in the way our team members engage with the cities where we work and live. In 2020, we published our first corporate social responsibility report to document our commitment to the environment, our communities, and our employees. We also established an Environmental, Social, and Governance (ESG) Council to ensure critical social issues are considered when making business decisions.

The Tyler Foundation, our endowment for charitable giving, continues to support local nonprofits throughout our communities. In 2020, Tyler made nearly $1.25 million in monetary and in-kind donations through employee contributions and the Tyler Foundation. Tyler employees also gave more than 3,300 hours of their time volunteering for charitable events in their communities.

In addition, we continued our close partnership with the nonprofit Both Ends Believing to provide our Children First™ software so institutions and orphanages around the world can create digital profiles of children. In doing so, social workers are able to optimize case tracking and use data to be better advocates when matching children with permanent families.

$1.25M
in monetary and in-kind donations

3,300
hours of volunteer time for charitable events

SOLUTION SNAPSHOT: DATA & INSIGHTS

REDUCING THE SPREAD OF MISINFORMATION

As the second-largest city in New York, Buffalo needed a way to quickly communicate accurate information to city hall staff and constituents as a part of its pandemic response. The city launched Tyler's Socrata® solution to create a comprehensive COVID-19 resource portal that internal staff and the public could use to access accurate physical and mental health information, assistance for small businesses, information on homeless shelters, and support for older residents.

"One of the issues faced by the city, health care providers, and emergency first responders is misinformation that has been presented as fact," said Buffalo Mayor Byron Brown. "It's critically important that people get accurate information so they can make the proper health care decisions for themselves that have an impact, not only on their health, but their family members' and their friends' health as well."

> The city of Buffalo used Tyler's Socrata® solution to provide citizens and internal staff with equal access to comprehensive COVID-19 resources.

Stability starts with **strong connections**

While it certainly wasn't the year we had planned for, this year drove home the importance of data and technology for the public sector. With community leaders, government employees, and constituents alike all stuck at home, Tyler made it possible for people to connect.

Thanks to our strong financial position, innovative products, and our incredible people, Tyler rose to the challenge of 2020 to serve the public sector in their time of urgent need. We believe our success in meeting these challenges will ultimately serve as the foundation for new opportunities in 2021 and beyond.

20

2020 FINANCIAL INFORMATION

02

Reconciliation of GAAP to NON-GAAP Financial Measures (Unaudited)

(In thousands, except per share data)	2020	2019	2018
RECONCILIATION OF NON-GAAP TOTAL REVENUES			
GAAP total revenues	$1,116,663	$1,086,427	$935,282
Non-GAAP adjustments:			
Add: Write-downs of acquisition-related deferred revenue	478	4,557	4,000
Add: Amortization of acquired leases	313	372	426
Non-GAAP total revenues	$1,117,454	$1,091,356	$939,708
RECONCILIATION OF NON-GAAP GROSS PROFIT AND MARGIN			
GAAP gross profit	$ 542,512	$ 516,900	$439,578
Non-GAAP adjustments:			
Add: Write-downs of acquisition-related deferred revenue	478	4,557	4,000
Add: Amortization of acquired leases	313	372	426
Add: Share-based compensation expense included in cost of revenues	18,125	15,002	13,588
Add: Amortization of acquired software	31,962	30,642	22,972
Non-GAAP gross profit	$ 593,390	$ 567,473	$480,564
GAAP gross margin	48.6%	47.6%	47.0%
Non-GAAP gross margin	53.1%	52.0%	51.1%
RECONCILIATION OF NON-GAAP OPERATING INCOME AND MARGIN			
GAAP operating income	$ 172,926	$ 156,367	$152,492
Non-GAAP adjustments:			
Add: Write-downs of acquisition-related deferred revenue	478	4,557	4,000
Add: Amortization of acquired leases	313	372	426
Add: Share-based compensation expense	67,365	59,967	52,740
Add: Employer portion of payroll tax related to employee stock transactions	3,294	1,745	1,412
Add: Acquisition-related costs	—	1,142	—
Add: COVID-19 incremental costs	1,537	—	—
Add: Amortization of acquired software	31,962	30,642	22,972
Add: Amortization of customer and trade name intangibles	21,662	21,445	16,217
Non-GAAP adjustments subtotal	$ 126,611	$ 119,870	$ 97,767
Non-GAAP operating income	$ 299,537	$ 276,237	$250,259
GAAP operating margin	15.5%	14.4%	16.3%
Non-GAAP operating margin	26.8%	25.3%	26.6%
RECONCILIATION OF NON-GAAP NET INCOME AND EARNINGS PER SHARE			
GAAP net income	$ 194,820	$ 146,527	$147,462
Non-GAAP adjustments:			
Add: Total non-GAAP adjustments to operating income	126,611	119,870	97,767
Less: Tax impact related to non-GAAP adjustments	(92,175)	(53,819)	(52,464)
Non-GAAP net income	$ 229,256	$ 212,578	$192,765
GAAP earnings per diluted share	$ 4.69	$ 3.65	$ 3.68
Non-GAAP earnings per diluted share	$ 5.52	$ 5.30	$ 4.80
DETAIL OF SHARE-BASED COMPENSATION EXPENSE			
Cost of software services, maintenance and subscriptions	$ 18,125	$ 15,002	$ 13,588
Selling, general and administrative expenses	49,240	44,965	39,152
Total share-based compensation expense	$ 67,365	$ 59,967	$ 52,740
RECONCILIATION OF FREE CASH FLOW			
Net cash provided by operating activities	$ 355,089	$ 254,720	$250,203
Less: additions to property and equipment	(22,690)	(37,236)	(27,424)
Less: capitalized software development costs	(5,776)	(4,804)	—
Free cash flow	$ 326,623	$ 212,680	$222,779

Stock Market Data

Our common stock is traded on the New York Stock Exchange under the symbol "TYL". At December 31, 2020, we had approximately 1,143 stockholders of record. Most of our stockholders hold their shares in street name; therefore, there are substantially more than 1,143 beneficial owners of our common stock.

		High	Low
2019	First Quarter	$217.89	$176.27
	Second Quarter	233.15	203.77
	Third Quarter	265.00	217.19
	Fourth Quarter	301.39	245.00
2020	First Quarter	$340.80	$247.22
	Second Quarter	382.92	275.38
	Third Quarter	374.98	319.58
	Fourth Quarter	466.21	346.45

We did not pay any cash dividends in 2020 or 2019. 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.

Selected Financial Data

(In thousands, except per share data)	2020	2019	2018
STATEMENT OF OPERATIONS DATA:			
Revenues	$1,116,663	$1,086,427	$ 935,282
Cost and expenses:			
Cost of revenues	574,151	569,527	495,704
Selling, general and administrative expenses	259,561	257,746	207,605
Research and development expense	88,363	81,342	63,264
Amortization of customer and trade name intangibles	21,662	21,445	16,217
Operating income	172,926	156,367	152,492
Other income, net	2,116	3,471	3,378
Income before income taxes	175,042	159,838	155,870
Income tax (benefit) provision	(19,778)	13,311	8,408
Net income	194,820	146,527	147,462
Net earnings per diluted share	$ 4.69	$ 3.65	$ 3.68
Weighted average diluted shares	41,526	40,105	40,123
STATEMENT OF CASH FLOWS DATA:			
Cash flows provided by operating activities	$ 355,089	$ 254,720	$ 250,203
Cash flows used by investing activities	(98,320)	(245,015)	(238,255)
Cash flows (used) provided by financing activities	114,172	88,698	(63,595)
BALANCE SHEET DATA:			
Total assets	$2,607,274	$2,191,614	$1,790,963
Revolving line of credit	—	—	—
Shareholders' equity	1,986,111	1,617,058	1,324,846

For the Years Ended December 31,

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

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 this Annual Report. For a comparison of our Results of Operations for the years ended December 31, 2019 and 2018 and our Cash Flow discussion for the year ended December 31, 2019, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations" of our Annual Report for the year ended December 31, 2019.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report contains forward-looking statements. The forward-looking statements are made in reliance upon safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. Readers should carefully review the risk factors described in documents we file from time to time with the Securities and Exchange Commission.

When used in this Annual Report, the words "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," "plans," "intends," "continues," "may," "will," "should," "projects," "might," "could" or other similar words or phrases are intended to identify forward-looking statements. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements.

OVERVIEW

General

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

Our products generally automate eight major functional areas: (1) financial management and education, (2) courts and justice, (3) public safety, (4) property appraisal and tax, (5) planning, regulatory and maintenance, (6) land and vital records management, (7) data and insights and (8) platform technologies. We report our results in two segments. The Enterprise Software ("ES") 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, courts and justice, public safety, planning, regulatory and maintenance, data and insights and platform technologies. The Appraisal and Tax ("A&T") segment provides systems and software that automate the appraisal and assessment of real and personal property, land and vital records management as well as property appraisal outsourcing services for local governments and taxing authorities. Property appraisal outsourcing services include: the physical inspection of commercial and residential properties; data collection and processing; computer analysis for property valuation; preparation of tax rolls; community education; and arbitration between taxpayers and the assessing jurisdiction.

As of January 1, 2020, the land and vital records management business unit, which was previously reported in the ES segment, was moved to the A&T segment to reflect changes in the way in which management makes operating decisions, allocates resources, and manages the growth and profitability of the Company. Prior year amounts for the ES and A&T segments have been adjusted to reflect the segment change. Refer to Note 14 — "Segment and Related Information" for further information.

For the twelve months ended December 31, 2020, total revenues increased 2.8% compared to the prior year. Excluding the impact of acquisitions, total revenues increased 1.4% compared to prior year. Revenues from acquisitions contributed 1.4% of growth for the twelve months ended December 31, 2020.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Subscriptions revenue grew 18.3% for the twelve months ended December 31, 2020, due to a gradual shift toward cloud-based, software as a service business, as well as continued strong growth in our transaction-based revenues from online payments and e-filing revenues from courts. Excluding the impact of recent acquisitions, subscriptions revenue increased 17.2% for the twelve months ended December 31, 2020.

Our backlog at December 31, 2020 was $1.59 billion, a 9.4% increase from last year.

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

Revenues — We derive our revenues from five primary sources: sale of software licenses and royalties; subscription-based arrangements; software services; maintenance; and appraisal services. Subscriptions and maintenance are considered recurring revenue sources and comprised approximately 73.3% of our revenue in 2020. 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. In addition, we also monitor our customer base and churn as we historically have experienced very low customer turnover. During 2020, 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, 2020, our total employee count increased to 5,536 from 5,368 at December 31, 2019.

Selling, General and Administrative ("SG&A") Expenses — The primary components of SG&A expenses are administrative and sales personnel salaries and commissions, share-based compensation expense, marketing expense, rent and professional fees. Sales commissions typically fluctuate with revenues and share-based compensation expense generally increases 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, 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.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a COVID-19 pandemic, which continues to spread throughout the U.S. and the world and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. While we are unable to accurately predict the full impact that COVID-19 will 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 current environment has negatively impacted our revenues for fiscal year 2020.

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 continue to see some impact on our business in the near term with delays in government procurement processes and uncertainty around public sector budgets, as well as delays in implementations caused by travel restrictions, closed offices, or clients shifting focus to more pressing issues. We have addressed those challenges through adapting the way we do business — encouraging web and video conferencing, conducting virtual sales demonstrations and delivering professional services remotely.

Our priorities during this crisis are protecting the health and safety of our employees and our clients. Our IT systems and applications support a remote workforce. Prior to the pandemic, many of our employees worked remotely. In response to the pandemic, we encouraged all employees who are able to do so to work from home, equipping them with resources necessary to continue uninterrupted. We were able to transition the vast majority of our employees to this work-from-home posture. This reduces the number of team members in our offices to those uniquely needed for essential on-site services, such as network operations support staff, and allows for "social distancing" as directed by the Centers for Disease Control ("CDC").

The pandemic has delayed some government procurement processes and is expected to impact our ability to complete certain implementations, negatively impacting our revenue. It could also negatively impact the timing of client payments to us. We continue to monitor these trends in order to respond to the ever-changing impact of COVID-19 on our clients and Tyler's operations.

For the twelve months ended December 31, 2020, the impact of the COVID-19 pandemic resulted in lower revenues from software licenses, software services, appraisal services, and other revenues. Lower software licenses compared to prior periods are attributed to slower sales cycles as government procurement processes are delayed and contract signings have been pushed to future periods. Software services and appraisal services revenue declines are attributed to delays in implementations caused by travel restrictions and shelter-in-place orders in effect during the period. Other revenues were lower compared to prior periods primarily as a result of the cancellation of our 2020 Connect user conference. Lower revenues compared to prior periods were offset by cost savings attributed to lower spend on travel, user conferences and trade show expenses, health claims and other employee-related expenses. If and as travel restrictions are relaxed, we expect software services and appraisal services revenues to increase as the limited number of our clients who require that all or a portion of their services be delivered onsite will be able to receive those services. Also, we are adapting by changing the way we do business, encouraging web and video conferencing, conducting virtual sales demonstrations and delivering professional services remotely, which result in increases in staff utilization rates and billable time.

