

TYLER TECHNOLOGIES INC

Form DEF 14A

March 24, 2008

**Table of Contents**

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

**SCHEDULE 14A**

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

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

Check the appropriate box:

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

**Tyler Technologies, Inc.**

---

(Name of Registrant as Specified In Its Charter)

---

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

Payment of Filing Fee (Check the appropriate box):

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

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

---

2) Aggregate number of securities to which transaction applies:

---

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

---

4) Proposed maximum aggregate value of transaction:

---

5) Total fee paid:

---

- Fee paid previously with preliminary materials.
-

Edgar Filing: TYLER TECHNOLOGIES INC - Form DEF 14A

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

1) Amount Previously Paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

---

**Table of Contents**

April 2, 2008

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Tyler Technologies, Inc. to be held on Thursday, May 15, 2008, in Dallas, Texas at the Park City Club, 5956 Sherry Lane, Suite 1700, commencing at 9:30 a.m., local time. Details of the business to be conducted at the meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

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

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

Yours very truly,

JOHN M. YEAMAN  
*Chairman of the Board*

---

**Table of Contents**

**TYLER TECHNOLOGIES, INC.  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held May 15, 2008**

To the Stockholders of  
TYLER TECHNOLOGIES, INC.:

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

- (1) elect seven directors to serve until the next annual meeting or until their respective successors are duly elected and qualified;
- (2) consider and vote upon a proposal to amend the Tyler Technologies, Inc. Stock Option Plan (the "Stock Option Plan") to increase the number of our common stock subject to the Stock Option Plan by 2,500,000;
- (3) ratify the selection of Ernst & Young LLP as our independent auditors for fiscal year 2008; and
- (4) transact such other business as may properly come before the meeting.

Only stockholders of record on March 17, 2008 may vote at the annual meeting. A list of those stockholders will be available for examination at our corporate headquarters, 5949 Sherry Lane, Suite 1400, Dallas, Texas 75225, from May 5 through May 15, 2008.

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

The enclosed 2007 Annual Report does not form any part of the proxy solicitation material.

By Order of the Board of Directors

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

Dallas, Texas  
April 2, 2008

**PROXY STATEMENT  
FOR  
ANNUAL MEETING OF STOCKHOLDERS  
to be held May 15, 2008  
TABLE OF CONTENTS**

	Page
<u>THE ANNUAL MEETING</u>	3
<u>Place, Date, and Time</u>	3
<u>Matters to be Considered</u>	3
<u>Record Date and Voting</u>	3
<u>Vote Required</u>	3
<u>Proxy Solicitation, Revocation, and Expense</u>	3
<u>PROPOSALS FOR CONSIDERATION</u>	4
<u>Proposal One Election of Directors</u>	4
<u>Proposal Two Amendment to the Stock Option Plan</u>	4
<u>Proposal Three Ratification of Ernst &amp; Young LLP as Our Independent Auditors for Fiscal Year 2008</u>	6
<u>TYLER MANAGEMENT</u>	7
<u>Directors, Nominees for Director, and Executive Officers</u>	7
<u>Business Experience of Directors, Nominees for Director, and Executive Officers</u>	7
<u>CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS</u>	9
<u>Corporate Governance Guidelines</u>	9
<u>Code of Business Conduct and Ethics</u>	10
<u>Board Independence</u>	10
<u>Committees and Meetings of the Board of Directors</u>	10
<u>Audit Committee Financial Expert</u>	11
<u>Pre-Approval Policies and Procedures for Audit and Non-Audit Services</u>	11
<u>Director Nominating Process</u>	12
<u>Communications with Our Board of Directors</u>	13
<u>Director Attendance at Annual Meetings</u>	13
<u>SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	14
<u>Security Ownership of Directors and Management</u>	14
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	15
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	16
<u>Overview</u>	16
<u>Executive Compensation Components</u>	16
<u>Base Salary</u>	16
<u>Annual Cash Bonus Program</u>	17
<u>Stock Options</u>	17
<u>Other Compensation</u>	17
<u>Tax Consequences of Certain Forms of Compensation</u>	18
<u>Report of the Compensation Committee</u>	18
<u>EXECUTIVE COMPENSATION</u>	19
<u>Summary Compensation Table</u>	19
<u>Grants of Plan-Based Awards in 2007</u>	20
<u>Outstanding Equity Awards at Year-End</u>	21
<u>Option Exercises and Stock Vested</u>	21
<u>Employment Contracts</u>	22
<u>Potential Payments under Employment Contracts</u>	22

<u>Director Compensation</u>	23
<u>Compensation Committee Interlocks and Insider Participation</u>	24
<u>REPORT OF THE AUDIT COMMITTEE</u>	25
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	26
<u>STOCKHOLDER PROPOSALS</u>	26

**Table of Contents**

**THE ANNUAL MEETING**

**Place, Date, and Time**

The annual meeting will be held in Dallas, Texas at the Park City Club, 5956 Sherry Lane, Suite 1700, on Thursday, May 15, 2008, at 9:30 a.m., local time.

**Matters to be Considered**

At the annual meeting, you will be asked to consider and vote upon the following proposals:

Proposal One Election of seven directors to serve until the next annual meeting or until their respective successors are duly elected and qualified;

Proposal Two Amendment to the Stock Option Plan increasing the number of shares of common stock subject to issuance under the Option Plan from 8,500,000 to 11,000,000; and

Proposal Three Ratification of the selection of Ernst & Young LLP as our independent auditors for fiscal year 2008.

**Record Date and Voting**

Only stockholders of record on March 17, 2008 are entitled to vote at the annual meeting. On March 17, 2008, we had 37,981,782 shares of common stock issued and outstanding. Each stockholder will be entitled to one vote, in person or by proxy, for each share of common stock held in his or her name. A majority of our shares of common stock must be present, either in person or by proxy, to constitute a quorum for action at the meeting. Abstentions and broker nonvotes are counted for purposes of determining a quorum. Abstentions are counted in tabulating the votes cast on any proposal, but are not counted as votes either for or against a proposal. Broker nonvotes are not counted as votes cast for purposes of determining whether a proposal has been approved.

