

# **TYLER TECHNOLOGIES, INC.**

## **AUDIT COMMITTEE CHARTER AS AMENDED FEBRUARY 24, 2004**

### **PURPOSE**

The Audit Committee is appointed by the Board of Directors of the Company to: (1) assist the Board in monitoring (a) the integrity of the financial reporting process, systems of internal controls, the corporate accounting practices, the financial statements and reports of the Company, (b) the performance of the Company's internal audit function, and (c) the compliance by the Company with legal and regulatory requirements; (2) monitor the independence and qualifications of the independent auditors (the "Independent Auditor") and be directly responsible for the appointment, compensation and oversight of the Company's independent auditor employed by the Company for the purpose of preparing or issuing an audit report or related work; and (3) prepare the report required by the rules of the Commission to be included in the Company's annual proxy statement.

### **COMMITTEE MEMBERSHIP**

The Audit Committee shall consist of no fewer than three members, as determined annually by the Board on the recommendation of the Nominating Committee. The members of the Audit Committee shall meet the independence and expertise requirements of the New York Stock Exchange, any other exchange on which the Company's securities are traded, Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission (the "Commission"). All members of the Committee shall be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. The Board, in the exercise of its business judgment, shall determine that (a) all members of the Committee are financially literate and (b) at least one member of the Committee shall be a financial expert (as defined in SEC Regulation S-K, item 401(H), and any amendment thereof). Committee members may enhance their familiarity with finance and accounting by participating in education programs conducted by the Company or an outside consultant. Audit Committee members shall not serve simultaneously on the audit committees of more than two other public companies without the approval of the full Board.

The members of the Audit Committee shall be appointed annually by the Board on the recommendation of the Nominating Committee. Audit Committee members may be replaced by the Board at any time. The Board shall designate the Chairman or Chairwoman ("Chairperson") of the Audit Committee.

### **COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The basic responsibility of the members of the Audit Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, members should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors, to the fullest extent permitted by law.

In carrying out its responsibilities, the Committee, and each member of the Committee in his or her capacity as such, shall be entitled to rely, in good faith, on information, opinions, reports or statements, or other information prepared or presented to them by 1) officers and other employees of the Company or its subsidiaries, whom such member believes to be reliable and competent in the matters presented, and 2) counsel, public accountants, consultants or other persons as to matters which the member believes to be within the professional competence of such person, including, without limitation, representations by management and the independent auditors regarding non-audit services provided to the Company by independent auditors.

The Audit Committee shall be directly responsible for the appointment (subject, if applicable, to shareholder ratification), retention, termination, compensation and terms of engagement, evaluation, and oversight of the work of the Independent Auditor (including resolution of disagreements between management and the Independent Auditor regarding financial reporting). The Independent Auditor shall report directly to the Audit Committee.

The Audit Committee shall oversee the integrity of the audit process, financial reporting and internal accounting controls of the Company, oversee the work of the Company's management, internal auditor function (the "Internal Auditors") and the Independent Auditor in these areas, oversee management's development of, and adherence to, a sound system of internal accounting and financial controls, review whether the Internal Auditors and the Independent Auditor objectively assess the Company's financial reporting, accounting practices and internal controls, and provide an open avenue of communication among the Independent Auditor, the Internal Auditors and the Board. It is the responsibility of: (i) management of the Company and the Independent Auditor, under the oversight of the Audit Committee and the Board, to plan and conduct financial audits and to determine that the Company's financial statements and disclosures are complete and accurate in accordance with generally accepted accounting principles ("GAAP") and applicable rules and regulations and fairly present, in all material respects, the financial condition of the Company; and (ii) the Internal Auditors, under the oversight of the Audit Committee and the Board, to review the Company's internal transactions and accounting which do not require involvement in the detailed presentation of the Company's financial statements.

The Audit Committee shall pre-approve all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by the Independent Auditor to the extent required by and in a manner consistent with applicable law.