Recurring revenues from subscriptions and maintenance comprised 73.3% of our total consolidated revenue for the twelve months ended December 31, 2020, and include transaction-based revenue streams such as e-filing and online payments. As of December 31, 2020, we had $758.5 million in cash and investments and no outstanding borrowings under our credit facility. We also have substantial additional liquidity available through our undrawn $400 million credit facility, which can be expanded through an accordion feature. During the second quarter of 2020, we completed our annual assessment of goodwill which did not result in an impairment charge. Since our assessment in the second quarter of 2020, we have recorded no impairment to goodwill as no triggering events or changes in circumstances occurred as of period-end. No impairments of other assets were recorded as of the balance sheet date as no triggering events or changes in circumstances indicating a potential impairment have occurred as of period-end to require such an impairment; however, due to significant uncertainty surrounding the pandemic and market conditions, management's judgment regarding this could change in the future.

Security Incident

On September 29, 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. 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 is 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 will continue to deploy supplemental remediation efforts as necessary.

As part of our immediate response to the Incident, we (1) shut down points of access to external systems and began investigating and remediating the problem; (2) engaged outside IT security and forensics experts to conduct a detailed review and help securely restore affected systems; (3) implemented targeted monitoring systems to supplement the systems we already had in place; and (4) notified law enforcement. We are have cooperated with their investigation throughout.

Management's Discussion and Analysis of Financial Condition and Results of Operations

We promptly notified our clients of the Incident and provided timely updates to our clients through direct communications and updates to our website.

Although we believe we have contained and recovered from the Incident, and that we have taken and will continue to take appropriate remediation steps, we are subject to risk and uncertainties as a result of the Incident. We believe we are in the final phases of our investigation, but there can be no assurance as to what the ongoing impact of the Incident will be, if any. The Incident caused an interruption in parts of our business. We estimate that as a result of the Incident, revenue (primarily software services) for the year ended December 31, 2020 was reduced by approximately $1.5 million; however, insurance reimbursements pertaining to lost revenue represent a contingent gain and any recovery of these revenues will be recorded when received. We incurred $4.2 million in costs associated with the Incident as of December 31, 2020. As of December 31, 2020, we have recorded $1.1 million of accrued insurance recoveries and received $2.4 million of insurance recoveries related to the Incident. The recorded costs consisted primarily of payments to third-party service providers and consultants, including legal fees, and enhancements to our cybersecurity measures. It is expected that we will continue to incur costs related to our response, remediation, and investigatory efforts relating to the Incident. We maintain cybersecurity insurance coverage in an amount that we believe is adequate.

Recent adoption of new accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses,* ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, available for-sale debt securities, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of an allowance for losses. This update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for a fiscal year beginning after December 15, 2018, including interim periods within that fiscal year. Entities apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. As of January 1, 2020, we adopted the new standard with no material impact of credit losses to our trade and other receivables, held-to-maturity debt securities and retained earnings included in our consolidated financial statements.

On January 26, 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*. The new standard eliminates Step 2 from the goodwill impairment test. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This standard is effective for public business entities in fiscal years beginning after December 15, 2019, and the standard was adopted and applied prospectively by the Company as of January 1, 2020, but it did not have a significant impact on the Company's financial statements and disclosures.

Recent Accounting Guidance not yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes,* ("ASU 2019-12") which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, *Income Taxes,* and clarifies certain aspects of the current guidance to promote consistency among reporting entities. The new standard is effective for fiscal years beginning after December 15, 2020. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We do not expect adoption of this standard to have a material effect on our consolidated financial statements.

Outlook

The local government software market continues to be active, and our backlog at December 31, 2020 reached $1.59 billion, a 9.4% increase from the prior year. We expect to continue to achieve solid growth in revenue and earnings. With our strong financial position and cash flow, we plan to continue to make significant investments in product development to better position us to continue to expand our addressable market and strengthen our competitive position in the public sector software market over the long term.

Management's Discussion and Analysis of Financial Condition and Results of Operations

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues, cost of revenues and expenses during the reporting period, and related disclosure of contingencies. The Notes to the Financial Statements included as part of this Annual Report describe our significant accounting policies used in the preparation of the financial statements. Significant items subject to such estimates and assumptions include the application of the progress toward completion methods of revenue recognition, estimated standalone selling price ("SSP") for distinct performance obligations, the carrying amount and estimated useful lives of intangible assets, determination of share-based compensation expense and valuation allowance for receivables. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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

Revenue Recognition. We earn revenue from software licenses, royalties, subscription-based services, software 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

Most of 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 software 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 software 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 software 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Subscription-based services consist of revenues derived from SaaS arrangements, which primarily utilize the Tyler private cloud, and electronic filing transactions. 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 term of the arrangement, which range from one to ten years, but are typically for a period of three to five years. For software 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.

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.

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.

We maintain allowances for losses and sales adjustments, which are provided at the time the revenue is recognized. Since most of our customers are domestic governmental entities, we rarely incur a loss resulting from credit risk associated with the inability of a customer to make required payments. Events or changes in circumstances that indicate that the carrying amount for the allowances for losses and sales adjustments may require revision include, but are not limited to, deterioration of a customer's financial condition, failure to manage our customer's expectations regarding the scope of the services to be delivered, and defects or errors in new versions or enhancements of our software products. The allowance for losses and sales adjustments reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence. Our allowance for losses and sales adjustments of $9.3 million and $5.7 million at December 31, 2020, and December 31, 2019, respectively, does not include provisions for credit losses. As of January 1, 2020, we adopted ASU 2016-13 and primarily evaluated our historical experience with credit losses related to trade and other receivables. Because we have not experienced any historical credit losses with the majority of our clients, we have no basis to record a reserve for credit losses as defined by the standard.

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

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Management's Discussion and Analysis of Financial Condition and Results of Operations

Intangible Assets and Goodwill. Our business acquisitions typically result in the creation of goodwill and other intangible asset balances, and these balances affect the amount and timing of future period amortization expense, as well as expense we could possibly incur as a result of an impairment charge. The cost of acquired companies is allocated to identifiable 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 as of April 1st, 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. 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 second quarter, as part of our annual impairment test, we performed qualitative assessments for all reporting units except for the data and insights reporting unit. As a result of these qualitative assessments, we determined that it was not more likely than not that an impairment existed; therefore, we did not perform a Step 1 quantitative impairment test. We did perform a quantitative assessment for goodwill of $75.7 million associated with our data and insights business unit and concluded no impairment existed as of our annual assessment date. For most of our reporting units, goodwill relates to a combination of legacy and acquired businesses and as a result those units have fair values that substantially exceed their underlying carrying values. For other reporting units, in particular our platform technologies and data and insights business units, goodwill entirely relates to recently acquired businesses, and as a result those units do not have significant excess fair values over carrying values. The platform technologies and data and insights business units combined goodwill was $152.0 million, or 18%, of total goodwill as of December 31, 2020. Our annual goodwill impairment analysis did not result in an impairment charge. During 2020, we have recorded no impairment to goodwill as no triggering events or changes in circumstances indicating a potential impairment have 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 2020, we did not identify any triggering events that would indicate that the carrying amount of our intangible assets may not be recoverable.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Share-Based Compensation. We have a stock incentive plan that provides for the grant of stock options, restricted stock units and performance stock units to key employees, directors and non-employee consultants. We estimate the fair value of share-based awards on the date of grant. Share-based compensation expense includes the estimated effects of forfeitures, which will be adjusted over the requisite service period to the extent actual forfeitures differ or are expected to differ from such estimates. Changes in estimated forfeitures are recognized in the period of change and will also impact the amount of expense to be recognized in future periods. Forfeiture rate assumptions are derived from historical data.

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

ANALYSIS OF RESULTS OF OPERATIONS AND OTHER

The following discussion compares the historical results of operations on a basis consistent with GAAP for the years ended December 31, 2020, 2019 and 2018.

	Percentage of Total Revenues		
Years Ended December 31,	2020	2019	2018
Revenues:			
Software licenses and royalties	6.5%	9.2%	10.0%
Subscriptions	31.4	27.3	23.6
Software services	16.7	19.6	20.5
Maintenance	41.9	39.6	41.1
Appraisal services	1.9	2.2	2.3
Hardware and other	1.6	2.1	2.5
Total revenues	100.0	100.0	100.0
Operating expenses:			
Cost of software licenses, royalties and acquired software	3.2	3.2	2.9
Cost of subscriptions, software services and maintenance	45.8	46.2	46.9
Cost of appraisal services	1.4	1.4	1.5
Cost of hardware and other	1.1	1.6	1.7
Selling, general and administrative expenses	23.2	23.7	22.2
Research and development expense	7.9	7.5	6.8
Amortization of customer and trade name intangibles	1.9	2.0	1.7
Operating income	15.5	14.4	16.3
Other income, net	0.2	0.3	0.4
Income before income taxes	15.7	14.7	16.7
Income tax (benefit) provision	(1.8)	1.2	0.9
Net income	17.5%	13.5%	15.8%

Management's Discussion and Analysis of Financial Condition and Results of Operations

2020 Compared to 2019

Revenues

On February 28, 2019, we acquired all of the capital stock of MicroPact, a leading provider of COTS solutions, including entellitrak®, a low-code application development platform for case management and business process management used extensively in the public sector. The following table details revenue for MicroPact for the periods presented as of December 31, 2020 and 2019, which is included in our consolidated statements of income from the date of acquisition:

	2020	2019
Revenues:		
Software licenses and royalties	$ 5,206	$ 8,737
Subscriptions	10,823	7,472
Software services	21,391	18,143
Maintenance	39,701	28,642
Appraisal services	—	—
Hardware and other	36	24
Total revenues	$77,157	$63,018

Software licenses and royalties.

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

			Change	
($ in thousands)	2020	2019	$	%
ES	$64,200	$ 90,808	$(26,608)	(29)%
A&T	8,964	9,397	(433)	(5)
Total software licenses and royalties revenue	$73,164	$100,205	$(27,041)	(27)%

Software licenses and royalties revenue decreased 27% compared to the prior year. The decline is primarily due to longer sales cycles attributed to our ERP, public safety, and appraisal software products as the impact of COVID-19 has slowed government procurement processes and some contract signings have been pushed to future periods. Software licenses revenue was also negatively impacted by delayed deliveries attributed to the IT security incident that occurred in late September 2020. Also contributing to the decline is the shift in the mix of new software contracts toward more subscription-based agreements compared to the prior year. Our total new client mix in 2020 was approximately 38% perpetual software license arrangements and approximately 62% subscription-based arrangements compared to total new client mix in 2019 of approximately 46% perpetual software license arrangements and approximately 54% subscription-based arrangements.

Although the mix of new contracts between subscription-based and perpetual license arrangements may vary from quarter to quarter and year to year, we expect our longer-term software license growth rate to be negatively impacted by a growing number of customers choosing our subscription-based options, rather than purchasing the software under a traditional perpetual software license arrangement. Subscription-based arrangements result in lower software license revenue in the initial year as compared to perpetual software license arrangements but generate higher overall revenue over the term of the contract.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Subscriptions.

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

($ in thousands)	2020	2019	Change $	Change %
ES	$326,284	$279,282	$47,002	17%
A&T	24,364	17,070	7,294	43
Total subscriptions revenue	$350,648	$296,352	$54,296	18%

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

Subscription-based revenue increased 18% compared to 2019. New SaaS clients as well as existing clients who converted to our SaaS model provided the majority of the subscription revenue increase. In 2020, we added 488 new SaaS clients and 157 existing clients elected to convert to our SaaS model. Also, transaction-based fees contributed $7.7 million to the increase in subscription revenue due to the increased volumes of online payments from utility billings and slightly increased e-filing services volumes in 2020.

Software services.

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

($ in thousands)	2020	2019	Change $	Change %
ES	$164,520	$179,865	$(15,345)	(9)%
A&T	21,889	33,196	(11,307)	(34)
Total software services revenue	$186,409	$213,061	$(26,652)	(13)%

Software services revenue primarily consists of professional services billed in connection with implementing our software, converting client data, training client personnel, custom development activities and consulting. New clients who purchase our proprietary software licenses or subscriptions generally also contract with us to provide for the related software services. Existing clients also periodically purchase additional training, consulting and minor programming services.

Software services revenue decreased 13% compared to the prior year period. The decline in software services is due to delays in client implementations caused by COVID-19 travel restrictions and shelter-in-place orders and a decline in billable travel revenue, as most services are now being delivered virtually rather than on-site. Software services revenue was also lower due to interruptions caused by the IT security incident that occurred in late September 2020. We estimate that as a result of the Incident, revenue (primarily software services) was reduced by approximately $1.5 million in 2020; however, insurance reimbursements pertaining to lost revenue represent a contingent gain and any recovery of these revenues will be recorded when received. Also contributing to the decline is the increase of clients selecting our cloud solutions instead of our on-premises license arrangements which typically require more professional services.

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Management's Discussion and Analysis of Financial Condition and Results of Operations

Maintenance.

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

($ in thousands)	2020	2019	Change $	Change %
ES	$429,224	$393,521	$35,703	9%
A&T	38,289	36,797	1,492	4
Total maintenance revenue	$467,513	$430,318	$37,195	9%

We provide maintenance and support services for our software products and certain third-party software. Maintenance revenue grew 9% compared to the prior year. Maintenance revenue increased mainly due to contributions of maintenance revenue from recent acquisitions and completing the recognition of the majority of acquisition-related deferred maintenance revenue that was fair valued at rates below Tyler's average maintenance rate in prior periods. The remainder of the increase is attributed to annual maintenance rate increases and growth in our installed customer base from new software license sales, partially offset by attrition and clients converting from on-premises license arrangements to SaaS.