**Vote Required**

The following is the required vote necessary to approve each of the proposals:

Proposal One Election of Directors the election of directors is determined by plurality vote;

Proposal Two Amendment to Stock Option Plan the affirmative vote of holders of a majority of the voting power of the shares actually voted at the annual meeting is required to approve the amendment to the Stock Option Plan; and

Proposal Three Ratification of Ernst & Young LLP the affirmative vote of holders of a majority of the voting power of the shares actually voted at the annual meeting is required to ratify Ernst & Young LLP as our independent auditors for fiscal year 2008.

**Proxy Solicitation, Revocation, and Expense**

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

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

We will bear the expense of preparing, printing, and mailing the proxy solicitation material and the proxy. In addition to use of the mail, we may solicit proxies by personal interview or telephone by our directors, officers, and employees. We may also engage the services of a proxy solicitation firm to assist us in the solicitation of proxies. We estimate that the fee of any such firm will not exceed \$10,000 plus reimbursement of reasonable out-of-pocket



**Table of Contents**

expenses. Arrangements may also be made with brokerage houses and other custodians, nominees, and fiduciaries for the forwarding of solicitation material to record stockholders, and we may reimburse them for their reasonable out-of-pocket expenses.

**PROPOSALS FOR CONSIDERATION**

**Proposal One Election of Directors**

At the annual meeting, you will be asked to elect a board of seven directors. The nominees for director are: Donald R. Brattain; J. Luther King, Jr.; John S. Marr, Jr.; G. Stuart Reeves; Michael D. Richards; Dustin R. Womble; and John M. Yeaman. Each of the nominees currently serves on our board of directors. For more information regarding these nominees, see Tyler Management.

Each nominee has indicated that he is able and willing to serve as a director. If any of the nominees becomes unable to serve prior to the meeting, the persons named in the enclosed proxy will vote the shares covered by your executed proxy for a substitute nominee as selected by the board of directors. You may withhold authority to vote for any nominee by entering his name in the space provided on the proxy card.

**Our board of directors unanimously recommends that the stockholders vote FOR each of the nominees for director.**

**Proposal Two Amendment to the Stock Option Plan**

At the annual meeting, you will also be asked to consider and vote upon a proposal to amend the Stock Option Plan to increase the number of shares of common stock subject to the plan from 8,500,000 to 11,000,000. The proposed amendment to the plan is intended to enable us to provide additional incentives to selected key employees whose substantial contributions are important to our continued growth and profitability. Currently, there are only 206,000 shares of our common stock available for option grants under the existing plan. Copies of the Stock Option Plan are available upon written request.

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

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

**Table of Contents**

The exercise price of options is paid in cash or by check at the time of exercise or, if approved, by the tender of shares of our common stock, or through a combination thereof; provided that such shares either: (i) have been owned by the optionee for more than six months and have been paid for within the meaning of Rule 144 promulgated under the Securities Act of 1933; or (ii) were obtained by the optionee in the public market ( Qualifying Shares ). If the option is exercised by tendering Qualifying Shares, the number of shares tendered shall be determined by the fair market value per share on the date of the exercise, as determined by us. An option agreement may also provide that the exercise price may be paid through the cashless exercise method whereby the optionee authorizes a broker designated by us to sell a specified number of the shares of common stock to be acquired by the optionee on the exercise of the option, having a then fair market value equal to the sum of the exercise price of the option, plus any transaction costs. The remainder of the shares not sold will be delivered to the optionee. Shares of common stock deliverable upon exercise of the options may be transferred from treasury or issued from authorized but unissued shares.

The Stock Option Plan will terminate on May 11, 2010, and no options may thereafter be granted under the plan. Our board of directors may amend, alter, or discontinue the plan, or any part thereof, at any time and for any reason. However, we will obtain stockholder approval for any amendment to the plan to the extent necessary and desirable to comply with applicable law. The administering committee may also make appropriate adjustments in the number of shares covered by the plan, the number of shares subject to outstanding options, and the option prices to reflect any stock dividend, stock split, share combination, or other recapitalization and, with respect to outstanding options and option prices, to reflect any merger, consolidation, reorganization, liquidation, or similar transaction.

Incentive stock options and nonqualified stock options may be granted under the plan to our key employees. Key employees are defined in the plan to be those employees whose performance and responsibilities are determined to have a direct and significant effect on our success. Non-employee directors, as well as consultants, are eligible for the grant of nonqualified stock options. Additional options may be granted to persons to whom options have previously been granted. There is no restriction in the plan on the maximum or minimum number of shares covered by options that may be granted to any person.

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

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

**Tax Status of Options.** An optionee has no taxable income, and we are not entitled to a deduction, at the time of the grant of an option. All stock options that qualify under the rules of Section 422 of the Code will be entitled to incentive stock option treatment. To receive incentive stock option treatment, an optionee must not dispose of the



**Table of Contents**

acquired stock within two years after the option is granted and within one year after the exercise. In addition, the individual must have been an employee for the entire time from the date of granting of the option until three months (one year if the employee is disabled) before the date of the exercise. The requirement that the individual be an employee and the two-year and one-year holding periods are waived in the case of death of the employee. If all such requirements are met, then any gain upon sale of the stock will be entitled to capital gain treatment. The employee's gain on exercise (the excess of the fair market value at the time of exercise over the exercise price) of an incentive stock option is a tax preference item and, accordingly, is included in the computation of alternative minimum taxable income, even though it is not included in taxable income for purposes of determining regular tax liability of an employee. Consequently, an optionee may be obligated to pay alternative minimum tax in the year he or she exercises an incentive stock option.

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

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

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

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

**Our board of directors unanimously recommends that the stockholders vote FOR the amendment to the Stock Option Plan.**

**Proposal Three Ratification of Ernst & Young LLP as Our Independent Auditors for Fiscal Year 2008**

The Audit Committee has selected Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for fiscal year 2008, subject to ratification by the stockholders. Ernst & Young LLP served as our independent auditors for fiscal years 2007 and 2006. A representative of Ernst & Young LLP is expected to be present at the annual meeting. That representative will have an opportunity to make a statement, if desired, and will be available to respond to appropriate questions.