The Audit Committee shall meet as often as it determines necessary or appropriate, but not less frequently than quarterly. The Chairperson shall preside at each meeting and, in the absence of the Chairperson, one of the other members of the Audit Committee shall be designated as the acting chair of the meeting. The Chairperson (or acting chair) may direct appropriate members of management and staff to prepare draft agendas and related background information for each Audit Committee meeting. The draft agenda shall be reviewed and approved by the Audit Committee Chairperson (or acting chair) in advance of distribution to the other Audit Committee members. Any background materials, together with the agenda, should be distributed to the Audit Committee members in advance of the meeting. All meetings of the Audit Committee shall be held pursuant to the by-laws of the Company with regard to notice and waiver thereof, and written minutes of each meeting, in the form approved by the Audit Committee, shall be duly filed in the Company records. Reports of meetings of the Audit Committee shall be made to the Board at its next regularly scheduled meeting following the Audit Committee meeting accompanied by any recommendations to the Board approved by the Audit Committee.

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisers. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the Independent Auditor for the purpose of rendering or issuing an audit report and to any advisers employed by the Audit Committee, subject only to any limitations imposed by applicable rules and regulations. The Audit Committee may request any officer or associate of the Company or the Company's outside counsel or Independent Auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee shall meet with management, the Internal Auditors and the Independent Auditor in separate executive sessions at least semi-annually to discuss matters for which the Audit Committee has responsibility.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review its own performance.

In performing its functions, the Audit Committee shall undertake those tasks and responsibilities that, in its judgment, would contribute most effectively to and implement the purposes of the Audit Committee. In addition to the general tasks and responsibilities noted above, the following are the specific functions of the Audit Committee:

#### Financial Statement and Disclosure Matters

1. Review and discuss with management, and to the extent the Audit Committee deems necessary or appropriate, the Internal Auditors and the Independent Auditor, the Company's disclosure controls and procedures that are designed to ensure that the reports the Company files with the Commission comply with the Commission's rules and forms.
2. Review and discuss with management, the Internal Auditors and the Independent Auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
3. Review and discuss with management, the Internal Auditors and Independent Auditor the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, prior to the filing of its Form 10-Q, including the results of the Independent Auditor's reviews of the quarterly financial statements.
4. Review and discuss quarterly reports from the Independent Auditor on:
  - (a) All critical accounting policies and practices to be used;
  - (b) All alternative treatments within GAAP for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditor;
  - (c) The internal controls adhered to by the Company, management, and the Company's financial, accounting and internal auditing personnel, and the impact of each on the quality and reliability of the Company's financial reporting; and

- (d) Other material written communications between the Independent Auditor and management, such as any management letter or schedule of unadjusted differences.
5. Discuss in advance with management the Company's practice with respect to the types of information to be disclosed and the types of presentations to be made in earnings press releases, including the use, if any, of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
  6. Review and discuss with management, the Internal Auditors and the Independent Auditor:
    - (a) Significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements;
    - (b) The clarity of the financial disclosures made by the Company;
    - (c) The development, selection and disclosure of critical accounting estimates and the analyses of alternative assumptions or estimates, and the effect of such estimates on the Company's financial statements;
    - (d) Potential changes in GAAP and the effect such changes would have on the Company's financial statements;
    - (e) Significant changes in accounting principles, financial reporting policies and internal controls implemented by the Company;
    - (f) Significant litigation, contingencies and claims against the Company and material accounting issues that require disclosure in the Company's financial statements;
    - (g) Information regarding any "second" opinions sought by management from an independent auditor with respect to the accounting treatment of a particular event or transaction;
    - (h) Management's compliance with the Company's processes, procedures and internal controls;
    - (i) The adequacy and effectiveness of the Company's internal accounting and financial controls and the recommendations of management, the Internal Auditors and the Independent Auditor for the improvement of accounting practices and internal controls; and
    - (j) Determine, as regards to new acquisitions, dispositions, other transactions or events, the independent auditor's reasoning for the appropriateness of the accounting principles and disclosures practices adopted by management.
  7. Discuss with management and the Independent Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and aggregate contractual obligations on the Company's financial statements.
  8. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