Appraisal services.

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

($ in thousands)	2020	2019	Change $	Change %
ES	$ —	$ —	$ —	—%
A&T	21,127	23,479	(2,352)	(10)
Total appraisal services revenue	$21,127	$23,479	$(2,352)	(10)%

In 2020, appraisal services revenue decreased 10% compared to the prior year primarily due to the delays to several ongoing projects as a result of travel restrictions and shelter-in-place orders related to COVID-19. 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)	2020	2019	Change $	Change %
Software licenses and royalties	$ 3,339	$ 3,938	$ (599)	(15)%
Acquired software	31,962	30,642	1,320	4
Subscriptions, software services and maintenance	510,504	502,138	8,366	2
Appraisal services	15,945	15,337	608	4
Hardware and other	12,401	17,472	(5,071)	(29)
Total cost of revenues	$574,151	$569,527	$ 4,624	1%

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Gross margin percentage	2020	2019	Change
Software licenses, royalties and acquired software	51.8%	65.5%	(13.7)%
Subscriptions, software services and maintenance	49.2	46.6	2.6
Appraisal services	24.5	34.7	(10.2)
Hardware and other	30.3	24.1	6.2
Overall gross margin	48.6%	47.6%	1.0%

Software licenses, royalties and acquired software. Cost of software licenses, royalties and acquired software is primarily comprised of amortization expense for acquired software and third-party software costs. We do not have any direct costs associated with royalties. The gross margin decrease of 13.7% is due to lower revenue from software licenses compared to the prior period.

Subscriptions, software services and maintenance. Cost of subscriptions, software services and maintenance primarily consists of personnel costs related to installation of our software, conversion of client data, training client personnel and support activities and various other services such as custom client development and on-going operation of SaaS and e-filing arrangements. In 2020, the subscriptions, software services and maintenance gross margin increased 2.6% compared to the prior year. Margins have increased primarily due to a reduction in software services revenues from reimbursable travel that has little to no margin, as well as improved utilization of our professional services staff resulting from the shift to virtual delivery of most implementation services, offset somewhat by the reduction in software services revenues as a result of the Incident in late September 2020. Our implementation and support staff grew by 131 employees since December 31, 2019, as we increased hiring to ensure that we are well-positioned to deliver our current backlog and anticipated new business. Costs related to maintenance and various other services such as SaaS and e-filing typically grow at a slower rate than related revenue due to leverage in the utilization of support and maintenance staff and economies of scale.

Appraisal services. Appraisal services revenue comprised approximately 1.9% of total revenue. The appraisal services gross margin decreased 10.2% compared to 2019 due to lower staff utilization as a result of COVID-19 travel restrictions and shelter-in-place orders in place during the current period. The appraisal services business is somewhat cyclical and driven in part by statutory revaluation cycles in various states.

Our 2020 blended gross margin increased 1.0% compared to 2019. The slight increase in overall gross margin is attributed to a higher revenue mix for subscription revenues compared to the prior year periods resulting in an increase in incremental margin related to subscriptions, software services and maintenance. Margins have also increased due a reduction in software services revenue from reimbursable travel that has little to no margin, as well as improved utilization of our professional services staff resulting from the shift to virtual delivery of most implementation services, offset somewhat by the reduction in software services revenues as a result of the Incident in late September 2020. Costs related to maintenance and various other services such as SaaS and e-filing typically grow at a slower rate than related revenue due to leveraging utilization of support and maintenance staff and economies of scale. In addition, the cancellation of our Connect user conference scheduled for April 2020 and the related elimination of approximately $6 million of revenues with no associated margin also had a positive impact on our overall gross margin. These increases in overall gross margins are partially offset by lower margins from software licenses due to lower software license revenue as well as lower staffing utilization attributable to appraisal services.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Selling, General and Administrative Expenses

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

			Change	
($ in thousands)	2020	2019	$	%
Selling, general and administrative expenses	$259,561	$257,746	$1,815	1%

SG&A as a percentage of revenue was 23.2% in 2020 compared to 23.7% in 2019. SG&A expense increased approximately 1% compared to the prior year period. The increase in SG&A expense is attributed to increased stock compensation expense compared to the prior period. During 2020, stock compensation expense rose $4.3 million compared to 2019, primarily due to an increase in share-based awards issued in connection with our stock compensation plan coupled with the higher fair value of each share-based award due to the increase in our stock price. These increases in SG&A were offset by lower bonus and commission expense as a result of lower sales, lower travel expenses associated with sales and marketing activities, including trade shows, as a result of COVID-19 travel restrictions, and lower health claim expenses during the current period.

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:

			Change	
($ in thousands)	2020	2019	$	%
Research and development expense	$88,363	$81,342	$7,021	9%

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 increased 9% in 2020 compared to the prior year 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. To support these initiatives, our research and development staff grew by 38 since December 31, 2019.

Amortization of Customer and Trade Name Intangibles

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

			Change	
($ in thousands)	2020	2019	$	%
Amortization of customer and trade name intangibles	$21,662	$21,445	$217	1%

Amortization of customer and trade name intangibles increased due to the impact of intangibles added with several acquisitions completed in 2019.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

2021	$ 21,317
2022	20,827
2023	20,753
2024	20,201
2025	19,672
Thereafter	116,779

Amortization expense relating to acquired leases will be recorded as a reduction to hardware and other revenue and is expected to be $525,000 in 2021, $525,000 in 2022, $525,000 in 2023, $525,000 in 2024, $397,000 in 2025, and $114,000 thereafter.

Other

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

			Change	
($ in thousands)	2020	2019	$	%
Other income, net	$2,116	$3,471	$(1,355)	(39)%

Other income is comprised of interest income from invested cash net of interest expense and non-usage and other fees associated with our revolving credit agreement. The decrease in other income, net compared to the prior period is attributable to the significant decrease in interest rates on cash balances since March 2020, partially offset by higher levels of invested cash.

Income Tax Provision

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

			Change	
($ in thousands)	2020	2019	$	%
Income tax (benefit) provision	$(19,778)	$13,311	$(33,089)	(249)%
Effective income tax rate	(11.3)%	8.3%		

The decrease in the income tax provision and the effective income tax rate in 2020 compared to the prior year is primarily due to higher excess tax benefits of share-based compensation in 2020. The share-based exercise and vesting activity in 2020 generated excess tax benefits of $60.2 million, while exercise and vesting activity in 2019 generated $29.8 million of excess tax benefits. Excluding the impact of the excess tax benefits, our income tax provision and effective tax rate in 2020 would have been $40.4 million and 23.1% and in 2019, would have been $43.1 million and 27.0%, respectively.

The Coronavirus Aid, Relief and Economic Security ("CARES") Act, which was signed into law on March 27, 2020, provides an estimated $2.2 trillion to fight the COVID-19 pandemic and stimulate the U.S. economy. The assistance includes tax relief and government loans, and investments and grants for entities in affected industries (e.g., health care, airlines). The business tax provisions of the CARES Act include temporary changes to income and non-income based tax laws, including the ability to utilize net operating losses, interest expense deductions, alternative minimum tax credit refunds, charitable contributions, and depreciation of qualified improvement property. Measures not related to income-based taxes include (1) allowing an employer to pay its share of Social Security payroll taxes that would otherwise be due from the date of enactment through December 31, 2020, over the following two years and (2) allowing eligible employers subject to closure due to the COVID-19 pandemic to receive a 50% credit on qualified wages against their employment taxes each quarter, with any excess credits eligible for refunds.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The most significant provision of the CARES Act impacting our accounting for income taxes is the five-year carryback allowance for taxable net operating losses generated in tax years in which the statutory federal income tax rate is 21.0% to periods in which the statutory federal income tax rate is 35.0%. We intend to carry back our 2020 taxable loss into our 2015 tax year, which results in a $3.4 million income tax benefit in the current year.

The effective income tax rates in both 2020 and 2019 differed from the United States federal statutory corporate income tax rate of 21% primarily due to state income taxes, the research tax credit, non-deductible share-based compensation expense, disqualifying incentive stock award dispositions, and other non-deductible business expenses. The 2020 effective income tax rate also includes the tax benefit of the five-year carryback of the federal net operating loss allowed under the CARES Act.

FINANCIAL CONDITION AND LIQUIDITY

As of December 31, 2020, we had cash and cash equivalents of $603.6 million compared to $232.7 million at December 31, 2019. We also had $154.8 million invested in investment grade corporate bonds, municipal bonds and asset-backed securities as of December 31, 2020, compared to $81.6 million at December 31, 2019. These investments mature from 2021 through 2028 and we intend to hold these investments until maturity. Cash and cash equivalents consist of cash on deposit with several domestic banks and money market funds. As of December 31, 2020, we had no outstanding borrowings and one outstanding letter of credit totaling $2.0 million in favor of a client contract. We believe our revolving line of credit, cash from operating activities, cash on hand and access to the credit markets provide us with sufficient flexibility to meet our long-term financial needs.

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

($ in thousands)	2020	2019	Change
Cash flows provided (used) by:			
Operating activities	$355,089	$ 254,720	$ 250,203
Investing activities	(98,320)	(245,015)	(238,255)
Financing activities	114,172	88,698	(63,595)
Net increase (decrease) in cash and cash equivalents	$370,941	$ 98,403	$ (51,647)

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

In 2020, operating activities provided cash of $355.1 million compared to $254.7 million in 2019. Operating activities that provided cash were primarily comprised of net income of $194.8 million, non-cash depreciation and amortization charges of $81.7 million, non-cash share-based compensation expense of $67.4 million and non-cash decrease in operating lease right-of-use assets of $5.8 million. Working capital, excluding cash, decreased approximately $1.9 million due to higher accounts receivable resulting from an increase in unbilled receivables attributed to revenues recognized prior to billings, higher accounts receivable related to annual maintenance and subscription billings, timing of income tax payments, and the deferred taxes associated with stock option activity during the period. These increases were offset by the growth in deferred revenue balances and timing of payments of payroll related taxes and vendor invoices.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

Days sales outstanding in accounts receivable were 121 days at December 31, 2020, compared to 117 days at December 31, 2019. The increase in our DSO is mainly due to an increase in unbilled receivables attributed to the increase in software license 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. An increase in software services contracts accounted for using progress-to-completion method of revenue recognition in which the services are performed in one accounting period, but the billing normally occurs subsequently in another accounting period also contributed to the increase in DSO. Furthermore, our maintenance billing cycle typically peaks at its highest level in June and second highest level in December of each year and is followed by collections in the subsequent quarter. DSO is calculated based on quarter-end accounts receivable (excluding long-term receivables but including unbilled receivables) divided by the quotient of annualized quarterly revenues divided by 360 days.

Investing activities used cash of $98.3 million in 2020 compared to $245.0 million in 2019. We invested $156.6 million and received $82.7 million in proceeds from investment grade corporate bonds, municipal bonds and asset-backed securities with maturity dates ranging from 2021 through 2028. During 2020, we received $15.0 million in proceeds from the sale of the investment in convertible preferred stock representing a 20% interest in Record Holdings to BFTR, LLC, a wholly owned subsidiary of Bison Capital Partners V.L.P. During the same period, we purchased $10.0 million in common stock representing a 18% interest in BFTR, LLC. We paid $1.3 million in working capital and indemnity holdbacks in connection with the 2019 acquisition of Courthouse Technologies, Ltd. Approximately $22.7 million was invested in property and equipment, including $9.9 million related to real estate. In addition, approximately $5.8 million of software development was capitalized in 2020. The remaining additions were for computer equipment and furniture and fixtures in support of internal growth, particularly with respect to data centers supporting growth in our cloud-based offerings. These expenditures were funded from cash generated from operations.

In 2019, we invested $54.7 million and received $70.8 million in proceeds from investment grade corporate bonds, municipal bonds and asset-backed securities with maturity dates ranging from 2020 through 2023. On February 28, 2019, we acquired all of the capital stock of MicroPact. The total purchase price, net of cash acquired of $2.0 million, was approximately $202.2 million, including $198.2 million paid in cash and accrued contingent consideration of $6.0 million at December 31, 2019. On February 1, 2019, we acquired all the assets of MyCivic for the total purchase price of $3.7 million paid in cash. On October 30, 2019, we acquired certain assets of CHT. The total purchase price was approximately $20.5 million of which $19.1 million was paid in cash and approximately $1.4 million accrued for working capital and indemnity holdbacks, subject to certain post-closing adjustments. Approximately $37.2 million was invested in property and equipment, including $20.8 million related to real estate. In addition, approximately $4.8 million of software development was capitalized in 2019. The remaining additions were for computer equipment and furniture and fixtures in support of internal growth, particularly with respect to data centers supporting growth in our cloud-based offerings. These expenditures were funded from cash generated from operations.

Financing activities provided cash of $114.2 million in 2020 compared to $88.7 million in 2019. Financing activities in 2020 were primarily comprised of collections of $135.3 million from stock option exercises and employee stock purchase plan activity. We also purchased approximately 59,000 shares of our common stock for an aggregate purchase price of $15.5 million.