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

	2007	2006
Audit Fees	\$ 1,069,000	\$ 1,020,000
Audit Related Fees	51,000	110,000
Tax Fees	11,000	28,000
Total	\$ 1,131,000	\$ 1,158,000

**Table of Contents**

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

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

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

The Audit Committee approved all of the independent auditor engagements and fees presented above. Our Audit Committee Charter requires that the Audit Committee pre-approve all audit and non-audit services provided to us by our independent auditors. All such services performed in 2007 were pre-approved by the Audit Committee. For more information on these policies and procedures, see Corporate Governance Principles and Board Matters Pre-Approval Policies and Procedures for Audit and Non-Audit Services.

**Our board of directors unanimously recommends that the stockholders vote FOR the ratification of Ernst & Young LLP as our independent auditors for fiscal year 2008.**

**TYLER MANAGEMENT****Directors, Nominees for Director, and Executive Officers**

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

Name / Age	Present Position	Served Since
John M. Yeaman, 67	Chairman of the Board	2004
	Director	1999
John S. Marr, Jr., 48	President and Chief Executive Officer	2004
	Director	2002
Donald R. Brattain, 67	Director	2004
J. Luther King, Jr., 68	Director	2004
G. Stuart Reeves, 68	Director	2001
Michael D. Richards, 57	Director	2002
Dustin R. Womble, 48	Executive Vice President	2003
	Director	2005
	Executive Vice President	2008
Brian K. Miller, 49	Chief Financial Officer	2005
	Treasurer	1997
	Executive Vice President	2008
H. Lynn Moore, Jr., 40	Secretary	2000
	General Counsel	1998

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

*John M. Yeaman* has served as Chairman of the Board since July 2004. From April 2002 until July 2004, Mr. Yeaman served as President and Chief Executive Officer; from March 2000 until April 2002, he served as President and Co-Chief Executive Officer; and from December 1998 until March 2000, he was President and Chief Executive Officer. Mr. Yeaman was elected to our board of directors in February 1999. Mr. Yeaman also serves as Chairman of the Executive Committee. From 1980 until 1998, Mr. Yeaman was associated with Electronic Data Systems Corporation (EDS), where he most recently served as the director of a worldwide Strategic Support Unit managing \$2 billion in real estate assets. Mr. Yeaman began his career with Eastman Kodak Company.

**Table of Contents**

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

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

*J. Luther King, Jr.* has served as a director since 2004. Mr. King also serves on the Audit Committee and the Compensation Committee. Mr. King is the Chief Executive Officer and President of Luther King Capital Management ( LKCM ), a registered investment advisory firm that he founded in 1979. Mr. King also serves as the chairman of the board of trustees of Texas Christian University. In addition, Mr. King serves as a director and a member of the audit committee of Encore Energy Partners GP, LLC. Mr. King has a Bachelor of Science degree and a Masters of Business Administration from Texas Christian University, and he is also a Chartered Financial Analyst.

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

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

*Dustin R. Womble* has been Executive Vice President in charge of corporate-wide product strategy, Chief Executive Officer of both our Courts and Justice division and our INCODE division since July 2006 and is currently a member of the Executive Committee. From July 2003 to June 2006, Mr. Womble was Executive Vice President



## **Table of Contents**

in charge of corporate-wide product strategy and President of our INCODE division. Mr. Womble previously served as President of our INCODE division from 1998, when we acquired INCODE, to July 2003.

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

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

## **CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS**

### **Corporate Governance Guidelines**

Our board of directors has adopted a number of corporate governance guidelines, including the following:

Independence Standards, which determine the independence of our non-employee directors. These standards are consistent with the independence standards set forth in Rule 303A.02(b) of the New York Stock Exchange Listed Company Manual. The Independence Standards are included as an exhibit to our Audit Committee Charter.

Corporate Governance Guidelines, which include, among other things:

annual submission of independent auditors to stockholders for approval;

formation of a Nominating and Governance Committee to be comprised solely of independent directors;

prohibition of stock option re-pricing;

formalization of the ability of independent directors to retain outside advisors;

performance of periodic formal board evaluation; and

limitation on the number of additional public company boards on which a director may serve to a maximum of four.

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

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

A Compensation Committee Charter, which requires, among other things, that the committee be comprised solely of independent directors and sets forth the guidelines for determining executive compensation. A copy of our Compensation Committee Charter may be found on our Website, [www.tylertech.com](http://www.tylertech.com).



A Nominating and Governance Committee Charter, which requires, among other things, that the committee be comprised of at least three independent directors who are responsible for recommending candidates for

## **Table of Contents**

election to the board of directors. A copy of our Nominating and Governance Committee Charter may be found on our Website, [www.tylertech.com](http://www.tylertech.com).

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

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

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

full, fair, accurate, timely, and understandable disclosure in our public communications and reports filed with the SEC;

compliance with applicable governmental laws, rules, and regulations;

prompt internal reporting of violations of the policy to the appropriate persons designated therein, including anonymous whistleblower provisions; and

accountability for adherence to the policy.

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

### **Board Independence**

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

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

The board met four times during 2007. Each board member participated in at least 75% of all board and committee meetings held during the portion of 2007 that he served as a director and/or committee member. In addition, our board of directors has established a policy under which our non-management members will meet at regularly scheduled (and in any event at least twice per fiscal year) executive sessions without management present and with Mr. G. Stuart Reeves presiding over such meetings. During 2007, the standing committees of our board of directors were the Audit Committee, Compensation Committee, Executive Committee, and Nominating and Governance Committee.

*Audit Committee.* During 2007, the Audit Committee was comprised of Donald R. Brattain (Chairman), J. Luther King, Jr., and G. Stuart Reeves, each of whom is independent as defined above. The Audit Committee's duties include:

reviewing with the independent auditors the fee, scope, and timing of the audit;

reviewing the completed audit with the independent auditors regarding any significant accounting adjustments, recommendations for improving internal controls, appropriateness of accounting policies,



**Table of Contents**

appropriateness of accounting and disclosure decisions with respect to significant unusual transactions or material obligations, and significant findings during the audit;

performance of periodic formal committee evaluations;

reviewing our financial statements and related regulatory filings with the independent auditors; and

meeting periodically with management to discuss internal accounting and financial controls.