9. Discuss with the Independent Auditor the matters required to be discussed by Statement on Auditing Standards (“SAS”) No. 61 relating to the conduct of the audit. In particular, discuss:
  - (a) The adoption of, or changes to, the Company’s significant internal auditing and accounting principles and practices as suggested by the Independent Auditor, Internal Auditors or management; and
  - (b) The management letter provided by the Independent Auditor and the Company’s response to that letter.
  - (c) Any difficulties encountered by the Independent Auditor or the Internal Auditors in the course of their audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
10. Receive and review disclosures made to the Audit Committee by the Company’s Chief Executive Officer and Chief Financial Officer during their certification process for the Company’s Form 10-K and Form 10-Q about (a) any significant deficiencies in the design or operation of internal controls or material weakness therein, (b) any fraud involving management or other associates who have a significant role in the Company’s internal controls and (c) any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.
11. Review the Company’s other reports or other financial information submitted to any government body, or the public, including any certification, report, opinion, or review rendered by the independent accountants. This review is to encompass significant transactions not a normal part of the Company’s operations; changes, if any, during the year in the Company’s accounting principles operations; changes, if any, during the year in the Company’s accounting principles or their application and significant adjustments proposed by the independent public accounts.

## **OVERSIGHT OF THE COMPANY’S RELATIONSHIP WITH THE INDEPENDENT AUDITOR**

12. Review the experience and qualifications of the senior members of the Independent Auditor team.
13. Obtain and review a report from the Independent Auditor at least annually regarding (a) the Independent Auditor’s internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the Independent Auditor and the Company, including the written disclosures and the letter required by Independence Standards Board Standard 1, as that standard may be modified or supplemented from time to time.
14. Evaluate the qualifications, performance and independence of the Independent Auditor, including considering whether the Independent Auditor’s quality controls are adequate and the provision of non-audit services is compatible with maintaining the Independent Auditor’s independence, and taking into account the opinions of management and the Internal Auditor. The Audit Committee shall present its conclusions to the Board.

15. Oversee the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit at least once every five years, and oversee the rotation of other audit partners, in accordance with the rules of the Commission.
16. Recommend to the Board policies for the Company's hiring of present and former associates of the Independent Auditor who have participated in any capacity in the audit of the Company, in accordance with the rules of the Commission.
17. To the extent the Audit Committee deems necessary or appropriate, discuss with the national office of the Independent Auditor issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.
18. Discuss with management, the Internal Auditors and the Independent Auditor any accounting adjustments that were noted or proposed by the Independent Auditor, but were not adopted or reflected.
19. Meet with management, the Internal Auditors and the Independent Auditor prior to the audit to discuss and review the scope, planning and staffing of the audit. Also discuss the frequency of when internal audits will be performed.
20. Obtain from the Independent Auditor the information required to be disclosed to the Company by generally accepted auditing standards in connection with the conduct of an audit, including topics covered by SAS No. 54, No. 60, No. 61 and No. 82.
21. Require the Independent Auditor to review the financial information included in the Company's Form 10-Q in accordance with Rule 10-01(d) of Regulation S-X of the Commission prior to the Company filing such reports with the Commission and to provide to the Company for inclusion in the Company's Form 10-Q any reports of the Independent Auditor required by Rule 10-01(d).

## **OVERSIGHT OF THE COMPANY'S INTERNAL AUDIT FUNCTION**

22. Ensure that the Company has an internal audit function.
23. Review and concur in the appointment, replacement, and the reassignment or dismissal of the senior internal auditing executive.
24. Review the significant reports to management prepared by the internal auditing department and management's responses.
25. Communication with management and the Internal Auditors to obtain information concerning internal audits, accounting principles adopted by the Company, internal controls of the Company, management, and the Company's financial and accounting personnel, and review the impact of each on the quality and reliability of the Company's financial statements.
26. Evaluate the internal auditing function and its impact on the accounting practices, internal controls and financial reporting of the Company.
27. Discuss with management, the Internal Auditor, and the Independent Auditor the internal audit function's responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.

