

**CORPORATE GOVERNANCE GUIDELINES  
ADOPTED BY THE BOARD OF DIRECTORS  
OF  
TYLER TECHNOLOGIES, INC.**

**AS ADOPTED FEBRUARY 24, 2004**

**PURPOSE**

The purpose of the Guidelines is to assist the Company's Board of Directors in maintaining effective corporate governance practices for the long-term benefit of its stockholders. The Guidelines formalize certain practices previously followed by the Tyler Board, and also establish new governance practices the Board has implemented to strengthen the Company's corporate governance and to comply with new listing standards of the New York Stock Exchange and new legal requirements. The Tyler Board intends to review the Guidelines periodically and revise the Guidelines as the Board deems appropriate in light of continuing developments in corporate governance principles.

**BOARD ROLE AND RESPONSIBILITIES**

- 1. Role and Responsibilities of the Board.** The primary role of the Tyler Board is to exercise its business judgment to promote the long-term interests of the Company's stockholders. The Board provides strategic direction to the Company and oversight of management in the performance of the Company's business activities. The Board's responsibilities include:
  - Review, approval and monitoring of the Company's significant financial and business strategies as developed by management;
  - Review and approval of material transactions and corporate activities not entered into in the ordinary course of business;
  - Assessment of material risks facing the Company and review of management's plans for mitigating such risks;
  - Evaluation of performance and compensation of the CEO and oversight of CEO succession planning;
  - Oversight of the Company's processes and practices for ensuring the Company's compliance with laws and the integrity of the Company's financial reporting, internal controls, and public disclosure.
- 2. Responsibilities of Individual Directors.** In addition to the qualifications required of individual Tyler directors described in the Guidelines, directors are expected to understand the Company's businesses and markets, to regularly attend and be prepared for Board and committee meetings, and to actively participate in board discussions and decisions. Tyler directors are expected to proactively promote the best interests of the stockholders of the Company and to be generally available between formal meetings for advice and consultation on matters of importance to the Company.
- 3. Ethics and Conflicts of Interest.** Tyler directors are expected to act ethically at all times and to adhere to the Company's Business Code of Conduct when they are representing or acting on behalf of the Company. If a director develops an actual or potential conflict of interest with the Company, the director must report the conflict immediately to the Chairman

of the Board's Audit Committee and the Company's General Counsel. If a significant conflict exists and cannot be resolved between such director and the Board, the director should resign. All directors must recuse themselves from any decision affecting their personal, business or professional interests.

## **BOARD COMPOSITION**

- 4. Majority of Independent Directors.** The Board of Directors will have a majority of members who meet the applicable independence requirements of the New York Stock Exchange and any applicable law. The Board's Nominating and Corporate Governance Committee will review the independence of each director under the applicable requirements annually and will present its findings and recommendations to the Board. In conducting its review, the Nominating and Corporate Governance Committee will consider that Board members' independence may be jeopardized if Board compensation exceeds appropriate levels, if the Company makes substantial charitable contributions to organizations with which a Board member is affiliated, or if the Company enters into material consulting arrangements with (or provides other indirect forms of compensation to) a director or an organization with which a director is affiliated. Based on these findings and recommendations the Board will affirmatively determine whether each director is independent under the applicable requirements and the Company will publicly disclose such determinations in accordance with the requirements of the New York Stock Exchange or applicable law.
- 5. Board Size.** The Company's Certificate of Incorporation, as amended, provides that the Board of Directors shall consist of not fewer than three or more than fifteen members (with the exact number to be determined by the Board). The Board should be neither too small to maintain the needed expertise and independence, nor too large to function effectively. However, from time to time, the Board will evaluate its size and determine whether changing circumstances warrant a change in the size of the Board.
- 6. Board Leadership.** The Chairman of the Board will preside at all meetings of the Company's stockholders and the Board of Directors. The Chairman of the Board position and the Chief Executive Officer position are held at this time by separate individuals. The Board has concluded at this time that it is not necessary to establish a "lead director." The Chairman of the Nominating and Corporate Governance Committee will preside at all executive session meetings of the non-management directors.
- 7. Nomination and Selection of Directors.** Directors are elected each year by the Company's stockholders at the Annual Meeting of Stockholders. The Board's Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending a qualified slate of nominees for election to the Board. The Nominating and Corporate Governance Committee may, in the exercise of its discretion, actively solicit nominee candidates; however, nominee recommendations submitted by other directors or stockholders will be considered. Any vacancies occurring in non-management director positions between annual stockholder meetings are filled by the Board and vacancies in director positions held by management are filled by the Chairman of the Board.
- 8. Board Qualifications.** The Nominating and Corporate Governance Committee establishes the qualifications for directors and reviews such qualifications with the Board annually. The Nominating and Corporate Governance Committee seeks candidates who have the background, skills and expertise to make a significant contribution to the Board, the Company and its stockholders. Candidates nominated for election or reelection to the Board should possess 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 in business, finance and accounting, government, education or technology;
- Expertise that is useful to the Company 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 the Company's businesses;
- 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 the Company and its stockholders.