The Audit Committee met five times during 2007.

*Compensation Committee.* During 2007, the Compensation Committee was comprised of Michael D. Richards (Chairman), J. Luther King, Jr., and G. Stuart Reeves. The Compensation Committee has final authority on all executive compensation and periodically reviews compensation and other benefits paid to or provided for our officers and directors. The Compensation Committee also approves annual salaries and bonuses for executive officers to ensure that the recommended salaries and bonuses are not unreasonable. The Compensation Committee met twice during 2007.

*Executive Committee.* During 2007, the Executive Committee was comprised of John M. Yeaman (Chairman), John S. Marr, Jr., and Dustin R. Womble. The Executive Committee has the authority to act for the entire board of directors, but may not commit to an expenditure in excess of \$5,000,000 without full board approval. The Executive Committee meets periodically throughout the year.

*Nominating and Governance Committee.* During 2007, the Nominating and Governance Committee was comprised of G. Stuart Reeves (Chairman), Donald R. Brattain, and Michael D. Richards. The Nominating and Governance Committee's duties include:

identifying and recommending candidates for election to our board of directors;

periodically reviewing the appropriate skills and characteristics required of board members in the context of the current make-up of our board; and

monitoring adherence to our Corporate Governance Guidelines .

The Nominating and Governance Committee met once during 2007.

**Audit Committee Financial Expert**

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

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

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

**Table of Contents**

**Director Nominating Process**

The Nominating and Governance Committee is responsible for reviewing and interviewing qualified candidates to serve on our board of directors and to select both independent as well as management nominees for director to be elected by our stockholders at each annual meeting. The Nominating and Governance Committee is comprised solely of independent directors and operates under a Charter for the Nominating and Governance Committee.

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

sound personal and professional integrity;

an inquiring and independent mind;

practical wisdom and mature judgment;

broad training and experience at the policy-making level of business, finance and accounting, government, education, or technology;

expertise that is useful to Tyler and complementary to the background and experience of other board members, so that an optimal balance of board members can be achieved and maintained;

willingness to devote the required time to carrying out the duties and responsibilities of board membership;

commitment to serve on the board for several years to develop knowledge about our business;

willingness to represent the best interests of all stockholders and objectively appraise management performance; and

involvement only in activities or interests that do not conflict with the director's responsibilities to Tyler or our stockholders.

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

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

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

as to each person the stockholder proposes to nominate for election or re-election as a director:

the name, age, business address, and residence address of the person;

the principal occupation or employment of the person;

the class and number of shares of our capital stock that are beneficially owned by the person; and

any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors under Regulation 14A of the Exchange Act; and  
as to the stockholder giving notice:

12

---

**Table of Contents**

the name and record address of the stockholder and any other stockholder known to be supporting the nominee; and

the class and number of shares of our capital stock that are beneficially owned by the stockholder making the nomination and by any other supporting stockholders.

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

**Communications with Our Board of Directors**

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

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

Depending on the subject matter, management will:

forward the communication to the director or directors to whom it is addressed (for example, if the communication received deals with our whistleblower policy found on our Website, [www.tylertech.com](http://www.tylertech.com), including questions, concerns, or complaints regarding accounting, internal accounting controls, and auditing matters, it will be forwarded by management to the Chairman of the Audit Committee for review);

attempt to handle the inquiry directly (for example, if the communication is a request for information about us or our operations or it is a stock-related matter that does not appear to require direct attention by our board of directors); or

not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

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

**Director Attendance at Annual Meetings**

Directors are not required to attend our annual meetings of stockholders. However, our board of directors typically holds a meeting immediately following the annual meeting of stockholders. Therefore, in most cases, all of our directors will be present at the annual meeting. All of our directors were present at the 2007 annual meeting of stockholders.

**Table of Contents****SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information concerning the beneficial ownership of our common stock as of March 17, 2008 by (i) each beneficial owner of more than 5% of our common stock, (ii) each director and nominee, (iii) each Named Executive Officer (as defined in the SEC's Regulation S-K), and (iv) all of our executive officers and directors as a group.

**Security Ownership of Directors and Management**

Name and Address of Beneficial Owner (1)	Direct (2)	Options Exercisable Within 60 Days (3)	Other (4)	Total	Percent of Class (5)
MSD Capital, L.P. 645 Fifth Avenue, 21st Floor New York, NY 10022	4,049,923(6)			4,049,923	10.7%
Noonday Asset Management LP 227 West Trade Street, Suite 2140 Charlotte, NC 28202	3,801,400(7)			3,801,400	10.0%
Brown Brothers Harriman and Company 140 Broadway New York City, NY 10005	2,980,100(8)			2,980,100	7.9%

**Directors and Nominees**

Donald R. Brattain	28,500	25,000		53,500	*
J. Luther King, Jr.	32,000	25,000	187,300(9)	244,300	*
G. Stuart Reeves	65,000	115,000		180,000	*
Michael D. Richards	40,000	35,000		75,000	*
John M. Yeaman	184,350	566,950	7,300(10)	758,600	2.0%

**Named Executive Officers**

John S. Marr, Jr.	1,206,699	446,000	192,277(11)	1,844,976	4.8%
Dustin R. Womble	171,995	248,628		420,623	1.1%
Brian K. Miller	23,072	75,000	7,300(12)	105,372	*
H. Lynn Moore, Jr.	66,667	68,333		135,000	*

All directors, nominees and executive officers as a group (9 persons)	1,818,283	1,604,911	394,177	3,817,371	9.6%
---	-----------	-----------	---------	-----------	------

\* Less than one percent of our outstanding common stock

(1)



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

- (2) Direct represents shares as to which each named individual has sole voting or dispositive power.
- (3) Options Exercisable Within 60 Days reflects the number of shares that could be purchased by exercise of options at March 17, 2008 or within 60 days thereafter.
- (4) Other represents the number of shares of common stock as to which the named individuals share voting and dispositive power with another person or trust fund.