Financing activities provided cash of $88.7 million in 2019 compared to cash used of $63.6 million in 2018. Financing activities in 2019 were primarily comprised of collections of $106.5 million from stock option exercises and employee stock purchase plan activity. We also purchased approximately 72,000 shares of our common stock for an aggregate purchase price of $14.3 million.

In February 2019, our board of directors authorized the repurchase of an additional 1.5 million shares of Tyler common stock. The repurchase program, which was approved by our board of directors, was announced in October 2002, and was amended at various times from 2003 through 2019. As of February 19, 2021, we had remaining authorization to repurchase up to 2.5 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

On September 30, 2019, we entered into a $400.0 million credit agreement (the "Credit Facility") with the various lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent. The Credit Facility provides for an unsecured revolving credit line of up to $400.0 million, including a $25.0 million sublimit for letters of credit. The Credit Facility matures on September 30, 2024. Borrowings under the Credit Facility may be used for general corporate purposes, including working capital requirements, acquisitions and share repurchases. Borrowings under the Credit Facility bear interest at a rate of either (1) Wells Fargo Bank's prime rate (subject to certain higher rate determinations) plus a margin of 0.125% to 0.75% or (2) the 30, 60, 90 or 180 day LIBOR rate plus a margin of 1.125% to 1.75%. As of December 31, 2020, our interest rate was 3.38% under the prime rate option or approximately 1.27% under the 30-day LIBOR option. The Credit Facility is unsecured by substantially all of our assets. The Credit Facility requires us to maintain certain financial ratios and other financial conditions and prohibits us from making certain investments, advances, cash dividends or loans, and limits incurrence of additional indebtedness and liens. As of December 31, 2020, we were in compliance with those covenants.

As of December 31, 2020, we had no outstanding borrowings and had unused borrowing capacity of $400.0 million under the Credit Facility. We paid interest of $610,000 in 2020, $1,750,000 in 2019, and $770,000 in 2018.

We paid income taxes, net of refunds received, of $3.3 million in 2020, $21.3 million in 2019, and $6.8 million in 2018. In 2020, we experienced significant stock option exercise activity that generated net tax benefits of $60.2 million and reduced tax payments accordingly. In 2019 and 2018, excess tax benefits were $29.8 million and $32.5 million, respectively.

We anticipate that 2021 capital spending will be between $39 million and $40 million, including approximately $3 million related to real estate and approximately $17 million of capitalized software development. We expect the majority of the other capital spending will consist of computer equipment and software for infrastructure replacements and expansion. Capital spending is 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 year to seven years. Some of these leases include options to extend for up to 10 years.

CAPITALIZATION

At December 31, 2020, our capitalization consisted of no outstanding debt and $2.0 billion of shareholders' equity.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

As of December 31, 2020, our interest rate was 3.38% under the prime rate option or approximately 1.27% under the 30-day LIBOR option. Loans under the Credit Facility bear interest, at Tyler's option, at a per annum rate of either (1) Wells Fargo Bank's prime rate (subject to certain higher rate determinations) plus a margin of 0.125% to 0.75% or (2) the one-, two-, three-, or six-month LIBOR rate plus a margin of 1.125% to 1.75%.

As of December 31, 2020, we had no outstanding borrowings under the Credit Facility and therefore are not subject to any interest risk.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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, 2020. 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, 2020.

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, 2020. 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, 2020, Tyler's internal control over financial reporting was effective based on those criteria.

Tyler's internal control over financial reporting as of December 31, 2020 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 57 hereof.

Changes in Internal Control Over Financial Reporting—During the quarter ended December 31, 2020, there were no changes in our internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f), that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

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, 2020 and 2019, the related consolidated statements of comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 19, 2021 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 Matter

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.

Report of Independent Registered Public Accounting Firm

Estimation of hours for certain progress-to-completion (POC) arrangements

Description of the Matter

As described in Note 1 to the consolidated financial statements under "Revenue Recognition," many of the Company's software arrangements involve "off-the-shelf" software. For arrangements that involve significant production, modification or customization of the software, or where software services are otherwise not considered distinct, the Company recognizes revenue over time based on a measurement of progress-to-completion (POC). The Company measures POC primarily using labor hours incurred, believing it best depicts the pattern of transfer of control to the customer, which occurs as the Company incurs costs on its contracts. Estimates of budgeted total hours for these arrangements requires management judgment.

Auditing management's estimates of total budgeted contract hours required additional audit effort due to the existence of management judgment required to make these estimates for arrangements that are completed over an extended period. These estimates require ongoing monitoring by management and may require revision over time.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to review contract progress-to-date and total budgeted hours, inclusive of executed contract amendments and change orders.

To test the appropriateness of management's assessment of contract progress-to-date, our audit procedures included, among others, obtaining an understanding of any increase or decrease to budgeted hours via contract amendments or change orders, observing quarterly POC meetings where the Company discussed contract progress-to-date and evaluated the appropriateness of contract estimated hours to complete, reviewing signed Company attestations as to the contracts' progress toward completion, performing a sensitivity analysis to assess the appropriateness of remaining budgeted hours and trend of progress on the contracts and performing an analysis of completed contracts to compare actual hours incurred upon completion to the original budget.

Ernst & Young LLP

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

Dallas, Texas
February 19, 2021

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, 2020, 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, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 19, 2021 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.

Ernst & Young LLP

Dallas, Texas
February 19, 2021

Consolidated Statements of Comprehensive Income

For the years ended December 31,	2020	2019	2018
(In thousands, except per share amounts)			
Revenues:			
Software licenses and royalties	$ 73,164	$ 100,205	$ 93,441
Subscriptions	350,648	296,352	220,547
Software services	186,409	213,061	191,269
Maintenance	467,513	430,318	384,521
Appraisal services	21,127	23,479	21,846
Hardware and other	17,802	23,012	23,658
Total revenues	1,116,663	1,086,427	935,282
Cost of revenues:			
Software licenses and royalties	3,339	3,938	3,802
Acquired software	31,962	30,642	22,972
Subscriptions, software services and maintenance	510,504	502,138	438,923
Appraisal services	15,945	15,337	14,299
Hardware and other	12,401	17,472	15,708
Total cost of revenues	574,151	569,527	495,704
Gross profit	542,512	516,900	439,578
Selling, general and administrative expenses	259,561	257,746	207,605
Research and development expense	88,363	81,342	63,264
Amortization of customer and trade name intangibles	21,662	21,445	16,217
Operating income	172,926	156,367	152,492
Other income, net	2,116	3,471	3,378
Income before income taxes	175,042	159,838	155,870
Income tax (benefit) provision	(19,778)	13,311	8,408
Net income	$ 194,820	$ 146,527	$147,462
Earnings per common share:			
Basic	$ 4.87	$ 3.79	$ 3.84
Diluted	$ 4.69	$ 3.65	$ 3.68

See accompanying notes.

Consolidated Balance Sheets

December 31,	2020	2019
(In thousands, except par value and share amounts)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 603,623	$ 232,682
Accounts receivable (less allowance for losses and sales adjustments of $9,255 in 2020 and $5,738 in 2019)	382,319	374,089
Short-term investments	72,187	39,399
Prepaid expenses	30,864	24,717
Income tax receivable	21,598	6,482
Other current assets	2,479	2,328
Total current assets	1,113,070	679,697
Accounts receivable, long-term	21,417	22,432
Operating lease right-of-use assets	18,734	18,992
Property and equipment, net	168,004	171,861
Other assets:		
Goodwill	838,428	840,117
Other intangibles, net	331,189	378,914
Non-current investments	82,640	42,235
Other non-current assets	33,792	37,366
	$2,607,274	$2,191,614
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 14,011	$ 14,977
Accrued liabilities	83,084	75,234
Operating lease liabilities	5,904	6,387
Deferred revenue	461,278	412,495
Total current liabilities	564,277	509,093
Revolving line of credit	—	—
Deferred revenue, long-term	100	199
Deferred income taxes	40,507	48,442
Operating lease liabilities, long-term	16,279	16,822
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 2020 and 2019	481	481
Additional paid-in capital	905,332	739,478
Accumulated other comprehensive loss, net of tax	(46)	(46)
Retained earnings	1,112,156	917,336
Treasury stock, at cost; 7,608,627 and 8,839,352 shares in 2020 and 2019, respectively	(31,812)	(40,191)
Total shareholders' equity	1,986,111	1,617,058
	$2,607,274	$2,191,614

See accompanying notes.

Consolidated Statements of Cash Flows

For the years ended December 31,	2020	2019	2018
(In thousands)			
Cash flows from operating activities:			
Net income	$ 194,820	$ 146,527	$ 147,462
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	81,657	76,672	61,759
Share-based compensation expense	67,365	59,967	52,740
Provision for losses and sales adjustments – accounts receivable	3,517	1,636	(569)
Operating lease right-of-use assets – non cash	5,782	5,397	—
Deferred income tax benefit	(7,936)	(6,088)	(5,069)
Changes in operating assets and liabilities, exclusive of effects of acquired companies:			
Accounts receivable	(10,733)	(65,738)	(50,916)
Income tax receivable	(15,117)	(1,925)	6,642
Prepaid expenses and other current assets	(8,304)	(8,976)	(588)
Accounts payable	(967)	7,403	(2,416)
Operating lease liabilities	(6,549)	(6,113)	—
Accrued liabilities	2,870	1,516	(2,445)
Deferred revenue	48,684	44,442	43,603
Net cash provided by operating activities	355,089	254,720	250,203
Cash flows from investing activities:			
Additions to property and equipment	(22,690)	(37,236)	(27,424)
Purchase of marketable security investments	(156,618)	(54,742)	(115,625)
Proceeds from marketable security investments	82,742	70,796	81,205
Purchase of equity investment in common shares	(10,000)	—	—
Proceeds from the sale of equity investment in preferred shares	15,000	—	—
Capitalized software development costs	(5,776)	(4,804)	—
Cost of acquisitions, net of cash acquired	(1,292)	(218,734)	(178,093)
Decrease (increase) in other	314	(295)	1,682
Net cash used by investing activities	(98,320)	(245,015)	(238,255)
Cash flows from financing activities:			
Decrease in net borrowings on revolving line of credit	—	—	—
Purchase of treasury shares	(15,484)	(17,786)	(146,553)
Payment of contingent consideration	(5,619)	—	—
Proceeds from exercise of stock options	124,363	96,908	74,907
Contributions from employee stock purchase plan	10,912	9,576	8,051
Net cash provided (used) by financing activities	114,172	88,698	(63,595)
Net increase (decrease) in cash and cash equivalents	370,941	98,403	(51,647)
Cash and cash equivalents at beginning of period	232,682	134,279	185,926
Cash and cash equivalents at end of period	$ 603,623	$ 232,682	$ 134,279

See accompanying notes.

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Consolidated Statements of Shareholders' Equity

For the years ended December 31, 2020, 2019, and 2018

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
(In thousands)								
Balance at December 31, 2017	48,148	$481	$626,867	$(46)	$ 624,463	(10,262)	$ (60,029)	$1,191,736
Net income	—	—	—	—	147,462	—	—	147,462
Issuance of shares pursuant to stock compensation plan	—	—	44,458	—	—	1,126	30,449	74,907
Stock compensation	—	—	52,740	—	—	—	—	52,740
Issuance of shares pursuant to employee stock purchase plan	—	—	7,370	—	—	45	681	8,051
Treasury stock purchases	—	—	—	—	—	(781)	(150,050)	(150,050)
Balance at December 31, 2018	48,148	481	731,435	(46)	771,925	(9,872)	(178,949)	1,324,846
Net income	—	—	—	—	146,527	—	—	146,527
Retained earnings adjustment-adoption of Topic 842 Leases, net of taxes	—	—	—	—	(1,116)	—	—	(1,116)
Exercise of stock options and vesting of restricted stock units	—	—	(52,833)	—	—	1,075	149,741	96,908
Employee taxes paid for withheld shares for taxes upon equity award settlement	—	—	—	—	—	(23)	(5,361)	(5,361)
Stock compensation	—	—	59,967	—	—	—	—	59,967
Issuance of shares pursuant to employee stock purchase plan	—	—	909	—	—	53	8,667	9,576
Treasury stock purchases	—	—	—	—	—	(72)	(14,289)	(14,289)
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
Exercise of stock options and vesting of restricted stock units	—	—	90,636	—	—	1,283	33,727	124,363
Employee taxes paid for withheld shares for taxes 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

See accompanying notes.

Notes to Consolidated Financial Statements

(Tables in thousands, except per share data)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

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

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a COVID-19 pandemic ("COVID-19"), which continues to spread throughout the U.S. and the world and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. While we are unable to accurately predict the full impact that COVID-19 will 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 current environment has negatively impacted our revenues for fiscal year 2020.

Because an increasing portion of our revenues are considered recurring in nature, the effect of COVID-19 on our results of operations may also not be fully reflected for some time. We continue to see some impact on our business in the near term with delays in government procurement processes and uncertainty around public sector budgets, as well as delays in implementations caused by travel restrictions, closed offices, or clients shifting focus to more pressing issues. We have addressed those challenges through adapting the way we do business — encouraging web and video conferencing, conducting virtual sales demonstrations and delivering professional services remotely.

