

TYLER TECHNOLOGIES INC

Form DEF 14A

March 26, 2010

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**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:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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March 31, 2010

Dear Stockholder:

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

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

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

Yours very truly,

JOHN M. YEAMAN

Chairman of the Board

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

To the Stockholders of

TYLER TECHNOLOGIES, INC.:

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

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

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

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

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

By Order of the Board of Directors

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

Dallas, Texas
March 31, 2010

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THE ANNUAL MEETING

General Information

The annual meeting will be held in Dallas, Texas at the Park City Club, 5956 Sherry Lane, Suite 1700, on Thursday, May 13, 2010, at 9:30 a.m., local time. At the annual meeting, you will be asked to consider and vote upon the following proposals:

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

Proposal Two Adoption of the Tyler Technologies, Inc. 2010 Stock Option Plan; and

Proposal Three Ratification of the selection of Ernst & Young LLP as our independent auditors for fiscal year 2010.

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

Proxy Solicitation, Revocation, and Expense

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

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

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

PROPOSALS FOR CONSIDERATION

Proposal One Election of Directors

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

The nominees for director are: Donald R. Brattain; J. Luther King, Jr.; John S. Marr, Jr.; G. Stuart Reeves; Michael D. Richards; Dustin R. Womble; and John M. Yeaman. Each of the nominees currently serves on our Board of Directors. For more information regarding these nominees and their qualifications, see Tyler Management. Each nominee has indicated that he is able and willing to serve as a director. If 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.

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

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

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

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

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

Purpose of the 2010 Stock Option Plan. Stock options are designed to strengthen the commitment of selected employees, directors, and consultants, to motivate those individuals to perform their assigned responsibilities diligently and skillfully, and to attract and retain 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 selected employees, non-employee directors, and consultants are rewarded only if the value of your investment in our common stock has appreciated.

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

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

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

The 2010 Stock Option Plan will terminate on May 13, 2020, and no options may thereafter be granted under the plan. Our Board of Directors may amend, alter, or discontinue the plan, or any part thereof, at any time and for any reason. However, we will obtain stockholder approval for any amendment to the plan to the extent necessary and desirable to comply with applicable law. The administering committee 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 employees. Non-employee directors, as well as consultants, are eligible for the grant of nonqualified stock options. The maximum number of shares that may be subject to options granted to any one person under the plan during any calendar year may not exceed 1,000,000. The 2000 Stock Option Plan did not have any similar restrictions, except for limitations on grants of incentive stock options, which are also included in the 2010 Stock Option Plan as discussed below.

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

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

Tax Status of Options. An option holder has no taxable income, and we are not entitled to a deduction, at the time of the grant of an option. All stock options that qualify under the rules of Section 422 of the Code will be entitled to incentive stock option treatment. To receive incentive stock option treatment, an option holder must not dispose of the acquired stock within two years after the option is granted and within one year after the exercise. In addition, the individual must have been an employee for the entire time from the date of granting the option until three months (one year if the employee is disabled) before the date of the exercise. The requirements 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

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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 option holder may be obligated to pay alternative minimum tax in the year he or she exercises an incentive stock option.

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

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

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

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

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

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2009	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in initial column as of December 31, 2009)
Equity compensation plans approved by security shareholders:			
Stock options	5,703,430	\$ 11.12	176,378
ESPP	25,072	16.92	341,306
Equity compensation plans not approved by security shareholders			
	5,728,502	\$ 11.15	517,684

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

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

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

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

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

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

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

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

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

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

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

Table of Contents**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, 69	Chairman of the Board	2004
	Director	1999
John S. Marr, Jr., 50	President and Chief Executive Officer	2004
	Director	2002
Donald R. Brattain, 69	Director	2004
Luther King, Jr., 70	Director	2004
G. Stuart Reeves, 70	Director	2001
Michael D. Richards, 59	Director	2002
Dustin R. Womble, 50	Executive Vice President	2003
	Director	2005
Brian K. Miller, 51	Executive Vice President	2008
	Chief Financial Officer	2005
	Treasurer	1997
H. Lynn Moore, Jr., 42	Executive Vice President	2008
	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). Mr. Yeaman began his career with Eastman Kodak Company. Mr. Yeaman also serves on the Board of Directors of Park Cities Bank in Dallas, Texas.