**Table of Contents**

- (5) Based on 37,981,782 shares of our common stock issued and outstanding at March 17, 2008. Each stockholder's percentage is calculated by dividing (a) the number of shares beneficially owned by (b) the sum of (i) 37,981,782 plus (ii) the number of shares such owner has the right to acquire within sixty days.
- (6) Based on information reported by MSD Capital, L.P. on a Schedule 13G that was filed with the SEC on or about February 3, 2006.
- (7) Based on information reported by Noonday Asset Management, L.P. on a Schedule 13G that was filed with the SEC on or about January 29,

2008.

- (8) Based on information reported by Brown Brothers Harriman and Company on a Schedule 13G that was filed with the SEC on or about February 7, 2008.
- (9) Includes the beneficial ownership of (a) 180,000 shares of common stock held in an investment partnership in which Mr. King is the general partner and is deemed to have voting and investment power, and (b) 7,300 shares of common stock owned by a foundation in which Mr. King is deemed to have shared voting power.
- (10) Common stock owned by a foundation in which Mr. Yeaman is deemed to have shared voting power.
- (11) Common stock held by a

partnership in which Mr. Marr is the general partner and has sole voting and investment power.

- (12) Common stock owned by a foundation in which Mr. Miller is deemed to have shared voting power.

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

Section 16(a) of the Securities Exchange Act requires that our directors, executive officers, and 10% or more stockholders file with the SEC and New York Stock Exchange initial reports of ownership and reports of changes in ownership of our common stock. These persons are required to furnish us with copies of all Section 16(a) reports they file with the SEC. To our knowledge, based solely upon (i) our review of the copies of the forms we received during 2007 and (ii) written representations from our directors and executive officers we believe that all of our directors, officers, and 10% or more stockholders complied with all Section 16(a) filing requirements during 2007 except for one transaction subsequently reported on an amended Form 4. Mr. Marr inadvertently did not file a Form 4 in a timely manner with respect to a gift of 5,000 shares of our common stock to a charitable gift fund.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Overview**

The primary objectives of our executive compensation program are to attract and employ outstanding management in order to obtain outstanding results, provide a strong link between annual and long-term cash and stock incentives to the achievement of measurable corporate performance objectives, and to align executive incentives with stockholder value. To attract and retain high-level individuals, we may pay above-median compensation or provide stock ownership and stock option incentives to our executive officers. Our Compensation Committee has the responsibility for final approval for all compensation to our executive officers and directors, including the duty to ensure that compensation paid to executive officers does not exceed reasonable amounts and is based on objective standards. The Compensation Committee approves or disapproves the recommendations of management regarding compensation according to the guidelines set forth below. The specific duties and responsibilities of the Compensation Committee are set forth in the Compensation Committee Charter.

We use a mix of short-term compensation (base salaries and annual cash bonuses) and long-term compensation (stock options) to provide a total compensation structure that is designed to reward outstanding performance and provide cash incentives at or slightly above the median for our industry. From time to time, salaries, bonuses, and other compensation of our executive officers are evaluated by reference to nationwide comparisons. A substantial portion of each of our executive officer's potential total compensation is in the form of bonuses and options. Annual bonuses vary significantly based on our financial results, the achievement of strategic objectives, extraordinary individual achievement, and each individual's contribution toward our performance.

**Executive Compensation Components**

Our compensation program consists of:

base salary;

annual cash bonus program; and

long-term incentive awards in the form of stock options.

**Base Salary**

Base salary is established based on each executive officer's experience, skill, knowledge, and responsibilities, referring also to market data. The Compensation Committee approved base salaries for 2007 after considering a number of factors, including:

individual performance of the executive;

internal review of the executive's compensation, both individually and relative to other officers;

the base salary of each executive officer in prior years; and

market data of base salary information.

The Compensation Committee does not assign relative weight or rankings to these factors, but instead makes a subjective determination based upon the consideration of all of these factors. Salary levels are typically considered annually as part of our performance review process as well as upon a promotion or other change in job responsibility.

**Table of Contents**

**Annual Cash Bonus Program**

A significant portion of the executive s annual compensation is in the form of a cash bonus. We believe that some portion of the executive s compensation should be contingent upon successful achievement of our corporate objectives. Therefore, 2007 annual cash bonuses for executives are based on the level of attainment of certain corporate objectives recommended by management and approved by the compensation committee.

Awards of annual bonuses are based upon targets and maximum bonus payouts set by the compensation committee and approved by the board of directors at the beginning of each fiscal year. The performance period for cash bonuses is the calendar year, and payouts are made in February and March following the plan year. Target bonus, as a percentage of base salary, is set based on each executive s position within the organization as well as the executive s overall compensation package. In addition, the compensation committee may exercise discretion and take into account individual performance in determining awards.

The named executive officers participate in a bonus plan that is based on actual fully diluted earnings per share ( EPS ) compared to budgeted fully diluted EPS ( EPS Bonus Plan ). The EPS Bonus Plan is calculated as a percentage of the executive s base salary, with higher ranked executive officers being compensated at a higher percentage of base salary. Based on the recommendations of management, the compensation committee set target bonus awards for 2007 at 100% of base salary for Mr. Marr and Mr. Womble, and 50% of base salary for Mr. Miller and Mr. Moore. The minimum payout level under the 2007 EPS Bonus Plan was 0% of the target bonus while the maximum payout level was 170% of the target bonus. In addition, 100% of the target bonus was earned if we achieved the approximate EPS issued as earnings guidance to the public at the beginning of the fiscal year. The payout level achieved in 2007 for the EPS Bonus Plan was 100% of the target bonus. In addition, Mr. Marr received a discretionary bonus of \$50,000.

For 2008, based on the recommendations of management, the compensation committee set target bonus awards at 100% of base salary for Mr. Marr and Mr. Womble; and 75% of base salary for Mr. Miller and Mr. Moore. The minimum payout level under the 2008 EPS Bonus Plan is 0% of the target bonus while the maximum payout level is 170% of the target bonus. In addition, 100% of the target bonus is earned if we achieve the approximate EPS issued as earnings guidance to the public at the beginning of the fiscal year.