Our priorities during this crisis are protecting the health and safety of our employees and our clients. Our IT systems and applications support a remote workforce. Prior to the pandemic, many of our employees worked remotely. In response to the pandemic, we encouraged all employees who are able to do so to work from home, equipping them with resources necessary to continue uninterrupted. We were able to transition the vast majority of our employees to this work-from-home posture. This reduces the number of team members in our offices to those uniquely needed for essential on-site services, such as network operations support staff, and allows for "social distancing" as directed by the Centers for Disease Control ("CDC").

The pandemic has delayed some government procurement processes and is expected to impact our ability to complete certain implementations, negatively impacting our revenue. It could also negatively impact the timing of client payments to us. We continue to monitor these trends in order to respond to the ever-changing impact of COVID-19 on our clients and Tyler's operations.

For the twelve months ended December 31, 2020, the impact of the COVID-19 pandemic resulted in lower revenues from software licenses, software services, appraisal services, and other revenues. Lower software licenses compared to prior periods are attributed to slower sales cycles as government procurement processes are delayed and contract signings have been pushed to future periods. Software services and appraisal services revenue declines are attributed to delays in implementations caused by travel restrictions and shelter-in-place orders in effect during the period. Other revenues were lower compared to prior periods primarily as a result of the cancellation of our 2020 Connect user conference. Lower revenues compared to prior periods were offset by cost savings attributed to lower spend on travel, user conferences and trade show expenses, health claims and other employee-related expenses. If, and as travel restrictions are relaxed, we expect software services and appraisal services revenues to increase as the limited number of our clients who require that all or a portion of their services be delivered onsite will be able to receive those services. Also, we are adapting by changing the way we do business, encouraging web and video conferencing, conducting virtual sales demonstrations and delivering professional services remotely, which result in increases in staff utilization rates and billable time.

Notes to Consolidated Financial Statements

Revenues from subscriptions and maintenance, which we consider recurring in nature, comprised 73% of our total consolidated revenue for the twelve months ended December 31, 2020, and include transaction-based revenue streams such as e-filing and online payments. As of December 31, 2020, we had $758.5 million in cash and investments and no outstanding borrowings under our credit facility. We also have substantial additional liquidity available through our undrawn $400 million credit facility, which can be expanded through an accordion feature. During the second quarter of 2020, we completed our annual assessment of goodwill which did not result in an impairment charge. Since our assessment in the second quarter of 2020, we identified no indicators of impairment to goodwill; therefore, we have recorded no impairment as of and for the period ended December 31, 2020. 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, 2020. However, due to significant uncertainty surrounding COVID-19 and market conditions, there are no assurances conditions will not deteriorate in the future.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include our parent company and eleven subsidiaries, which are wholly-owned. All significant intercompany balances and transactions have been eliminated in consolidation. Comprehensive income 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 and other comprehensive income. We had no items of other comprehensive income during the years ended December 31, 2020, 2019, and 2018.

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 revenue from software licenses, royalties, subscription-based services, software 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

Most of 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 software 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.

Notes to Consolidated Financial Statements

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 software 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 revenues we are entitled to and billed on a quarterly basis in the quarter immediately following the royalty reporting period.

Software 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 software 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 software 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.

Notes to Consolidated Financial Statements

Subscription-Based Services:

Subscription-based services consist primarily of revenues derived from SaaS arrangements, typically utilizing the Tyler private cloud, and electronic filing transactions. 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. Our subscription contracts are generally three to five years or longer in length and billed annually in advance.

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 ten years, but are typically for a period of three to five years. For software 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.

Electronic filing transaction fees primarily pertain to documents filed with the courts by attorneys and other third-parties via our e-filing services and retrieval of filed documents via our access services. 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 a principal in the arrangement. Court filing fees collected on behalf of the courts and remitted to the courts are recorded on a net basis and thus do not affect the statement of comprehensive income.

Other transaction-based fees primarily relate to online payment services, which are offered with the assistance of third-party vendors. In general, when we are the principal in a transaction based on the factors identified in ASC 606-10-55-36 through 55-40, 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.

For e-filing transaction fees and certain other transaction-based revenues, 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.

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 useful life.

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.

Notes to Consolidated Financial Statements

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 software 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 software 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 software 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. We use the level of profit margin that is most likely to occur on a contract. If the most likely profit margin cannot be precisely determined, the lowest probable level of profit margin in the range of estimates is used until the results can be estimated more precisely. These arrangements are often implemented over an extended time period and occasionally require us to revise total cost estimates. Amounts recognized in revenue are calculated using the progress-to-completion measurement after giving effect to any changes in our cost estimates. Changes to total estimated contract costs, if any, are recorded in the period they are determined. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent.

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.

Refer to Note 15 — "Disaggregation of Revenue" for further information, including the economic factors that affect the nature, amount, timing, and uncertainty of revenue 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 revenue is recognized subsequent to invoicing. 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.

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Notes to Consolidated Financial Statements

In connection with our appraisal services contracts and certain software 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) software 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 20% 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, 2020, and December 31, 2019, total current and long-term accounts receivable, net of allowance for losses and sales adjustments, was $403.7 million and $396.5 million, respectively. We have recorded unbilled receivables of $140.8 million and $134.0 million at December 31, 2020, and December 31, 2019, respectively. Included in unbilled receivables are retention receivables of $13.1 million at December 31, 2020, and December 31, 2019, 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 $9.3 million and $5.7 million at December 31, 2020, and December 31, 2019, respectively, does not include provisions for credit losses. As of January 1, 2020, we adopted ASU 2016-13 and primarily evaluated our historical experience with credit losses related to trade and other receivables. Because we have not experienced any historical credit losses with the majority of our clients, we have no basis to record a reserve for credit losses as defined by the standard.

Notes to Consolidated Financial Statements

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

Years Ended December 31,	2020	2019	2018
Balance at beginning of year	$5,738	$4,647	$5,427
Provisions for losses and sales adjustments – accounts receivable	3,517	1,636	(569)
Collections of accounts previously written off	—	(545)	(211)
Balance at end of year	$9,255	$5,738	$4,647

Deferred Revenue

The majority of deferred revenue consists of deferred maintenance revenue that has been billed based on contractual terms in the underlying arrangement, with the remaining balance consisting of payments received in advance of revenue being earned under software licensing, subscription-based services, software and appraisal services and hardware installation. Refer to Note 16 — "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 in ASC 606-10-10-4, 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 selling, general and administrative expenses in the accompanying consolidated statements of income. Refer to Note 17 — "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 carrying 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.

Notes to Consolidated Financial Statements

RESEARCH AND DEVELOPMENT COSTS

We expensed research and development expense of $88.4 million in 2020, $81.3 million in 2019, and $63.3 million in 2018.

INCOME TAXES

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

SHARE-BASED COMPENSATION

We have a 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. We account for share-based compensation utilizing the fair value recognition pursuant to ASC 718, Stock Compensation. Refer to Note 9 — "Share-Based Compensation" for further information.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including identifiable intangible assets, in connection with our business combinations. Upon acquisition, goodwill is assigned to the reporting unit that is expected to benefit from the synergies of the business combination, which is the reporting unit to which the related acquired technology is assigned. A reporting unit is the operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by executive management.

We assess goodwill for impairment annually as of April 1st, 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. If it is determined through the evaluation of events or circumstances that the carrying value may not be recoverable, we perform a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned to the sum of the carrying value of the assets and liabilities of that unit. If the sum of the carrying value of the assets and liabilities of a reporting unit exceeds the estimated fair value of that reporting unit, an impairment charge is recorded against goodwill for the amount of that excess. The impairment is limited to the amount of goodwill in that reporting unit. The fair values calculated in our impairment tests are determined using discounted cash flow models involving several assumptions. The assumptions that are used are based upon what we believe a hypothetical marketplace participant would use in estimating fair value. We evaluate the reasonableness of the fair value calculations of our reporting units by comparing the total of the fair value of all of our reporting units to our total market capitalization.

As part of our annual impairment test, our qualitative assessments included our estimated effects of COVID-19 for all reporting units except for the data and insights reporting unit. As a result of these qualitative assessments, we determined that it was not more likely than not that an impairment existed; therefore, we did not perform a Step 1 quantitative impairment test. We did perform a quantitative assessment for goodwill of $75.7 million associated with our data and insights business unit and concluded no impairment existed as of our annual assessment date.

Notes to Consolidated Financial Statements

For most of our reporting units, goodwill relates to a combination of legacy and acquired businesses and as a result those units have fair values that substantially exceed their underlying carrying values. For other reporting units, in particular our platform technologies and data and insights units, goodwill entirely relates to recently acquired businesses, and as a result those units do not have significant excess fair values over carrying values. The platform technologies and data and insights business units combined goodwill was $152.0 million, or 18%, of total goodwill as of December 31, 2020. Our annual goodwill impairment analysis did not result in an impairment charge. During 2020, we have recorded no impairment to goodwill as no triggering events or changes in circumstances indicating a potential impairment have occurred as of period-end. However, due to significant uncertainty surrounding COVID-19 and market conditions, there are no assurances conditions will not deteriorate in the future.

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 a worsening of expected impact of COVID-19, 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. Refer to 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. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and would no longer be depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. There was no impairment of long-lived assets in any of the periods presented.

Notes to Consolidated Financial Statements

COSTS OF COMPUTER SOFTWARE

We capitalize software development costs upon the establishment of technological feasibility and prior to the availability of the product for general release to customers. Software development costs primarily consist of personnel costs and rent for related office space. During the twelve months period ended December 31, 2020 and 2019, respectively, we capitalized approximately $5.8 million and $4.8 million 2019 of software development costs. We begin to amortize capitalized costs when a product is available for general release to customers. Amortization expense is determined on a product-by-product basis at a rate not less than straight-line basis over the product's remaining estimated economic life of, generally, five years. Amortization of software development costs was approximately $1.2 million in 2020 and $0.3 million in 2019, and is included in cost of software license revenue in the accompanying consolidated statements of comprehensive income. We have not capitalized any internal use software development costs in any of the periods presented.

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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, accounts receivables, accounts payables, short-term obligations and certain other assets at cost approximate fair value because of the short maturity of these instruments. The fair value of our revolving line of credit would approximate book value as of December 31, 2020, because our interest rates reset approximately every 30 days or less. See Note 6 — "Revolving Line of Credit" for further discussion.

As of December 31, 2020, we have $154.8 million in investment grade corporate bonds, municipal bonds and asset-backed securities with maturity dates ranging from 2021 through 2028. We intend to hold these bonds to maturity and have classified them as such. We believe cost approximates fair value because of the relatively short duration of these investments. The fair values of these securities are considered Level II as they are based on inputs from quoted prices in markets that are not active or other observable market data. These investments are presented at amortized cost and are included in short-term investments and non-current investments in the accompanying condensed consolidated balance sheets. As of December 31, 2020, we have an accrued interest receivable balance of approximately $896,000 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 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, 2020, we have recorded no credit losses. Interest income and amortization of discounts and premiums are included in other income, net in the accompanying consolidated statements of income.

During 2020, we sold our $15.0 million investment in convertible preferred stock representing a 20% interest in Record Holdings Pty Limited, a privately held Australian company specializing in digitizing the spoken word in court and legal proceedings to BFTR, LLC, a wholly owned subsidiary of Bison Capital Partners V L.P. During the same period, we purchased $10.0 million in common stock representing a 18% interest in BFTR, LLC. The investment in common stock is accounted under the cost 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 cost method investments are assessed for impairment. We do not reassess the fair value of cost method investments if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investments. No events or changes in circumstances have occurred during the period that require reassessment. There has been no impairment of our cost method investment for the periods presented. This investment is included in non-current investments and other assets in the accompanying consolidated balance sheets.

Notes to Consolidated Financial Statements

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, 2020, we had cash and cash equivalents of $603.6 million. We perform periodic evaluations of the credit standing of these financial institutions.

Concentrations of credit risk with respect to receivables are limited due to the size and geographical diversity of our customer base. Historically, our credit losses have not been significant. As a result, we do not believe we have any significant concentrations of credit risk as of December 31, 2020.

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

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 recorded no liability associated with these indemnifications, as we are not aware of any pending or threatened infringement actions that are possible losses. We believe the estimated fair value of these intellectual property indemnification clauses is minimal.

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

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Notes to Consolidated Financial Statements

RECLASSIFICATIONS

Certain amounts for previous years have been reclassified to conform to the current year presentation. As of January 1, 2020, the land and vital records management business unit, which was previously reported in the ES segment, was moved to the A&T segment to reflect changes in the way in which management makes operating decisions, allocates resources, and manages the growth and profitability of the Company. Prior year amounts for the ES and A&T segments have been adjusted to reflect the segment change. Refer to Note 14—"Segment and Related Information" for additional information.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses*, ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, available for-sale debt securities, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of an allowance for losses. This update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for a fiscal year beginning after December 15, 2018, including interim periods within that fiscal year. Entities apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. As of January 1, 2020, we adopted the new standard with no material impact of credit losses to our trade and other receivables, held-to-maturity debt securities and retained earnings included in our condensed consolidated financial statements.

On January 26, 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*. The new standard eliminates Step 2 from the goodwill impairment test. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This standard is effective for public business entities in fiscal years beginning after December 15, 2019, and the standard was adopted and applied prospectively by the Company as of January 1, 2020, but it did not have a significant impact on the Company's financial statements and disclosures.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, ("ASU 2019-12") which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, *Income Taxes*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. The new standard is effective for fiscal years beginning after December 15, 2020. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We do not expect adoption of this standard to have a material effect on our consolidated financial statements.