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

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

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

member of the Audit Committee of Encore Energy Partners GP, LLC. In addition, Mr. King serves as

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

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

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

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

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

H. Lynn Moore, Jr. has been General Counsel since September 1998 and has been Secretary since October 2000 and Executive Vice President since February 2008. He previously served as Vice President from October 2000 until February 2008. From August 1992 to August 1998, Mr. Moore was associated with the law firm of Hughes & Luce,

L.L.P. in Dallas, Texas where he represented numerous publicly-held and privately-owned entities in various corporate and securities, finance, litigation, and other legal related matters. Mr. Moore is a member of the State Bar of Texas.

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Board Diversity and Nominee Qualifications

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

sound personal and professional integrity;

an inquiring and independent mind;

practical wisdom and mature judgment;

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

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

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

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

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

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

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

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

Donald R. Brattain: Private investment management experience as President of Brattain & Associates, LLC
Executive and entrepreneurial experience in growth of a small business enterprise from \$3.2 million in sales to over \$100 million in sales

J. Luther King, Jr.: Executive equity management experience as founder of Luther King Capital Management, a registered investment advisory firm
Outside board experience as a director of Encore Energy Partners GP, LLC and other institutions

Experience as a university trustee

G. Stuart Reeves

Extensive public company leadership experience with 32 years of service at EDS in various senior level capacities
Outside board experience as a former director of EDS and current director of Park Cities Bank

Michael D. Richards

Executive and entrepreneurial experience as founder of Suburban Title LLC
Outside board and advisory council service with various entities, including the Greater Dallas Chamber of Commerce

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John S. Marr, Jr.	Chief Executive Officer of Tyler since 2004 Over 27 years of specific industry experience, including chief executive experience, with MUNIS, Inc., which Tyler acquired in 1999 Outside board experience as a director of Mercy Hospital in Portland, Maine
Dustin R. Womble	Senior-level executive experience at Tyler since 2003 Over 29 years of specific industry experience as founder of INCODE, Inc., which Tyler acquired in 1998
John M. Yeaman	President of Tyler from 1998 through 2004 Over 18 years of public company executive experience at EDS

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE PRINCIPLES

General Information

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

Corporate Governance Guidelines

Our Board of Directors has adopted a number of corporate governance guidelines, including the following: Independence Standards, which determine the independence of our non-employee directors. These standards are consistent with the independence standards set forth in Rule 303A.02(b) of the New York Stock Exchange Listed Company Manual. The Independence Standards are included as an exhibit to our Audit Committee Charter.

Corporate Governance Guidelines, which include, among other things:

annual submission of independent auditors to stockholders for approval;

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

prohibition of stock option re-pricing;

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

performance of periodic formal board evaluation; and

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

A copy of our Corporate Governance Guidelines may be found on our Website, www.tylertech.com.

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 whom will qualify as an audit committee financial expert as set forth in Item 401(h) of the SEC's Regulation S-K. A copy of our Audit Committee Charter may be found on our Website, www.tylertech.com.

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.

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

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, 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 our Independence Standards described above and the New York Stock Exchange director independence standards, as currently in effect and as may be changed from time to time. As a result, if each of the nominees for director is elected at the annual meeting, our Board of Directors will be comprised of a majority of independent directors as required by the New York Stock Exchange. Furthermore, our Board of Directors has determined that each of the members of the Audit Committee, Compensation Committee, and Nominating and Governance Committee has no material relationship with us (either directly or as a partner, shareholder, or officer of an organization that has a relationship with us) and is independent within the meaning of our Independence Standards.

Committees and Meetings of the Board of Directors

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

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

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

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

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

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

considering the independence of our independent auditors before we engage them;

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

reviewing the completed audit with the independent auditors regarding any significant accounting adjustments, recommendations for improving internal controls, appropriateness of accounting policies, appropriateness of accounting and disclosure decisions with respect to significant unusual transactions or material obligations, and significant findings during the audit;

performing of periodic formal committee evaluations;

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

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

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

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

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

identifying and recommending candidates for election to our Board of Directors;

identifying and recommending candidates to fill vacancies occurring between annual stockholder meetings;

reviewing the composition of board committees;

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

monitoring adherence to our Corporate Governance Guidelines.

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

Board Leadership Structure

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

The Board's Role in Risk Oversight

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

Audit Committee Financial Expert

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