## **COMPLIANCE OVERSIGHT RESPONSIBILITIES**

28. Obtain from the Independent Auditor the reports required to be furnished to the Audit Committee under Section 10A of the Exchange Act and obtain from the Independent Auditor any information with respect to illegal acts in accordance with Section 10A.
29. Obtain reports from management, the Company's senior internal auditing executive and the Independent Auditor concerning whether the Company and its subsidiary affiliated entities are in compliance with applicable legal requirements and the Statement of Ethics. Obtain and review reports and disclosures of insider and affiliated party transaction. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations, including compliance with the Foreign Corrupt Practices Act, and the Statement of Ethics.
30. Periodically review the Company's Code of Business Conduct and Ethics for Senior Financial Officers and recommend any proposed changes to the Board of Directors for approval.
31. Periodically review procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by associates of the Company of concerns regarding questionable accounting or auditing matters.
32. Discuss with management and the Independent Auditor any correspondence between the Company and regulators or governmental agencies and any associate complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.
33. Discuss with the Company's Chief Legal Officer legal matters that may have a material impact on the financial statements or the Company's compliance policies.
34. Review with management, the internal auditor, and the independent auditors, the integrity and effectiveness of the Company's electronic accounting, data processing, and management information systems.

## **ADDITIONAL RESPONSIBILITIES**

35. Prepare annually a report for inclusion in the Company's proxy statement relating to its annual shareholders meeting. In that report, the Audit Committee will state whether it has: (a) reviewed and discussed the audited financial statements with management; (b) discussed with the Independent Auditor the matters required to be discussed by SAS No. 61, as that statement may be modified or supplemented from time to time; (c) received from the Independent Auditor the written disclosures and the letter required by Independence Standards Board Standard 1, as that standard may be modified or supplemented from time to time, and has discussed with the Independent Auditor, the Independent Auditor's independence; and (d) based on the review and discussions referred to in clauses (a), (b) and (c) above, recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the Commission.
36. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities.

37. Review the Company's Related-Party Transaction Policy and recommend any changes to the Compensation and Nominating and Governance Committees and then to the Board for approval. Review and determine whether to approve or ratify transactions covered by such policy, as appropriate.
38. Review annually the Audit Committee Charter for adequacy and recommend any changes to the Board.

#### **LIMITATIONS OF THE COMMITTEE'S ROLE**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor. In carrying out its oversight responsibilities set forth in this Charter, members of the Committee are not providing expert or special assurance with respect to the Company's financial statements, or any professional certification as to the work of the independent auditor, including with respect to auditor independence.

## INDEPENDENCE FOR AUDIT COMMITTEE MEMBERS

### INDEPENDENCE

The Audit Committee is required to consist of at least three directors, each of whom must be independent. An independent director is a director whom the Board has determined has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and otherwise meets the requirements for “independence” under the rules of the New York Stock Exchange and any other applicable legal or regulatory requirement. Set forth below are current criteria affecting Audit Committee membership:

- Employees of the Company or its affiliates\* may not serve on the Audit Committee until five years following the termination of employment.
- A director who is, or in the past five years has been, affiliated with or employed by a present or former auditor of the Company (or of an affiliate) may not serve on the Audit Committee until five years following the end of either the affiliation or the auditing relationship.
- The only compensation a director may receive from the Company are the fees and compensation received for serving on the Board and Committees of the Board, which may be received in cash, stock options or other-in-kind consideration ordinarily available to Company directors, as well as other regular benefits other Company directors receive. Neither a director, nor the firm with which a director is associated, may receive any compensation for providing consulting, legal or financial advisory services, regardless of who within the firm provides the service.
- A director who is employed as an executive of another corporation where any of the Company’s executives serve on that corporation’s compensation committee may not serve on the Audit Committee.
- A director who is an immediate family member\*\* of any individual who falls within the preceding categories cannot serve on the Audit Committee until five years following the termination of such relationship.

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\* Affiliate includes a subsidiary, sibling company, predecessor, parent company, or former parent company.

\*\* Immediate family includes a person’s spouse, parents, children, siblings, parents-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than the employee) who shares such person’s home.