**Stock Options**

Stock options are awarded to executive officers to promote long-term success by aligning executive financial interests with the interests of the stockholder, provide an opportunity for increased equity ownership by executives, and maintain competitive levels of compensation. All awards of shares of our stock options are made at or above the market price at the time of the award. Stock option grants are subject to time-based vesting as determined by the Compensation Committee.

Stock option award levels are determined based on executive responsibilities and are approved by the Compensation Committee. Newly hired or promoted executives who are eligible to receive options are awarded such options on the date of hire or promotion.

**Other Compensation**

Our executive officers previously entered into employment agreements which provide certain benefits and perquisites including severance pay that may be triggered as a result of the termination without cause of the executive officer s employment or by a change in control. All of our executive officers are also eligible for benefits offered to employees generally, including life, health, disability and dental insurance, our 401(K) plan, and our Employee Stock Purchase Plan.

**Table of Contents**

**Tax Consequences of Certain Forms of Compensation**

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

*Incentive Options*

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

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

*Non-Qualified Options*

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

**Report of the Compensation Committee**

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

This report is submitted by the Compensation Committee.

Michael D. Richards, Chairman

J. Luther King, Jr.

G. Stuart Reeves



**Table of Contents****EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth certain information regarding the compensation paid to our named executive officers for all of the services they rendered to us during 2007.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Awards (\$)	Stock Option Awards (\$)	Non-qualified Deferred Incentive Compensation (\$)	Change in Pension Value and Nonqualified Deferred Incentive Compensation (\$)	All Other Compensation (\$)	Total (\$)
John S. Marr, Jr. Chief Executive Officer and President	2007	\$380,000	\$430,000	\$	\$465,574	\$	\$	\$ 8,176	\$1,283,750
	2006	363,000	450,000		400,371			8,060	1,221,431
Dustin R. Womble Executive Vice President; Chief Executive Officer of both the Courts and Justice division and INCODE division	2007	\$320,000	\$320,000	\$	\$388,891	\$	\$	\$ 19,170(2)	\$1,048,061
	2006	300,000	345,000		266,299			21,791(2)	933,090
Brian K. Miller Executive Vice President, Chief Financial Officer and Treasurer	2007	\$235,000	\$117,500	\$	\$ 91,093	\$	\$	\$ 4,668	\$ 448,261
	2006	220,000	126,500		56,269			1,023	403,792
H. Lynn Moore, Jr. Executive Vice President, General Counsel and Secretary	2007	\$235,000	\$117,500	\$	\$ 91,093	\$	\$	\$ 2,224	\$ 445,817
	2006	220,000	126,500		56,269			60	402,829

(1) Represents amounts expensed by us during 2007 for grants made to executive officers. Such grants provide our executive officers the opportunity to purchase shares of Tyler

common stock at some future date at the fair market value of the stock on the date of grant. The dollar value of the stock option grants is based on the grant date fair value as required by Statement of Financial Accounting Standards ( SFAS ) No. 123R. For additional information on the valuation assumptions with respect to the 2007 expense, refer to note 8 of the Tyler Technologies financial statements in the Form 10-K for the year ended December 31, 2007, as filed with the SEC. The SFAS No. 123R value does not represent cash received by the executive in 2007, but potential earnings contingent on the Tyler s future performance. Stock option grants are

designed to provide long-term (up to ten years) incentives and rewards linked directly to the price of our common stock. Stock options add value to the recipient only when stockholders benefit from stock price appreciation and, as such, further align management's interest with those of our stockholders.

- (2) All other compensation includes amounts contributed or accrued by Tyler under the 401(K) Savings Plan, personal use of a company owned car, value of the tax gross up for personal use of a company owned car, tickets to sporting events, a charitable donation made on behalf of Mr. Womble and disability insurance premiums paid on behalf of Mr. Womble.



**Table of Contents****Grants of Plan-Based Awards in 2007**

The following table sets forth certain information relating to stock option grants to the Named Executive Officers during 2007.

Name	Grant Date (1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			Shares of Stock or Underlying Options (#)	All Other Awards: Number of	All Other Awards: Number of	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (2) (\$/Sh)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)					
John S. Marr, Jr.	3/2/2007	\$	\$	\$								
	6/15/2007	\$	\$	\$					30,000		\$ 13.29	\$ 6.67
	12/14/2007	\$	\$	\$					30,000		\$ 12.26	\$ 6.25
Dustin R. Womble	3/2/2007	\$	\$	\$								
	6/15/2007	\$	\$	\$					25,000		\$ 14.93	\$ 7.26
	12/14/2007	\$	\$	\$					25,000		\$ 13.29	\$ 6.67
Brian K. Miller	3/2/2007	\$	\$	\$								
	6/15/2007	\$	\$	\$					15,000		\$ 12.26	\$ 6.25
	12/14/2007	\$	\$	\$					15,000		\$ 14.93	\$ 7.26
H. Lynn Moore, Jr.	3/2/2007	\$	\$	\$								
	6/15/2007	\$	\$	\$					15,000		\$ 13.29	\$ 6.67
	12/14/2007	\$	\$	\$					15,000		\$ 12.26	\$ 6.25

(1) These options were granted as part of Tyler's broad-based annual stock option grant. The options vest and become exercisable in five equal

annual installments from the date of grant and have a contractual term of ten years. The option terms are the same for all the options granted to employees on March 2, 2007, June 15, 2007 and December 14, 2007.

- (2) The grant date fair value is determined in accordance with SFAS No. 123R and does not represent cash received by the Named Executive Officers in 2007. The grant date fair value represents potential earnings contingent on the Tyler's future performance. Stock option grants are designed to provide long-term (up to ten years) incentives and rewards linked directly to the price of our common stock. Stock options add value to the recipient only when

stockholders  
benefit from  
stock price  
appreciation  
and, as such,  
further align  
management's  
interest with  
those of our  
stockholders.