(2) ACQUISITIONS

2019

On October 30, 2019, we acquired certain assets of Courthouse Technologies, Ltd ("CHT"), an industry-leading provider of jury management systems that offers a fully integrated, end-to-end SaaS solution to manage all facets of juror management, from source list generation to juror processing and payment. The total purchase price was approximately $20.4 million paid in cash.

In 2020, our final valuation of the fair market value of CHT's assets and liabilities resulted in the adjustment to the preliminary opening balance sheet. These adjustments related to an increased allocation to customer related intangibles and reduction to goodwill of approximately $1.7 million.

On February 28, 2019, we acquired all of the capital stock of MP Holdings Parent, Inc. dba MicroPact ("MicroPact"), a leading provider of commercial off-the-shelf ("COTS") solutions, including entellitrak®, a low-code application development platform for case management and business process management used extensively in the public sector. The total purchase price, net of cash acquired of $2.0 million, was approximately $201.8 million consisting of $198.2 million paid in cash.

In 2020, we paid $5.6 million in contingent consideration. We have no contingent consideration accrued as of December 31, 2020.

Notes to Consolidated Financial Statements

On February 1, 2019, we acquired all the assets of Civic, LLC ("MyCivic"), a company that provides software solutions to connect communities. The total purchase price was $3.7 million in cash.

As of December 31, 2020, the purchase price allocations for CHT, MicroPact and MyCivic are complete. Our balance sheet as of December 31, 2020, reflects the allocation of the purchase price to the assets acquired based on their fair value at the date of each acquisition. The fair value of the assets and liabilities acquired are based on valuations using Level III, unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The operating results of all 2019 acquisitions are included with the operating results of the Enterprise Software segment since their date of acquisition. In 2019, we incurred fees of approximately $1.1 million for financial advisory, legal, accounting, due diligence, valuation and other various services necessary to complete these acquisitions. These fees were expensed in 2019 and are included in selling, general and administrative expenses on the consolidated statement of comprehensive income.

(3) PROPERTY AND EQUIPMENT, NET

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

	Useful Lives (years)	2020	2019
Land	—	$ 18,653	$ 18,653
Building and leasehold improvements	5-39	147,729	137,448
Computer equipment and purchased software	3-5	108,571	99,435
Furniture and fixtures	5	30,666	28,506
Transportation equipment	5	295	402
		305,914	284,444
Accumulated depreciation and amortization		(137,910)	(112,583)
Property and equipment, net		$ 168,004	$ 171,861

Depreciation expense was $25.5 million in 2020, $23.4 million in 2019, and $21.2 million in 2018.

We paid $9.9 million and $20.8 million for real estate and the expansion of existing buildings in 2020 and 2019, respectively.

(4) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the two years ended December 31, 2020 are as follows:

	Enterprise Software	Appraisal and Tax	Total
Balance as of 12/31/2018	$739,550	$14,168	$753,718
Goodwill acquired related to the purchase of MicroPact	76,319	—	76,319
Goodwill acquired related to other acquisitions	10,080	—	10,080
Balance as of 12/31/2019	825,949	14,168	840,117
Purchase price adjustments related to CHT acquisition	(1,689)	—	(1,689)
Balance as of 12/31/2020	$824,260	$14,168	$838,428

Notes to Consolidated Financial Statements

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

	2020	2019
Gross carrying amount of other intangibles:		
Customer related intangibles	$ 322,619	$ 321,019
Acquired software	262,286	262,286
Trade names	22,905	22,905
Capitalized software development costs	10,581	4,804
Leases acquired	5,037	5,037
	623,428	616,051
Accumulated amortization	(292,239)	(237,137)
Total other intangibles, net	$ 331,189	$ 378,914

Amortization expense for acquired software and capitalized software development costs are recorded to cost of revenues. Amortization expense for customer relationships and trade names are recorded to selling, general and administrative expenses. Total amortization expense for other intangibles was $55.1 million in 2020, $52.8 million in 2019, and $39.6 million in 2018.

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

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization
Non-amortizable intangibles:						
Goodwill	$838,428	—	$ —	$840,117	—	$ —
Amortizable intangibles:						
Customer related intangibles	$322,619	16 years	$116,609	$321,019	16 years	$ 97,320
Acquired software	262,286	7 years	162,378	262,286	7 years	130,416
Trade names	22,905	11 years	9,366	22,905	11 years	7,205
Capitalized software development costs	10,581	5 years	1,460	4,804	5 years	296
Leases acquired	5,037	9 years	2,426	5,037	9 years	1,900

Estimated annual amortization expense related to acquired leases will be recorded as a reduction to hardware and other revenue and is expected to be $525,000 in 2021, $525,000 in 2022, $525,000 in 2023, $525,000 in 2024, $397,000 in 2025, and $114,000 thereafter.

Estimated annual amortization expense related to other intangibles, including customer relationships, acquired software, trade names and capitalized software development costs. Capitalized software in progress of $4.5 million has been excluded from the estimated annual amortization expense table below:

2021	$ 54,411
2022	50,713
2023	32,562
2024	31,978
2025	30,622
Thereafter	123,805
	$324,091

Notes to Consolidated Financial Statements

(5) ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	2020	2019
Accrued wages, bonuses and commissions	$63,814	$49,126
Other accrued liabilities	19,270	26,108
	$83,084	$75,234

(6) REVOLVING LINE OF CREDIT

On September 30, 2019, we entered into a $400 million credit agreement (the "Credit Facility") with the various lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent. The Credit Facility provides for unsecured revolving credit in an aggregate principal amount of up to $400 million, including a $25 million sublimit for letters of credit. The Credit Facility matures on September 30, 2024. Borrowings under the Credit Facility may be used for general corporate purposes, including working capital requirements, acquisitions and share repurchases.

Borrowings under the Credit Facility bear interest at a rate of either (1) Wells Fargo Bank's prime rate (subject to certain higher rate determinations) plus a margin of 0.125% to 0.75% or (2) the 30, 60, 90 or 180-day LIBOR rate plus a margin of 1.125% to 1.75%. As of December 31, 2020, our interest rate was 3.38% under the prime rate option or approximately 1.27% under the 30-day LIBOR option. The Credit Facility requires us to maintain certain financial ratios and other financial conditions and prohibits us from making certain investments, advances, cash dividends or loans, and limits incurrence of additional indebtedness and liens. As of December 31, 2020, we were in compliance with those covenants.

At December 31, 2020, we had no outstanding borrowings and had unused borrowing capacity of $400 million under the Credit Facility. In addition, as of December 31, 2020, we had one outstanding standalone letter of credit totaling $2 million in favor of a client contract. The letter of credit guarantees our performance under the contract and expires in 2021.

We paid interest of $610,000 in 2020, $1,750,000 in 2019, and $770,000 in 2018.

(7) INCOME TAX

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

Years Ended December 31,	2020	2019	2018
Current:			
Federal	$(10,538)	$12,814	$ 9,110
State	(1,304)	6,585	4,367
	(11,842)	19,399	13,477
Deferred	(7,936)	(6,088)	(5,069)
	$(19,778)	$13,311	$ 8,408

Notes to Consolidated Financial Statements

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

Years Ended December 31,	2020	2019	2018
Federal income tax expense at statutory rate	$ 36,759	$ 33,566	$ 32,733
State income tax, net of federal income tax benefit	6,677	6,999	7,953
Net operating loss carrybacks	(3,445)	—	—
Excess tax benefits of share-based compensation	(60,190)	(29,819)	(32,487)
Adjustments from the 2017 Tax Cuts and Jobs Act	—	—	(1,750)
Tax credits	(3,867)	(3,446)	(3,715)
Non-deductible business expenses	4,199	6,011	5,655
Other, net	89	—	19
	$(19,778)	$ 13,311	$ 8,408

The Coronavirus Aid, Relief and Economic Security ("CARES") Act, which was signed into law on March 27, 2020, provides an estimated $2.2 trillion to fight the COVID-19 pandemic and stimulate the U.S. economy. The assistance includes tax relief and government loans, and investments and grants for entities in affected industries (e.g., health care, airlines). The business tax provisions of the CARES Act include temporary changes to income and non-income based tax laws, including the ability to utilize net operating losses, interest expense deductions, alternative minimum tax credit refunds, charitable contributions, and depreciation of qualified improvement property. Measures not related to income-based taxes include (1) allowing an employer to pay its share of Social Security payroll taxes that would otherwise be due from the date of enactment through December 31, 2020, over the following two years and (2) allowing eligible employers subject to closure due to the COVID-19 pandemic to receive a 50% credit on qualified wages against their employment taxes each quarter, with any excess credits eligible for refunds.

The most significant provision of the CARES Act impacting our accounting for income taxes is the five-year carryback allowance for taxable net operating losses generated in tax years in which the statutory federal income tax rate is 21.0%, to periods in which the statutory federal income tax rate is 35.0%. We intend to carry back our 2020 taxable loss into our 2015 tax year, which results in a $3.4 million income tax benefit in the current year.

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

	2020	2019
Deferred income tax assets:		
Operating expenses not currently deductible	$ 9,084	$ 10,214
Stock option and other employee benefit plans	17,446	19,308
Loss and credit carryforwards	27,199	23,841
Total deferred income tax assets	53,729	53,363
Valuation allowance	(1,490)	(1,923)
Total deferred income tax assets, net of valuation allowance	52,239	51,440
Deferred income tax liabilities:		
Intangible assets	(76,766)	(84,019)
Property and equipment	(9,918)	(9,265)
Prepaid expenses	(6,869)	(4,922)
Deferred revenue	807	(1,676)
Total deferred income tax liabilities	(92,746)	(99,882)
Net deferred income tax liabilities	$(40,507)	$(48,442)

Notes to Consolidated Financial Statements

As of December 31, 2020, we had federal net operating loss carryforwards of approximately $81.5 million, after-tax state net operating loss carryforwards of approximately $3.5 million, and tax credit carryforwards of approximately $8.6 million. The federal net operating loss carryforward will begin to expire in 2032 if not utilized, and a portion of the state net operating loss and tax credit carryforwards begin expiring in 2021 if not utilized.

The acquired carryforwards are subject to an annual limitation but are expected to be realized with the exception of certain state net operating loss and tax credit carryforwards. The valuation allowance disclosed in the table above relates to state net operating losses and tax credit carryforwards that are likely to expire before utilization. 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.

In connection with the acquisition of Socrata in 2018, we recorded a $1.9 million liability for an uncertain tax position associated with acquired tax credit carryforwards. The unrecognized tax benefits are included in deferred income taxes in our consolidated balance sheets. The entire amount, if recognized, would affect the effective tax rate. There was no change in the balance of unrecognized tax benefits during 2020. Based on the information currently available, we do not anticipate a significant increase or decrease to our tax contingencies for these issues for the next 12 months.

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 2015. As of February 19, 2021, no significant adjustments have been proposed by any taxing jurisdiction.

We paid income taxes, net of refunds received, of $3.3 million in 2020, $21.3 million in 2019, and $6.8 million in 2018.

(8) SHAREHOLDERS' EQUITY

The following table details activity in our common stock:

	Years Ended December 31,					
	2020		2019		2018	
	Shares	Amount	Shares	Amount	Shares	Amount
Stock option exercises	1,174	$124,363	999	$ 96,908	1,126	$ 74,907
Purchases of common stock	(59)	(15,484)	(72)	(14,289)	(781)	(150,050)
Employee stock plan purchases	40	10,912	53	9,576	45	8,051
Restricted stock units vested, net of withheld shares upon award settlement	76	(12,923)	53	(5,361)	—	—

As of February 19, 2021, we had authorization from our board of directors to repurchase up to 2.5 million additional shares of our common stock.

Notes to Consolidated Financial Statements

(9) 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 2020, 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, 2020, there were 2.5 million shares available for future grants under the 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 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,	2020	2019	2018
Expected life (in years)	5.0	6.0	6.0
Expected volatility	27.0%	26.6%	26.7%
Risk-free interest rate	0.4%	1.8%	2.7%
Expected forfeiture rate	—%	—%	—%

Notes to Consolidated Financial Statements

Share-Based Award Activity

The following table summarizes restricted stock unit and performance stock unit activity during fiscal year 2020 (shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested at January 1, 2019	334	$221.25
Granted	256	241.19
Vested	(76)	221.15
Forfeited	(14)	229.75
Unvested at December 31, 2019	500	231.57
Granted	204	379.94
Vested	(110)	232.59
Forfeited	(7)	266.94
Unvested at December 31, 2020	587	$282.45

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, 2017	4,817	$107.91		
Granted	432	208.21		
Exercised	(1,126)	66.53		
Forfeited	(31)	158.80		
Outstanding at December 31, 2018	4,092	129.51		
Granted	162	251.58		
Exercised	(999)	96.92		
Forfeited	(29)	174.54		
Outstanding at December 31, 2019	3,226	145.27		
Granted	128	403.99		
Exercised	(1,174)	105.97		
Forfeited	(3)	165.93		
Outstanding at December 31, 2020	2,177	$181.63	6	$554,709
Exercisable at December 31, 2020	1,424	$155.06	6	$400,814

We had unvested options to purchase approximately 752,000 shares with a weighted average grant date exercise price of $231.93 as of December 31, 2020, and unvested options to purchase approximately 1.2 million shares with a weighted average grant date exercise price of $188.48 as of December 31, 2019.