**9. Extending Invitation to Potential Director.** The invitation to a prospective Board member to join the Board will be extended by the Chairman of the Board following the qualification and selection of the nominee in accordance with the procedures described in paragraph 7 above.

**10. Retirement.** The Board does not have a mandatory retirement policy for directors. The Board believes that factors such as the age of a director will be appropriately considered by the Nominating and Corporate Governance Committee on an annual basis. However, the Board will continue to review this issue and could in the future determine that a mandatory retirement policy is appropriate.

**11. Resignations; Changes in a Director's Principal Business Activities.** Any director who is also an officer of the Company shall submit a letter of resignation to the Board upon any termination of employment as an officer of the Company. Any non-management director who experiences a significant change in the director's principal business or other activity in which the director was engaged at the time of the director's election will consult with the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee and will offer to resign as a director. The Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee will review the circumstances, determine whether resignation from the Board is appropriate, and recommend a course of action to the Board.

**12. Term Limits.** The Board does not have a term limits policy for length of service as a director. The absence of term limits allows the Company to retain directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

**13. Service on Other Boards and Other Commitments.** Service as a director of the Company is a significant commitment in terms of both time and responsibility. Accordingly, each director is encouraged to limit the number of other public or private company boards on which the director serves and to be mindful of the director's other existing and planned commitments, so that such other directorships and commitments do not materially interfere with the director's service as an effective and active member of the Company's Board. The Board has adopted a policy that directors should not serve as a director of more than four public companies in addition to the Tyler Board. Directors must advise the Chairman of the

Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board or significant private company board.

## **BOARD OPERATING**

- 14. Scheduling Board Meetings.** The Chairman of the Board in consultation with other directors will determine the timing and length of Board meetings. The Board expects that a minimum of four regular meetings per year, one in each fiscal quarter, is desirable for the performance of the Board's responsibilities. In addition to regularly scheduled meetings, special Board meetings may be called at any time in accordance with the procedures set forth in the Company's bylaws to address specific needs of the Company.
- 15. Establishing Board Meeting Agendas.** The Chairman of the Board in consultation with executive management will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda, request the presence of or a report by any member of the Company's management, or raise at any Board meeting subjects that are not on the agenda for that meeting.
- 16. Meeting Attendance and Preparation.** Directors are expected to attend all Board meetings and meetings of committees on which they serve, to spend the time needed to review materials in advance of such meetings, to participate in such meetings, and to meet as frequently as necessary to properly discharge their responsibilities. In advance of each Board meeting and Board committee meeting, directors will receive the meeting agenda and other materials important to the Board's understanding of the matters to be considered. In addition, directors will periodically receive and should review materials designed to keep them well informed as to the most significant aspects of the Company's business, performance and prospects.
- 17. Access to Management.** Each director has complete and open access to the Company's executive management. Directors should inform the Chairman of the Board of any material issues they believe should be addressed directly with executive management. In addition, the Board encourages, or may require, the attendance of executive management at Board and committee meetings in order to brief the Board and its committees on particular topics. The Board encourages the Company's executive management to offer presentations at such meetings by managers who can provide additional insight into items being considered or who have potential for greater responsibility and should be given exposure to the Board.
- 18. Access to Independent Advisors.** The non-management directors as a group and each of the Board's committees have the authority to retain at any time, at the expense of the Company, independent legal, financial or other advisors if they determine such independent advice is necessary, appropriate and in the best interests of the Company and its stockholders.
- 19. Executive Sessions of Non-Management Directors.** Non-management directors will meet without management present at least twice annually at regularly scheduled executive sessions and at such other times as they may deem necessary or appropriate. The Chairman of the Nominating and Corporate Governance Committee will preside at these meetings and, as appropriate, will report the results of the meetings to the Chairman of the Board or invite the Chairman of the Board to join the executive sessions for further discussion.
- 20. External Communication.** The Board believes that it is the responsibility of the Company's executive management to speak on behalf of the Company to stockholders, analysts, the media, customers, suppliers or employees. If comments from or on behalf of the Board are

appropriate under the circumstances, they should, in most cases, be made by the Chairman of the Board or his designee. In those instances in which it is necessary for an individual director to speak with such outside constituencies, it is expected that the director will do so only with the knowledge of the Chairman of the Board and, absent unusual circumstances, only at the request of the Chairman of the Board.