**Table of Contents****Outstanding Equity Awards at Year-End**

The following table shows outstanding equity awards for each of the Named Executive Officers at December 31, 2007:

Name	Option Awards Equity Incentive Plan			Option Exercise Price (\$)	Option Expiration Date	Stock Awards Equity Market Incentive Value Plan Equity				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Awards: of Securities Underlying Unexercised Options (#)			Number of Shares or Units of Stock That Have Not Vested (#)	Plan Awards: of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
John S. Marr, Jr.	400,000	100,000		\$ 4.58	7/1/2013					
	40,000	60,000		\$ 7.52	7/26/2015					
		30,000		\$ 13.29	3/2/2017					
		30,000		\$ 12.26	6/15/2017					
		30,000		\$ 14.93	12/14/2017					
Dustin R. Womble	50,000			\$ 3.88	4/14/2009					
	22,014			\$ 3.60	3/4/2013					
	111,614	40,000		\$ 4.58	7/1/2013					
	40,000	60,000		\$ 7.52	7/26/2015					
	20,000	80,000		\$ 11.02	7/26/2016					
		25,000		\$ 13.29	3/2/2017					
		25,000		\$ 12.26	6/15/2017					
	25,000		\$ 14.93	12/14/2017						
Brian K. Miller	25,000			\$ 3.88	4/14/2009					
	15,000			\$ 1.62	5/8/2011					
	32,000	48,000		\$ 7.52	7/26/2015					
		15,000		\$ 13.29	3/2/2017					
		15,000		\$ 12.26	6/15/2017					
	15,000		\$ 14.93	12/14/2017						



H. Lynn				
Moore, Jr.	10,000		\$ 3.88	4/14/2009
	33,333		\$ 1.62	5/8/2011
	32,000	48,000	\$ 7.52	7/26/2015
		15,000	\$ 13.29	3/2/2017
		15,000	\$ 12.26	6/15/2017
		15,000	\$ 14.93	12/14/2017

**Option Exercises and Stock Vested**

The following table shows stock option exercises during 2007 by each of the Named Executive Officers :

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
John S. Marr, Jr.		\$		\$
Dustin R. Womble	56,372	\$ 495,944		\$
Brian K. Miller	50,000	\$ 481,300		\$
H. Lynn Moore, Jr.	40,000	\$ 313,583		\$

---

**Table of Contents****Employment Contracts**

Effective February 26, 2008, we entered into five-year employment agreements with John S. Marr, Jr., Dustin R. Womble, Brian K. Miller and H. Lynn Moore, Jr. Under the terms of the agreements, Messrs. Marr, Womble, Miller and Moore will receive minimum base salaries of \$395,000, \$333,333, \$250,000 and \$250,000, respectively. They will also participate in performance bonus or incentive compensation plans made available to comparable level employees of Tyler and receive all employee benefits and perquisites normally offered to Tyler's executive employees. Each agreement provides for a severance payment equal to each named executive's base salary and target bonus and a non-compete payment equal to his base salary and target bonus upon the executive's termination of employment for Good Reason (as defined therein), or upon executive's termination of employment upon a Change in Control (as defined therein). In addition to the severance payment and the non-compete payment each agreement also provides that we will continue to provide medical benefits for twelve months after the date of termination. In the event of a Change in Control, all unvested options previously granted to Messrs. Marr, Womble, Miller and Moore would immediately become vested and exercisable.

In addition, Messrs. Marr, Womble, Miller and Moore were contingently granted options to purchase respectively 400,000, 250,000, 150,000 and 150,000 shares of Tyler's common stock subject to Tyler's stockholders approving an amendment to increase the number of shares available for grant under the Option Plan and shall be effective as of the date the Option Plan is so amended. The options shall vest in equal installments on the first, second, third, fourth and fifth anniversary of the date of grant and shall be subject to terms and conditions of the Option Plan and Tyler's standard option agreement. The options granted shall be issued at an exercise price equal to the closing market price of Tyler's common stock as reported by the New York Stock Exchange as of the effective date of the grant.

**Potential Payments under Employment Contracts**

The named executive officers would have been eligible to receive the payments set forth in the table below had their employment been terminated on December 31, 2007, including if a change in control had occurred during fiscal 2007. In order to provide the most meaningful disclosure, the table below assumes that the employment contracts entered into as of February 26, 2008 had been in effect as of December 31, 2007.

Name	Termination Without Cause		Upon a Change in Control		
	Lump Sum	Continuation of	Lump Sum	Continuation of	Accelerated
	Severance	Health Care	Severance	Insurance	Vesting of
	Payment	Benefit	Payment	Benefit	Stock
					Options
John S. Marr, Jr.	\$ 1,580,000	\$ 10,956	\$ 1,580,000	\$ 10,956	\$ 851,652
Dustin R. Womble	\$ 1,333,000	\$ 11,041	\$ 1,333,000	\$ 11,041	\$ 1,064,106
Brian K. Miller	\$ 875,000	\$ 9,204	\$ 875,000	\$ 9,204	\$ 412,765
H. Lynn Moore, Jr.	\$ 875,000	\$ 9,120	\$ 875,000	\$ 9,120	\$ 412,765

**Table of Contents****Director Compensation**

The following table sets forth a summary of the compensation paid to our non-employee directors in 2007.

Name	Fees Earned or Paid in Cash (\$) (1)	Stock Awards (\$)	Option Awards (\$) (2)	Non-Equity Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Change in Pension Value and Nonqualified
							Total (\$)
Donald R. Brattain	\$47,250	\$	\$35,132(3)	\$	\$	\$	\$82,382
J. Luther King, Jr.	\$35,250	\$	\$35,132(4)	\$	\$	\$	\$70,382
G. Stuart Reeves	\$38,750	\$	\$24,505(5)	\$	\$	\$ 634(7)	\$63,889
Michael D. Richards	\$26,250	\$	\$24,505(6)	\$	\$	\$	\$50,755

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

An annual retainer of \$25,000 for the chairman of the audit committee and \$15,000 for the other non-employee directors.

A fee of \$2,500 for each Board meeting attended in person and \$1,250 for each Board meeting attending via telephone.