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

	2020	2019	2018
Weighted average grant-date fair value of stock options granted	$ 98.69	$ 74.54	$ 66.52
Total intrinsic value of stock options exercised	$292,394	$155,899	$176,716

Notes to Consolidated Financial Statements

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 comprehensive income:

Years Ended December 31,	2020	2019	2018
Cost of subscriptions, software services and maintenance	$ 18,125	$ 15,002	$ 13,588
Selling, general and administrative expenses	49,240	44,965	39,152
Total share-based compensation expenses	67,365	59,967	52,740
Excess tax benefit	(60,190)	(29,819)	(32,487)
Net decrease in net income	$ 7,175	$ 30,148	$ 20,253

As of December 31, 2020, we had $164.0 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 3.12 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, 2020, there were 664,000 shares available for future issuances under the ESPP from the 2.0 million shares previously approved by the stockholders.

(10) EARNINGS PER SHARE

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

Years Ended December 31,	2020	2019	2018
Numerator for basic and diluted earnings per share:			
Net income	$194,820	$146,527	$147,462
Denominator:			
Weighted-average basic common shares outstanding	40,035	38,640	38,445
Assumed conversion of dilutive securities:			
Share-based awards	1,491	1,465	1,678
Denominator for diluted earnings per share – Adjusted weighted-average shares	41,526	40,105	40,123
Earnings per common share:			
Basic	$ 4.87	$ 3.79	$ 3.84
Diluted	$ 4.69	$ 3.65	$ 3.68

Share-based awards representing the right to purchase common stock of 132,000 shares in 2020, 633,000 shares in 2019, and 888,000 shares in 2018 were not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

Notes to Consolidated Financial Statements

(11) 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 and they expire in one year to seven years. Some of these leases include options to extend for up to 10 years. We had no finance leases and no related party lease agreements as of December 31, 2020. Operating lease costs were approximately $10.2 million in 2020, $9.9 million in 2019, and $7.4 million in 2018.

The components of operating lease expense were as follows (in thousands):

		For the years ended	
Lease Costs	Financial Statement Classification	2020	2019
Operating lease cost	Selling, general and administrative expenses	$ 6,524	$6,379
Short-term lease cost	Selling, general and administrative expenses	1,940	2,269
Variable lease cost	Selling, general and administrative expenses	1,760	1,274
Net lease cost		$10,224	$9,922

As of December 31, ROU lease assets and lease liabilities for our operating leases were recorded in the consolidated balance sheet as follows (in thousands):

	2020	2019
Assets:		
Operating lease right-of-use assets	$18,734	$18,992
Liabilities:		
Operating leases, short-term	5,904	6,387
Operating leases, long-term	16,279	16,822
Total lease liabilities	$22,183	$23,209

Supplemental information related to leases was as follows:

	For the years ended	
Other Information	2020	2019
Cash Flows (in thousands):		
Cash paid amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$8,131	$7,267
Right-of-use assets obtained in exchange for lease obligations (non-cash):		
Operating leases	$5,524	$3,466
Lease Term and Discount Rate:		
Weighted average remaining lease term (years)	3	4
Weighted average discount rate	3.28%	4.00%

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Notes to Consolidated Financial Statements

As of December 31, 2020, maturities of lease liabilities were as follows (in thousands):

Years ending December 31,	Amount
2021	$ 7,015
2022	4,853
2023	3,826
2024	3,337
2025	2,198
Thereafter	2,537
Total lease payments	23,766
Less: Interest	(1,583)
Present value of operating lease liabilities	$22,183

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 2021 and 2025, some of which have options to extend the lease for up to five 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 $1.1 million in 2020, $1.1 million in 2019, and $1.2 million in 2018. Rental income is included in hardware and other revenue on the consolidated statements of comprehensive income. Future minimum operating rental income based on contractual agreements is as follows (in thousands):

Years ending December 31,	Amount
2021	$1,372
2022	1,402
2023	1,432
2024	1,462
2025	858
Thereafter	—
Total	$6,526

As of December 31, 2020, we had no additional significant operating or finance leases that had not yet commenced.

(12) 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 $12.7 million in 2020, $11.5 million in 2019, and $9.3 million in 2018.

Notes to Consolidated Financial Statements

(13) COMMITMENTS AND CONTINGENCIES

Security Incident

On September 29, 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. 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 is 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 will continue to deploy supplemental remediation efforts as necessary.

As part of our immediate response to the Incident, we (1) shut down points of access to external systems and began investigating and remediating the problem; (2) engaged outside IT security and forensics experts to conduct a detailed review and help securely restore affected systems; (3) implemented targeted monitoring systems to supplement the systems we already had in place; and (4) notified law enforcement. We have cooperated with their investigation throughout.

We promptly notified our clients of the Incident and provided timely updates to our clients through direct communications and updates to our website.

Although we believe we have contained and recovered from the Incident, and that we have taken and will continue to take appropriate remediation steps, we are subject to risk and uncertainties as a result of the Incident. We believe we are in the final phases of our investigation, but there can be no assurance as to what the ongoing impact of the Incident will be, if any. The Incident caused an interruption in parts of our business. We have made insurance claims for lost revenue related to the Incident, (primarily software services revenue) for the year ended December 31, 2020. Insurance reimbursements pertaining to lost revenue represent a contingent gain and any recovery of these revenues will be recorded when received. We do not expect such gains to be material. We incurred $4.2 million in costs associated with the Incident as of December 31, 2020. As of December 31, 2020, we have recorded $1.1 million of accrued insurance recoveries and received $2.4 million of insurance recoveries related to the Incident. The recorded costs consisted primarily of payments to third-party service providers and consultants, including legal fees, and enhancements to our cybersecurity measures. It is expected that we will continue to incur costs related to our response, remediation, and investigatory efforts relating to the Incident. We maintain cybersecurity insurance coverage in an amount that we believe is adequate.

Litigation

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

(14) SEGMENT AND RELATED INFORMATION

We provide integrated information management solutions and services for the public sector, with a focus on local governments.

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

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

Notes to Consolidated Financial Statements

In accordance with ASC 280-10, *Segment Reporting*, we report our results in two segments. The financial management, education and planning, regulatory and maintenance software solutions unit; financial management, municipal courts, planning, regulatory and maintenance, and land and vital records management software solutions unit; courts and justice and public safety software solutions unit; the data and insights solutions unit; and platform technologies solutions unit meet the criteria for aggregation and are presented in one reportable segment, Enterprise Software ("ES"). The ES 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, courts and justice, public safety, planning, regulatory and maintenance, land and vital records management, data and insights and platform technologies processes. The Appraisal and Tax ("A&T") segment provides systems and software that automate the appraisal and assessment of real and personal property, land and vital records management as well as property appraisal outsourcing services for local governments and taxing authorities. Property appraisal outsourcing services include: the physical inspection of commercial and residential properties; data collection and processing; computer analysis for property valuation; preparation of tax rolls; community education; and arbitration between taxpayers and the assessing jurisdiction.

We evaluate performance based on several factors, of which the primary financial measure is business segment operating income. We define segment operating income for our business units as income before noncash amortization of intangible assets associated with their acquisition, interest expense and income taxes. Segment operating income includes intercompany transactions. The majority of intercompany transactions relate to contracts involving more than one unit and are valued based on the contractual arrangement. Segment operating income for corporate primarily consists of compensation costs for the executive management team and certain accounting and administrative staff and share-based compensation expense for the entire company. Corporate segment operating income also includes revenues and expenses related to a company-wide user conference. Due to the shelter-in-place orders caused by the COVID-19 pandemic, we cancelled our company-wide user conference for the current year. 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, 2020, the land and vital records management business unit, which was previously reported in the ES segment, was moved to the A&T segment to reflect changes in the way in which management makes operating decisions, allocates resources, and manages the growth and profitability of the Company. Prior year amounts for the ES and A&T 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 capitalized 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.

ES segment capital expenditures included $6.6 million in 2020 and $12.6 million in 2019 for the expansion of existing buildings and purchases of buildings and land. A&T segment capital expenditures included $3.3 million in 2020 and $8.2 million in 2019 for the expansion of existing buildings.

For the year ended December 31, 2020	Enterprise Software	Appraisal and Tax	Corporate	Totals
Revenues				
Software licenses and royalties	$ 64,200	$ 8,964	$ —	$ 73,164
Subscriptions	326,284	24,364	—	350,648
Software services	164,520	21,889	—	186,409
Maintenance	429,224	38,289	—	467,513
Appraisal services	—	21,127	—	21,127
Hardware and other	17,670	121	11	17,802
Intercompany	19,061	70	(19,131)	—
Total revenues	$1,020,959	$114,824	$ (19,120)	$1,116,663
Depreciation and amortization expense	67,411	1,055	13,191	81,657
Segment operating income	285,271	27,383	(86,104)	226,550
Capital expenditures	11,099	3,823	6,826	21,748
Segment assets	$ 847,672	$ 94,149	$1,665,453	$2,607,274

Notes to Consolidated Financial Statements

For the year ended December 31, 2019	Enterprise Software	Appraisal and Tax	Corporate	Totals
Revenues				
Software licenses and royalties	$ 90,808	$ 9,397	$ —	$ 100,205
Subscriptions	279,282	17,070	—	296,352
Software services	179,865	33,196	—	213,061
Maintenance	393,521	36,797	—	430,318
Appraisal services	—	23,479	—	23,479
Hardware and other	16,553	203	6,256	23,012
Intercompany	15,290	206	(15,496)	—
Total revenues	$975,319	$120,348	$ (9,240)	$1,086,427
Depreciation and amortization expense	64,245	970	11,457	76,672
Segment operating income	255,365	26,918	(73,829)	208,454
Capital expenditures	19,283	8,436	10,379	38,098
Segment assets	$833,203	$ 91,343	$1,267,068	$2,191,614

For the year ended December 31, 2018	Enterprise Software	Appraisal and Tax	Corporate	Totals
Revenues				
Software licenses and royalties	$ 81,299	$ 12,142	$ —	$ 93,441
Subscriptions	205,193	15,354	—	220,547
Software services	161,612	29,657	—	191,269
Maintenance	349,387	35,134	—	384,521
Appraisal services	—	21,846	—	21,846
Hardware and other	18,387	390	4,881	23,658
Intercompany	12,764	391	(13,155)	—
Total revenues	$828,642	$114,914	$ (8,274)	$ 935,282
Depreciation and amortization expense	49,921	1,123	10,715	61,759
Segment operating income	231,819	28,434	(68,572)	191,681
Capital expenditures	9,918	1,241	13,973	25,132
Segment assets	$554,960	$ 64,810	$1,171,193	$1,790,963

	Years Ended December 31,		
Reconciliation of reportable segment operating income to the Company's consolidated totals:	2020	2019	2018
Total segment operating income	$226,550	$208,454	$191,681
Amortization of acquired software	(31,962)	(30,642)	(22,972)
Amortization of customer and trade name intangibles	(21,662)	(21,445)	(16,217)
Other income, net	2,116	3,471	3,378
Income before income taxes	$175,042	$159,838	$155,870

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Notes to Consolidated Financial Statements

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

For the year ended December 31, 2019	Products and services transferred at a point in time	Products and services transferred over time	Total
Revenues:			
Software licenses and royalties	$ 84,900	$ 15,305	$ 100,205
Subscriptions	—	296,352	296,352
Software services	—	213,061	213,061
Maintenance	—	430,318	430,318
Appraisal services	—	23,479	23,479
Hardware and other	23,012	—	23,012
Total	$107,912	$978,515	$1,086,427

For the year ended December 31, 2018	Products and services transferred at a point in time	Products and services transferred over time	Total
Revenues:			
Software licenses and royalties	$75,188	$ 18,253	$ 93,441
Subscriptions	—	220,547	220,547
Software services	—	191,269	191,269
Maintenance	—	384,521	384,521
Appraisal services	—	21,846	21,846
Hardware and other	23,658	—	23,658
Total	$98,846	$836,436	$935,282

Notes to Consolidated Financial Statements

Recurring Revenue

The majority of our revenue is comprised of recurring revenues from maintenance and subscriptions. Virtually all of our on-premises 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. The contract terms for subscription arrangements range from one to 10 years but are typically contracted for initial periods of three to five years. Non-recurring revenues are derived from all other revenue categories.