- 21. Annual Performance Evaluation.** The Nominating and Corporate Governance Committee will establish appropriate performance criteria and processes for, and implement and oversee, an annual performance evaluation of each director, each committee of the Board, and the Board as a whole. The Nominating and Corporate Governance Committee will report the results of these evaluations to the Board and identify opportunities to improve the effectiveness of the Board and its Committees.
- 22. New Director Orientation; Continuing Education.** The Nominating and Corporate Governance Committee will develop and oversee an orientation program for new directors. The orientation process will include comprehensive information about the Company's businesses and financial performance, as well as the policies, procedures and responsibilities of the Board and its committees. New directors will also meet with senior management and will have the opportunity to visit Company facilities. In addition, the Company will facilitate the participation of directors in relevant continuing education programs when requested by a director or when the Board concludes that such education would be of significant benefit to a director.

## **BOARD COMMITTEES**

- 23. Board Committees and Responsibilities.** The Board has established an Audit Committee, a Compensation Committee, an Executive Committee and a Nominating and Corporate Governance Committee. The Board of Directors may, from time to time, establish or maintain additional committees as necessary or appropriate. The Board has adopted charters for each committee (other than the Executive Committee) setting forth the purpose and responsibilities of the committee. Each committee will report to the Board on its meetings and activities at the next regularly scheduled meeting of the Board or as appropriate.
- 24. Independent Director Committee Members.** Each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are comprised solely of directors who meet the applicable independence requirements of the New York Stock Exchange and any applicable law.
- 25. Assignment of Committee Members.** The Nominating and Corporate Governance Committee will make annual recommendations to the Board for committee appointments. In selecting committee members the Nominating and Corporate Governance Committee and the Board will consider several factors, including each director's interests, tenure and subject-matter expertise; the need for both continuity and fresh ideas and perspectives; and applicable requirements of the Securities and Exchange Commission, Internal Revenue Service, New York Stock Exchange and other legal requirements.
- 26. Limit on Audit Committee Memberships.** Given the significant time demands and responsibilities of serving on a public company audit committee, the Board has established a policy that no member of the Audit Committee may serve on more than two other public company audit committees.
- 27. Committee Meeting Frequency, Length and Agendas.** The Chairman of each Board committee, in consultation with the committee members and appropriate members of

management, will determine the frequency and length of committee meetings and develop the agenda for each committee meeting. However, the Board expects that the Audit Committee will meet at least four times per year to review financial results prior to earnings release and in conjunction with the quarterly Board meetings to review matters as deemed appropriate. The Chairman of the Board may participate in any committee meeting except when such participation would present a conflict of interest or the meeting is a non-management executive session of the committee.

## **BOARD COMPENSATION AND STOCK OWNERSHIP**

- 28. Compensation of Directors.** The Board, upon the recommendation of the Compensation Committee, will establish the form and amount of compensation to be paid to non-management directors. Directors who are also employees of the Company receive no additional compensation for serving on the Board. The Compensation Committee will conduct an annual review of Board compensation, which may include information obtained from one or more third-party reports or surveys in order to compare the Company's Board compensation practices with those of other public companies in the Company's peer group or of comparable size.
- 29. Stock Ownership Guidelines.** The Board believes that significant direct ownership of Tyler stock (excluding unexercised stock options) by directors aligns their interests with the interests of the Company's stockholders. Accordingly, the Board permits stock ownership for the directors.

## **MANAGEMENT REVIEW AND SUCCESSION PLANNING**

- 30. Annual Compensation Review of Executive Management.** The Compensation Committee, in consultation with the Chairman of the Board, will annually approve the goals and objectives for compensating the Chief Executive Officer. The Compensation Committee and the Chairman of the Board will evaluate the CEO's performance in attaining these goals before setting the CEO's salary, bonus and other incentive and equity compensation. The Compensation Committee, in consultation with the Chairman of the Board, will also annually approve the compensation structure for the Company's other executive management and will evaluate the performance of these officers in attaining these goals before setting the salary, bonus and other incentive and equity compensation for executive management.
- 31. Succession Planning and Management Development.** The Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board, will periodically report to the Board on succession planning. The Board will work with the Nominating and Corporate Governance Committee and the Chairman of the Board to evaluate potential successors to the position of Chief Executive Officer and other members of executive management and to establish policies regarding succession in the event of an emergency or retirement of the Chief Executive Officer.

## **OTHER PRACTICES**

- 32. Personal Loans Prohibition.** The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any director or member of the Company's executive management.
- 33. No Repricing of Stock Options.** The Company will not reprice stock options for any reason (including, without limitation, by canceling an outstanding option and replacing such option with a new option with a lower exercise price).

**34. Guidelines Disclosed in Proxy; Web Site Posting.** These Corporate Governance Guidelines will be disclosed annually in the Company's proxy report. In addition, the Corporate Governance Guidelines, the charters for the Audit, Compensation, and Nominating and Corporate Governance Committees, the Company's Code of Business Conduct, and other relevant corporate governance information will be posted for public access on the Company's web site.