A fee of \$2,500 for each audit committee meeting attended in person and \$1,250 for each audit committee meeting attended via telephone.

A fee of \$1,000 for each compensation committee meeting attended in person and \$500 for each compensation committee meeting attended via telephone.

A fee of \$1,000 for each nominating and governance committee meeting attended in person and \$500 for each nominating and governance committee meeting attended via telephone.

Each director is entitled to reimbursement for his reasonable out-of-pocket expenses incurred in connection with travel to and from, and attendance at, meetings of the Board of Directors or its committees and related activities.

(2)

Represents amounts expensed by us during 2007 for grants made to non-employee directors. Such grants provide our directors the opportunity to purchase shares of Tyler common stock at some future date at the fair market value of the stock on the date of grant. The dollar value of the stock option grants is based on the grant date fair value as required by SFAS No. 123R. In May 2007, our directors were each granted options to purchase 5,000 shares of Tyler common stock at \$11.93 per share. The SFAS No. 123R value for the options granted to our non-employee directors was actuarially determined to be \$5.78 per option share. This value does not represent cash received by our directors in 2007, but

potential earnings contingent on the Tyler's future performance. Stock option grants are designed to provide long-term (up to ten years) incentives and rewards linked directly to the price of our common stock. Stock options add value to the recipient only when stockholders benefit from stock price appreciation and, as such, further align our director's interest with those of our stockholders.

(3) Total aggregate shares underlying outstanding stock options as of December 31, 2007 were 35,000.

(4) Total aggregate shares underlying outstanding stock options as of December 31, 2007 were 35,000.

(5) Total aggregate shares

underlying  
outstanding  
stock options as  
of December 31,  
2007 were  
125,000.

**Table of Contents**

(6) Total aggregate shares underlying outstanding stock options as of December 31, 2007 were 45,000.

(7) Other compensation includes costs associated with spousal travel to a Tyler function.

**Compensation Committee Interlocks and Insider Participation**

In 2007, the Compensation Committee consisted of Michael D. Richards (Chairman), J. Luther King, Jr., and G. Stuart Reeves. No member of the Compensation Committee was an officer or employee of the company or any of our subsidiaries. None of our executive officers served on the compensation committee of any other entity.

**Table of Contents**

**REPORT OF THE AUDIT COMMITTEE**

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

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

The Audit Committee meets with the independent auditors, with and without management present, to discuss the overall scope and plans for the audits and the results of their examinations. The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, their judgments as to the quality, not just the acceptability, of the accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. The Audit Committee also reviewed managements report on internal controls over financial reporting and the independent accounting firm s related opinions. In addition, the Audit Committee discussed with the independent auditors the auditors independence from management and the company, including the matters in the written disclosures required by the Independence Standards Board, and considered the compatibility of non-audit services with the auditors independence. The Audit Committee met five times during 2007.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the board of directors (and the board approved) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for filing with the SEC.

This report is submitted by the Audit Committee.

Donald R. Brattain, Chairman

J. Luther King, Jr.

G. Stuart Reeves



**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Our directors and executive officers seek approval from the board of directors prior to entering into a business arrangement that would be deemed a related party transaction. In addition, we review, on an annual basis, our financial records to ensure all related party transactions are identified, quantified, and adequately disclosed. Also, each director and executive officer must disclose in writing any known related party transactions associated with completion of the annual director and officer questionnaire.

We employ Dane L. Womble, a brother of Dustin R. Womble. Dane L. Womble received \$197,000 in salary and bonus compensation in fiscal year 2007 in exchange for services rendered. In fiscal year 2007, we made \$1.8 million in lease payments for certain office space in Falmouth, Maine, that is owned by an entity in which the father and brother of John S. Marr, Jr. have an ownership interest. The lease is at current prevailing fair market rates for the area. John S. Marr, Jr. does not have an interest in the entity that leases property to us.

**STOCKHOLDER PROPOSALS**

Any proposal that a stockholder desires to present at the 2009 annual meeting must be received by us at our corporate headquarters no later than January 18, 2009.

By Order of the Board of Directors,

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

Dallas, Texas  
April 2, 2008



method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

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

n

n

**Table of Contents**

n

**PROXY  
TYLER TECHNOLOGIES, INC.**

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

The undersigned hereby (1) acknowledges receipt of the Notice dated April 2, 2008 of the annual meeting of stockholders of Tyler Technologies, Inc. (the Company ) to be held at the Park City Club, 5956 Sherry Lane, Suite 1700, Dallas, Texas, on Thursday, May 15, 2008 at 9:30 a.m. local time, and the proxy statement in connection therewith, and (2) appoints John S. Marr, Jr. and John M. Yeaman, and each of them, his proxies with full power of substitution and revocation, for and in the name, place and stead of the undersigned to vote upon and act with respect to, all of the shares of Common Stock of the Company standing in the name of the undersigned, or with respect to which the undersigned is entitled to vote and act at said meeting and at any adjournment thereof, and the undersigned directs that his proxy be voted as indicated on the reverse side hereof. If only one of the above proxies shall be present in person, or by substitute, at such meeting or any adjournment thereof, that proxy, so present and voting, either in person or by substitute, shall exercise all of the powers hereby given.

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

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

n

14475 n

**Table of Contents**

**ANNUAL MEETING OF STOCKHOLDERS OF  
TYLER TECHNOLOGIES, INC.  
May 15, 2008**

**PROXY VOTING INSTRUCTIONS**

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

- OR -

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

- OR -

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

**COMPANY NUMBER**

**ACCOUNT NUMBER**

You may enter your voting instructions at [www.voteproxy.com](http://www.voteproxy.com) up until 11:59 PM Eastern Time the day before the cut-off or meeting date.

ê Please detach along perforated line and mail in the envelope provided **IF** you are not voting via the INTERNET. ê

n 20733000000000000000 2

051508

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

**AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK.**

		FOR	AGAINST	ABSTAIN
1. Election of Directors:		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	<b>NOMINEES:</b>			
<input type="radio"/>	i Donald R. Brattain			
	i J. Luther King, Jr.			
		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