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

For the year ended December 31, 2020	Enterprise Software	Appraisal and Tax	Corporate	Totals
Recurring revenues	$ 755,508	$ 62,652	$ —	$ 818,160
Non-recurring revenues	246,390	52,102	11	298,503
Intercompany	19,061	70	(19,131)	—
Total revenues	$1,020,959	$114,824	$(19,120)	$1,116,663

For the year ended December 31, 2019	Enterprise Software	Appraisal and Tax	Corporate	Totals
Recurring revenues	$672,804	$ 53,866	$ —	$ 726,670
Non-recurring revenues	287,225	66,276	6,256	359,757
Intercompany	15,290	206	(15,496)	—
Total revenues	$975,319	$120,348	$ (9,240)	$1,086,427

For the year ended December 31, 2018	Enterprise Software	Appraisal and Tax	Corporate	Totals
Recurring revenues	$554,581	$ 50,488	$ —	$ 605,069
Non-recurring revenues	261,297	64,035	4,881	330,213
Intercompany	12,764	391	(13,155)	—
Total revenues	$828,642	$114,914	$ (8,274)	$ 935,282

(16) DEFERRED REVENUE AND PERFORMANCE OBLIGATIONS

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

December 31,	2020	2019
Enterprise Software	$422,742	$375,838
Appraisal and Tax	36,945	35,487
Corporate	1,691	1,369
Totals	$461,378	$412,694

TYLER TECHNOLOGIES **ANNUAL REPORT 2020**

Notes to Consolidated Financial Statements

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

	2020
Balance at beginning of year	$ 412,694
Deferral of revenue	1,094,185
Recognition of deferred revenue	(1,045,501)
Balance at end of year	$ 461,378

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, 2020 was $1.59 billion, of which we expect to recognize approximately 49% as revenue over the next 12 months and the remainder thereafter.

(17) 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 $32.3 million, $29.8 million, as of December 31, 2020, and 2019 respectively. Amortization expense was $11.9 million, $11.5 million, and $9.6 million for the twelve months ended December 31, 2020, 2019, and 2018, 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 in the accompanying consolidated balance sheets. Amortization expense related to deferred commissions is included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income.

(18) SUBSEQUENT EVENTS

The following events or transactions have occurred subsequent to December 31, 2020.

NIC, Inc.

On February 9, 2021, Tyler Technologies, Inc. (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Company, Topos Acquisition, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub"), and NIC Inc., a Delaware corporation ("NIC"). Pursuant to the Merger Agreement, and upon the terms and subject to the conditions therein, Merger Sub will merge with and into NIC (the "Merger"), with NIC surviving the Merger and continuing as a wholly owned subsidiary of the Company.

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each issued and outstanding share of Common Stock prior to the Effective Time, par value $0.0001 per share, of NIC (the "NIC Common Stock") other than (i) shares of NIC Common Stock owned directly or indirectly by the Company, NIC or any of their respective subsidiaries immediately prior to the Effective Time, including shares of NIC held as treasury stock, (ii) shares of NIC Common Stock as to which dissenters' rights have been properly perfected, and (iii) shares of NIC Common Stock covered by unvested NIC restricted stock awards) will be converted in the Merger into the right to receive $34.00 in cash, without interest (the "Merger Consideration").

Notes to Consolidated Financial Statements

Under the terms of the Merger Agreement, the completion of the Merger is subject to certain customary closing conditions, including, among others: (i) adoption of the Merger Agreement by the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of NIC Common Stock; (ii) the accuracy of the parties' respective representations and warranties in the Merger Agreement, subject to specified materiality qualifications; (iii) compliance by the parties with their respective covenants in the Merger Agreement in all material respects; (iv) the absence of any order restraining, enjoining, or otherwise prohibiting the consummation of the Merger; and (v) the expiration of the waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

The Merger Consideration is expected to be financed with a combination of new debt and cash on the Company's balance sheet. In connection with its entry into the Merger Agreement, the Company obtained a commitment from Goldman Sachs Bank USA for a $1.6 billion 364-day senior unsecured bridge loan facility, subject to customary conditions.

The Merger Agreement and the consummation of the transactions contemplated thereby have been unanimously approved by the NIC board of directors, and the NIC board of directors has resolved to recommend to the stockholders of NIC to adopt the Merger Agreement, subject to its terms and conditions.

The Merger Agreement provides that, at the Effective Time, with respect to NIC restricted stock awards, (i) each vested restricted stock award will be converted into the right to receive the Merger Consideration with respect to each share of NIC Common Stock subject to such awards, less applicable withholding of taxes and other authorized deductions, (ii) each outstanding unvested performance-based restricted stock award will automatically vest in full, in accordance with the terms of its award agreement, and be converted into the right to receive the Merger Consideration with respect to such number of shares of NIC Common Stock, less applicable withholding of taxes and other authorized deductions, and (iii) each outstanding unvested time-based restricted stock will be assumed by the Company and converted into corresponding awards relating to the Company's Common Stock in accordance with the terms set forth in the Merger Agreement.

The Merger Agreement contains customary representations, warranties and covenants made by each of the Company, Merger Sub, and NIC, including, among others, covenants by NIC regarding the conduct of its business during the pendency of the transactions contemplated by the Merger Agreement, public disclosures and other matters. NIC is required, among other things, not to solicit alternative business combination transactions and, subject to certain exceptions, not to engage in discussions or negotiations regarding an alternative business combination transaction.

Both the Company and NIC may terminate the Merger Agreement under certain specified circumstances, including (i) if the Merger is not consummated by June 30, 2021, subject to an extension of up to three months in order to obtain required regulatory approval, (ii) if the approval of the NIC stockholders is not obtained, and (iii) if NIC's board makes an adverse recommendation change with respect to the proposed transaction or approve or recommend a superior acquisition proposal. In certain circumstances in connection with the termination of the Merger Agreement, including if NIC's board of directors changes or withdraws its recommendation of the Merger to its stockholders, fails to include its recommendation to shareholders in NIC's proxy statement, or terminates the Merger Agreement to enter into an agreement with respect to a "superior proposal," NIC will be required to pay the Company a termination fee of $55 million in cash.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by the full text of the Merger Agreement, a copy of which is filed as Exhibit 2.1 to our Form 8-K, dated February 10, 2021.

Notes to Consolidated Financial Statements

(19) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

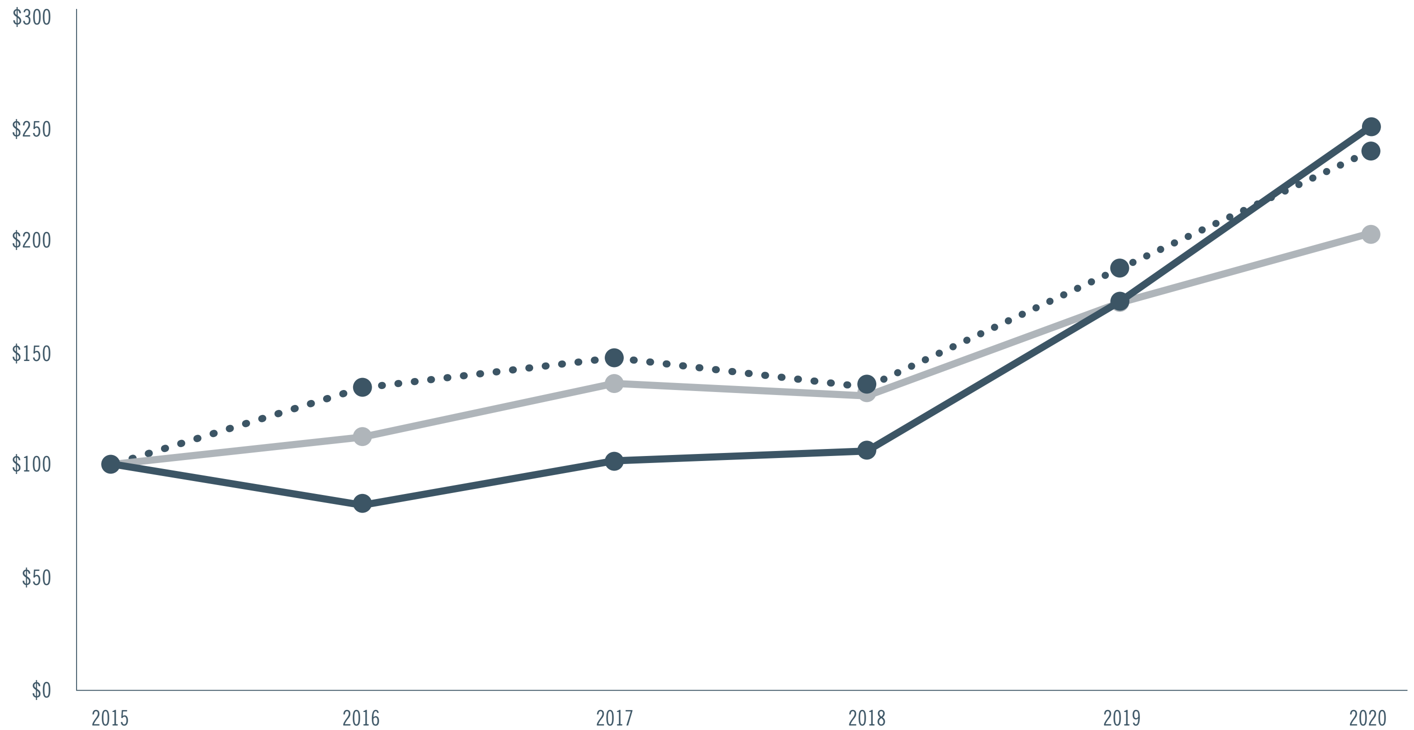
The following table contains selected financial information from unaudited statements of income for each quarter of 2020 and 2019:

	Quarters Ended							
	2020				2019			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues	$283,285	$285,746	$271,091	$276,541	$288,837	$275,400	$275,124	$247,066
Gross profit	138,669	143,509	131,203	129,131	142,275	130,717	127,860	116,048
Income before income taxes	48,412	49,936	41,811	34,883	47,790	40,552	36,419	35,077
Net income	54,094	39,284	53,892	47,550	46,790	40,390	31,999	27,348
Earnings per diluted share	$ 1.29	$ 0.94	$ 1.30	$ 1.16	$ 1.15	$ 1.00	$ 0.80	$ 0.69
Shares used in computing diluted earnings per share	41,925	41,606	41,416	41,144	40,736	40,280	39,813	39,585

Performance Graph

The following table compares total shareholder returns for Tyler over the last five years to the Standard and Poor's 500 Stock Index and the Standard and Poor's 600 Information Technology Index assuming a $100 investment made on December 31, 2015. 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.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN



	100	81.90	101.57	106.60	172.11	250.41
	100	111.96	136.40	130.42	171.49	203.04
	100	133.85	147.62	134.43	187.65	239.83

- Tyler Technologies, Inc.
- S&P 500 Stock Index
- S&P 600 Information Technology Index

2020 Corporate Officers

H. Lynn Moore, Jr.
President & Chief Executive Officer

Brian K. Miller
Executive Vice President
Chief Financial Officer & Treasurer

Matthew B. Bieri
Chief Information Officer

S. Brett Cate
Chief Sales Officer

Samantha B. Crosby
Chief Marketing Officer

Abigail M. Diaz
Chief Legal Officer & Secretary

Jason P. Durham
Corporate Controller

Bruce E. Graham
Senior Strategy Advisor

Jeffrey S. Green
Chief Technology Officer

Jeffrey D. Puckett
Chief Strategy Officer

Kelley B. Shimansky
Chief Human Resources Officer

W. Michael Smith
Chief Accounting Officer

Board of Directors

H. Lynn Moore, Jr.[1]
President & Chief Executive Officer
Tyler Technologies, Inc.

John S. Marr, Jr.[1]
Executive Chairperson of the Board
Tyler Technologies, Inc.

Donald R. Brattain[2]
President
Brattain and Associates, LLC

Glenn A. Carter[3,4]
Retired Chief Executive Officer
DataProse, Inc.

Brenda A. Cline[2,3]
Executive Vice President
Kimbell Art Foundation

J. Luther King, Jr.[4]
Chief Executive Officer
Luther King Capital Management

Daniel M. Pope[2,4]
Mayor
City of Lubbock, Texas

Dustin R. Womble
Retired Executive Vice President
Tyler Technologies, Inc.

Senator Mary Landrieu[3]
Senior Policy Advisor
Van Ness Feldman, LLP

[1] Executive Committee
[2] Audit Committee
[3] Nominating & Governance Committee
[4] Compensation Committee

Operational Leadership

S. Franklin Williams III
President
Data & Insights Division

Kristoffer L. Collo
President
Federal Division

ENTERPRISE GROUP

Christopher P. Hepburn
President
Enterprise Group

Mark A. Hawkins
President
Appraisal & Tax Division

Christopher J. Webster
President
ERP Division

Dane L. Womble
President
Local Government Division

JUSTICE GROUP

D. Bret Dixon
President
Justice Group

Russell J. Smith
President
Courts & Justice Division

Bryan K. Proctor
President
Public Safety Division

CORPORATE HEADQUARTERS

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800.937.5449 ▪ help@astfinancial.com ▪ amstock.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
Dallas, Texas

ANNUAL MEETING OF STOCKHOLDERS

Tuesday, May 7, 2021
9 a.m. Central Time ▪ Virtual
www.virtualshareholdermeeting.com/TYL2021

CERTIFICATIONS

We submitted an unqualified Annual CEO Certification to the New York Stock Exchange (NYSE) as required by the NYSE Listed Company rules. We also filed with the Securities and Exchange Commission the Chief Executive Officer and Chief Financial Officer certifications required under Section 302 of the Sarbanes-Oxley Act as exhibits to our Annual Report on Form 10-K.

INVESTOR INFORMATION

Our annual report on Form 10-K is available on the company's website at tylertech.com. A copy of the Form 10-K or other information may also be obtained by contacting the Investor Relations Department at corporate headquarters.

INVESTOR RELATIONS

972.713.3714 ▪ info@tylertech.com

COMMON STOCK

Listed on the New York Stock Exchange under the symbol "TYL"

TYL
LISTED
NYSE